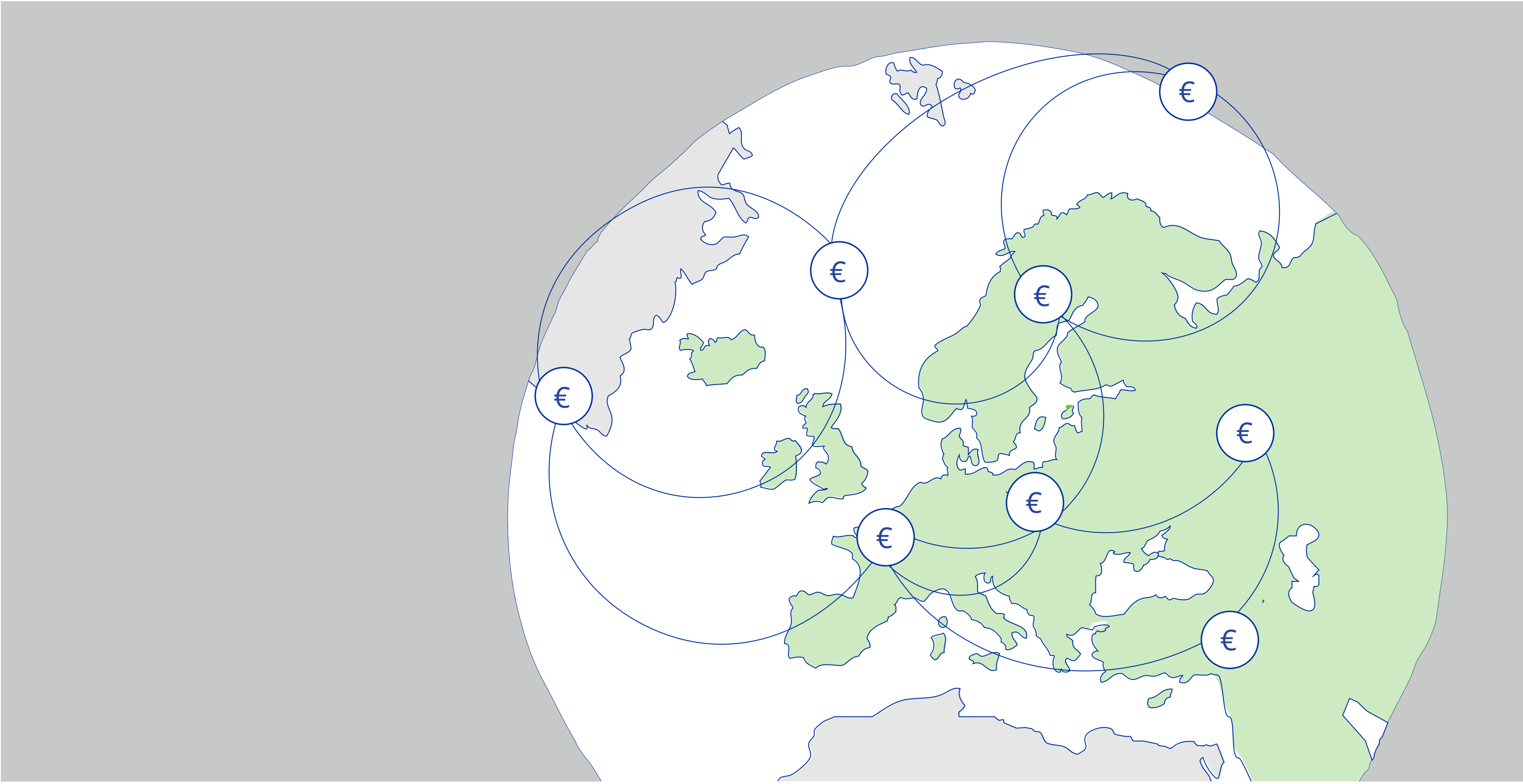

Capital Raising Survey **2017**

Research

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 vehicles 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 industry.

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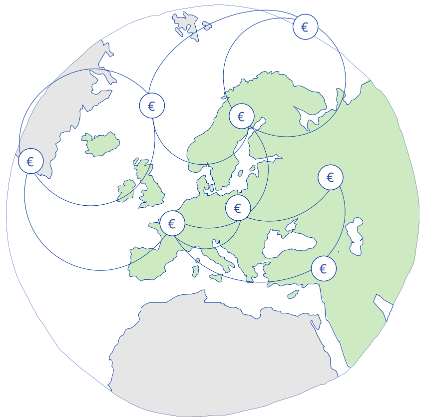


Executive summary

> New capital raised in 2016 reaches €121.8 billion, a small decrease from the previous year
> Pension funds and insurance companies account for 62.5% of new capital raised
> Largest share of new equity targets Europe

The key message from this year's Capital Raising Survey can be stated as follows: non-listed real estate remains in favour among investors of all types, and in particular with pension funds and insurance companies.

This year marks the 11th anniversary of this Survey. Since its inception in 2006 the survey has seen ups and down in the level of new capital raised annually. Despite this year-on-year variability, the capital has not ceased to flow, and in fact the amount of new capital raised for non-listed funds has grown significantly since 2011. There continues to be confidence in the non-listed real estate sector as a place to invest.

Collectively, respondents raised €121.8 billion for non-listed real estate in 2016. Compared to 2015, this constitutes a 1.4% decrease. Over the last five years, over half a trillion euros have been raised for non-listed real estate.

The largest pool of capital (46.5% or €56.6 billion) was committed to vehicles with a European strategy. Vehicles with North American and Asia Pacific strategies saw 26.0% (or €31.6 billion) and 17.8% (or €21.7 billion) of total capital being raised respectively.

The preference for Europe is consistent with last year's Capital Raising Survey, which was the second such survey to be based on global participation. It showed that 51.1% (or €63.1 billion) of all the capital raised worldwide was destined to vehicles with a European strategy.

In terms of sector choice, it is noteworthy that within the category of single sector funds, the most striking outcome is the dominance of retail funds (41.2%), followed by residential (18.3%) with office closely behind (16.2%).

In terms of the investor types choosing to apply new capital in 2016, there are two dominant investor types, and these are pension funds and insurance companies. Between them, they account for 62.5% of the total. Other types of investors such as sovereign wealth funds and high net worth individuals are also present, though their capital contribution is less significant.

In terms of investors domicile, Europe is in first position, making up 49.6% (or €60.4 billion) of the total.

Finally, it is evident that there is plentiful choice of structures within the non-listed universe, which includes non-listed real estate funds, joint ventures and club deals, separate accounts investing directly into real estate, separate accounts investing into indirect vehicles, debt products and funds of funds.

In 2016, €3.3 billion of equity was raised for European debt funds in total. There is considerable choice of product in this part of the market, with a range of funds operating at different points of the capital structure. So, for example, an investor could choose senior debt on its own, or a more diversified mix of senior with subordinated.

Finally, funds of funds are also a feature of the market, and their core and value added offerings with a European strategy drew substantial new equity (€3.8 billion) in 2016.

'European retail is a magnet for new capital'

Section 1

Introduction

Introduction

The ANREV / INREV / NCREIF Capital Raising Survey 2017 explores capital raising activities into the non-listed real estate industry in 2016. The survey provides insights by region, product type, investment strategy, and where possible presents a historical comparison based on previous studies.

This year the survey marks its 11th anniversary. Since its inception in 2006 the survey has been witness to continuing confidence in the non-listed real estate industry as an attractive asset class.

For the third time, the survey has a global outreach. The study was conducted in conjunction with ANREV in Asia Pacific and NCREIF in the US with the aim of providing a greater appreciation of trends in capital raising activities globally.

The 2017 survey attracted a record number of participants with 162 fund managers globally completing the questionnaire, a 6% increase compared to 2016 when 153 fund managers responded to the survey.

In total, the majority (93 or 57.4%) of fund managers were from Europe, followed by those domiciled in Asia Pacific (42 or 25.9%) and North America (27 or 16.7%). No fund managers domiciled in South America or Africa participated in the survey.

Collectively, respondents raised €121.8 billion for non-listed real estate. The list of participants, who gave permission for their company names to be published, can be found at the end of the report in Appendix 1.

Capital raising information was gathered in a three-step process: first, a questionnaire at manager level; second, a questionnaire at vehicle level (for debt funds and funds of funds) to capture vehicle characteristics; and third, a direct data extraction from the INREV database for funds.

The report is structured as follows. Section 2 presents a general capital raising landscape within the non-listed real estate industry in 2016. The section also discusses fund managers' expectations on overall capital raising activities going forward and their views of the impact of regulation on capital raising activities over the next two years. Section 3 comments on the total equity raised in 2016 as well as equity raised by vehicle type, fund manager type and domicile. Section 4 discusses in greater detail the equity raised for global real estate vehicles.

From Section 5 onwards the report focuses on the capital rising landscape for Europe. Sections 5, 6 and 7 assess total equity raised for European funds, debt funds and fund of funds respectively.

It is important to note that the sample size and composition of the survey varies by year. Furthermore, when figures were left unspecified, aggregates include the unreported figures allowing for the sample to remain constant through the report. As such, historical comparisons should be treated with caution.

Figures are quoted as at 31 December 2016 unless otherwise stated.

ANREV, INREV and NCREIF would like to thank fund managers for their participation in the Capital Raising Survey 2017.

'This year the INREV Capital Raising Survey marks its 11th anniversary'

Section 2

Capital raising activity

Capital raising activity

This section covers total equity raised for the non-listed real estate industry worldwide. It includes non-listed real estate funds, joint ventures and club deals, separate accounts (investing directly into real estate as well as investing into indirect vehicles) and non-listed debt products.

A clear majority (80.2%) of fund managers in this global survey indicated that they raised capital for non-listed funds, separate accounts, joint ventures and club deals, funds of funds or non-listed debt funds in 2016.

North American fund managers reported a higher incidence of fund raising (92.6%) than their European (80.6%) or Asia Pacific (71.4%) counterparts.

Of those surveyed, none noted 'fund manager reputation', 'associated costs', 'alignment of interest' or 'corporate governance framework' as the obstacles behind why they did not raise capital in 2016. The clear majority of respondents (84.4%) indicated 'other' as the key explanation for not raising capital with the remaining 6.3% of those surveyed noting track record as the second reason behind not raising funds. The remaining 9.4% did not respond.

'Majority of managers raised capital in 2016'

The homogeneity, however, dissipates when answers are considered by fund manager domicile. Whilst all the European and North American fund managers noted 'other' as the key reason as to why no new capital was attracted, 22.2% of Asia Pacific based fund managers noted 'track record' as the second reason which prevented new capital from being raised.

Regarding the 'other' reasons as to why fund managers did not complete any fund raising, not having an equity requirement in 2016 was the main response given by fund managers. Many were not in a capital raising period and had either closed a fund in the prior year or were planning to raise capital throughout 2017. Another common response was the lack of appropriate deals in the marketplace that aligned with the fund managers' strategy.

Figure 1: Capital raising activity in 2016

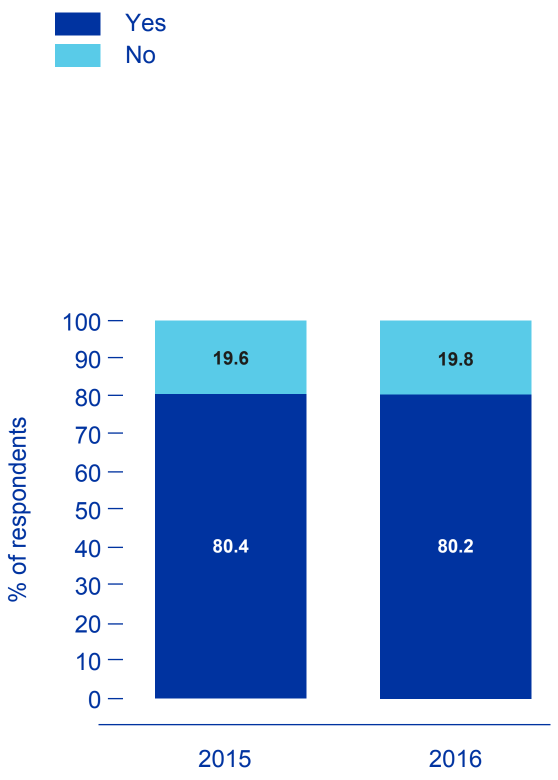
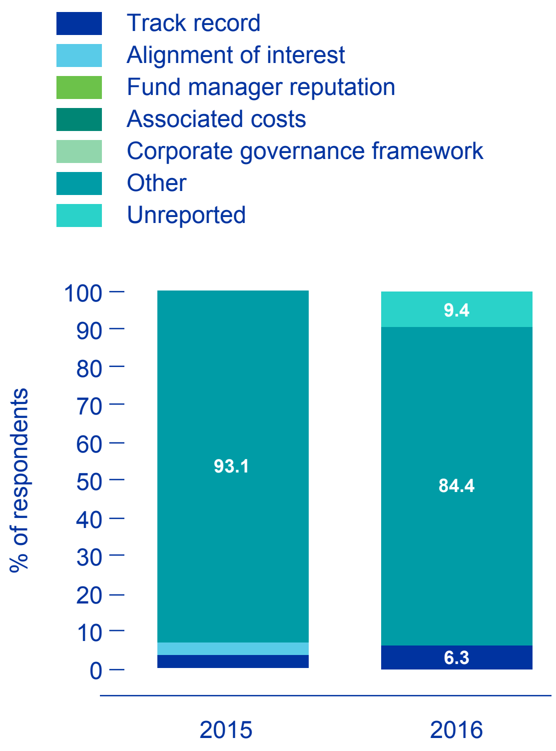


Figure 2: Reasons why no capital was raised in 2016



Methods of capital raising

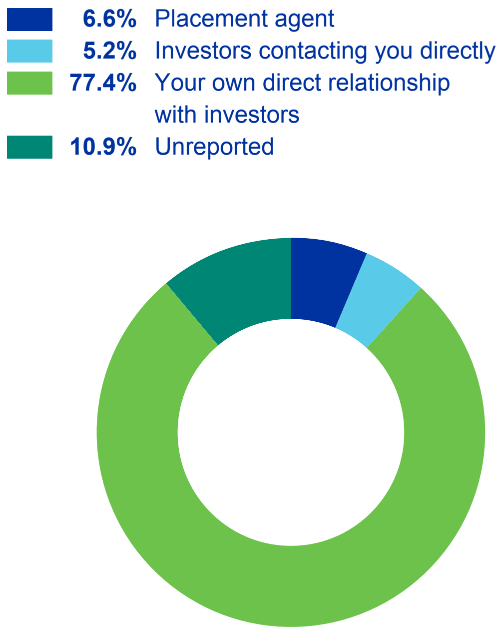
The largest share of new equity that fund managers raised in 2016 was via their existing relationships with investors. It proved to be the most effective strategy, translating into 77.4% or €94.3 billion of fresh equity being raised.

Raising capital via investors who contacted fund managers directly was the least popular route in raising new equity – only a fraction (€6.4 or 5.2%) of all capital raised in 2016 was via this method.

‘Existing relationships between fund managers and investors is the main method for raising new capital’

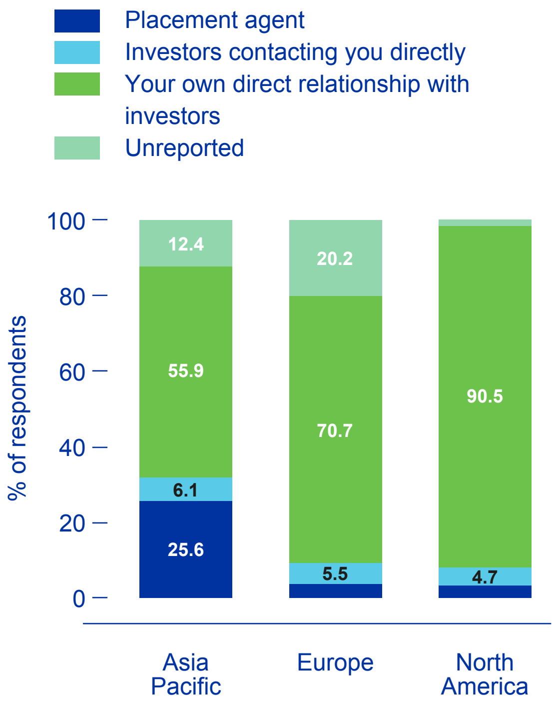
The importance of trust and a good relationship with investors applies wherever the fund manager’s domicile is. However, some geographical variation is evident. For North American managers, direct relationships accounted for 90.5% of total capital raised whereas for European managers the corresponding number is 70.7% and for Asia Pacific investors it is 55.9%.

Figure 3: Methods of capital raising



The Asia Pacific region is the only one where placement agents account for a sizeable percentage of capital raised (25.6%). In the other two regions, their share is less than 5% of total capital.

Figure 4: Methods of capital raising by fund manager domicile



Expectations for capital raising activities

In overall terms, fund managers were optimistic when asked about their expectations for capital raising activities over the next few years. The majority (70.4%) of fund managers expect capital raising activities to continue increasing. At the other end of the spectrum, a mere 6.2% consider that capital raising momentum will reduce in two years' time, lower than the 2016 result of 7.8%. One in five (21%) of respondents predict there will be no change to capital raising activities with the balance 2.5% being undecided.

When queried about the impact of regulation on the capital raising landscape, over half (55.6%) of all respondents believe it has no effect on attracting fresh capital into the non-listed real estate industry. Almost a quarter (22.8%), however, see regulation as a deterrent to raising new equity. Among the remaining respondents 18.5% consider that regulation has a positive impact to capital raising activities, and 3.1% were undecided.

'The majority (70.4%) of fund managers expect capital raising to increase'

Figure 5: Expectations for capital raising activities

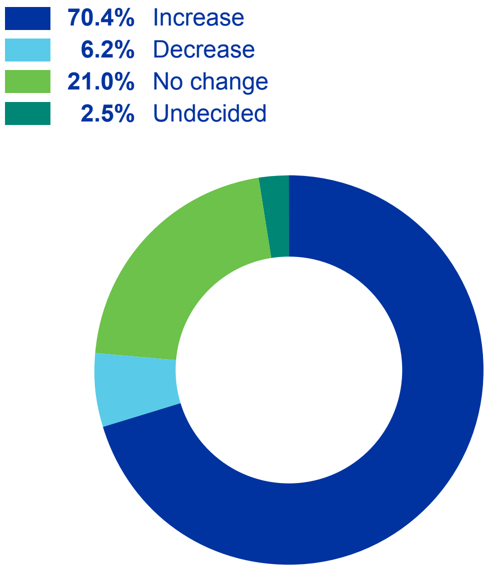
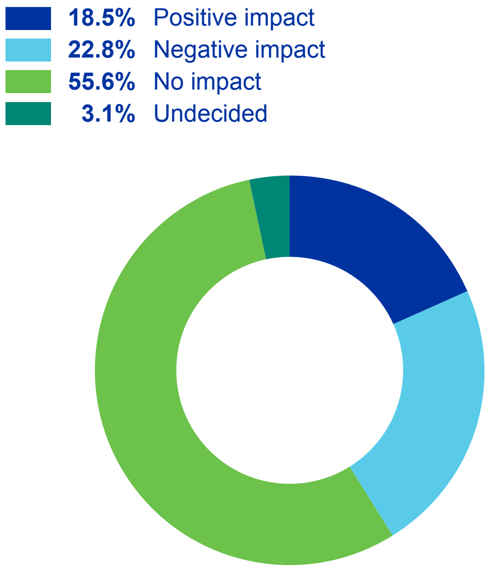


Figure 6: Impact of regulation on capital raising activities



Section 3

Equity raised for the non-listed real estate industry globally

Equity raised for the non-listed real estate industry globally

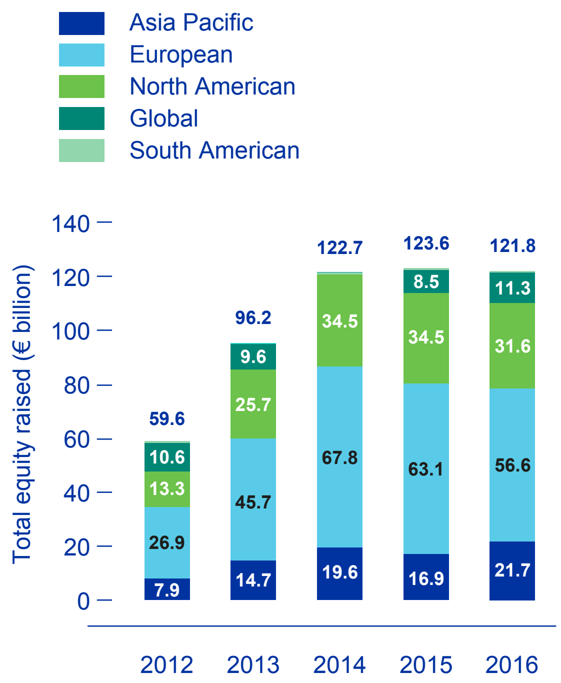
Throughout 2016, the non-listed real estate industry continued to attract significant amounts of capital despite the overall figure declining from the 2015 total. In 2016, €121.8 billion of new capital was raised, below the 2015 amount of €123.6 billion. This total, however, should be considered as a minimum guide to the total amount raised globally.

Consistent with the 2016 survey, the largest portion of capital raised is heading for Europe (€56.6 billion or 46.5%), though below the previous years' figure of €63.1 billion (or 51.1% of all the capital raised worldwide).

North American vehicles have attracted 26.0% (€31.6 billion) of all new equity raised last year, in line with the previous year. Asia Pacific was the only region to see an increase of capital raised in comparison to 2015; it attracted €21.7 billion of new equity, a significant increase from the previous years' €16.9 billion.

'Capital raising for the non-listed real estate industry slows, but remains strong'

Figure 7: Equity raised between 2012 to 2016 by regional strategy



With globalisation of the non-listed real estate industry continuing to increase and many new vehicles having a global footprint, it is unsurprising that vehicles with a global strategy attracted €11.3 billion (9.3%) in 2016. Those vehicles targeting South America raised 0.5% of the total equity raised or €600 million.

The popularity of the non-listed real estate industry is increasingly evident by looking at the total number of vehicles that capital was raised for in 2016. In total, equity was sought for 733 vehicles, a slight decrease of 8.5% to the 2015 total of 801 vehicles. The number of vehicles with a European strategy dominate the results, with 428 or 58.4% of the 733 vehicles. This is broadly in line with the previous year where 59.8% of all vehicles that raised capital were focused on Europe. A total of 118 vehicles with an Asia Pacific strategy raised capital or 16.1% of the total, a decrease from the prior year where 126 vehicles raised for Asia Pacific strategies. In total, 18.6% of all vehicles raised capital for North American strategies (136) and a fraction - 0.3% for South America (2 in total), with the remaining 49 vehicles having a global strategy.

‘Vehicles with a European strategy raised the most capital in 2016’

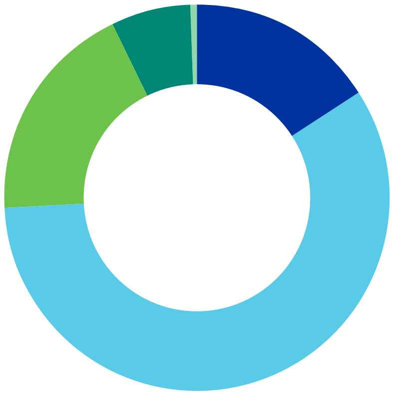
Of note is the correlation between the quantum of capital raised by region and the number of vehicles this equity was raised for. The number of vehicles with a European strategy comprise 58.4% of the total and by value they comprise almost half of new equity being raised (46.5%). Those vehicles with an Asia Pacific strategy represent 16.1% by number and broadly the same proportion by dollar quantum (17.8%) and North American vehicles represent 18.6% by number but 26% by value, suggesting that vehicles targeting North America are on average larger than those targeting other regions.

Figure 8: Equity raised by regional strategy by value

17.8% Asia Pacific
46.5% European
26.0% North American
9.3% Global
0.5% South American

Figure 9: Equity raised by regional strategy by number of vehicles

16.1% Asia Pacific
58.4% European
18.6% North American
6.7% Global
0.3% South American



A more in-depth analysis of equity raised in 2016 suggests that regardless of whether capital is targeting Asia Pacific, Europe or North America, the largest proportion of it is destined to domestic markets, although some different trends emerge, particularly amongst North American fund managers. European fund managers for example raised 80.2% of new equity for vehicles with a European strategy, with an additional 13.5% designated for Global vehicles and the remaining 6.3% split between Asia Pacific and North America (2.6% and 3.7% respectively). Home bias is also prevalent amongst Asia Pacific fund managers who raised the highest proportion of capital to be allocated amongst their own region – 92.9% with 3.1% allocated to Europe and 3% to North American vehicles and a nominal 1% to those with a Global strategy.

In line with the previous years' survey, North American fund managers raised the most diverse range of equity, with only 54.1% of capital to be placed into their own market – considerably lower than their European and Asia Pacific counterparts. Most North American respondents are global fund managers with operations in each of the three regions, giving them wider reach compared to their European and Asia Pacific peers, with 29.3% of capital raised to be allocated to Europe and 7.5% to Asia Pacific. Further, they are the only managers to raise capital for South American strategies (1%).

The popularity of vehicles targeting domestic markets is highlighted further by reviewing the number of vehicles that raised capital by fund manager domicile. In total, Asia Pacific fund managers raised capital for 83 vehicles of which 92.8% are targeting the Asia Pacific region.

European fund managers raised new capital for 418 vehicles, with 83% targeting Europe, followed by vehicles with a global strategy (6.5%), those with a North American strategy (5.7%) and lastly those targeting Asia Pacific (4.8%).

By value, North American managers raised the highest amount of all those surveyed across 232 vehicles in 2016, although this was a decrease to the 2015 total of 321

Figure 10: Equity raised by regional strategy and fund manager domicile

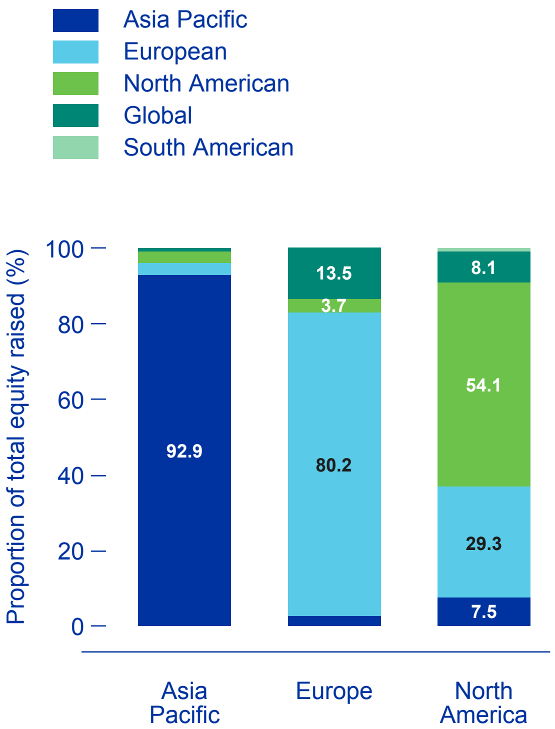
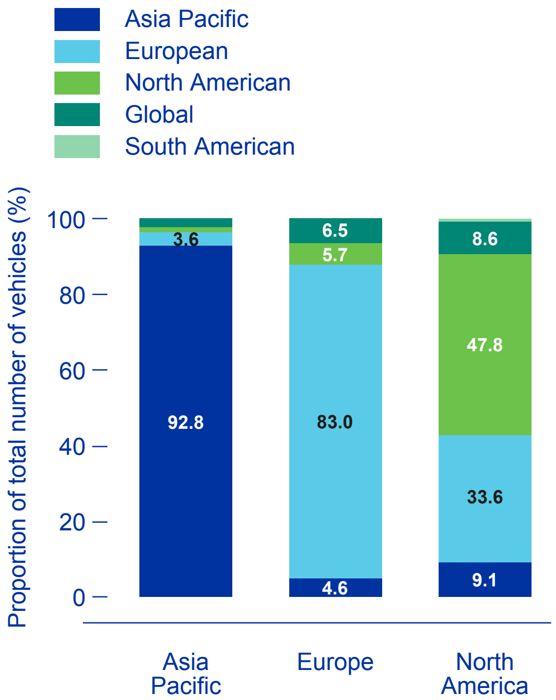


Figure 11: Equity raised by regional strategy, by fund manager domicile and by number of vehicles



vehicles. Of the 232 vehicles, almost half (47.8%) are vehicles with a North American strategy followed by 33.6% targeting Europe, 9.1% targeting Asia Pacific, 8.6% have a global strategy and a nominal 0.9% targeting South America.

Equity raised by vehicle type

The total volume of equity raised globally is targeting an ever-expanding suite of non-listed real estate vehicles. The largest share of capital, in line with previous years, was raised for non-listed real estate funds. In total, funds represent 49.9% of all capital raised in 2016. Separate accounts investing directly in real estate were again the second most popular vehicle drawing 23.4% of all new capital. Joint ventures and club deals attracted 13.8%, non-listed debt products 6.9%, separate accounts investing into indirect vehicles 3.5% and fund of funds 2.5% of all capital raised in 2016.

These totals are further reinforced by looking at the new capital raised from the perspective of the number of vehicles. Of all capital being raised, 40.2% of the total number of vehicles (733) were allocated to non-listed real estate funds (295). There are 188 (25.6%) separate accounts investing directly into real estate for which capital was raised for last year. The remaining equity was raised for joint ventures and club deals (19.5% or 143), separate accounts investing into indirect real estate (6% or 44), non-listed debt products (4.8% or 35) and fund of funds (3.8% or 28).

Figure 12: Equity raised by vehicle type by value

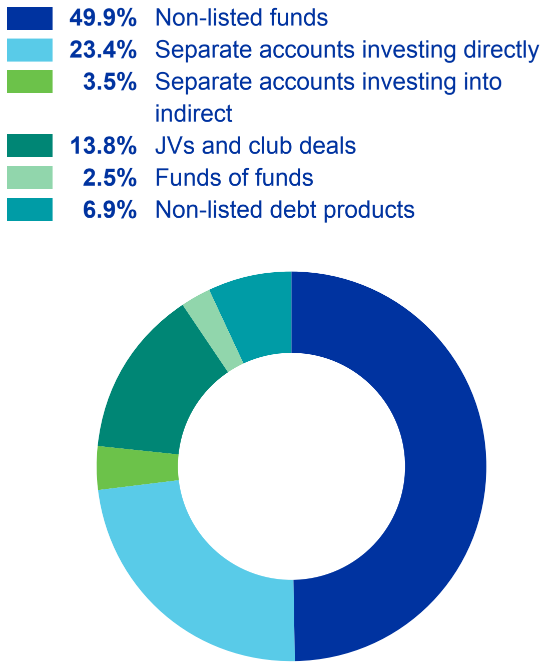
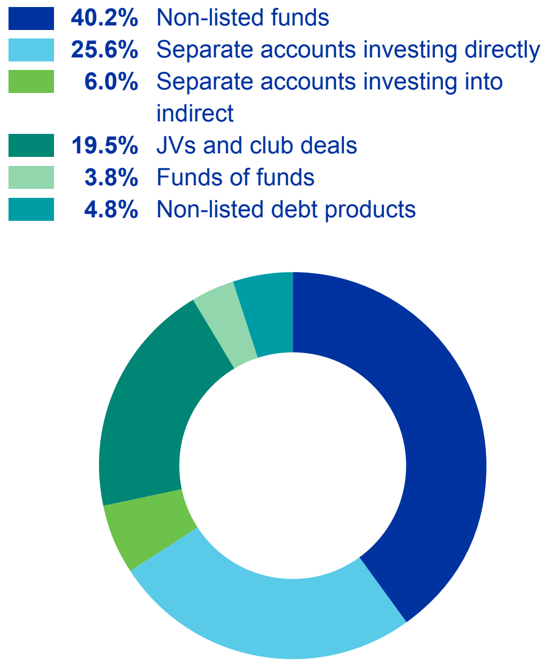


Figure 13: Equity raised by vehicle type by number of vehicles



Looking now at the equity raised by vehicle type and regional strategy, we can see some disparities between the regions. Overall, most capital was raised for non-listed real estate funds in each region, but the proportions vary.

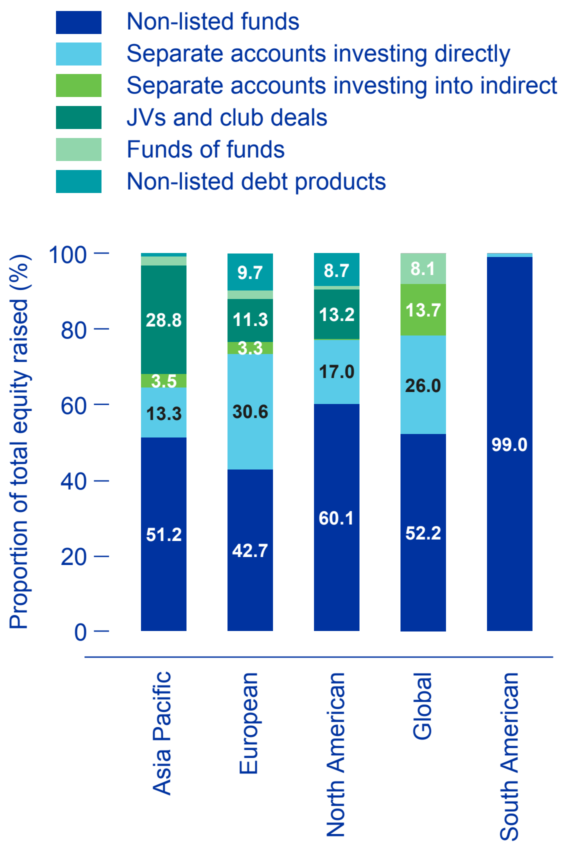
On an aggregate basis, new equity targeting Asia Pacific was mostly raised for funds which constitutes just over half of all equity raised for Asia Pacific (51.2%), followed by JVs and club deals (28.8%), separate accounts investing directly into real estate (13.3%), separate accounts investing into indirect real estate (3.5%), funds of funds (2.4%) and non-listed debt products (0.8%). This represents a shift to the 2015 survey where separate accounts investing into real estate had the second largest allocation of capital (25.3%).

Of the vehicles with a European strategy, the largest share of new equity was also raised for funds (42.7%) with the remaining split between separate accounts investing directly into real estate (30.6%), JVs and club deals (11.3%), non-listed debt products (9.7%), separate accounts investing into indirect (3.3%) and funds of funds (2.3%). This is the same pattern seen in last year's survey.

A similar trend applies for North America: funds again have attracted the largest share of capital (60.1%), although a higher proportion than other regions. This is followed by separate accounts investing directly (17%), JVs and club deals (13.2%), non-listed debt products (8.7%), funds of funds (0.9%) and separate accounts investing into indirect real estate (0.2%). Of note is that the highest proportion of funds raised for non-listed debt products across all regions was in North America.

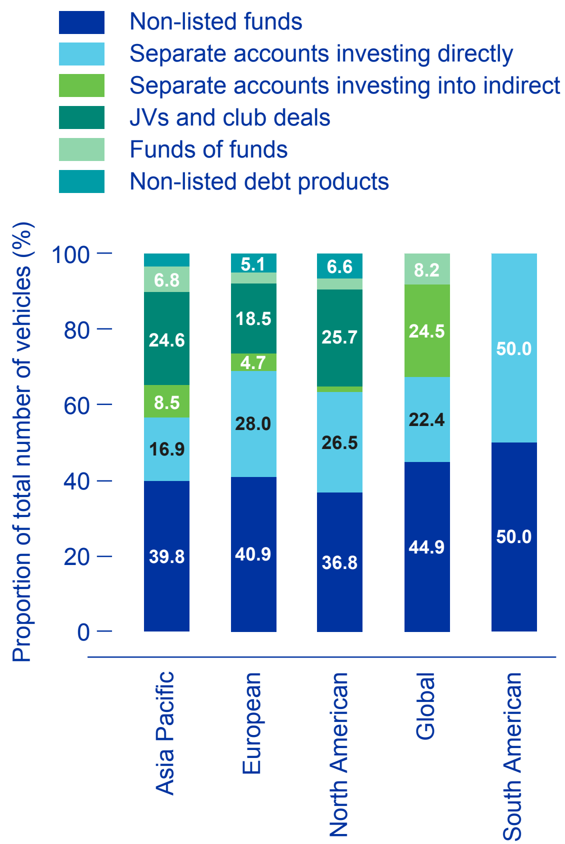
For vehicles pursuing a global strategy the preferred vehicle type is clearly non-listed funds (52.2%) followed by separate accounts investing directly into real estate (26%). Meanwhile, 99% of capital raised by fund managers targeting South America was raised for non-listed real estate funds and the balance of 1% for separate accounts investing directly into real estate.

Figure 14: Equity raised by vehicle type and by regional strategy



By number of vehicles, non-listed real estate funds are still the most attractive vehicle to raise capital for within each regional strategy. However, in comparison to last year figures, an increased number of other non-listed vehicles, predominantly joint ventures and club deals and separate accounts raised equity in 2016.

Figure 15: Equity raised by vehicle type, by regional strategy and by number of vehicles



Equity raised by investor type

Again, pension funds provided the bulk of capital for the non-listed real estate industry last year. They contributed 45.7% or €55.7 billion of all new equity raised for the sector. The balance came from insurance companies (16.8%), sovereign wealth funds (8.7%), government institutions (3.1%), fund of funds (2.9%), high net worth individuals (2.9%), non-for-profit organisations (1.6%). The remaining 18.2% came from other sources (15.4%) or were unreported (2.9%).

Notwithstanding the above allocations, the sources of capital vary across different vehicle types. Capital sourced from pension funds constituted the largest share of new equity raised for most vehicle types in 2016: 47.5% of equity raised for non-listed funds, 52.2% for separate accounts investing directly into real estate, 50.1% of equity raised by fund of funds. The capital provided by pension funds to JVs and club deals was 37.9%, followed by 20.3% contribution from insurance companies.

Insurance companies provided the largest amount of new capital for non-listed debt products and separate accounts investing into indirect real estate (40.0% and 43.4% respectively).

> ‘Pension funds were again the main source of capital for the non-listed real estate industry in 2016’

Sovereign wealth funds represent 17.5% of the equity raised for JVs and club deals, 11.6% of equity raised for separate accounts investing into direct real estate and 6.7% of equity raised for non-listed real estate funds.

Figure 16: Equity raised by investor type by value

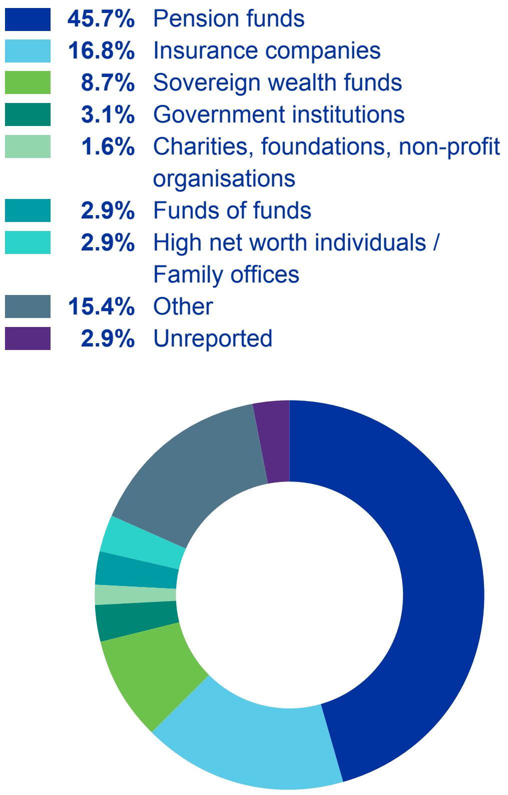
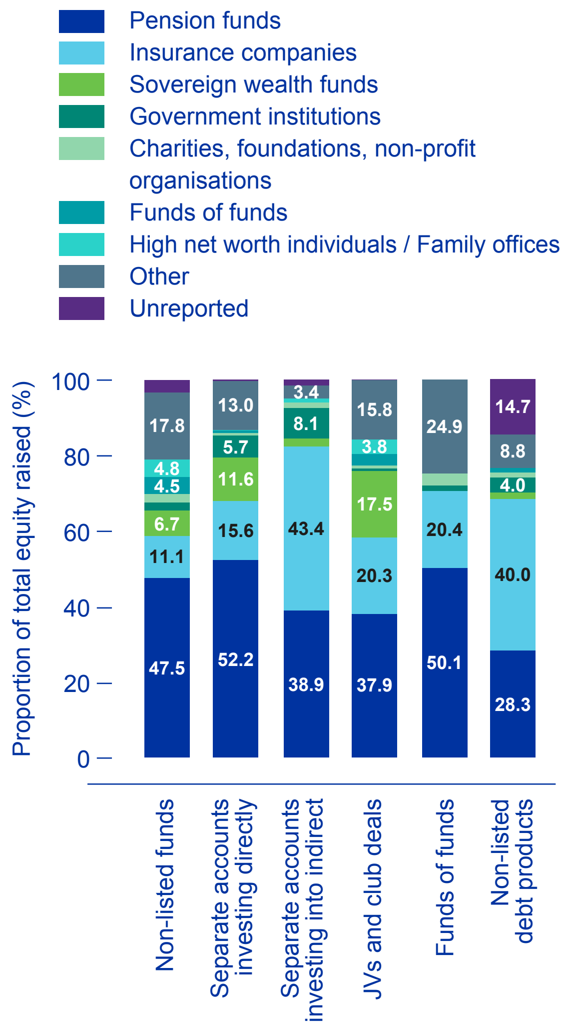


Figure 17: Equity raised by investor type and by vehicle type



Equity raised by investor domicile

An analysis of equity raised by investor domicile shows that European investors contributed the largest share of fresh equity raised for the non-listed real estate industry last year with €60.4 billion (49.6%). Over one fifth (21.9%) came from Asia Pacific investors, 26.3% from North American investors, while a small amount was raised from South America (0.2%) and Africa (0.1%) with the remaining 1.9% unreported.

Examining total equity raised by investor domicile and by vehicle type, some trends emerge. European investors, as noted, contributed the largest proportion of new capital throughout 2016. However, the capital they committed was not evenly spread across all vehicle types. Percentage-wise, European institutions (74.4%) contributed the highest amount to funds of funds, which is consistent with 2015. European investors also contributed the largest amount into separate accounts investing into indirect property (73.7%). Asia Pacific investors were the dominant source of new capital for JVs and club deals (41.9%) followed by their European counterparts (32.4%) and North American peers (23.2%).

Figure 18: Equity raised by investor domicile by value

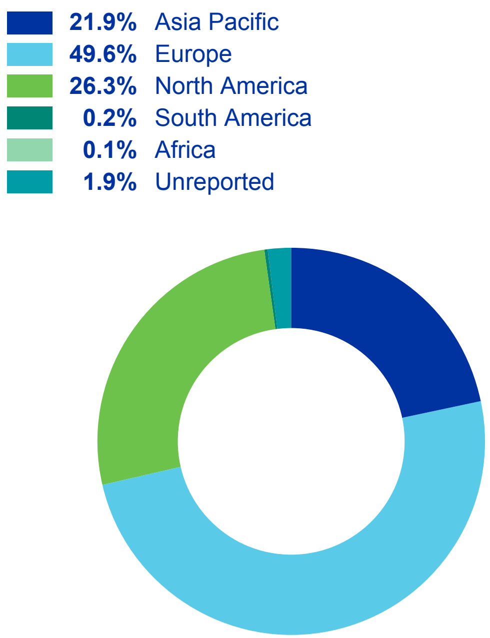
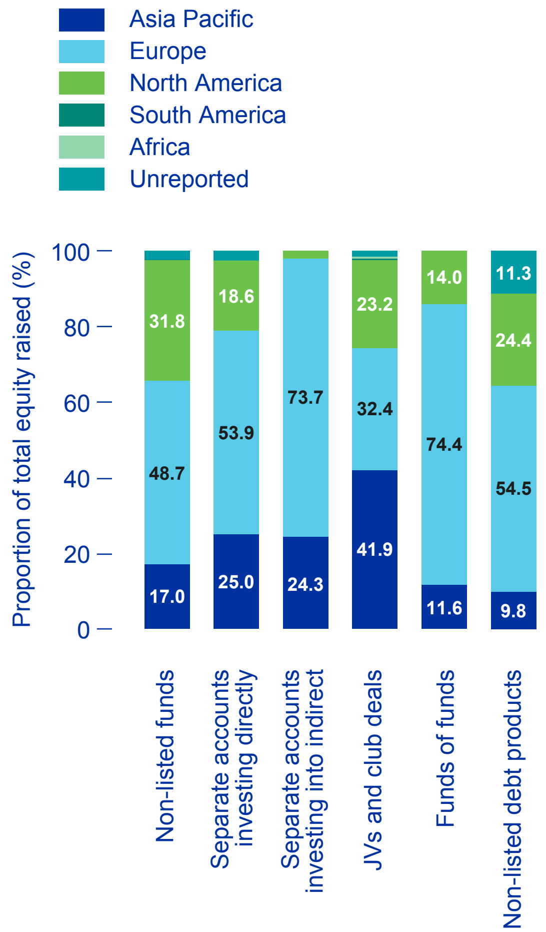


Figure 19: Equity raised by investor domicile and by vehicle type



Section 4

Equity raised for global strategy

Equity raised for global strategy

For a vehicle to have a global strategy, no more than 90 per cent of the total GAV may be invested in a single region.

In total, global strategy vehicles attracted €11.3 billion or 9.3% of all new capital raised in 2016, an increase to the 2015 figure of €8.5 billion (or 6.9%).

In line with capital raised for vehicles with regional strategies, the largest portion of capital contributing to global vehicles was sourced from pension funds which represent 38.9% all new equity. Insurance companies contributed the second highest amount (11.6%), followed closely by sovereign wealth funds (11.0%). Government institutions contributed 9.1%, followed by non-profit organisations (2.0%) and high net worth individuals / family offices contributed 0.6% of the total. The balance 26.7% was comprised of other sources (19.5%) or were unreported (7.2%).

Figure 20: Global strategy: equity raised by investor type

38.9%	Pension funds
11.6%	Insurance companies
11.0%	Sovereign wealth funds
9.1%	Government institutions
2.0%	Charities, foundations, non-profit organisations
0.6%	High net worth individuals / Family offices
19.5%	Other
7.2%	Unreported

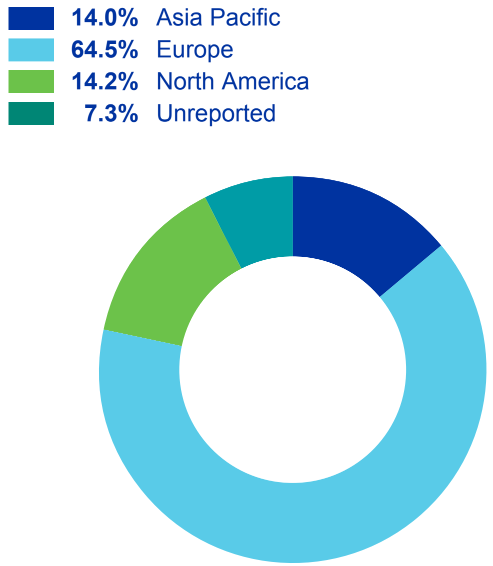
Figure 21: Global strategy: equity raised by vehicle type

48.0%	Non-listed funds
26.0%	Separate accounts investing directly
13.7%	Separate accounts investing into indirect
5.1%	Funds of funds
7.2%	Unreported

Non-listed real estate funds are the most popular vehicle amongst those with a global strategy, attracting 48.0% of the total capital or €5.4 billion. This is a significant increase to 2015 when approximately one-third (35.2%) of capital for global strategies was dedicated to non-listed real estate funds. Separate accounts investing directly into real estate attracted the second largest share of capital (26%) in contrast to 2015 where fund of funds attracted the second largest portion of new equity for global vehicles. Separate accounts investing into indirect real estate comprised 13.7% of the total equity, followed by funds of funds (5.1%) with the remaining 7.2% being unreported.

With regards to investor domicile, European investors represent the largest source of equity for vehicles with a global strategy – €7.3 billion or 64.5%. North American and Asia Pacific investors represent 14.0% and 14.2% of the equity raised respectively.

Figure 22: Global strategy: equity raised by investor domicile



‘European investors added the most to Global strategy in 2016’

Section 5

Equity raised for European strategy

Equity raised for European strategy

The following sections focus only on capital raising for vehicles with a European strategy.

The sources of capital in 2016 for non-listed real estate vehicles targeting Europe are dominated by pension funds and insurance companies. Pension funds were the biggest single contributor, accounting for 40.4% of the total amount of capital raised last year.

Insurance companies were the second largest contributor, accounting for 22.6% of the total. Together, pension funds and insurance companies account for 63.0% of total capital raised in 2016 for European strategy.

Interestingly, other sources of capital contributed 13.3% of capital raised for European strategies last year. Other in this sense means sources other than pension funds, insurance companies and the other sources listed in the chart. This category is the largest source of capital for European strategies in 2016 after pension funds and insurance companies.

Sovereign wealth funds contributed 3.1%, funds of funds added 2.9%, high net worth individuals and family offices injected a further 2.7%, charities and foundations as well as government institutions added 1.5% and 1.4% each respectively. The remaining 12.1% were unreported.

In terms of the vehicle type for which capital was raised, non-listed real estate funds were the most popular. In total, 39.1% of capital was raised for funds. Separate accounts investing directly came second (26.6%), followed by JVs & club deals (8.5%), debt funds (8.3%), separate accounts investing into indirect vehicles (3.1%) and fund of funds (2.2%). Of total equity raised by vehicle type for European strategy, 12.1% remained unreported.

The popularity of funds matches the most recent findings from the Investment Intentions Survey 2017, in which funds were noted as the most preferred vehicle type among investors in aggregate.

Figure 23: European strategy: equity raised by investor type

40.4%	Pension funds
22.6%	Insurance companies
3.1%	Sovereign wealth funds
1.4%	Government institutions
1.5%	Charities, foundations, non-profit organisations
2.9%	Funds of funds
2.7%	High net worth individuals / Family offices
13.3%	Other
12.1%	Unreported

Figure 24: European strategy: equity raised by vehicle type

39.1%	Non-listed funds
26.6%	Separate accounts investing directly
3.1%	Separate accounts investing into indirect
8.5%	JVs and club deals
2.2%	Funds of funds
8.3%	Non-listed debt products
12.1%	Unreported

The sources of capital in 2016 for non-listed real estate vehicles were not only diverse in terms of investor type, but also in terms of investor domicile. Most of the capital raised last year for European strategies unsurprisingly came from Europe (73.7%).

Asia Pacific based investors added a further 8.6%. North American investors contributed 5.5%. South American investors were barely present with a contribution of 0.1% and no capital came from African investors. The remaining 12.1% of capital that was raised for European vehicles was left unreported in terms of investor domicile.

Turning to analysis of equity raised by investor type and vehicle type together, certain tendencies can be observed. One noteworthy point is that pension funds are the dominant sources of capital for non-listed real estate funds, for separate accounts investing directly and for JVs and club deals as well. Last year, pension funds were the key source for non-listed debt vehicles.

With regards to insurance companies, their preferences lie with separate accounts investing indirectly and non-listed debt products, a trend that is further strengthened in the follow up section on European debt funds.

A third noteworthy point relates to fund of funds. Last year the bulk (47.5%) of the capital for European fund of funds came from other sources of capital.

Figure 25: European strategy: equity raised by investor domicile

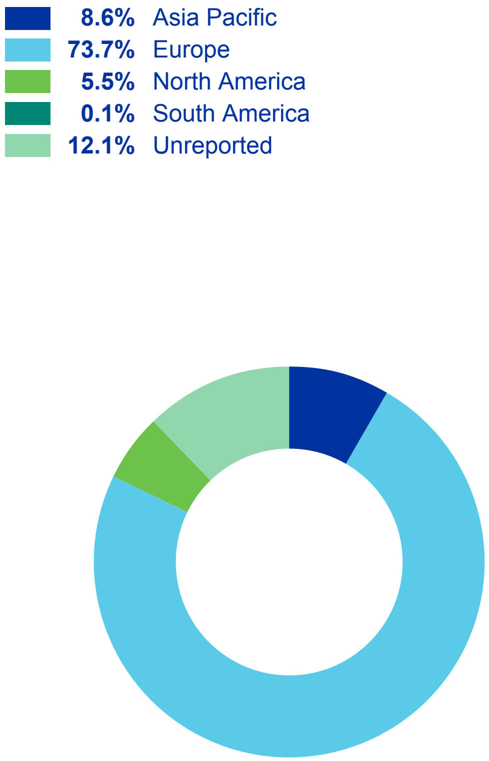
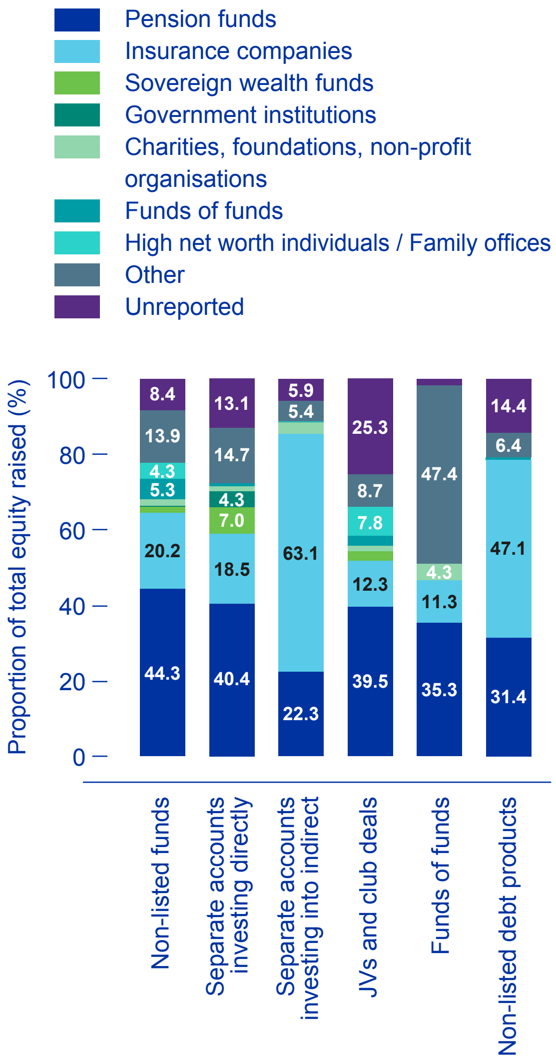


Figure 26: European strategy: equity raised by investor type and vehicle type



Equity raised for European non-listed real estate funds

In 2016, €56.6 billion was raised for European non-listed real estate as a whole – that is, across all vehicle types. This section of the survey focuses on capital raising activities for European non-listed real estate funds only. In 2016 the total amount of capital raised was €24.2 billion, a slightly lower figure than in 2015 when the corresponding number was €25.5 billion. In total, 175 European funds received fresh capital last year.

Figure 27 presents with the trend in capital raising for non-listed real estate funds since 2004 which is compared with the annual investment performance of European funds.

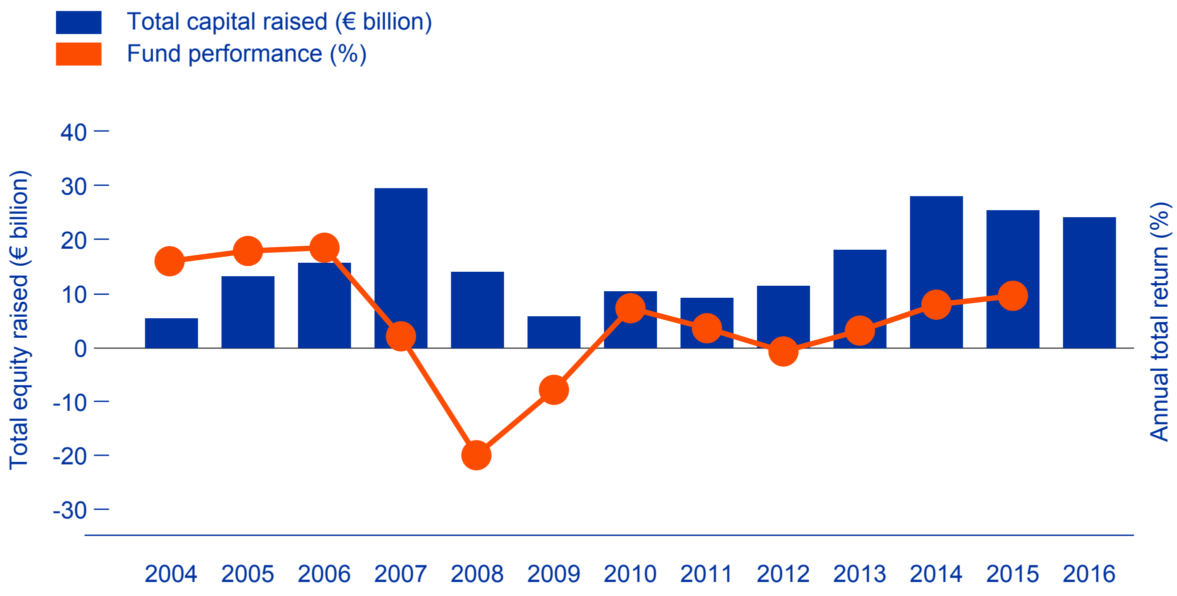
‘Strong performance affects investor confidence in the sector and boosts capital raising volumes’

One trend is worthy of comment – there is a time lag between capital raising levels and funds’ performance. The peak year for capital raising was 2007, and the next best years have been 2014, 2015 and 2016 when €20 billion plus were raised annually for European funds. By contrast, the trough years were in early 2000s and the period of the Global Financial Crisis.

On the other hand, when capital raising reached its peak in 2007, performance was already moving downwards. Similarly, when capital was drying up in late 2000s, performance was improving.

While the correlation between performance and subsequent capital raising activity is not always perfect (and on some occasions, it is negative), nevertheless, it seems clear that strong performance does affect investor confidence in the sector and boosts capital raising for the industry.

Figure 27: Equity raised for European non-listed real estate funds and fund performance



Source: INREV Annual Index

Equity raised for European non-listed real estate funds by style

The relative importance of the three main investment styles in terms of capital raised is of interest. For the style breakdown in 2016, open end funds and closed end funds are analysed separately. For open end funds, the dominant style is core, comprising 99.2% of total capital raised, with value added making up the remaining 0.8%.

Open end structures do not easily accommodate the opportunity style. Hence, no capital was raised for this style within the universe of open end funds in 2016 – same as last year.

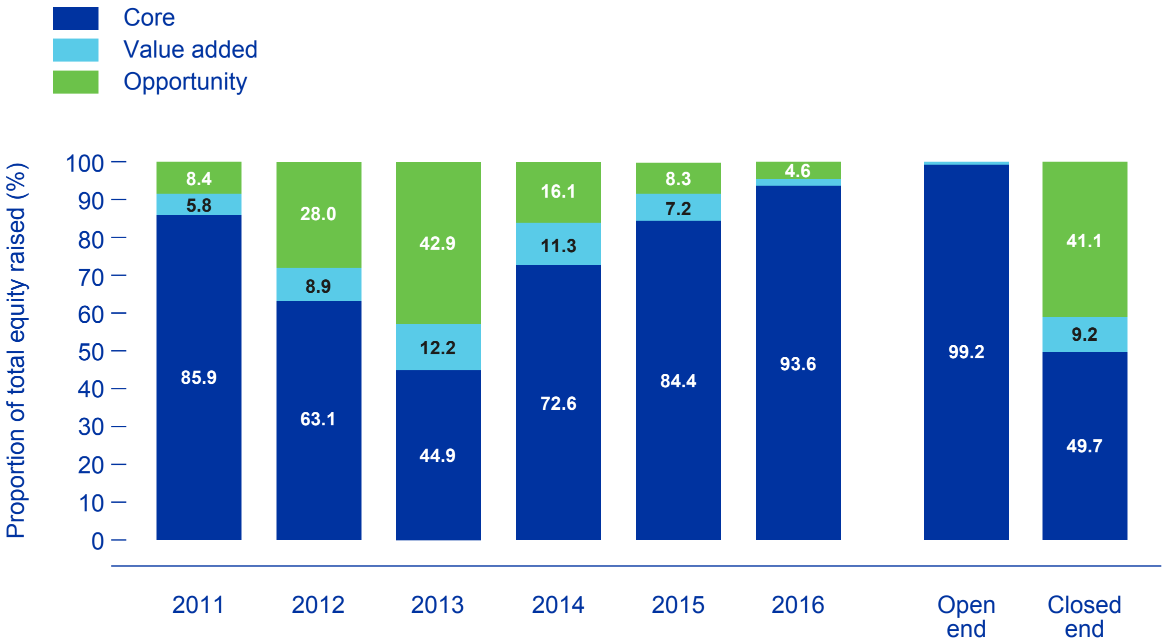
For closed end funds the style breakdown is significantly different. For a start, all three main styles are present. The most popular style in terms of capital raised by closed end funds in 2016 is core, accounting for almost half of the total amount (49.7%). The next most popular style, and not far behind core, is opportunity (41.1%), and the third and therefore least popular style in 2016 for closed end funds is value added (9.2%).

Another point of interest is the relative popularity of the three styles over the period 2011 to 2016. This analysis is based on closed end funds and open end funds taken together. The relative popularity of the styles is not constant, and in fact there is considerable movement from year to year. The overall winner is core, accounting for more than half of the total amount raised in most of the years. Core was particularly popular in 2011, 2015 and 2016. Its share of total equity raised fell below 50% only once – in 2013.

The opportunity style has also ebbed and flowed in terms of popularity, peaking in 2013 with over 40% of the total, and hitting lows of less than 10% in 2011, 2015 and 2016.

The value added style has been the least preferred style overall, moving from a high of 12.2% in 2013 to a low of 1.8% in 2016.

Figure 28: Equity raised for European non-listed real estate funds by style



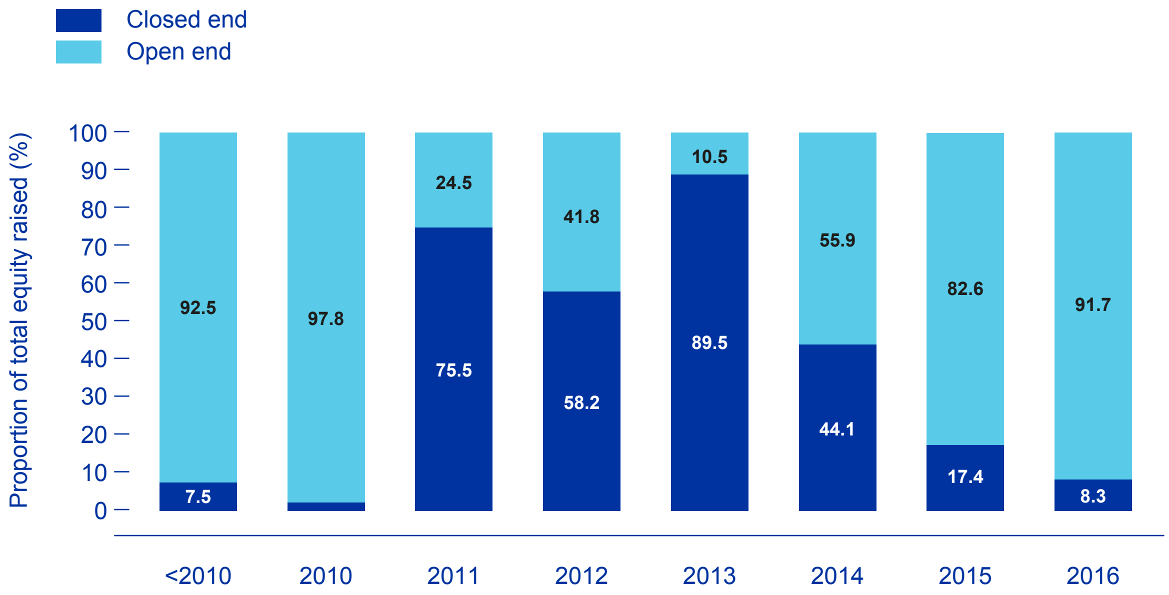
Equity raised for European non-listed real estate funds by vintage year

The focus now moves to consideration of equity raised for open end funds and closed end funds from the perspective of vintage year, that is, the year of first closing. For this analysis vintage years from 2010 to 2016 are analysed individually. There is also a seventh category, which is an amalgamation of all funds with first closings prior to 2010.

The first point worth noting is that there are significant differences between vintage years. For example, open end funds were the preferred structure for vehicles launched up to and including 2010, and in years starting from 2014. The intervening years of 2011, 2012 and 2013 saw more equity raised for closed end structures. The most extreme example is 2013, when 89.5% of total equity raised was for closed end structures.

Last year, open end funds continued to attract the largest share of fresh equity. In total, 91.7% went to open end funds. The remaining 8.3% went to closed end vehicles.

Figure 29: Equity raised for European non-listed real estate funds by vintage year and by structure



> ‘There are significant differences between vintage years’

Equity raised for European non-listed real estate funds by country strategy

In this part, we look at the equity raised for non-listed real estate funds from the perspective of country strategy.

Almost two-thirds (65.5%) of the capital raised for non-listed real estate funds was for funds with a multi-country strategy. The remaining 34.5% went to single country funds. This is a notable change from last year where single country vehicles received more than half (52.0%) of new capital.

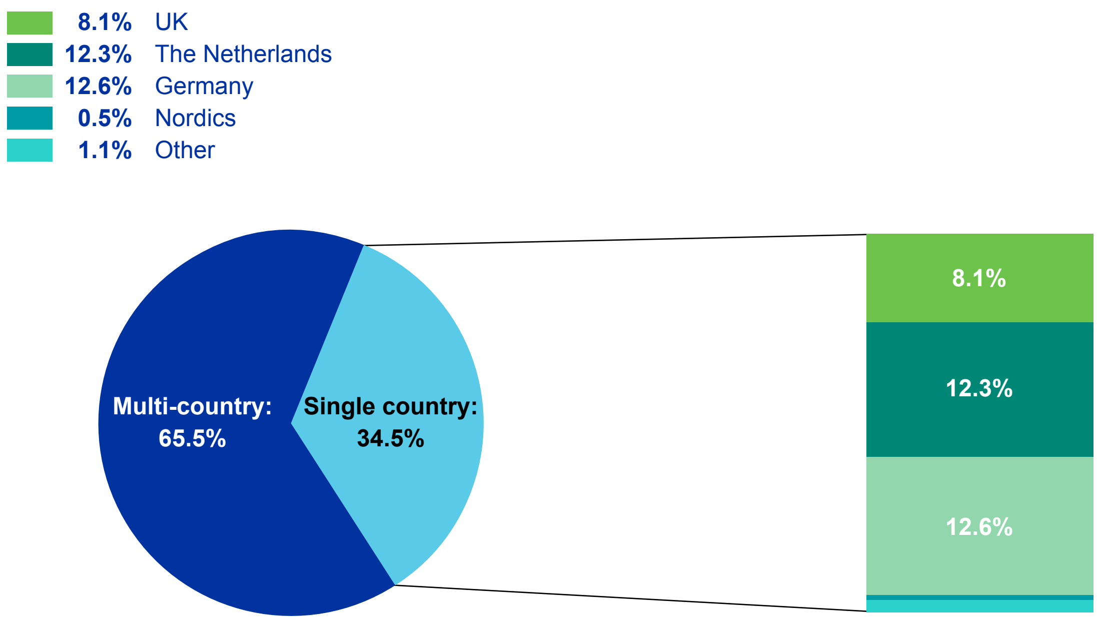
Germany (12.6%) and the Netherlands (12.3%) accounted for the largest share of capital raised for single country strategy funds in 2016. The third largest share of capital raised was for funds investing in the UK, accounting for 8.1% of the capital raised. Again, this marks a notable change from 2015 figures which showed the UK as being the most preferred place for single country strategies to invest. Nordic (0.5%) finds itself in fourth place in this year's survey and other European countries account for the remaining 1.1%.

'Multi-strategy funds dominate'

Investors' lack of interest in UK and France targeting funds somewhat contradicts Investment Intentions Survey 2016 results, where France and the UK were ranked no.2 and no.3 respectively in the list of top investment destinations.

However, it may be that the difference is more apparent than real. It is possible, for example, that investors are achieving exposure to UK and France via routes other than non-listed real estate funds.

Figure 30: Equity raised for European non-listed real estate funds by country strategy



Within the universe of single country non-listed real estate funds some trends can be observed over time. In the period from 2010 to 2016 the fortunes of the major markets have evolved significantly. Dutch funds, for example, attracted a sizeable part of total equity raised in 2010 but their popularity waned over the next three years before recovering again in 2014. In 2016, Dutch funds were second in demand.

UK focused funds, on the other hand, enjoyed growing popularity from 2012 until 2015 inclusive; however, the trend turned in 2016 and the proportion of equity that is now targeting the UK has reduced significantly, less than one-quarter of the total.

Germany has also seen its popularity waxing and waning. Its share of the pie increased from 2010 to 2013 but this trend reversed sharply in 2014 and 2015 subsequently picking up in 2016. Last year German funds attracted the greatest proportion of capital destined to a single country funds.

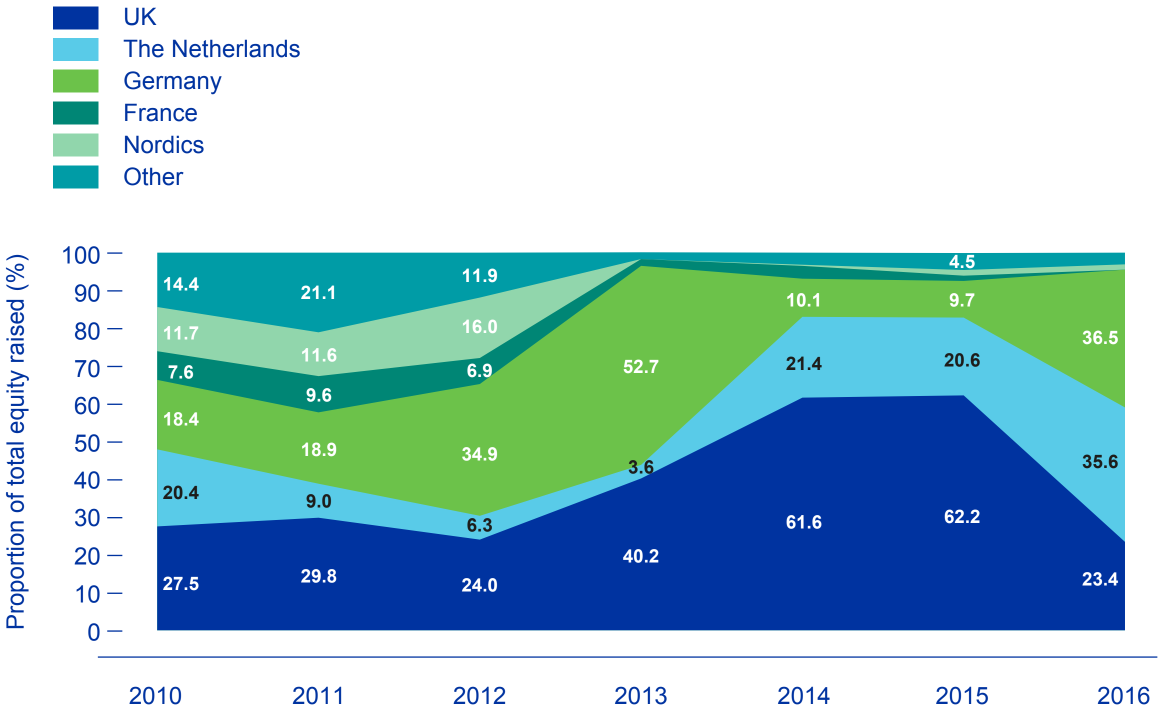
Among the other markets, it is worth noting that the Nordics attracted sizeable equity flows from 2010 to 2013 subsequently slipping in popularity. Last year, Nordic funds received 1.4% of the fresh capital, almost identical number of 1.5% achieved in 2015.

France had a bumpy ride over the last decade too. It started the period on a low but material share of equity raised for non-listed real estate funds; however, the French presence in later years has declined significantly.

Likewise, other European countries were part of the major capital raising landscape in Europe in early 2010s. Their share has, however, deteriorated significantly with only 3.1% being dedicated to other European countries in 2016.

It is worth repeating that the popularity of markets in this context may be affected by the availability of suitable funds, rather than the perceived attractiveness of the underlying market.

Figure 31: Equity raised for European non-listed real estate funds by single country strategy



Equity raised for European non-listed real estate funds by sector strategy

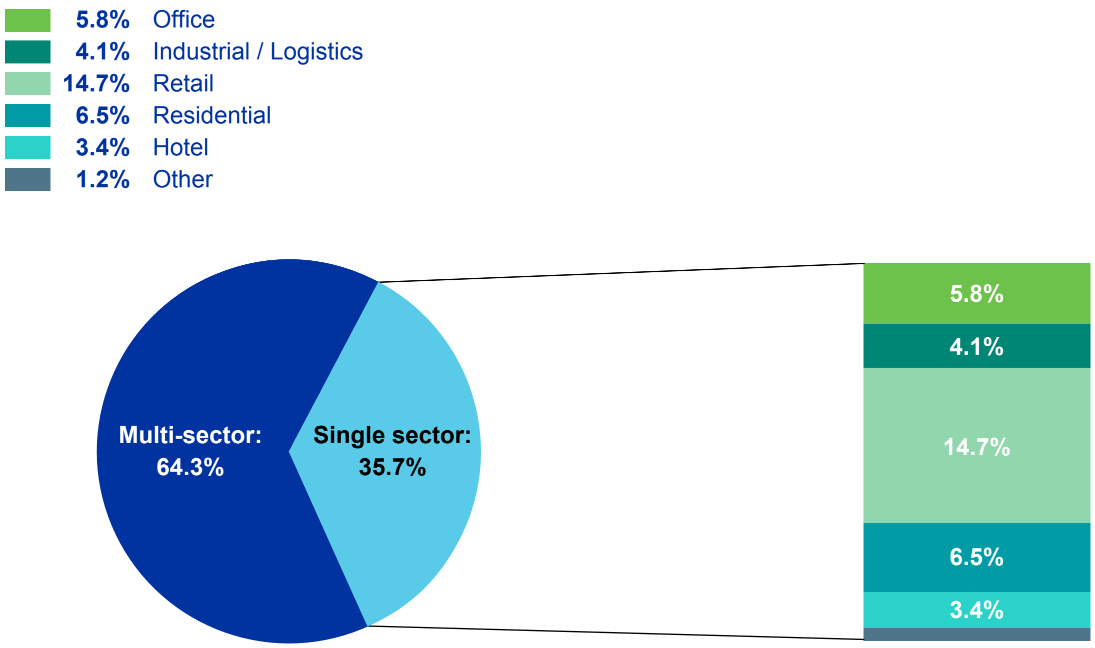
The next area under consideration relates to the sector strategy of non-listed real estate funds. In terms of total equity raised, the lion's share (64.3%) went to multi-sector funds, leaving just 35.7% for single sector funds.

Within the category of single sector funds, the most striking outcome is the dominance of retail funds, accounting for 14.7%, which is more than one-third the equity raised for the single sector category. This sector's popularity stands in contrast to last year's results, where residential single sector funds dominated the sample.

Next in terms of popular demand is residential (6.5%), followed by office (5.8%), industrial / logistics (4.1%) and hotel (3.4%).

Comparing 2016 figures with those achieved in 2015, an interesting observation can be made. Two years ago, single country / multi-sector funds dominated. This time around, multi-country / multi-sector funds are in vogue.

Figure 32: Equity raised for European non-listed real estate funds by sector strategy



'Multi-country / multi-sector funds are in vogue'

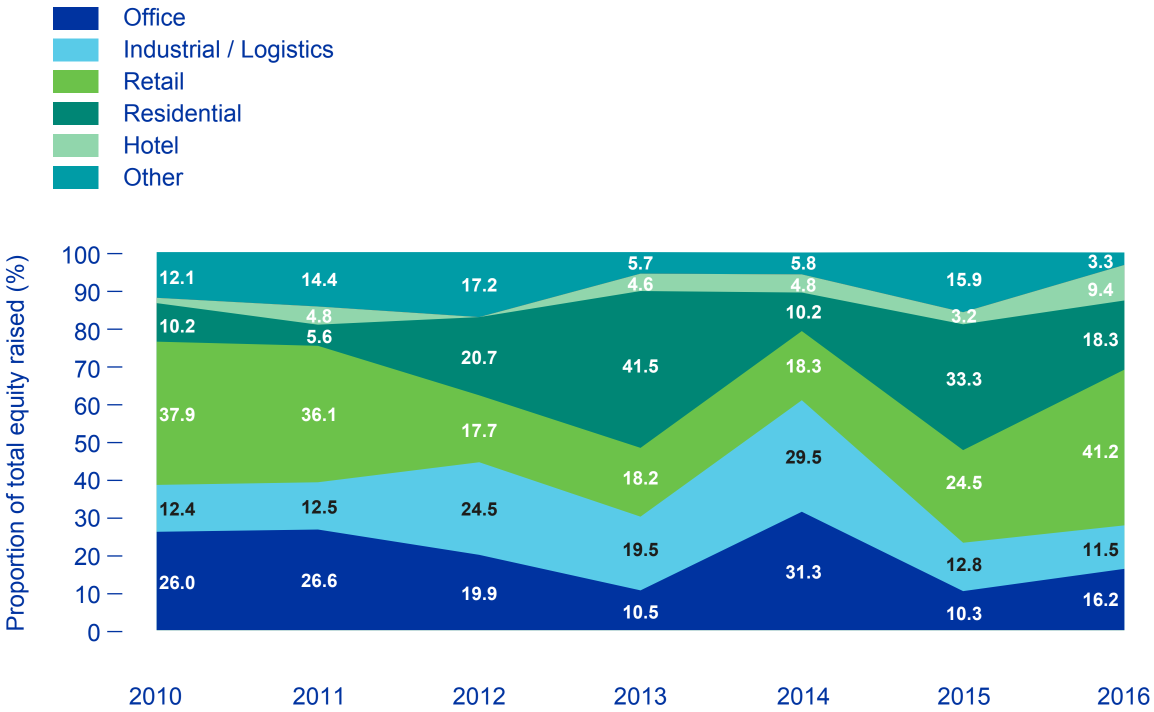
The focus now turns to sector preferences over the period from 2010 to 2016, where some interesting patterns can be seen. One trend of note is the rise and relative moderation of the residential sector, which made up less than 10% of total equity raised in the first year of the period but finished with a weighting of 33.3% in 2015, which subsequently moderated to 18.3% over the most recent capital raising round. Its growth was not linear, however; in fact, its popularity has been very variable over the relatively short period from 2010 to 2016.

Interestingly, industrial / logistics follows almost an identical trajectory. The sector started at 12.4% in 2010, peaking to 29.5% in 2015 and levelled out last year to 11.5%.

Retail fund popularity on the other hand, moves almost in the opposite direction. The sector started with a very respectable share (37.9%) in 2010. It then halved over the years, hitting levels around 18% in 2013 and 2014 before moving to the top spot in 2016 with a share of 41.2%.

Among the other sectors (hotel, residential and unspecified) the correlation pattern is much less clear.

Figure 33: Equity raised for European non-listed real estate funds by single sector strategy



Note: Index Universe data

> 'Residential and industrial / logistics follow almost an identical trajectory'

Equity raised for European non-listed funds by leverage

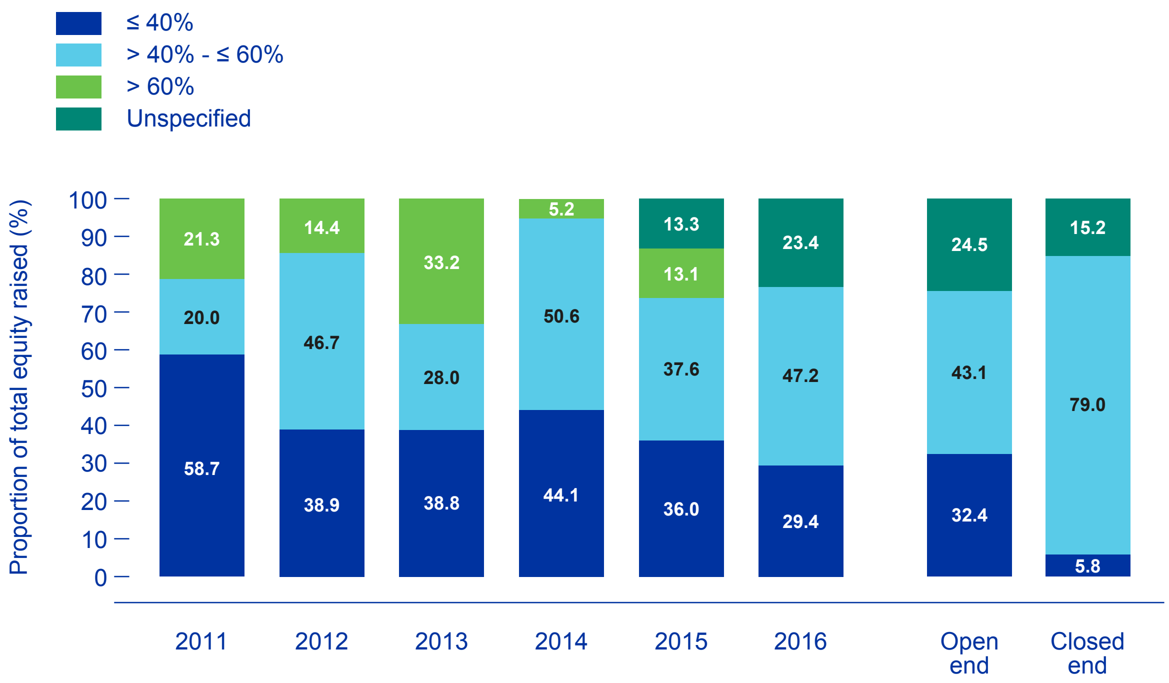
In terms of leverage, 29.4% of the capital raised in 2016 was for funds with leverage levels of 40% or less, and 47.2% was for funds with leverage levels of between 40% and 60%. Higher leverage levels did not attract any capital las t year. The remaining 29.3% remained unspecified.

Looking at leverage levels in 2016, for open end funds and closed end funds separately, some commonalities can be observed. For open end funds, the medium level of leverage (that is, between 40% and 60%) is the most popular, accounting for 43.1%. One-third (32.4%) went to funds with leverage levels of 40% or less. For closed end funds, unspecified levels notwithstanding, the same gearing categories dominate. Most of the capital (79.0%) went to funds with leverage between 40% and 60%. This is markedly different to 2015, where the pattern seemed to be 'the higher, the better' – gearing levels of over 60% being preferred that year.

Analysis of the period 2011 to 2016 highlights the variability in terms of desired gearing levels. This analysis takes open end funds and closed end funds together. In the early 2010s the lowest gearing level (40% or less) attracted more of the total equity raised. The trend reversed in later years, with higher gearing strategies being more attractive.

The lowest gearing level has not managed to attract over half of equity flows since its 2011 heyday, falling even further in the rankings in 2016.

Figure 34: Equity raised for European non-listed real estate funds by leverage



Section 6

Equity raised for European debt funds

Equity raised for European debt funds

By way of background, the number of funds in the INREV Debt Funds Universe (which was published in October 2016) is running at 50, with a target gross asset value (GAV) of €30.4 billion. Funds with a senior loan strategy (17 of the 50 vehicles that are following this strategy) account for 34% of the number of funds but represent 63% of target GAV, indicating that these funds are on average larger than funds with other loan strategies.

In terms of domicile, by number, 26% are domiciled in the UK and 22% are domiciled in Luxembourg. By target GAV, 48% are domiciled in Luxembourg and 16% in the UK.

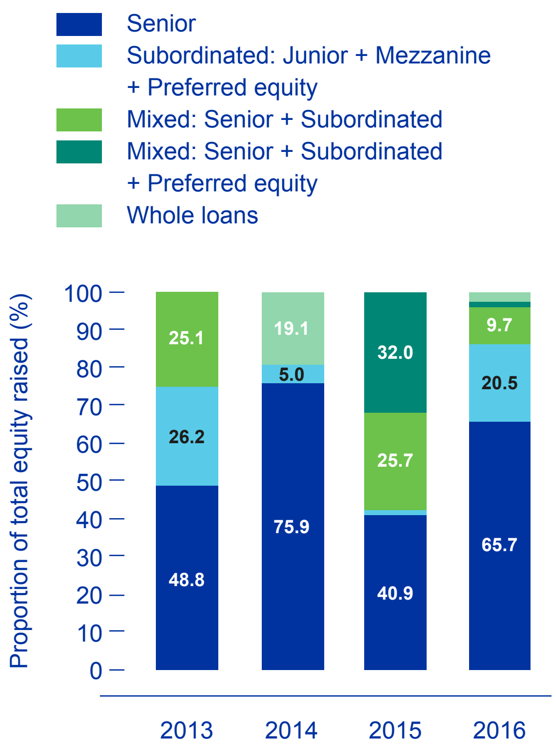
Multi-country and single country funds are almost evenly split number wise – 23 and 24 vehicles respectively. With regards to GAV, multi-country funds represent 72% of target GAV.

In 2016, €3.3 billion of fresh equity was raised for European debt funds. Two forms of debt proved most popular with investors, judging by the amount of capital being raised. First is senior debt (65.7%), the most secure. The second is subordinated – a combination of junior, mezzanine and preferred equity (20.5%). Together these two loan strategies account for 86.2% of the total equity raised last year.

Third position in 2016 is occupied by another combination: senior and subordinated, with a 9.7% share. In fourth place is the whole loan strategy, which accounts for 2.6% of capital raised. The final place, with a share of 1.5%, goes to another mix – a combination of senior, subordinate and preferred.

With so many ways to slice and dice the capital structure being available, it can be difficult to discern patterns. However, one thing is clear: almost all those who contributed equity in 2016 want some component of senior debt.

Figure 35: Equity raised for European non-listed real estate debt funds by loan strategy



‘UK and Luxembourg are the preferred domiciles for debt funds’

Looking at the same data in earlier years, certain trends can be observed. Senior dominates the overall loan strategies. It peaked in 2014 making up 75.9% percent of equity raised for European non-listed real estate debt funds. It dropped to 40.9% the year after. However, senior debt was and remains the king, making up the bulk of the total equity raised for any given year.

With senior debt being clearly a preferred loan strategy, the other strategies including whole loans, subordinated (Junior / Mezzanine / Preferred equity) and mixed (Senior / Subordinated) have been moving in and out of fashion. In 2013, more than half of capital that has been raised for European debt funds was raised for the latter two strategies – 25.0% for mixed and 26.2% for subordinate. The year after mixed strategy fell off investors' radars with only 5.0% being raised for subordinate. Last year witnessed a comeback of mixed strategy.

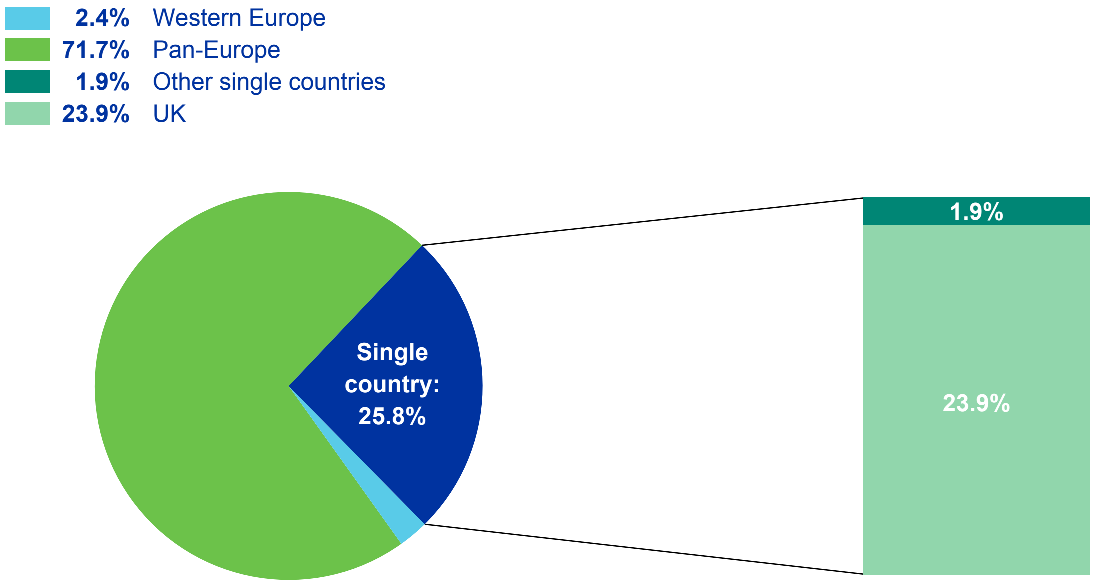
Moving onto regional strategies, multi-country strategy has the upper hand, making up 74.2% of the total. Here, the bulk was raised for Pan-European strategies (71.7%) with the remaining 2.4% raised for debt funds that target Western Europe (excluding Nordics, Southern Europe and UK)

Regarding single country strategies, they make up 25.8% of the capital raised last year for European debt funds. The UK is clearly a huge draw: it makes up 23.9% of the total equity raised. Other single countries between them account for only 1.9%.

There was no new capital raised for the Nordics, for Southern Europe or for Central and Eastern Europe.

> 'Senior dominates the overall loan strategies'

Figure 36: Equity raised for European non-listed real estate debt funds by target European country strategy



Note: Nordics include Denmark, Finland, Norway and Sweden
Southern Europe includes Greece, Italy, Spain and Portugal
Central and Eastern Europe includes Czech Republic, Poland, Hungary, Slovakia, Slovenia
Other single countries include Germany, Austria, Switzerland and Benelux countries
Western Europe excludes Nordics, Southern Europe and UK

In terms of vintage year, numbers are somewhat unsurprising – most of the equity raised (74.1%) was earmarked for funds having their first closing in 2016. A mere 2.0%, was destined for older funds.

It is interesting to note however that almost a quarter, 23.9% to be precise, was raised for European debt funds that have not had their closing yet.

In terms of the type of investor that contributed to the equity raised for non-listed real estate debt funds in 2016, an interesting picture emerges. Insurance companies come out as being the major provider of capital, claiming a share of 60.9% in 2016. Pension funds take second place, with a share of 36.0%. The remainder is spread between government institutions, charities and similar institutions, fund of funds and unspecified contributors.

> 'Insurance companies come out as being the major provider of capital for European debt funds'

From a historical perspective, is it interesting to observe how pension funds and insurance companies have taken turns in being the key source of new capital for European debt funds. It seems that the pattern changes every second year – in 2013 pension funds accounted for 60.5% of fresh capital that was injected to European debt funds; the year after their share dropped to 39.1% with the void being filled by insurance companies (54.3%). In 2015, pension funds were back on top with a share of (61.6%), only to make way for insurance companies in 2016.

Figure 37: Equity raised for European non-listed real estate debt funds by vintage

23.9%	No first closing yet
74.1%	2016
0.1%	2015
1.9%	2012

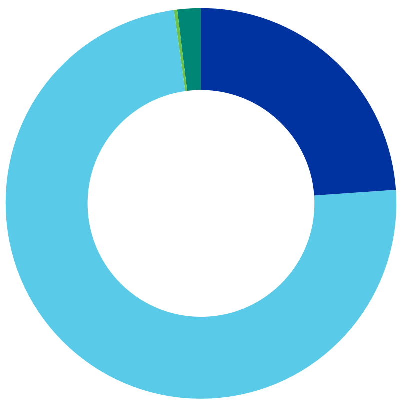
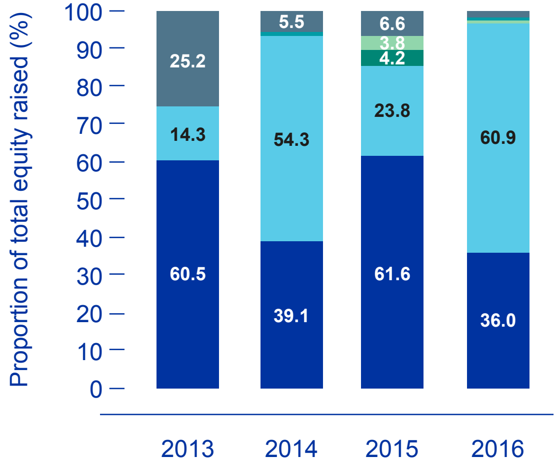


Figure 38: Equity raised for European non-listed real estate debt funds by investor type

- Pension funds
- Insurance companies
- Sovereign wealth funds
- Government institutions
- Charities, foundations, non-profit organisations
- Funds of funds
- High net worth individuals / Family offices
- Other



Section 7

Equity raised for European funds of funds

Equity raised for European funds of funds

In 2016, €3.8 billion was raised for European funds of funds, levels that are broadly like those achieved for debt funds and capital raising activity in 2015 when €3.3 billion was raised for European funds of funds.

To put the figure of €3.8 billion in context, funds of funds represent €20.7 billion of total real estate assets under management by fund managers globally (€19.3 billion of which are with a Europe strategy), according to the Fund Manager Survey carried out in 2016.

The amount of equity raised in 2016 (17.4%) is sizeable in comparison to total AUM, and this may have been influenced by strong investment performance the previous year. According to the Fund of Funds Study 2016, in 2015 funds of funds delivered their strongest performance yet – 18.7%. This was a significant jump from the 8.0% total return levels achieved in 2015. As noted earlier, strong performance can boost confidence which encourages higher capital flows.
In total, the INREV Funds of Funds Universe 2016 comprises 53 fund of funds that are targeting Europe. Together these vehicles represent gross asset value (GAV) of €24.3 billion. Size wise, the overwhelming majority are core (94.8%) with the remaining 5.2% of GAV being split between value added (3.3%) and opportunity (1.9%).

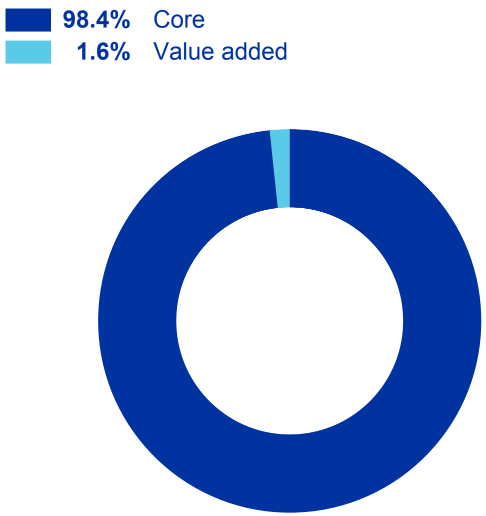
Regarding the number of funds of funds, the split between styles is surprisingly even – 34% are core, 30% are value added, 32% are opportunity and the remaining 4% did not specify their style.

The style preference for funds of funds reflects an overall capital raising tendency. Of the €3.8 billion that was raised for European funds of funds, 98.4% went to core vehicles. The remaining 1.6% was destined to value added funds. No fresh capital was raised for opportunity funds of funds last year.

Comparing style preferences with 2015 numbers, it appears that core funds of funds are gaining momentum at the expense of their value added peers. Last year, the split of fresh capital being raised was 78.0% for core funds of funds and 22.0% for value added.

‘Core funds of funds are getting traction compared to their value added peers’

Figure 39: Equity raised for European funds of funds by style and structure



Looking at the capital raised by funds of funds' vintage (that is, the year when a vehicle has, or had, its first close), an interesting picture emerges: funds of funds with a first close in 2016 took a small portion of total equity (5.7%). Funds of funds launched in 2015 attracted 1.6%. Those that were closed in 2012 gained 4.2%, and their 2010 peers attracted 17.7% of fresh capital last year. Interestingly, the bulk of capital raised last year (70.8%) went to more established vehicles with their close pre-dating 2010.

Contrary to debt funds, pension funds dominate the non-listed real estate fund of funds segment. In total, pension funds injected 54.5% of fresh capital into European funds of funds last year. Insurance companies added another 22.1% of fresh capital. Together, pension providers and insurers account for 76.6% of total capital raised for funds of funds last year.

High net worth individuals and family offices added another 7.9% and charities supplied 1.4%. Additional sources include government institutions (0.5%), sovereign funds (0.7%) and the remaining 12.7% came from other sources.

Regarding investor domicile, Europe leads the pack in terms of equity raised for European funds of funds, with a dominant 68.2% share. Asia Pacific investors are next, making up 19.6% of the total. North American investors are responsible for 6.7% of capital being raised last year. African and South America based investors added 0.1% each to European funds of funds in 2016. The domicile of the remaining 5.2% was left unreported.

Figure 40: Equity raised for European funds of funds by vintage

5.7%	2016
1.6%	2015
4.2%	2012
17.7%	2010
70.8%	Pre-2010

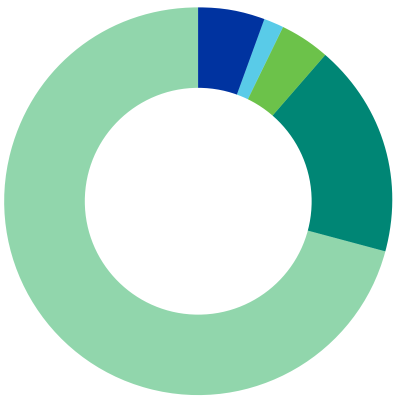
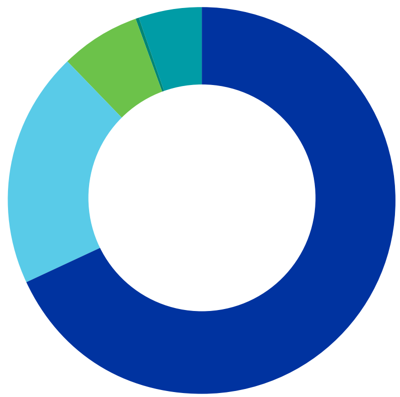


Figure 41: Equity raised for European funds of funds by investor type

54.5%	Pension funds
22.1%	Insurance companies
0.7%	Sovereign wealth funds
0.5%	Government institutions
1.4%	Charities, foundations, non-profit organisations
7.9%	High net worth individuals / Family offices
12.7%	Other

Figure 42: Equity raised for European funds of funds by investor domicile

68.2%	Europe
19.6%	Asia Pacific
6.7%	North America
0.1%	South America
0.1%	Africa
5.2%	Unreported



Appendix

List of participants

List of participants

The following is a list of fund managers, fund of funds managers and debt fund managers who participated in the Capital Raising Survey 2017 and gave permission for their company names to be published. This survey was undertaken in conjunction with ANREV in Asia Pacific and NCREIF in the US.

a.s.r. real estate investment management
Aberdeen Asset Management
AEP Investment Management
AEW
AgFe
Albulus
Alma Property Partners
Almazara
Altan Capital
Altera Vastgoed NV
American Realty Advisors
AMP Capital
Amundi Real Estate
Amvest
Angelo, Gordon & Co.
ARA Asset Management Limited
Ardstone Capital
Art-Invest Real Estate Funds GmbH
Ascendas-Singbridge
Aviva Investors
AXA Investment Managers - Real Assets
BEOS AG
BlackRock
BMO Real Estate Partners
BNP Paribas Real Estate IM
Bouwfonds Investment Management
Bouwinvest
BPEA Real Estate
Brunswick Real Estate
CAERUS Debt Investments AG
Cairn Capital
CapitaLand Limited
Castello SGR SPA
Catalyst Capital
Catella
CBRE Global Investment Partners
CBRE Global Investors LLC
Charter Hall Group
Chelsfield Asia
Chenavari Investment Managers
CITIC Capital Holdings Limited
Clarion Partners
Clearbell Capital LLP
CORPUS SIREO Holding AG
Credit Suisse
Cromwell Property Group
Deka Immobilien Investment GmbH
Deutsche Asset Management
DNB Life / DNB REIM
DRC Capital LLP
DTZ Investors
ECE Real Estate Partners
EG Funds Management
Fabrica Immobiliare SGR
Fidelity International
Fife Capital
First Property Asset Management Ltd
Franklin Templeton
FREO Group
GARBE Industrial Real Estate GmbH
Gaw Capital Partners
GEG German Estate Group AG
Global Logistic Properties Limited
Goodman Group
Grosvenor
GTIS Partners
Guggenheim Real Estate LLC
Hahn Group
Heitman
Helaba Invest
Hines
ICG
IDERA Capital Management Ltd

IGIS Asset Management
Intercontinental Real Estate Corp.
Invesco Real Estate
Investa Property Group
Irish Life Investment Managers
ISPT Pty. Ltd
J.P. Morgan Asset Management
Jensen Group
KaiLong Investments
Kenedix, Inc.
KF Investment Management
Kristensen Properties
La Française
LaSalle Investment Management
Lendlease Investment Management
LRI Invest S.A
M&G Real Estate
M7 Real Estate
Madison International Realty
MC-dream
Moorfield Group
Morgan Stanley Real Estate Investing
Northern Horizon Capital
Orchard Street Investment Management
OREIMA
Orion Partners Real Estate Group
PAG Asia
Pamfleet
Partners Group
PATRIZIA Institutional Clients & Advisory
PGIM Real Estate
PIA Pontis Institutional Advisors GmbH
Pradera
Prelios
PROJECT Real Estate Trust (PROJECT Investment AG)
Propertylink Group
Quadrant Real Estate Advisors
Quantum Immobilien Kapitalverwaltungsgesellschaft mbH
Real I.S.
Redevco
Rynda Property Investors LLP
Sarofim Realty Advisors Co.
Savills Investment Management
SC Capital Partners
Seven Seas Advisors Co. LTD.
sonae sierra
Sparinvest Property Investors
STAM Europe
Starwood Capital Group
Syntrus Achmea Real Estate & Finance
TH Real Estate
The GPT Group
Tokyo Tatemono Investment Advisors Co., Ltd.
Tristan Capital Partners
TRIUVA Kapitalverwaltungsgesellschaft mbH
UBS Asset Management
Union Investment
Vesteda
Vistra
White Peak

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