ANREV/INREV/NCREIF Fund Manager Survey **2015**

Snapshot Research

Consolidation, driving concentration in top 10 fund managers

- > Top 10 fund managers comprise 36.5% of total AUM
- > Non-listed real estate funds make a comeback in 2014
- > Different sized fund managers offer investors different style strategies

Total real estate assets under management (AUM) increased to €1.8 trillion in 2014, up 28.6% from €1.4 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.

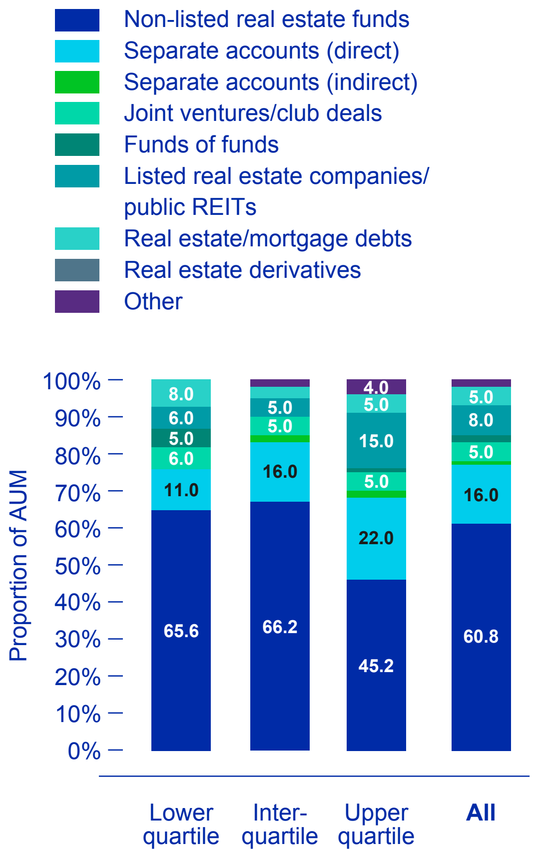
Brookfield Asset Management tops the list in the Fund Manager Survey 2015, up one place from last year's rankings, with €103.8 billion of total real estate AUM. The Blackstone Group ranks second with €99.5 billion, while CBRE Global Investors remains in third place with €74.5 billion. These three fund managers have consistently ranked in the top three since the 2012 survey.

> 'Irrespective of manager size non-listed funds remains the dominant product line'

In Europe AXA Real Estate continues to be the largest fund manager, with €52.0 billion of European real estate AUM, followed by CBRE Global Investors and Credit Suisse, with AUM of €37.1 billion and €36.6 billion respectively. CapitaLand is the largest fund manager in the Asia Pacific region, with total real estate AUM of €42.7 billion. Next is Fosun Property Holdings with €18.5 billion, followed by ARA with €16.4 billion real estate AUM. The top three spots in North America are held by Brookfield Asset Management (€90.4 billion AUM), The Blackstone Group (€62.7 billion) and TIAA Henderson Real Estate which has AUM of €46.2 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.

Figure 1: Total real estate assets under management by product type and quartiles



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.

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.

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.

> ‘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 €830.5 billion. 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.

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Figure 2: Breakdown of institutional client base by type