First signs since the crisis that investors' appetite for risk is growing

- Value added funds now preferred by 42.9% of all investors compared with 21.9% last year
- Core funds still selected by 50% of investors
- A majority of 55.9% of investors expect to increase the share of real estate in their multi asset portfolio.
- Germany is still the top investment location in Europe for investors, fund of funds managers and fund managers.

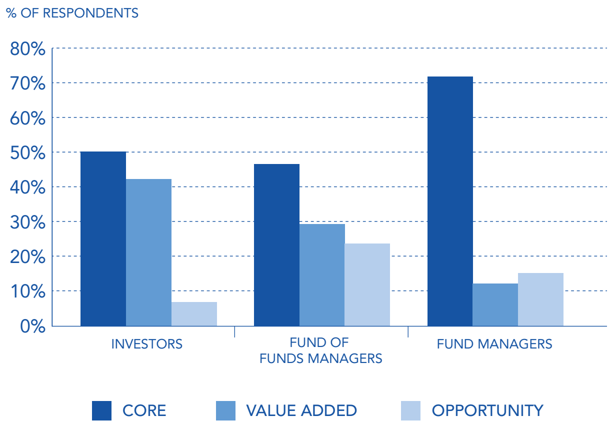
The results of this year's Investment Intentions Survey provide the first indication since the crisis that investors' appetite for risk is growing. This year an increasing number of investors chose value added as their preferred style, moving away from core, which has been the default style for investors for the last three years.

Although core funds are still preferred by 50% of investors, 42.9% of investors now prefer value added funds compared with 21.9% last year. This shift in investors' preference can to a certain extend be linked to their views that current market conditions are now less of an obstacle.

For the next two years, the net balance (increase minus decrease) of expected allocations to core funds is still higher than to value added funds at 15% and 1.6% respectively. For opportunity funds, there is net fall of 23.6%. This demonstrates that the growing interest in value added funds can be seen more as a tactical play for the short term while core is still preferred for the long term.

German and Nordic investors as well as large size investors lead the charge in the shift towards value added funds. Although Dutch investors are still core driven, their focus on core has also lessened and has decreased to 72.7% from 91.7% in 2012.

FIGURE 1: INVESTORS' PREFERRED FUND STYLE AND FUND MANAGERS' PERCEPTION OF INVESTORS' PREFERRED FUND STYLE



RESEARCH

The survey results also show that a majority of 55.9% investors expect to increase the share of real estate in their overall multi-asset portfolio. European joint ventures and club deals in particular will play an important role in achieving that, especially for large investors.

Since the financial crisis, it has become more important for investors to have control over their investments through joint ventures and club deals. The results show that 47.4% of investors expect to increase their allocations to these products whereas only 3.5% expect to decrease, resulting in a net balance of 43.9%.

The situation for non-listed property funds is different. Despite the fact that 45.5% of investors expect to make an investment in 2013, the percentage of investors expecting to reduce their overall non-listed funds portfolio is increasing. This seems to indicate that investors are also expecting to make disinvestments. This year 37.9% of investors expect to increase their non-listed real estate funds portfolio with 31% anticipating a decrease, resulting in a net balance of just 6.9%.

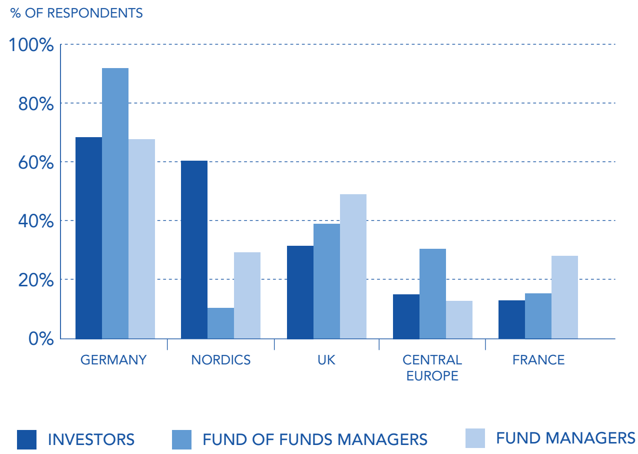
Real estate debt/mortgage investments and direct property investments are also high on the agenda of investors, ranking second and third place respectively from a net balance perspective. However, it is interesting to note that 50.9% of investors either do not invest in real estate debt/mortgage products or do not treat them as a part of their real estate portfolio. This means for those investors who see debt as part of their real estate allocation, 71.5% will increase their exposure in the next two years.

OTHER KEY FIGURES:

- Alignment of interest with fund managers is seen as the biggest obstacle to invest in non-listed property funds by 58.6% of investors.
- A large majority of investors still use non-listed property funds in order to access expert management, specific sectors and markets.
- When selecting a fund for new investments, most attention is paid to the staff/track record of fund managers and the target location and style of the fund.

Preferences for countries remain constant with Germany continuing to be the favoured location for all respondent groups. This was the case for 67.9% of investors and 92.3% of fund of funds managers. In addition, 67.6% of fund managers select this as the preferred location. Investors also like the Nordic markets, largely driven by domestic investments of local investors. The UK is investors' third choice whereas for fund of funds managers and fund managers the UK is the second most preferred location after Germany.

FIGURE 2: MOST APPEALING LOCATIONS FOR 2013 IN TERMS OF RISK ADJUSTED PERFORMANCE PROSPECTS



One of main drivers behind the popularity of the UK is the Other investor group with 66.7% choosing it as their preferred location. This group includes seven Asian investors and five UK investors having a specific preference for the UK market. Furthermore, 20% of Dutch investors and 27.8% of Nordic investors see the UK as one of their top three locations. This was not the case for German investors. The UK has recently shown a greater volatility of real estate prices compared with Germany, which might influence German investors' investment strategies to look for stable markets.

The interest in Germany comes from across all investor groups, while for the Nordics, this is limited to the Dutch, German and Nordic investors. Only 13.3% of the Other investor group is interested in the Nordic markets.

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