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ANREV / INREV / NCREIF FUND MANAGER SURVEY 2015 SNAPSHOT

Top 10 fund managers account for 36.5% of total real estate AUM

- ▶ Consolidation across the fund management industry driving concentration in the top 10 fund managers
- ▶ Increased diversity in the sources of institutional capital
- ▶ Different sized fund managers offer investors different style strategies

Total real estate assets under management (AUM) increased to USD$2.2 trillion in 2014, up 12.9% from USD$1.9 trillion in 2013. Top 10 fund managers comprise 36.5% of total AUM while those in the lower quartile group collectively manage just over 1.1% of AUM. This demonstrates increasing concentration in the larger fund managers and growing extremities across the fund management industry as a whole.

Brookfield Asset Management tops the list in the Fund Manager 2015, up one place from last year's rankings, with USD$126.2 billion of total real estate AUM. The Blackstone Group ranks second with USD$121.0 billion, while CBRE Global Investors remains in third place with USD$90.6 billion. These three fund managers have consistently ranked in the top three since the 2012 survey.

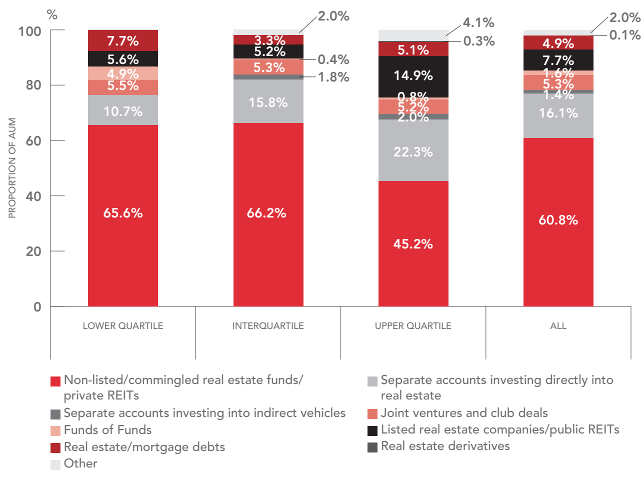
CapitaLand is the largest fund manager in the Asia Pacific region, with total real estate AUM of USD$51.9 billion. Next is Fosun Property Holdings with USD$22.5 billion, followed by ARA with USD$19.9 billion real estate AUM. In Europe AXA Real Estate continues to be the largest fund manager, with USD$63.2 billion of European real estate AUM, followed by CBRE Global Investors and Credit Suisse, with AUM of USD$45.1 billion and USD$44.5 billion respectively. The top three spots in North America are held by Brookfield Asset Management (USD$109.9 billion AUM), The Blackstone Group (USD$76.2 billion) and TIAA Henderson Real Estate which has AUM of USD$56.1 billion.

Irrespective of manager size non-listed real estate funds remains the dominant product line, representing 60.5% of total AUM in 2014. This is followed by separate accounts, which comprise a higher proportion of AUM for the upper and interquartile ranges than for lower quartile managers. Top quartile fund managers have a higher AUM share in listed real estate funds/ public REITs (14.9%) when compared with small and medium sized managers; while lower quartile managers have a greater share in funds of funds (4.9%) and real estate/mortgage debts (7.7%) than medium and large sized managers.

'Irrespective of manager size non-listed real estate funds remains the dominant product line.'

Diversity in products is generally increasing with real estate/mortgage debt and derivatives seeing their share of AUM rise to 4.9% and 0.1% respectively in 2014, a return to market for derivatives.

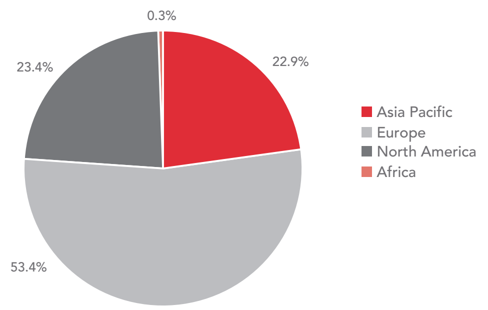
FIGURE 1 - TOTAL REAL ESTATE ASSETS UNDER MANAGEMENT BY PRODUCT TYPE AND QUARTILES



The main source of capital for non-listed direct real estate vehicles is from institutional investors which represent 85.4% of total AUM. More than half is from European investors, while the remainder is split almost 50:50 between those from Asia Pacific and those from North America. Asia Pacific investors represent a much higher proportion than they did in the previous year, 22.9% in 2014 compared with 14.2% in 2013.

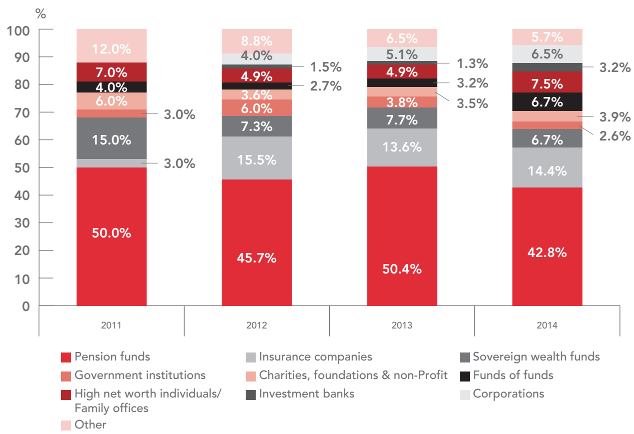
'Asia Pacific investors represent a much higher proportion of institutional capital than they did in the previous year.'

FIGURE 2 - INSTITUTIONAL CLIENT BASE BY DOMICILE



Pension funds continue to make up the lion share of capital, representing 42.8% of the institutional client base in 2014, a slight decrease from the 50.4% the previous year. Insurance companies remain the second largest group of institutional investors; their share has grown slightly to 14.4% in 2014, but has increased fivefold between 2011 and 2014. Fund of funds managers have gained prominence as their share has increased from 2.7% in 2012 to 6.7% in 2014. High net worth individuals (HNWIs) and family offices also represent a significant growth in share of capital at 7.5% in 2014 compared with 4.9% the previous year. Meanwhile sovereign wealth funds have reduced their activity in non-listed vehicles comprising only 6.7% of institutional capital in 2014, a significant fall from 15.0% in 2011.

FIGURE 3 - BREAKDOWN OF INSTITUTIONAL CLIENT BASE BY TYPE

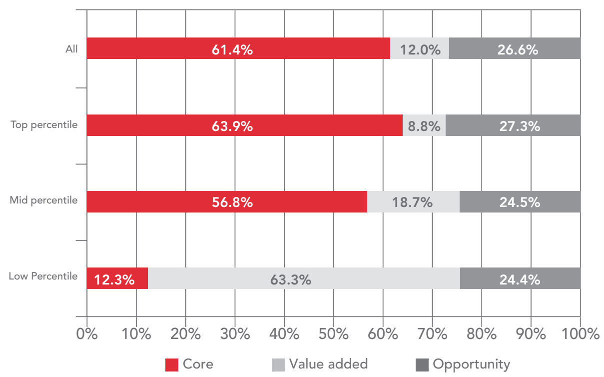


'Pension funds continue to be the main source of capital for non-listed real estate vehicles, though there is increasing diversity in the sources of institutional capital.'

Investors have a broad range of non-listed real estate funds in which to invest in, 1,751 in total with a cumulative value of USD$1 trillion. By number 67.2% are European funds, 15.2% Asia Pacific and 12.4% North American. Funds targeting South America and Africa make up a small proportion at 1.5% and 0.1% respectively, while the remaining 3.5% are funds with a global strategy. By value, European funds represent the largest share at 44.3% of total value, North American funds comprise 26.6% of value and Asia Pacific funds 11.8%.

By style, core (61.4%) represents the largest fund style, while value added and opportunistic funds comprise 2.0% and 26.6% of total value respectively. Top quartile fund managers are more focussed on delivering a core strategy (63.9%). While lower quartile fund managers adopt a more opportunistic strategy, where non-core funds make up 87.7% of their total non-listed real estate funds value.

FIGURE 4 - NON-LISTED REAL ESTATE FUNDS BY STYLE AND QUARTILE AS % OF VALUE



ABOUT THE SURVEY

The 2015 survey attracted a record number of 164 respondents (2014: 147) across Asia Pacific, Europe and North America. Collectively, they manage total real estate AUM of USD$2.1 trillion (2014: USD$1.9 trillion). Figures are quoted as at 31 December 2014 unless otherwise stated.

The full report is available to members at www.anrev.org.
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