ANREV

INVESTMENT INTENTIONS SURVEY 2015 SNAPSHOT

RESEARCH

Global Real Estate Allocation to increase in 2015

- ▶ Non-listed real estate remains a key mean of allocation
- ▶ Tokyo-office is the most preferred investment market in APAC
- ▶ Increased interest in core funds

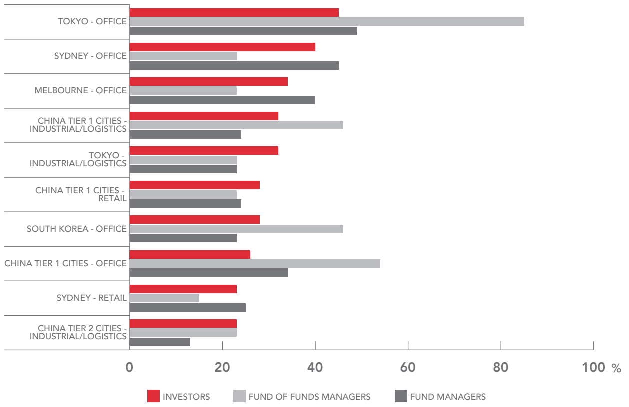
Investors' allocation to global real estate continues to grow. In 2015, there will be an estimated influx of capital amounting to USD58.5 billion.

On balance, investors intend to further increase their portfolio weightings to real estate, with the average allocation to real estate expected to rise to 11.3% from 10.8% currently.

Similar to 2014, regardless of their domiciles, investors, fund managers and fund of funds managers' main reason to invest in the sector is the diversification benefit from a multi-asset portfolio, followed by enhanced returns in second place.

The benefits of investing into real estate continue to attract capital from investors. Over the next two years, 59.4% of Asia Pacific investors are expecting to increase their real estate portfolio allocation which is higher than the global average of 45.8%.

FIGURE 1 - TOP 10 DESTINATION/SECTOR PREFERENCES FOR 2015 INVESTMENTS



The Investor's top three popular destinations in Asia Pacific for 2015 are: Tokyo – Japan, Sydney – Australia and a third place tie between Tier 1 cities – China and Melbourne – Australia.

In terms of sector, office is the most preferred sector to invest in 2015 by investors, fund of funds managers and fund managers. The industrial and logistics sector ranks second for investors and retail being third.

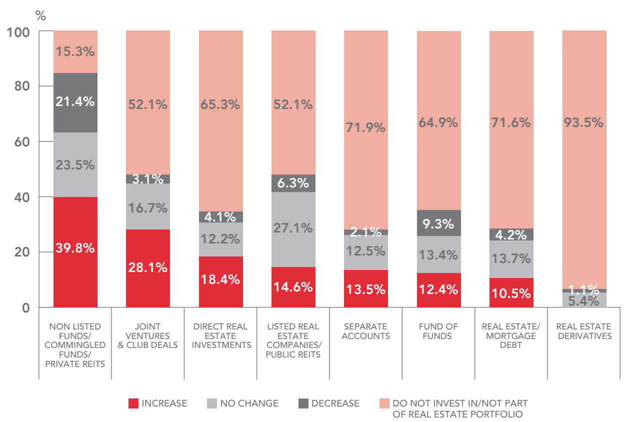
Within the Asia Pacific region, the preferred combination of destination and sector is, not surprisingly, Tokyo-Office with 45% of investors expected to invest into this market in 2015. (Figure 1)

In terms of investment route chosen by investors to increase their real estate allocation, non-listed real estate funds are still the preferred route, with 39.8% of investors expecting to increase their allocation in this product (Figure 2).

However, as observed since 2013, 28.1% of investors also increase their allocations to joint ventures and club deals which means that they continue to seek more control over their investment. This is particularly the case for large investors whose favourite route is to increase real estate allocation through joint ventures and club deals (41.4%).

In comparison to 2014, fund of funds increased expectations for all products are higher. Fund managers' perception of investors expected change in real estate allocation in Asia Pacific show much more optimism, over 70% of fund managers think investors will increase their allocation into joint ventures and club deals, direct real estate investment and non-listed real estate funds.

FIGURE 2 - EXPECTED CHANGE IN INVESTORS' ASIA PACIFIC ALLOCATIONS OVER THE NEXT TWO YEARS (EQUALLY WEIGHTED)



For style preferences, in 2015, both core and value added funds attract more interest. Compared to 2014, more investors opted for core funds, which likely means that investors are taking a lower risk investment strategy.

Traditionally, fund of fund managers take a more risky approach and 56.3% of them prefer value added funds, and 25% opportunistic funds. They also show more interest in core funds compared to previous surveys.

Figure 3 shows a historical perspective of investor's preference in fund style. There is a clear trend since 2013 for investors to increase their preference for core funds and at the same time decrease their preference for opportunity funds. The value added type of funds also gain more attractions. The proportions are similar to the European market showing that investors might start to have a similar risk approach with these two different markets.

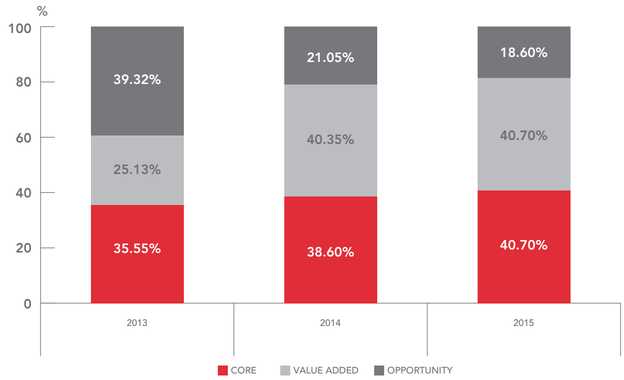
OTHER KEY HIGHLIGHTS

- Global real estate allocations
- Pros & Cons of non-listed real estate funds
- Back testing investment intentions 2014

In terms of strategy, investors showed preference for multi-sector fund and closed end structures over open end and single sector. Generally, they choose to invest into large funds that have a GAV over USD500 million and into funds with similar investors by company type.

Investors also mentioned that access to new markets is the main benefit for investing in non-listed real estate funds in Asia Pacific displacing access to expert management from its top spot last year.

FIGURE 3 - INVESTORS' PREFERRED FUND STYLE FROM 2013 TO 2015



For the first time since the launch of the ANREV Investment Intentions survey in 2008, lack of transparency and market information is not the primary reason given by investors for not investing into non-listed real estate funds. This year it is tied for second place with alignment of interest with fund manager. Availability of suitable products was the main concern of investors which was the second by importance for fund of funds managers and fund managers.

Lastly, investors and fund of funds managers see the ability to achieve target returns as the main challenge faced by managers in the market, whereas fund managers traditionally highlight the length of time taken to market, close a fund followed by the ability to raise capital as the challenges.

ABOUT THE SURVEY

The 2015 survey attracted a record number of responses, 337 in total. This year's respondents comprised 144 investors, 174 fund managers and 19 fund of funds managers, with 168 from Europe (2014: 191), 82 from Asia Pacific (2014: 62), 86 from North America (2014: 70) and the remaining 1 from South America (2014: 1).

The full report is available to members at www.anrev.org.
For further information please contact research@anrev.org