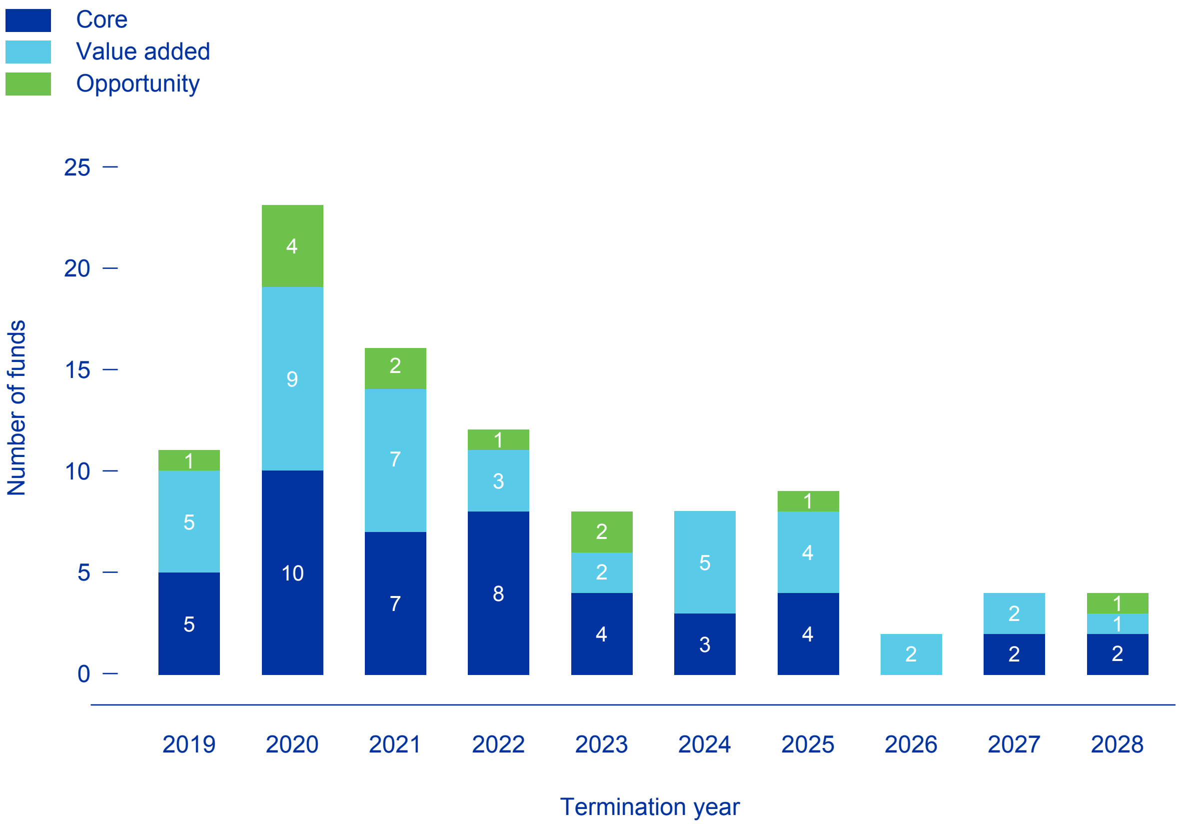
Wave of fund terminations expected for 2020

> Between 2019 and 2021, 50 funds, with a total NAV of €13.2 billion are due for termination
> Funds with a vintage year between 2011 - 2013 showed the strongest performance
> Retail funds expected to terminate between 2019 and 2021 represented 33.5% of the total NAV

Figure 1: Number of funds terminating between 2019 and 2028 by style



In the next ten years 97 European closed end non-listed real estate funds are due to terminate. Collectively they represent €23.0 billion of assets that could potentially come to the market.

Between 2019 and 2021, 50 funds with a total NAV of €13.2 billion, are expected to terminate. A peak is expected in 2020, when 23 of these funds are scheduled to terminate with a total NAV of €5.4 billion.

Above 85% of the funds with a termination date in the next three years are core and value added in style. In line with this structure by style, those funds with target gearing levels below 60% represent around 90% of the total sample.

Single sector funds represent almost 75% of the NAV for funds with a termination date between 2019 and 2021. Of these single sector funds, retail strategy funds represent 40.7%. This could bring €4.4 billion of retail assets into the market.

By country strategies, the sample is almost evenly split between multi country and single country, 52% and 48% respectively. Funds targeting the UK comprise half of the single sector funds due to terminate, representing 45.8% of the total, accounting for €3.9 billion NAV.

Historically, funds that are in liquidation have performed better than funds in extension.

Over the last eight years, funds in liquidation delivered an average total annual return of 6.8%, while funds in extension only delivered 3.4% to their investors.

The same result can be seen when we change the time frame to five years. Funds in liquidation posted average total returns of 10.8% and funds in extension 6.8%.

During the last year extending funds only recorded an average return of 0.0% due to the sample being mainly composed of large retail funds.

The termination terms set in the fund documentation were considered the most important factor when choosing the termination date and strategy, followed by current market circumstances and quality of the portfolio.

Liquidation remains the preferred termination option followed by extension and roll over. This last option is only being considered by core fund managers.

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Figure 2: Performance by termination status