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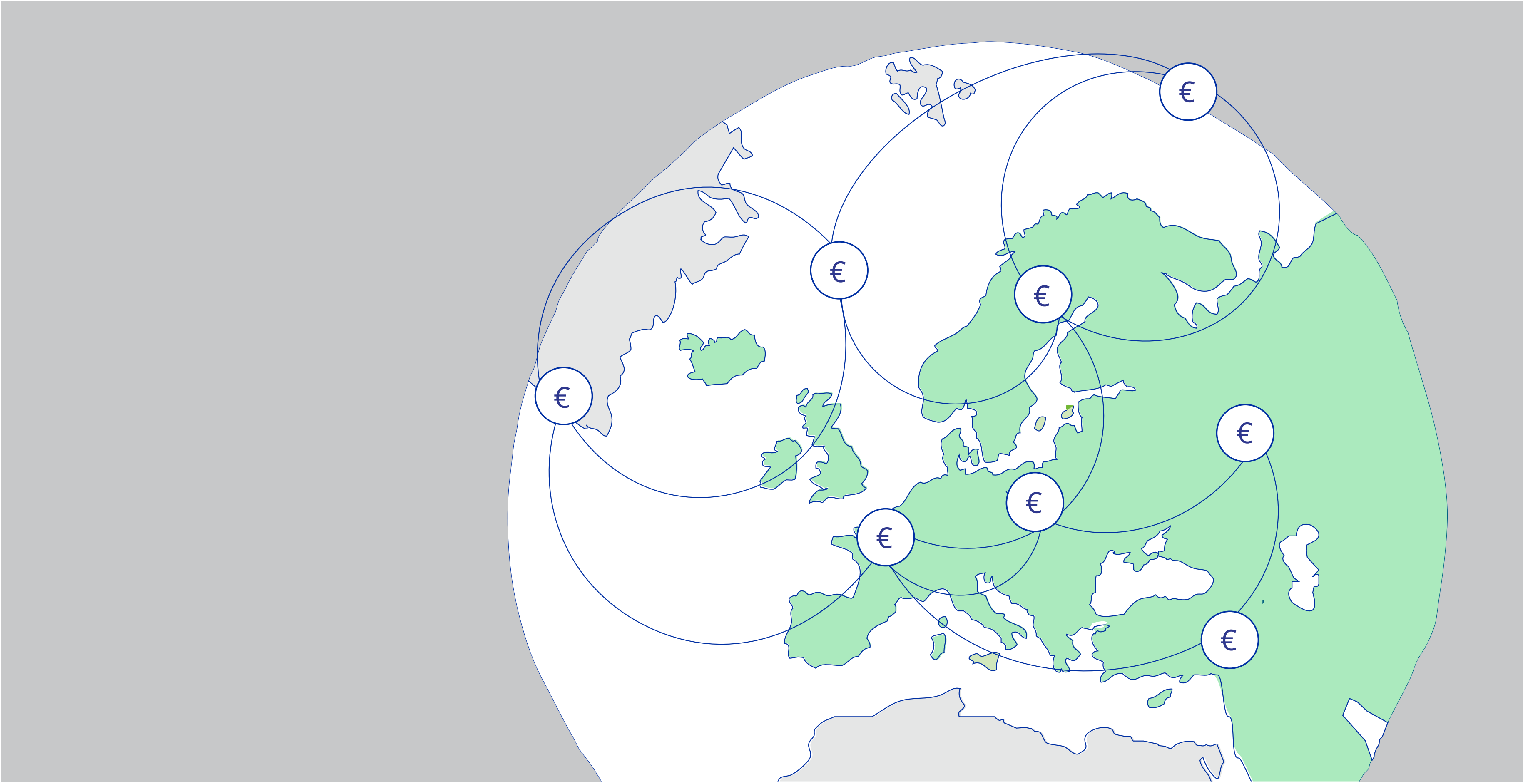

Capital Raising Survey **2016**

Research

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate vehicles for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

As a pan European body, INREV represents an excellent platform for the sharing and dissemination of knowledge on the non-listed real estate industry.

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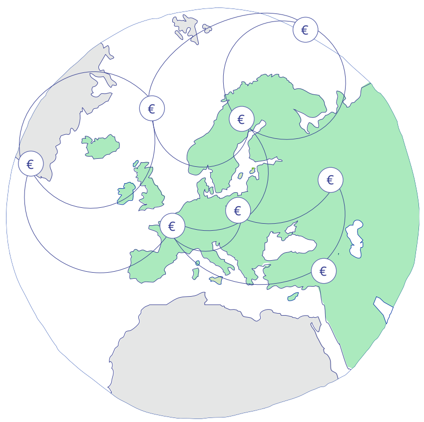


Executive summary

- Non-listed real estate vehicles continue to attract investors of all types
- New capital raised in 2015 reaches €123.6 billion
- Lion's share of new equity targets Europe

The key message from this year's Capital Raising Survey can be stated as follows: non-listed real estate remains in favour among investors of all types, and in particular with pension funds and insurance companies.

This year marks the 10th anniversary of this Survey. Since its inception in 2006 the survey has seen ups and down in the level of new capital raised annually. Despite this year-on-year variability, the capital has not ceased to flow, and in fact the amount of new capital raised for funds has grown significantly since 2011. There continues to be confidence in the non-listed real estate sector as a place to invest.

Collectively, respondents raised €123.6 billion for non-listed real estate in 2015. Compared to 2014, this constitutes a 0.7% increase. While the rate of growth has slowed down compared to 2013 and 2014, the viability and variety of opportunities within the industry is nevertheless clear from the record level of new capital raised last year.

'European residential sector a magnet for new capital'

The largest pool of capital (51.1% or €63.1 billion) was committed to vehicles with a European strategy. Vehicles with North American and Asia Pacific strategies saw 27.9% (or €34.5 billion) and 13.6% (or €16.9 billion) of total capital being raised respectively. The preference for Europe is consistent with last year's Capital Raising Survey, which was the first such survey to be based on global participation. It showed that 55.3% of all the capital raised worldwide was destined to vehicles with a European strategy.

In terms of sector choice, it is noteworthy that within the category of single sector funds, the most striking outcome is the dominance of residential funds, accounting for 9.4% of all capital (whether multi sector or single) and fully one-third of all the equity raised for the single sector category. This sector has been attracting considerable investor intention in recent times, particularly in the UK and the Netherlands.

In terms of the investor types choosing to apply new capital in 2015, it is clear that there are two dominant investor types, and these are pension funds and insurance companies. Other types of investor such as sovereign wealth funds and high net worth individuals are also present, though their capital contribution is less significant.

'Pension funds give non-listed real estate a resounding vote of confidence in 2015'

In terms of investor domicile, European investors contributed the largest share (48.7%) of equity being raised last year. North American investors contributed 35.9%, with the remaining 15.4% coming from Asia Pacific based investors.

Finally, it is evident that there is plentiful choice of structures within the non-listed universe, which includes non-listed real estate funds, joint ventures and club deals, separate accounts investing directly into real estate, separate accounts investing into indirect vehicles, debt products and funds of funds.

Investors can also choose between various types of debt funds. In 2015, €3.6 billion of equity was raised for European debt funds. There is considerable choice of product in this part of market, including a range of funds operating at different points of the capital structure. So, for example, an investor could choose senior debt on its own, or a more diversified mix of senior with subordinated.

Finally, funds of funds are also a feature of the market, and their core and value added offerings with a European strategy drew substantial new equity (€3.3billion) in 2015.

Section 1

Introduction

Introduction

The ANREV / INREV / NCREIF Capital Raising Survey 2016 explores capital raising activities into the non-listed real estate industry in 2015. The particular focus of the report is on European vehicles. The survey provides insights by region, product type, investment strategy, and where possible presents a historical comparison based on previous studies.

This year the survey marks its 10th anniversary. Since its inception in 2006 the survey has been witness to continuing confidence in the non-listed real estate industry as an attractive asset class.

For the second time, the survey has a global outreach. The study was conducted in conjunction with ANREV in Asia Pacific and NCREIF in the US with the aim of providing a greater appreciation of trends in capital raising activities globally.

The 2016 survey attracted a record number of participants with 153 fund managers globally completing the questionnaire, a 7.8% increase compared to 2015 when 142 fund managers responded to the survey. In total, the majority (85 or 55.6%) of fund managers were from Europe, followed by those domiciled in Asia Pacific (46 or 30.1%) and North America (22 or 14.4%). None of fund managers domiciled in South America or Africa participated in the survey.

> ‘This year the INREV Capital Raising Survey marks its 10th anniversary’

Collectively, respondents raised €123.6 billion for non-listed real estate. The complete list of participants can be found at the end of the report in Appendix 1.

Capital raising information was gathered in a three step process: first, a questionnaire at manager level; second, a questionnaire at vehicle level (for debt funds and fund of funds) to capture vehicle characteristics; and third, a direct data extraction from the INREV database for funds.

The report is structured as follows. Section 2 presents a general capital raising landscape within the non-listed real estate industry in 2015. The section also discusses fund managers’ expectations on overall capital raising activities going forward and their views of the impact of regulation on capital raising activities over the next two years. Section 3 comments on the total equity raised in 2015 as well as equity raised by vehicle type, fund manager type and domicile. Section 4 discusses in greater detail the equity raised for global real estate vehicles. From Section 5 onwards of the report focuses on the capital rising landscape for Europe. Section 5, Section 6 and Section 7 assess total equity raised for European funds, debt funds and fund of funds respectively.

It is important to note that the sample size and composition of the survey varies by year. Furthermore, when ‘Other’ is mentioned, the numbers may contain responses which were unspecified in the survey. Also worth noting is that separate accounts were split in 2016 into two distinct vehicles: separate accounts investing directly into real estate and separate accounts investing into indirect vehicles. As such, historical comparison should be treated with caution.

Figures are quoted as at 31 December 2015 unless otherwise stated.

ANREV, INREV and NCREIF would like to thank fund managers for their participation in the Capital Raising Survey 2016.

Section 2

Capital raising activity

Capital raising activity

This section covers total equity raised for the non-listed real estate industry worldwide. It includes non-listed real estate funds, joint ventures and club deals, separate accounts (investing directly into real estate as well as investing into indirect vehicles) and non-listed debt products.

A clear majority (80.4%) of fund managers in this global survey indicated that they raised capital for non-listed funds, separate accounts, joint ventures and club deals, funds of funds or non-listed debt funds in 2015.

Interestingly, some geographical variations emerged among respondents. Of those domiciled in North America (22 in total), all respondents indicated that they have raised capital in 2015, while 78.8 % of European fund managers indicated that they have raised capital for non-listed real estate vehicles with the remaining 21.2% suggesting that no fresh capital has been attracted. Fund managers domiciled in Asia Pacific saw lower levels of capital raising activity compared to their North American and European peers: 73.9% of respondents indicated that they have received new capital in 2015 with the remaining 26.1% suggesting that no capital has been raised last year.

Of all the reasons why fund managers have not raised capital in 2015, neither 'fund manager reputation', 'associated costs' nor 'corporate governance framework' came up as obstacles. The majority of respondents (93.1%) indicated 'other' as the key explanation for not raising capital.

Cumulatively, 'track record' and 'alignment of interest' were acknowledged to be equally relevant as obstacles to attracting new capital.

However, the homogeneity dissipates when answers are broken down by fund manager domicile. While Asia Pacific and European fund managers were mostly unanimous in naming 'other' as the key reason why no new capital was attracted, for Asia Pacific based fund managers 'alignment of interest' was the second main cause in preventing from raising new capital. In contrast, for fund managers domiciled in Europe 'track record' was the culprit.

With regards to 'other' reasons for no capital being raised, these can be as varied as the lack of interest from investors, change in market conditions, adjustment of an existing strategy, no need of fresh capital or enough capital from an earlier capital raising period, as well as capital raising planned for 2016.

Figure 1: Capital raising activity in 2015

80.4% Yes
19.6% No

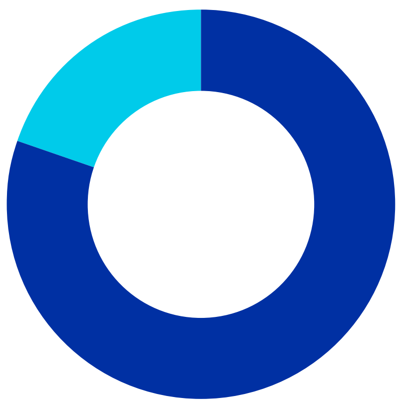
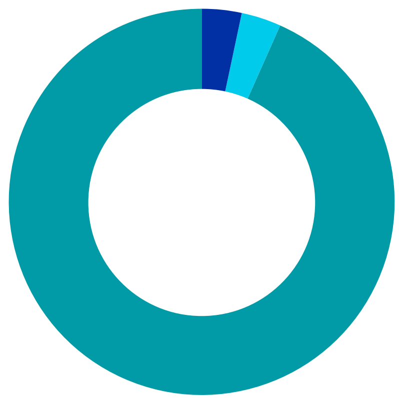


Figure 2: Reasons why no capital was raised in 2015

3.4% Track record
3.4% Alignment of interest
0.0% Fund manager reputation
0.0% Associated costs
0.0% Corporate governance framework
93.1% Other



Methods of capital raising

The largest share of new equity that fund managers raised in 2015 was via their existing relationships with investors. It proved to be the most effective strategy translating into 66.0% or €81.5 billion of fresh equity being raised globally last year. The use of a placement agent was the least preferred route in raising new equity. Only 6.2% of all capital raised in 2015 came through placement agents.

The importance of trust and a good relationship with investors is fairly consistent regardless of fund manager domicile.

However, some geographical variation persists. North American fund managers advanced their existing relationships the most - 81.6% of the equity they raised came from established contacts. Among Asia Pacific fund managers this number stood at 70.6%. European fund managers raised just 52.9% of capital using this strategy.

However, these geographical differences notwithstanding, the majority of fund managers, whether based in Asia Pacific, Europe or North America, indicated that an existing relationship with investors proved to be the best capital raising strategy.

Figure 3: Methods of capital raising

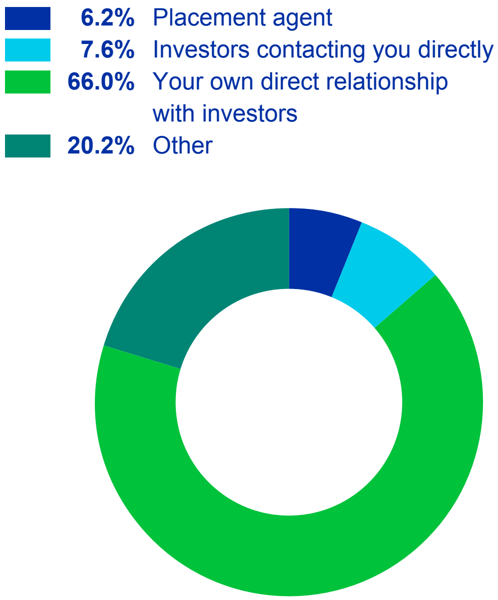
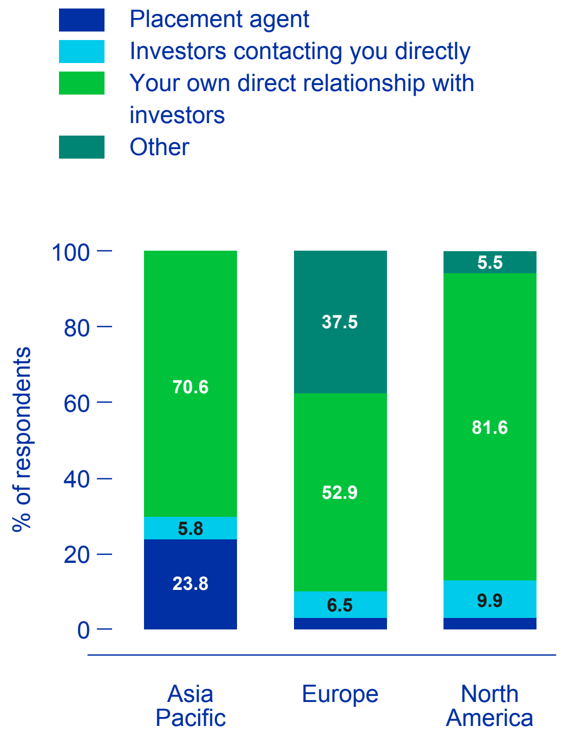


Figure 4: Methods of capital raising by fund manager domicile



Expectations for capital raising activities

In overall terms, fund managers were optimistic when asked about their expectations for capital raising activities over the next few years. The majority (73.2%) of fund managers expect the trend to continue upwards. On the other end of the spectrum, a mere 7.8% consider that capital raising momentum will reduce. The remaining 17.6% of respondents project no change for capital raising activities, with only 1.3% being undecided.

When asked about the impact of regulation on the capital raising landscape, half of the respondents disregard it as having an effect on attracting fresh capital into the non-listed real estate industry. One-third, however, see it as deterrent to raising new equity with the remaining respondents either considering regulation as being positive to the overall capital raising scene or being undecided on the issue.

> 'The majority (73.2%) of fund managers expect capital raising to increase'

Figure 5: Expectations for capital raising activities

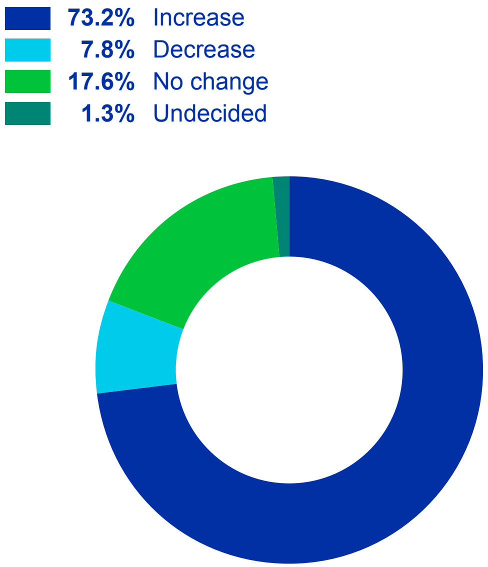
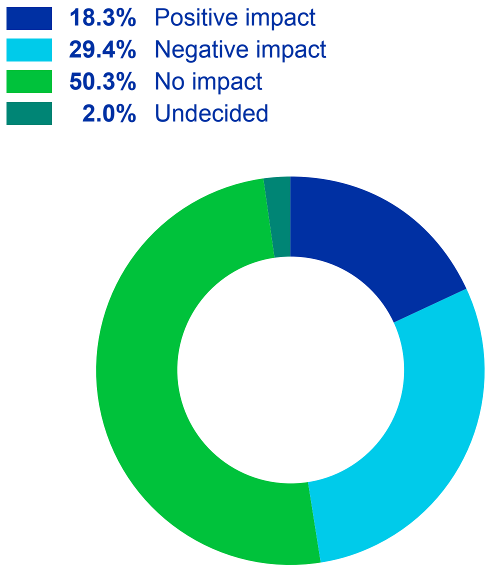


Figure 6: Impact of regulation on capital raising activities



Section 3

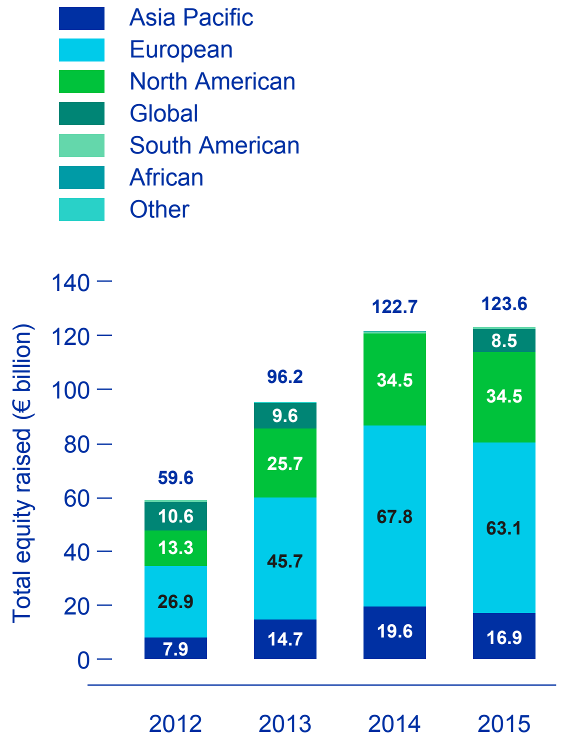
Equity raised for the non-listed real estate industry globally

Equity raised for the non-listed real estate industry globally

Last year saw capital raising momentum continuing. In 2015 the industry raised a total of €123.6 billion of new equity globally. Compared to levels achieved in 2014, this constitutes a 0.7% increase of capital being raised for non-listed real estate sector. This record level achieved in 2015 reaffirms the viability of available opportunities within the industry.

The largest amount of capital raised is set for Europe. Over half (51.1%) of all capital being raised in 2015 is targeting Europe. One-third of all capital raised (35.5%) is set for Asia Pacific. North America attracted 16.9% of all new equity raised last year. The remaining 7.3% is split between vehicles with Global strategy (6.9%) and those targeting South America (0.5%).

Figure 7: Equity raised between 2012 to 2015 by regional strategy



‘Capital raising momentum continues for the non-listed real estate industry’

Strong demand for the industry is further reaffirmed by looking at equity raised by regional strategy. The largest pool of fresh capital (51.1% or €63.1 billion) was committed to vehicles with a European strategy. Those with North American and Asia Pacific strategies saw 27.9% (or €34.5 billion) and 13.6% (or €16.9 billion) of total capital being raised respectively.

With the growing globalisation of the non-listed real estate industry and greater availability of vehicles with a global footprint, a 'Global strategy' option is included in the questionnaire. Of the total amount raised, 6.9% (or €8.5 billion) was committed to vehicles with a global strategy. Unfortunately, no capital was raised for vehicles with an African strategy. Those targeting South America represent a mere 0.5% (or €0.6 billion) of all capital being raised in 2015.

The popularity of the non-listed real estate industry can be seen by looking at the number of vehicles capital has been raised for. In total, there were 801 vehicles which received an injection of fresh capital in 2015. More than half of all vehicles (59.8% or 479 vehicles) had a European strategy, following those targeting North America (19.9% or 159 vehicles), Asia Pacific (15.7% or 126 vehicles) and South America (0.4% or 3 vehicles only). The remaining 34 (or 4.2%) vehicles which comprise the sample were those with a Global strategy.

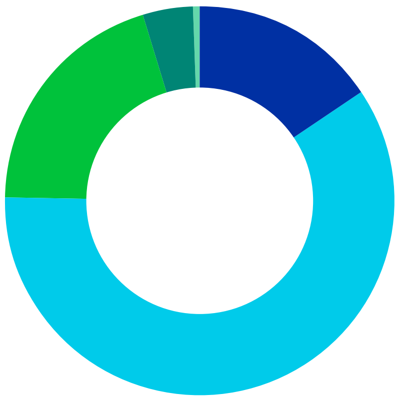
It is interesting to note the relationship between capital raised by region and the number of vehicles this new equity was raised for. As noted, vehicles with a European strategy make up almost two thirds of all vehicles equity was raised for last year, but by value they comprise just over half of new equity being raised. Vehicles with a North American strategy represent one fifth by number but almost one-third by value, suggesting that on average vehicles targeting North America are larger.

Figure 8: Equity raised by regional strategy by value

13.6% Asia Pacific
51.1% European
27.9% North American
6.9% Global
0.5% South American
0.0% African

Figure 9: Equity raised by regional strategy by number of vehicles

15.7% Asia Pacific
59.8% European
19.9% North American
4.2% Global
0.4% South American
0.0% African



Further scrutiny of equity being raised in 2015 suggest that whether capital is targeting Asia Pacific, Europe or North America, the largest proportion of it is destined to domestic markets, although some significant differences emerge. Firstly, European fund managers raised 83.5% of new equity for vehicles with a European strategy, with the remaining 8.7% designated to Global vehicles, 6.1% to vehicles targeting North American and 1.3% for vehicles targeting Asia Pacific. Asia Pacific fund managers raised 69.1% of capital for vehicles with an Asia Pacific strategy, 25.5% was destined to vehicles with a North American strategy, 4.8% with a European strategy and the remaining 0.6% with Global strategies. Interestingly, North American fund managers attracted the least domestically biased capital last year with 58.6% of their capital raised destined to vehicles targeting their domestic market, which is low relative to fund managers located in Europe and Asia Pacific.

The popularity of vehicles targeting domestic markets can also be seen by looking at the number of vehicles capital has been raised for in 2015. European fund managers raised fresh capital for 376 vehicles of which the majority (83.8%) are vehicles targeting Europe, followed by vehicles with North American (6.6%), Global (6.4%) Asia Pacific (2.7%) and South American (0.5%) strategies.

Fund managers domiciled in North America raised new capital for 321 vehicles. What is interesting is that although North American fund managers raised the largest proportion of capital for vehicles targeting domestic markets, the number of vehicles they raised capital for is, however, different. Of all 321 vehicles North American fund managers raised capital for last year, almost half (48.3%) are vehicles with a European strategy. Vehicles targeting domestic market comprise 38.9%. The remaining 12.8% are split as follows: 10.0% for vehicles targeting Asia Pacific, 0.3% targeting South America, and 2.5% set for vehicles with a Global strategy.

Figure 10: Equity raised by regional strategy and fund manager domicile

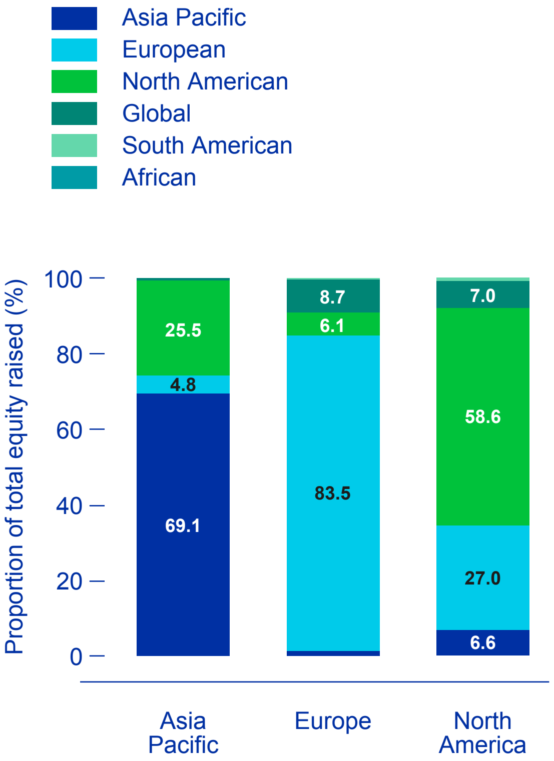
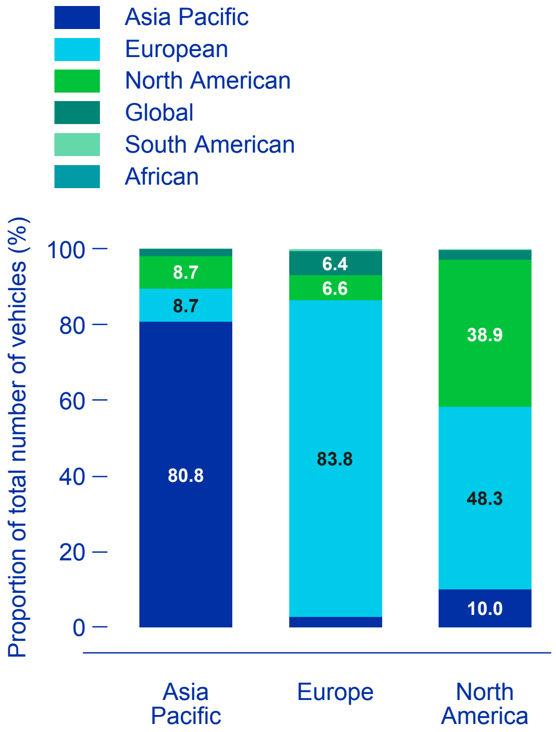


Figure 11: Equity raised by regional strategy, by fund manager domicile and by number of vehicles



Equity raised by vehicle type

The growing amount of new equity being raised targets an expanding menu of non-listed real estate vehicles. Most of the capital, as in previous years, was raised for non-listed real estate funds. In total, funds represent 47.3% of all capital raised in 2015. Separate accounts investing directly in real estate were the second most popular vehicle drawing 24.4% of all new capital. Joint ventures and club deals attracted 13.3%, non-listed debt products 9.0%, fund of funds 4.0% and separate accounts investing into indirect vehicles 2.0% of all capital raised in 2015 respectively.

A similar picture emerges by looking at the new capital raised from the perspective of the number of vehicles. Of all capital being raised, almost half of it went into 386 non-listed real estate funds representing 48.2% of all vehicles for which capital was raised for in 2015. There were 206 (25.7%) separate accounts investing directly into real estate, for which capital was raised for last year. The remaining capital was raised for joint ventures and club deals (14.1%), non-listed debt funds (4.4%), separate accounts investing into indirect real estate (4.4%) and fund of funds (3.2%).

Figure 12: Equity raised by vehicle type by value

- **47.3%** Non-listed funds
- **24.4%** Separate accounts investing directly
- **2.0%** Separate accounts investing into indirect
- **13.3%** JVs and club deals
- **4.0%** Funds of funds
- **9.0%** Non-listed debt products

Figure 13: Equity raised by vehicle type by number of vehicles

- **48.2%** Non-listed funds
- **25.7%** Separate accounts investing directly
- **4.4%** Separate accounts investing into indirect
- **14.1%** JVs and club deals
- **3.2%** Funds of funds
- **4.4%** Non-listed debt products

The popularity of non-listed real estate funds is reaffirmed by looking at equity raised by vehicle type and by regional strategy. Of all vehicles targeting Asia Pacific, North America and South America, funds comprise more than half of all new equity raised in 2015.

On aggregate new equity targeting Asia Pacific was mostly raised for funds, which constitute more than half of all equity raised for Asia Pacific (61.1%), followed by separate accounts investing directly into real estate (25.3%), joint ventures and club deals (9.9%), separate accounts investing into indirect real estate vehicles (2.3%) and non-listed debt products (1.4%). Number-wise, there were 63 non-listed real estate funds (50.0% of all vehicles) targeting Asia Pacific last year.

Of all the vehicles with a European strategy, the largest share of new equity was also raised for funds (40.3%) with the remaining split between separate accounts investing directly (28.0%), joint ventures and club deals (13.6%), non-listed debt products (14.1%), separate accounts investing into indirect (2.1%) and funds of funds (1.9%).

Similar rankings apply to vehicles targeting North America. Funds (55.9%) and separate accounts investing directly (18.2%) were the two most popular vehicles for a North American strategy. Interestingly, however, a significant proportion of capital was raised for joint ventures and club deals (18.0%), a higher proportion than in any other region.

For vehicles pursuing a global strategy the preferred vehicle type is either fund of funds (37.2%) or fund (35.2%). Fund managers targeting South America raised capital for non-listed real estate funds (76.7%) and separate accounts (23.3%) only.

Figure 14: Equity raised by vehicle type and by regional strategy

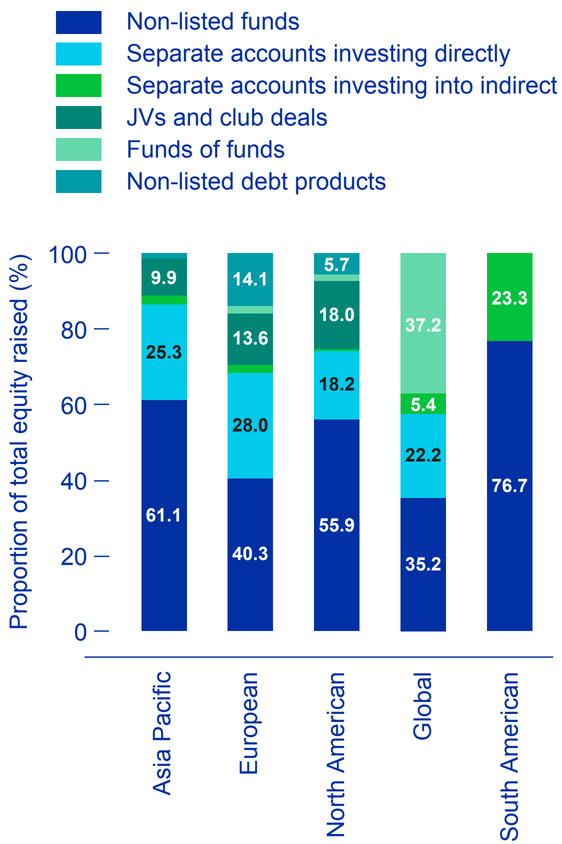
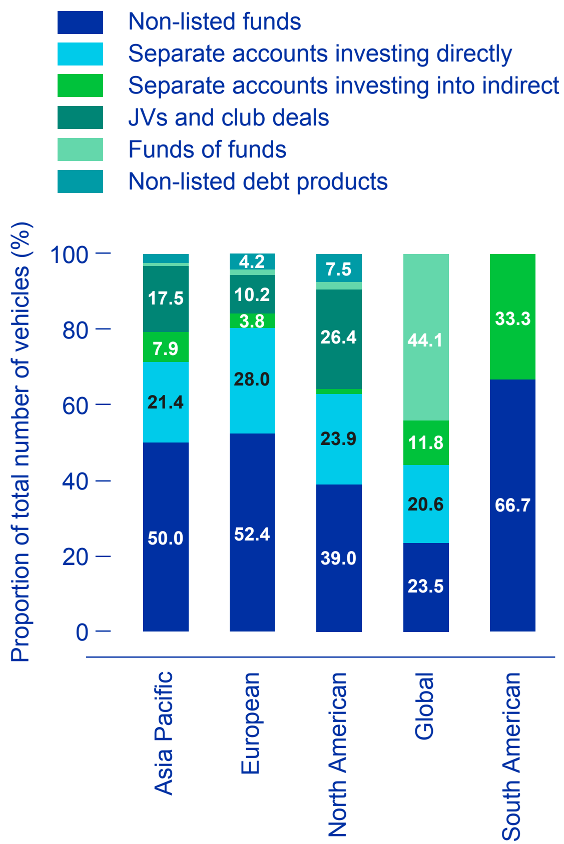


Figure 15: Equity raised by vehicle type, by regional strategy and by number of vehicles



Equity raised by investor type

Pension funds were the main source of capital for the non-listed real estate industry last year. They contributed 46.4% (or €57.3 billion) of all new equity raised for the industry. The remaining equity came from insurance companies (14.6%), sovereign wealth funds (10.8%), government institutions (3.4%), high net worth individuals (2.6%), fund of funds (2.5%), non-profits (1.5%) with the remaining being unspecified (18.2%).

However, the sources of capital vary across the different vehicle types. Although new capital coming from pension funds constitute the largest share of equity raised for all vehicle types in 2015, their weight is less prevalent for joint ventures and club deals, separate accounts and non-listed debt products. Non-listed debt products received 29.5% of all capital from insurance companies. With regard to joint ventures and club deals, more than a quarter (27.8%) of all fresh capital was sourced from sovereign wealth funds indicating their desire for greater control when choosing non-listed real estate investments.

> ‘Pension funds were the main source of capital for the non-listed real estate industry in 2015’

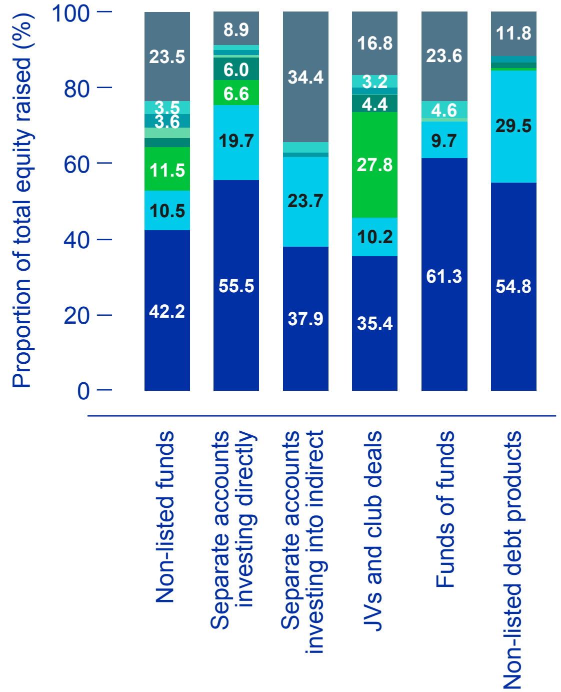
Separate accounts investing directly and separate accounts investing into indirect vehicles received 19.7% and 23.7% of capital from insurance companies respectively.

Figure 16: Equity raised by investor type by value

46.4%	Pension funds
14.6%	Insurance companies
10.8%	Sovereign wealth funds
3.4%	Government institutions
1.5%	Charities, foundations, non-profit organisations
2.5%	Funds of funds
2.6%	High net worth individuals/ Family offices
18.2%	Other

Figure 17: Equity raised by investor type and by vehicle type

- Pension funds
- Insurance companies
- Sovereign wealth funds
- Government institutions
- Charities, foundations, non-profit organisations
- Funds of funds
- High net worth individuals/Family offices
- Other



Equity raised by investor domicile

Analysing equity raised by investor domicile and by value, European investors contributed the largest share of all fresh equity raised last year. Of the €123.6 billion raised for the non-listed real estate industry in 2015, 48.7% came from European institutions. North American investors contributed 35.9%, with the remaining 15.4% coming from Asia Pacific based investors. No equity was raised from South American and African domiciled investors.

Turning to the analysis of equity raised by investor domicile and by vehicle type, some interesting patterns emerge. European investors, as noted, contributed the largest proportion of capital in the previous year. However, the capital they committed was not evenly spread across all vehicle types, and some vehicle types were more dependent on European capital than others.

Of all the capital raised for funds of funds, for example, European investors contributed 81.9%. Non-listed debt products were also high on the agenda for European investors who collectively contributed 72.1% of all new equity for this vehicle type.

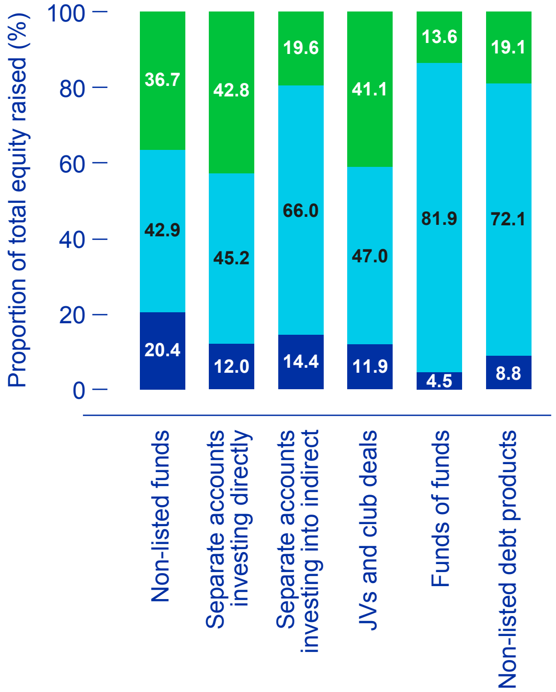
North American investors are the biggest supports of separate account investing directly. Asia Pacific investors do not dominate the capital raising activity of any single vehicle type, although they are a material contributor (20.4% of capital) to non-listed funds.

Figure 18: Equity raised by investor domicile by value

15.4%	Asia Pacific
48.7%	Europe
35.9%	North America
0.0%	South America
0.0%	Africa

Figure 19: Equity raised by investor domicile and by vehicle type

Asia Pacific
Europe
North America
South America
Africa



Section 4

Equity raised for global strategy

Equity raised for global strategy

The term global in this context means that no more than 90 per cent of a vehicle's gross asset value (GAV) is invested in one region.

Overall, Global vehicles attracted €8.5 billion, or 6.9%, of all new equity raise in 2015. The largest proportion of capital for global vehicles came from pension funds which cumulatively committed 44.9% all new equity. Sovereign wealth funds were the second largest contributor committing 9.0%. The remaining equity arrived from funds of funds (6.7%), high net worth individuals (5.6%), insurance companies (4.2%) and non-profits (3.2%), with the 'other' category making up 21.3% of the total in 2015.

The most popular vehicle type for a global strategy is a fund of funds. More than one-third (37.2%) of all capital dedicated to global vehicles went to non-listed real estate fund of funds. Funds were next, attracting 35.2% of all new equity. Separate accounts investing directly were not far behind attracting 22.2% of total equity raised for vehicles with a global strategy. The remaining equity went to separate accounts investing into indirect real estate vehicles (5.4%).

Figure 20: Global strategy: equity raised by investor type

44.9% Pension funds
4.2% Insurance companies
9.0% Sovereign wealth funds
5.2% Government institutions
3.2% Charities, foundations, non-profit organisations
6.7% Funds of funds
5.6% High net worth individuals/ Family offices
21.3% Other

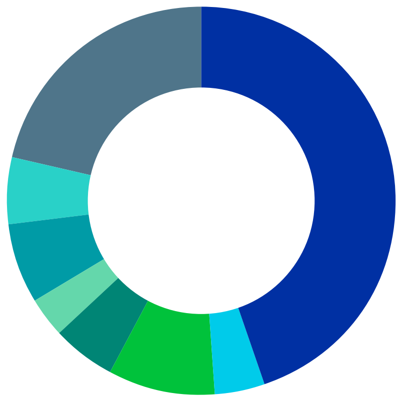


Figure 21: Global strategy: equity raised by vehicle type

35.2% Non-listed funds
22.2% Separate accounts investing directly
5.4% Separate accounts investing into indirect
0.0% JVs and club deals
37.2% Funds of funds
0.0% Non-listed debt products

Section 5

Equity raised for European strategy

Equity raised for European strategy

The following sections focus only on capital raising for vehicles with a European strategy.

The sources of capital in 2015 for non-listed real estate vehicles targeting Europe are very varied. The biggest single contributor, accounting for 49.8% of the total amount of capital raised, was the pension fund sector. Pension funds, in particular defined benefit funds, have been supporters of non-listed real estate for decades and their long-term investment horizons fit well with the long-term nature of real estate investment. The second largest contribution came from insurance companies, accounting for 19.9% of the total. So it can be seen that long-term savings channelled through the pension and insurance industries account for close to 70% of total capital raised in 2015.

The third largest identified group comprises sovereign wealth funds, making up 5.3% of the total, followed in fourth place by government institutions which account for 2.2% of the total. The smaller identified groups are funds of funds, high net worth individuals and family offices, and others. The 'other' category makes up 18.3% of the total in 2015.

Figure 22: European strategy: equity raised by investor type

- **49.8%** Pension funds
- **19.9%** Insurance companies
- **5.3%** Sovereign wealth funds
- **2.2%** Government institutions
- **1.2%** Charities, foundations, non-profit organisations
- **1.9%** Funds of funds
- **1.6%** High net worth individuals/ Family offices
- **18.3%** Other

Figure 23: European strategy: equity raised by vehicle type

- **40.3%** Non-listed funds
- **28.0%** Separate accounts investing directly
- **2.1%** Separate accounts investing into indirect
- **13.6%** JVs and club deals
- **1.9%** Funds of funds
- **14.1%** Non-listed debt products

In terms of the vehicle type for which equity was raised in 2015, the most popular type of vehicle, accounting for 40.3% of the total amount of capital raised, was non-listed real estate fund. The second most popular type of vehicle was the separate account investing directly (that is, a separate account investing in buildings), accounting for 28.0% of the total. These two vehicle types together make up 68% of total capital raised in 2015.

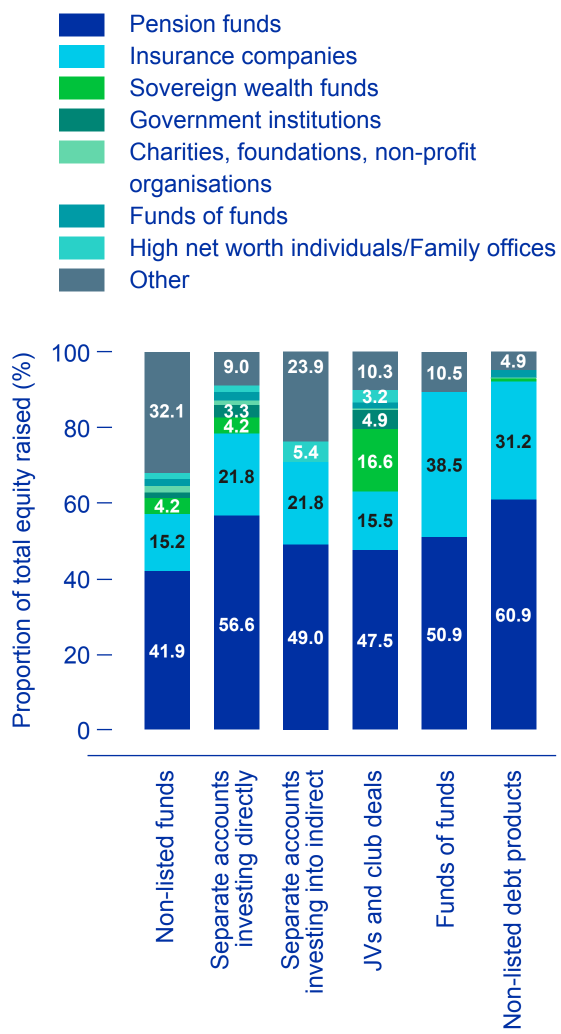
The third most popular vehicle type was non-listed debt products, accounting for 14.1% of the total. In fourth place in terms of popularity comes joint ventures and club deals, making up one-eighth or 13.6% of the total in 2015. In fifth and sixth place come separate accounts investing into indirect, followed by funds of funds, and these two together make up 6.1%. Separate accounts investing into indirect do not own buildings, in contrast with the category of separate accounts investing directly. The 'other' category makes up 3.9% of the total in 2015.

Turning to analysis of equity raised by investor type and vehicle type together, certain tendencies can be observed. One noteworthy point is that pension funds are the dominant sources of capital for non-listed real estate funds and also for non-listed debt. They also have a significant presence in joint ventures and club deals.

A second noteworthy point relates to the preferences of sovereign wealth funds. These investors are an important source of capital for joint ventures and club deals, though these are not the only access routes to real estate that are employed by this grouping.

A third noteworthy point relates to the diversity of equity sources for the various vehicle types. Funds of funds stand out from the crowd in the sense that their sources of capital are fewer, being limited to pension funds, insurance companies and 'other'.

Figure 24: European strategy: equity raised by investor type and vehicle type



Equity raised for European non-listed real estate funds

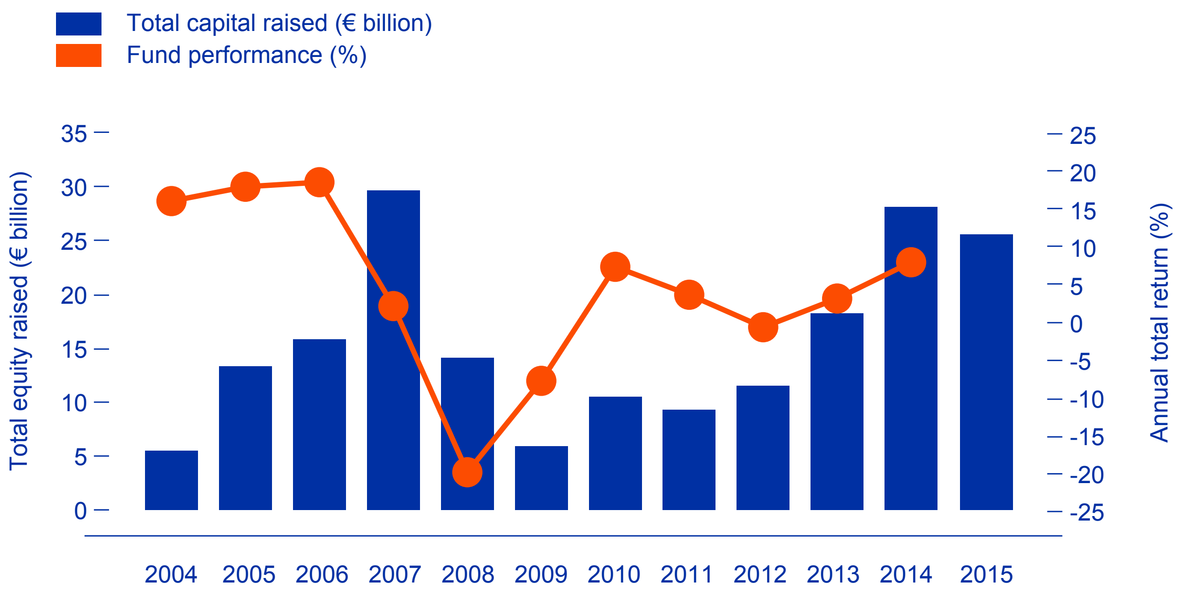
In 2015, €63.1 billion was raised for European non-listed real estate as a whole; that is, across all vehicle types. This section of the survey focuses on capital raising activities for European non-listed real estate funds only. In 2015 the total amount of capital raised was €25.5 billion, a slightly lower figure than in 2014 when the corresponding number was €28.1 billion. Figure 25 shows the trends in capital raising for non-listed real estate funds since 2004, with the annual investment performance of European funds overlaid. A few trends are worthy of comment.

First, it can be seen that the absolute amount of capital raised varies substantially from year to year. The peak year for capital raising was 2007, and the next best years have been 2014 and 2015. By contrast, the trough years, those with the lowest levels of capital raising, were the first year of the sample (2004) and the period of the Global Financial Crisis (starting in 2008).

> 'Recent strong returns can boost confidence which in turn boosts capital raising'

While some of this variability may reflect the fact that the respondents' sample is not the same every year, it is also partly driven by investor confidence, which in turn is affected by recent performance. For example, it can be seen that a steady increase in annual returns in the years 2004 to 2006 are linked with peak capital raising in 2007. Likewise, the upwards trend in annual performance that can be observed in the period 2012 to 2014 is accompanied by increases in capital raised. The correlation between performance and subsequent capital raising activity is not, of course, perfect and on some occasions the trends move in opposite directions. Nevertheless, there is no doubt that recent strong returns can boost confidence which in turn boosts capital raising for the industry.

Figure 25: Equity raised for European non-listed real estate funds and fund performance



Equity raised for European non-listed real estate funds by style

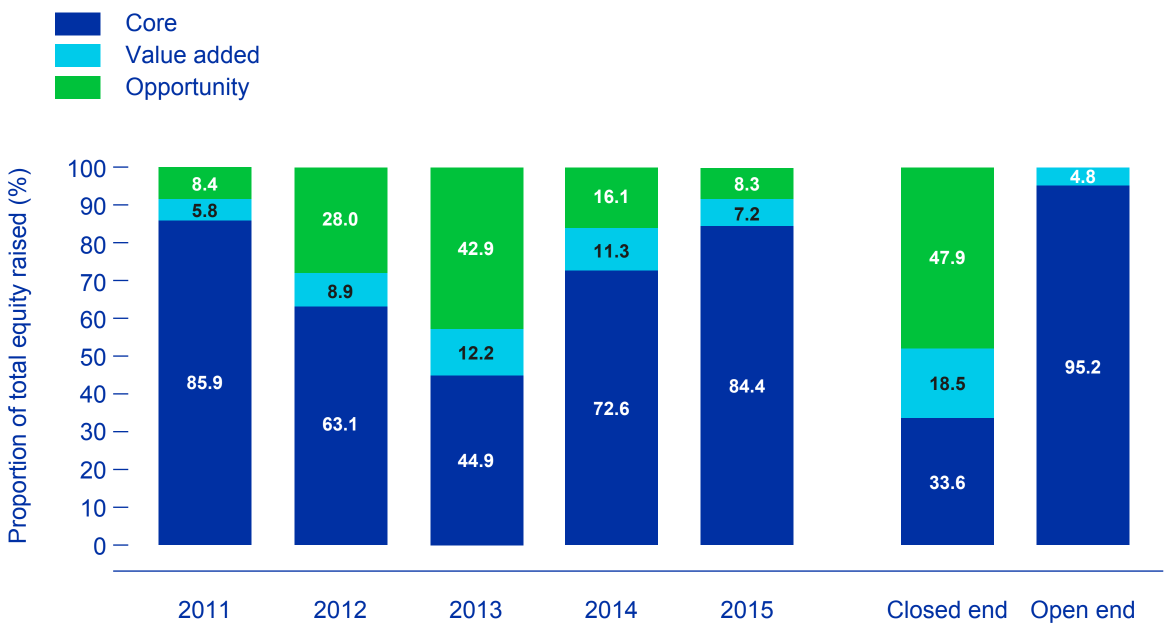
The relative importance of the three main investment styles in terms of capital raised is of interest. For the style breakdown in 2015, open end funds and closed end funds are analysed separately. For open end funds the dominant style is core, comprising over 90% of total capital raised, and value added makes up the rest. Open end structures do not easily accommodate the opportunity style, and no capital was raised for this style within the universe of open end funds in 2015.

For closed end funds the style breakdown is different. For a start, all three main styles are present. The most popular style in terms of capital raised by closed end funds in 2015 was opportunity, accounting for almost half of the total amount (47.9%). The next most popular style is core (33.6%), and the third and therefore least popular style in 2015 for closed end funds was value added (18.5%).

Another point of interest is the relative popularity of the three styles over the time period 2011 to 2014. This analysis is based on closed end funds and open end funds taken together. The relative popularity of the styles is not constant, and in fact there is considerable movement from year to year. It is noticeable, for example, that core at its most popular has accounted for over 80% of the total amount raised in a given year; however, at its least popular (in 2013) it attracted less than half of all the capital raised. The opportunity style has also ebbed and flowed in terms of popularity, peaking in 2013 with over 40% of the total and hitting lows of less than 10% in 2011 and 2015.

The value added style has been the most stable of the three, moving in a range of between 5.8% and 12.2% over the period.

Figure 26: Equity raised for European non-listed real estate funds by style



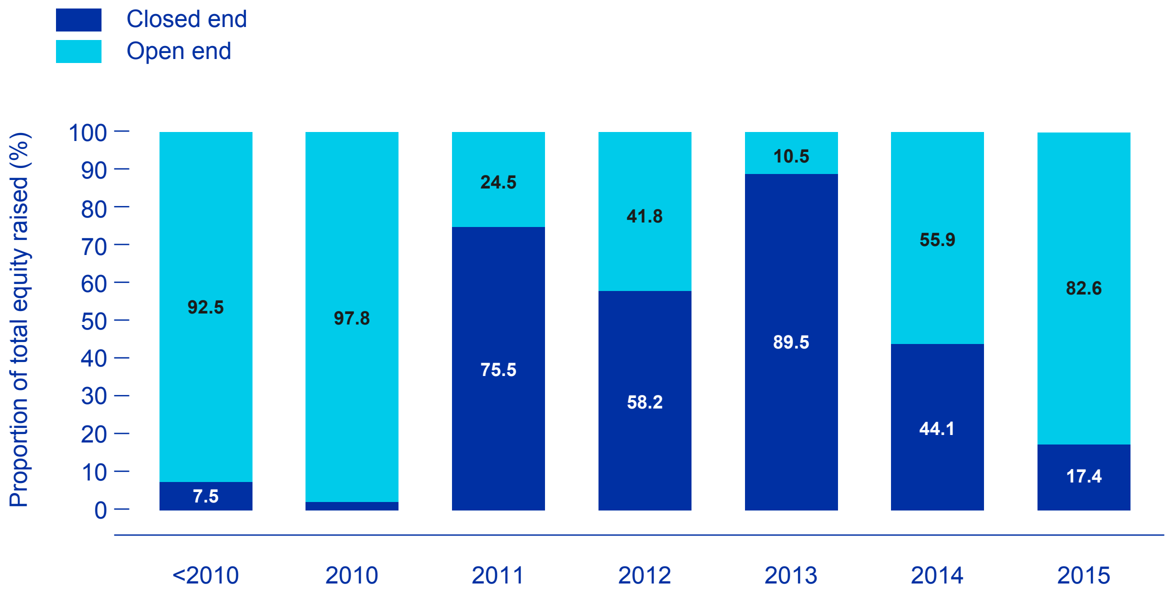
Equity raised for European non-listed real estate funds by vintage year

The focus now moves to consideration of equity raised for open end funds and closed end funds from the perspective of vintage year, that is, the year of first closing. For this analysis vintage years from 2010 to 2015 are analysed individually and there is also a seventh category, which is an amalgamation of all funds with first closings prior to 2010.

The first point worth noting is that there is significant differences between vintage years. For example, in 2013 closed end funds were clearly the structure of choice, making up 89.5% of the total capital raised. By 2015, the situation was turned on its head and closed end funds accounted for just 17.4% of the total. The lowest point for closed end funds was in 2010 (2.2% of the total), and the years prior to 2010 were difficult for closed end funds too, when their average share of total equity raised was 7.5%.

Every change in the popularity of closed end funds is met by an equal and opposite move in the popularity of open end funds. For example, in 2013 when closed end funds were clearly the structure of choice it can be seen that open end funds made up less than 10% of the total. And at the other extreme, in 2010 when closed end funds were suffering from lack of popularity the open end funds took 97.8% of the total amount of equity raised.

Figure 27: Equity raised for European non-listed real estate funds by vintage year and by structure



Equity raised for European non-listed real estate funds by country strategy

In this part we look at the equity raised for non-listed real estate funds from the perspective of country strategy.

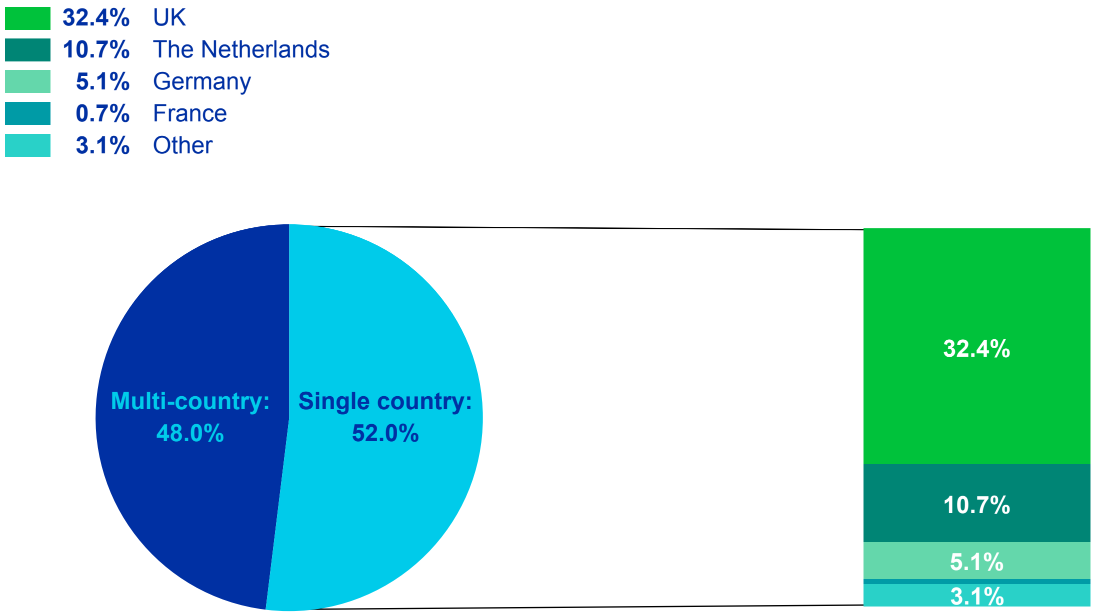
Approximately 52.0% of the capital raised for non-listed real estate funds was for funds with a single country strategy. The United Kingdom accounted for the largest share of capital raised for single country strategy funds with 32.4% of the total capital raised. The second largest share of capital raised was for funds investing in the Netherlands, accounting for 10.7% of the capital raised. Germany (5.1%) finds itself in third place among the single country funds, followed by France (0.7%) in fourth place.

At first glance these results seem inconsistent with INREV's second most recent Investment Intentions Survey - that is, the one published in January 2015 which reflected on investor's intentions for 2015. In this survey Germany was ranked as the most popular destination for intended allocations, ahead of the UK and the Netherlands.

However, it may be that the difference is more apparent than real. It is possible, for example, that investors are achieving exposure to Germany via routes other than non-listed real estate funds.

The dominance of UK funds among the single country funds is consistent with the UK's high ranking in the Investment Intentions Survey 2015 (the UK was ranked second after Germany). It may also be a function of availability - there are 52 UK funds in the INREV Annual Index, but only 26 German funds.

Figure 28: Equity raised for European non-listed real estate funds by country strategy



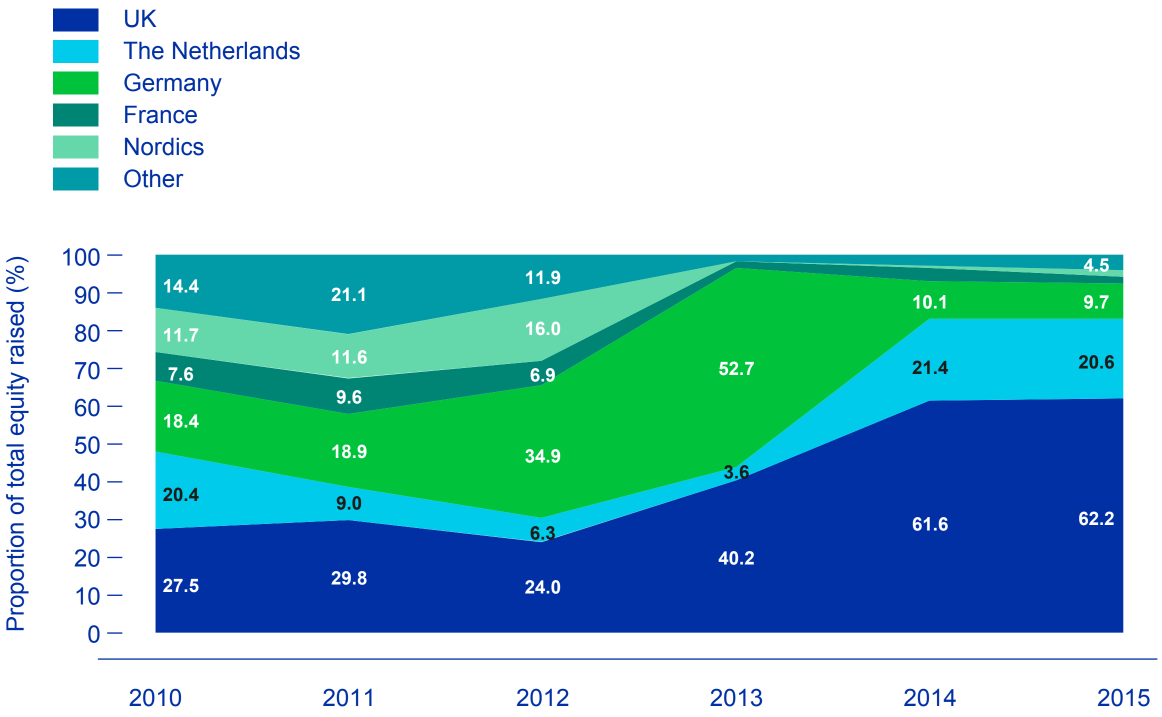
Within the universe of single country non-listed real estate funds some trends can be observed over time. In the period from 2010 to 2015 the fortunes of the major markets have evolved significantly. Dutch funds, for example, attracted a sizeable part of total equity raised in 2010 but their popularity waned over the next three years before recovering again in 2014 and 2015. The UK has seen an almost uninterrupted increase in popularity over the period, and in 2015 it accounted for 62.2% of the total equity raised for non-listed real estate funds by single country strategy.

Germany's share of the pie increased from 2010 to 2013 but this trend reversed sharply in 2014 and 2015. To a certain extent the German experience has been the opposite of the Dutch experience and these two northern European markets have together commanded a fairly stable slice of the equity pie over the years. Among the other markets, it is worth noting that the Nordics attracted sizeable equity flows from 2010 to 2013 but more recently they have slipped in popularity.

France started the period with a low but material share of equity raised for non-listed real estate funds; however, the French presence in later years has declined significantly.

It is worth repeating that the popularity of markets in this context may be affected by the availability of suitable funds, rather than the perceived attractiveness of the underlying market.

Figure 29: Equity raised for European non-listed real estate funds by single country strategy



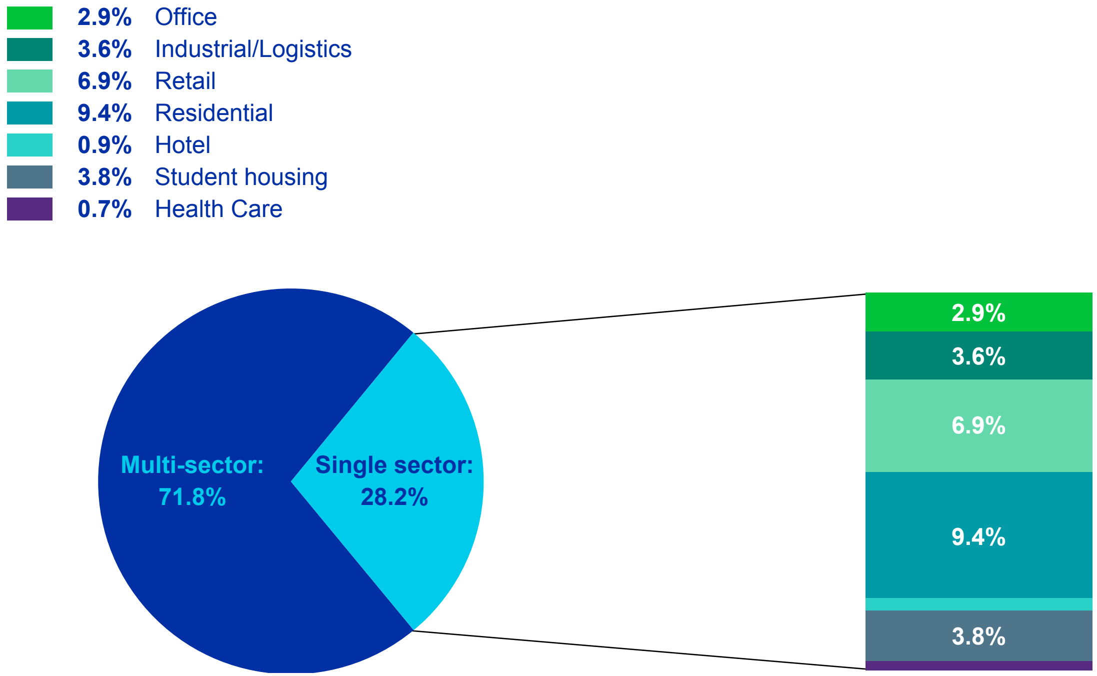
Equity raised for European non-listed real estate funds by sector strategy

The next area under consideration relates to the sector strategy of non-listed real estate funds. In terms of total equity raised, the lion's share (71.8%) went to multi-sector funds, leaving just 28.2% for single sector funds.

Within the category of single sector funds, the most striking outcome is the dominance of residential funds, accounting for 9.4%, which is one-third of all the equity raised for the single sector category. This sector has been attracting considerable investor intention in recent times, particularly in the UK and the Netherlands.

Next in terms of popular demand is retail (6.9%), followed by student housing which commands 3.8% of the total equity raised by non-listed real estate funds in 2015. In the wake of the scholars we find sheds, though not bicycle sheds but rather the industrial and logistics sector, which comes in at 3.6%. It would have been unthinkable a decade ago, but ranked in fifth place is the office sector, with just 2.9% of the total equity raised. Health care is last in line, with less than 1%.

Figure 30: Equity raised for European non-listed real estate funds by sector strategy



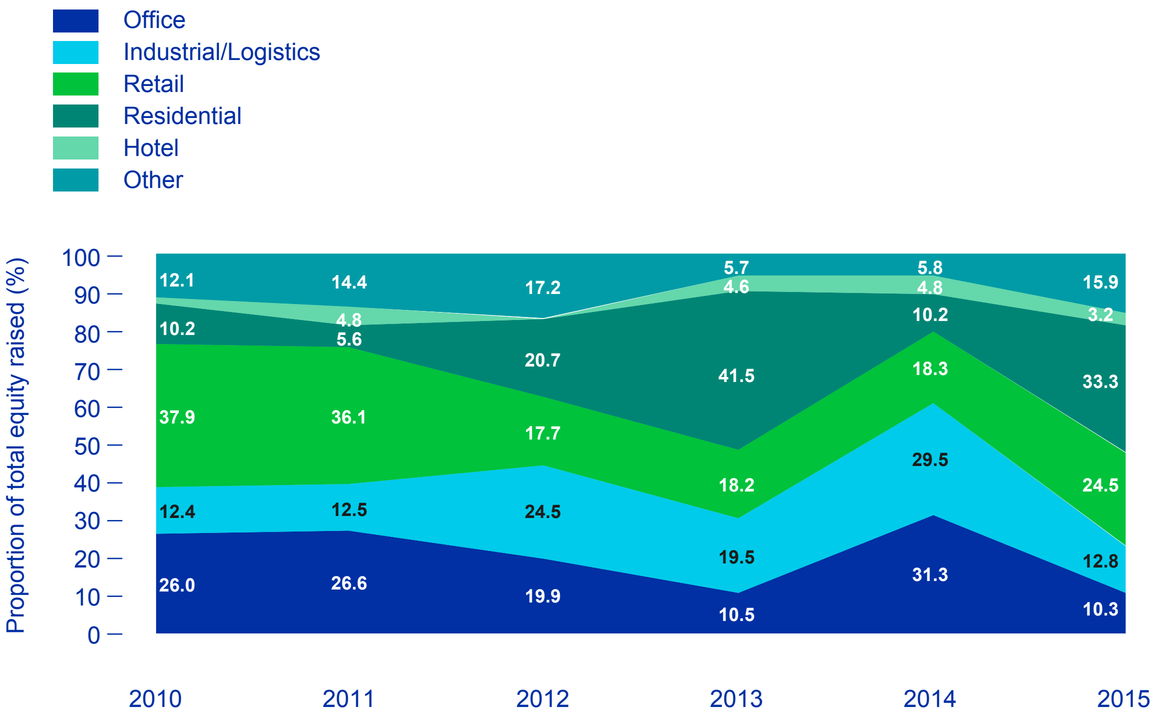
The focus now turns to sector preferences over the period from 2010 to 2015, where some interesting patterns can be seen. One trend of note is the rise of the residential sector, which made up less than 10% of total equity raised in the first year of the period but finished with a weighting of 33.3%. Its growth was not linear, however; in fact, its popularity has been very variable over the relatively short period from 2010 to 2015.

Another striking trend is the correlation between the popularity levels of the office, retail and industrial sectors, at least in the period since 2012. All three sectors declined in popularity for the first year; then all three grew in popularity; and then all three declined in popularity again. Their combined share in 2010 was 76.3% but by 2015 this had shrunk to 47.6%.

Among the other sectors (hotel, residential and unspecified) the correlation pattern is much less clear.

The shifting sands of sectoral preferences are interesting, but it may be wise not to read too much into these results. INREV commissioned a detailed study of the factors driving real estate risk in 2015, and the resulting report entitled *Risk Factor Analysis of European Non-Listed Real Estate Funds* notes: "While differences exist across countries, no statistical differences were found across sectors".

Figure 31: Equity raised for European non-listed real estate funds by single sector strategy



Equity raised for European non-listed funds by leverage

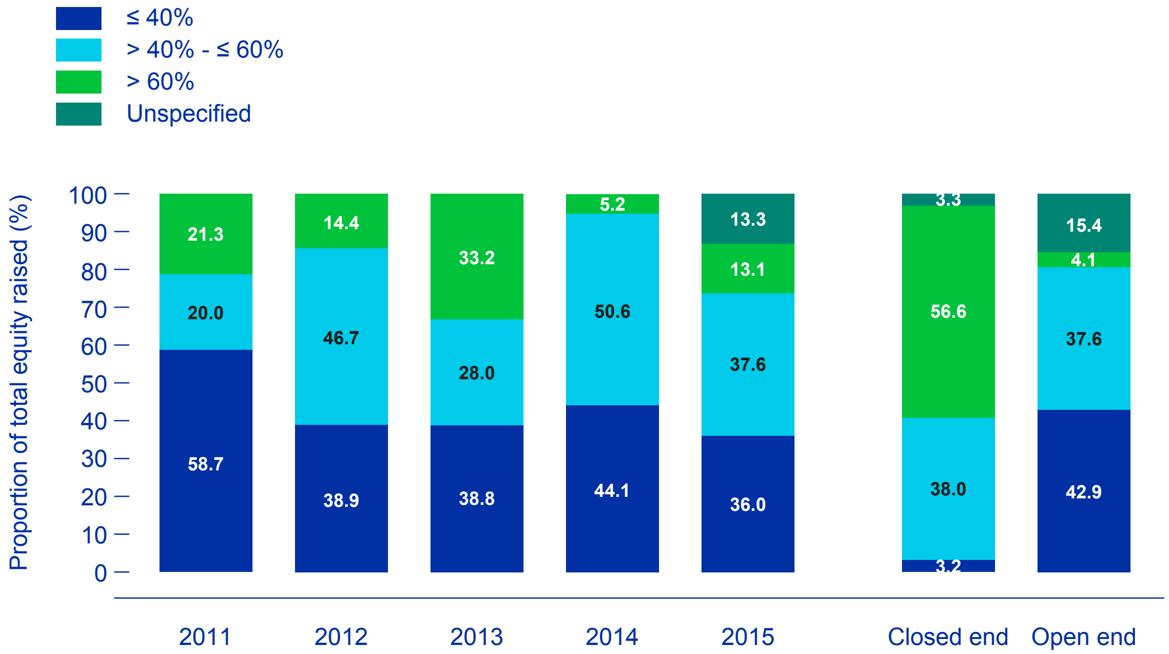
In terms of leverage 36.0% of the capital raised in 2015 was for funds with leverage levels of 40% or less, and 37.6% was for funds with leverage levels of between 40% and 60%. Higher leverage levels attracted 13.1% of total equity raised. The remaining 13.3% did not specify their leverage levels. These figures are for open end and closed end structures taken together.

Looking at leverage levels in 2015 for open end funds and closed end funds separately reveals other patterns. For open end funds the highest level of leverage (that is, over 60%) is less popular than the other two levels. The opposite is true for closed end funds, where the rule seems to be "the higher, the better" and gearing levels of over 60% are dominant.

Analysis of the period 2011 to 2015 highlights the variability in terms of desired gearing levels. This analysis takes open end funds and closed end funds together. At the beginning of the period the lowest gearing level (40% or less) attracted more of the total equity raised; however, in later years this dominant position was lost and higher gearing was preferred. The lowest gearing level has not managed to attract over half of equity flows since its 2011 heyday.

In 2013 the highest gearing level (over 60%) had its peak in popularity, but in general it has attracted lower shares of total equity raised than the other two levels.

Figure 32: Equity raised for European non-listed real estate funds by leverage



Section 6

Equity raised for European debt funds

Equity raised for European debt funds

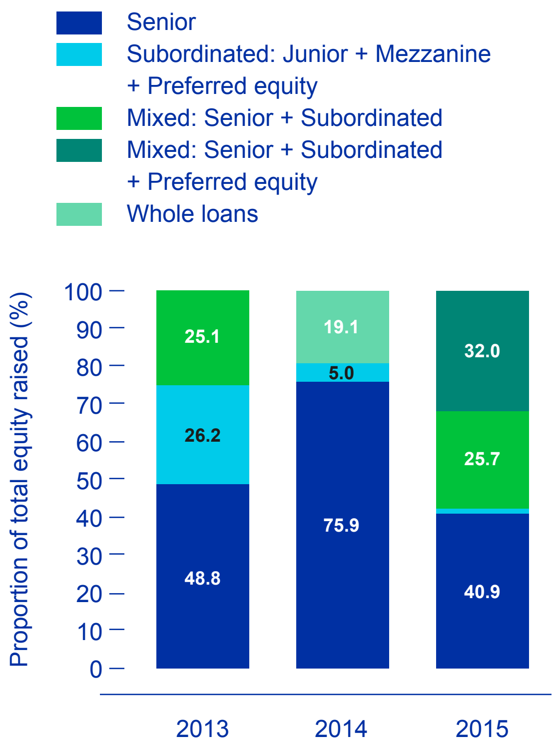
To give some useful background in the area of real estate debt funds, the number of funds in the INREV Debt Funds Universe (which was published in October 2015) is running at 42, with a target gross asset value (GAV) of €33 billion. Funds with a senior loan strategy, which account for 37% of the number of funds, represent 63% of target GAV indicating that these funds are on average larger than funds with other loan strategies. In terms of domicile, by number, 26% are domiciled in the UK and 17% are domiciled in Luxembourg. By target GAV, 39% are domiciled in Luxembourg and 18% in the UK. Multi-country and single country funds are split 50-50 by number, but multi-country funds represent 71% of target GAV.

In 2015, €3.6 billion of fresh equity was raised for European debt funds. Two forms of debt proved most popular with investors, judging by the amount of equity capital raised. One of these is senior debt (40.9%), the most secure, and the other is a combination of senior, subordinated and preferred equity (32.0%). Together these two account for 72.9% of the total equity raised.

Third position in 2015 is occupied by another combination: senior and subordinated, with a 25.7% share. In fourth and final place, and with a much lower share of the equity than any of the others, is the combination of junior plus mezzanine plus preferred (1.4%). Whole loans raised no equity in 2015.

With so many ways to slice and dice the capital structure being available it can be difficult to discern patterns. However, one thing is clear: almost all those who contributed equity in 2015 want some component of senior debt.

Figure 33: Equity raised for European non-listed real estate debt funds by loan strategy



‘Senior debt is a perennial favourite’

Looking at the same data in earlier years, certain trends can be observed. In 2014 senior debt was king, making up the bulk of the total equity raised that year for debt strategies. In that year whole loans found favour, accounting for 19.1% of the total, and subordinated debt found itself in third place, with 5.0% of the total.

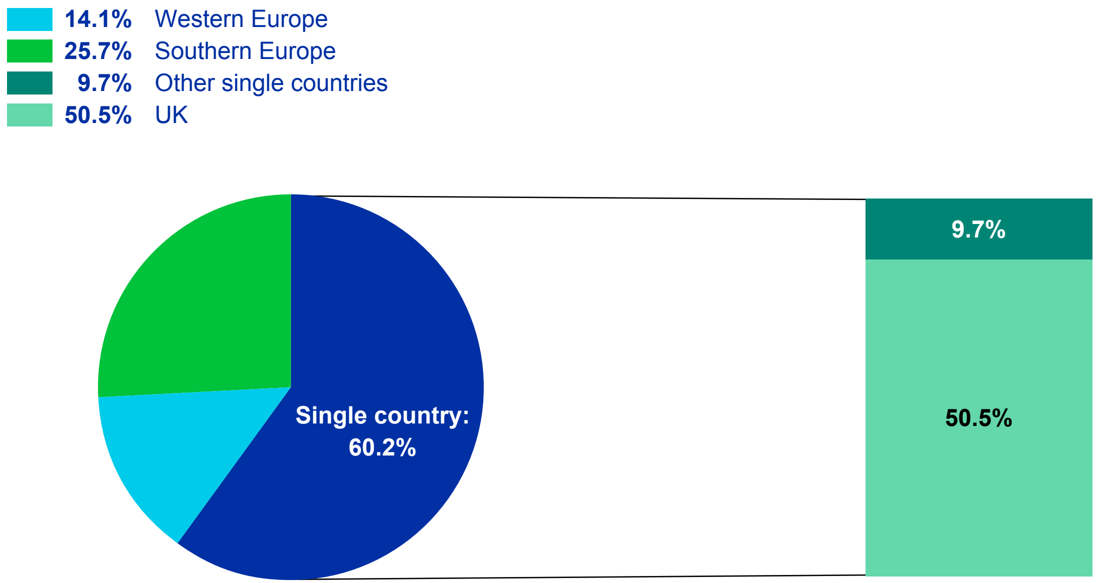
In 2013 senior debt was once again popular, though it accounted for a little less than 50% of the total equity raised that year, a significantly lower proportion than in 2014. The other two categories, subordinated and mixed made up the rest, in broadly equal proportions. Within the debt fund market different forms of debt are often packaged into a single offering and it is important to note that mixed in this context means senior combined with subordinated, while subordinated means junior combined with mezzanine and preferred equity.

Moving onto regional strategy within the category of real estate debt funds, single country strategies had the upper hand, making up 60.2% of the total. It is worth noting by contrast that the split between single and multi-country funds is 50/50, according to the *INREV Debt Funds Universe* report, which was published in October 2015. Within the single country grouping, the largest player by a long shot is the UK, making up 50.5% of the total equity raised. Other single countries between them account for 9.7%.

Turning to multi-country strategies, it can be seen that western Europe makes up 25.7% of the total equity raised, and southern Europe then completes the picture at 14.1% of the total.

‘UK leads the pack for debt funds’

Figure 34: Equity raised for European non-listed real estate debt funds by target country strategy



Note: Southern Europe includes Greece, Italy, Spain and Portugal
Other single countries include Germany, Austria, Switzerland and Benelux countries

In terms of vintage year, there is little to be surprised about - most of the equity raised (over 90%) was earmarked for funds having their first closing in 2015. Just under 10%, or the remainder, was destined for older funds, those that had their first closing in 2014.

It is interesting to consider what type of investor contributed to the equity raised for non-listed real estate debt funds in 2015. Pension funds are the major provider, claiming a share of over 60% in 2015. Insurance companies take second place, with a share of over 20%. The remainder is spread between government institutions, charities and similar institutions, fund of funds and unspecified contributors.

Looking at the pattern over time, it is striking how insurance companies were bigger contributors in 2014 than pension funds. However, one year earlier the familiar pattern of pension funds in first place and insurance companies in second place reasserts itself. Regardless of the annual rankings, it is beyond doubt that pension funds and insurance companies are the dominant sources of equity for real estate debt funds.

Figure 35: Equity raised for European non-listed real estate debt funds by vintage

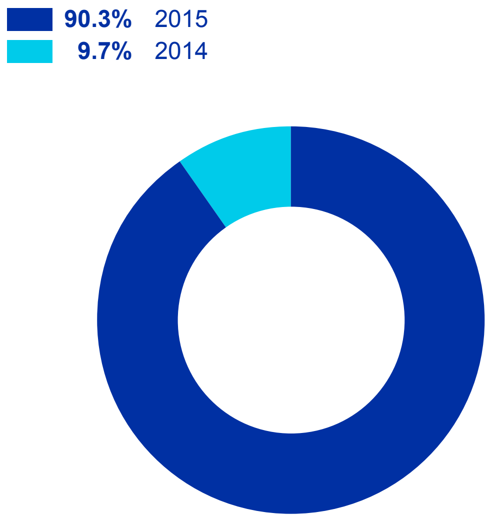
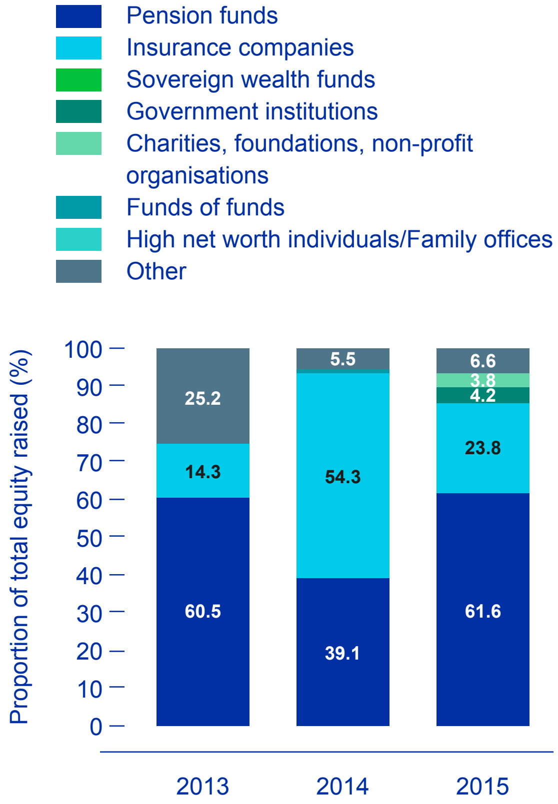


Figure 36: Equity raised for European non-listed real estate debt funds by investor type



Section 7

Equity raised for European funds of funds

Equity raised for European funds of funds

In 2015, €3.3 billion was raised for European fund of funds, levels that are broadly similar to those achieved for debt funds. To put the figure of €3.3 billion in context, funds of funds represent €28.8 billion of total real estate assets under management by fund managers globally, according to the *Fund Manager Survey* carried out in 2015.

The amount of equity raised in 2015 is sizeable in comparison to total AUM, and this may have been influenced by strong investment performance the previous year. According to the *Fund of Funds Study 2015*, in 2014 funds of funds delivered a total return of 8.0%, the strongest performance seen since 2007. This was a significant jump from the 0.2% total return achieved in 2013, and it signalled that the fund of funds industry was recovering.

By way of background, funds of funds delivered strong negative performance during the crisis, with annual total returns of -18.7% and -20.1% in 2008 and 2009 respectively. However, performance of funds of funds has improved and this signals that the fund of funds industry is well on its way to recovery, and affirms its role in the non-listed real estate space.

In addition, the strong level of equity raised may reflect the fact that investors are more comfortable with the more flexible business model that funds of funds have recently adopted. (For example, it was noted in last year's *Fund of Funds Study* that some business models were developing into an investment partnership structure where fund of funds managers are co-investing with their investors.).

Fund of funds can be categorised in many ways, the most familiar probably being structure and style. Equity raised for open end funds of funds was exclusively for core; equity raised for closed end funds of funds was for a mixture of value added and core, in a ratio of about 2:3.

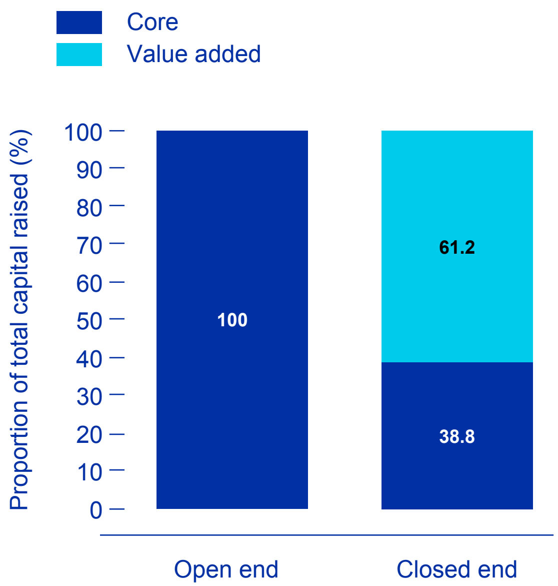
By number, open end funds account for 34.9% of the fund of funds market, with an aggregate net asset value (NAV) of €6.8 billion. Their market size is nearly triple that of closed end funds which have a total NAV of €2.7 billion.

The style preference for funds of funds in each structure mimics what was observed in the *Capital Raising Survey 2015*. According to the *Fund of Funds Study 2015*, in NAV terms, open end funds of funds are 91.3% core in style.

The reverse holds true for closed end funds of funds, where the majority, 61.6% of NAV, follows a value added strategy with the remaining 22.2% following core and 16.2% opportunity.

One style is noticeable by its absence: opportunity. This is not entirely unsurprising as opportunity funds of funds account for just 4.8% of the NAV of the entire funds of funds sample in the *Fund of Funds Study 2015*.

Figure 37: Equity raised for European funds of funds by style and structure



Another angle from which to view funds of funds is vintage year: that is, the year when a fund has (or had) its first close. Seen from this angle, an interesting picture emerges: Funds with a first close in 2015 took the biggest portion of total equity (28.6%). There is a draw for second place between vintage years 2014, 2013, 2010 and 2006 (14.3%), leaving 2012 and old timer 2003 in joint third place. The most recent vintages of 2014 and 2015 together account for 42.9% of the total pie.

The sources of capital in 2015 for non-listed real estate fund of funds targeting Europe are mixed. The biggest single contributor, accounting for 69.3% of the total amount of capital raised, was the pension fund sector. This is a familiar pattern, as pension funds also dominate the non-listed real estate funds segment. The second largest contribution came from insurance companies, accounting for 23.3% of the total. So it can be observed that the pension and insurance industries account for over 90% of total capital raised in 2015.

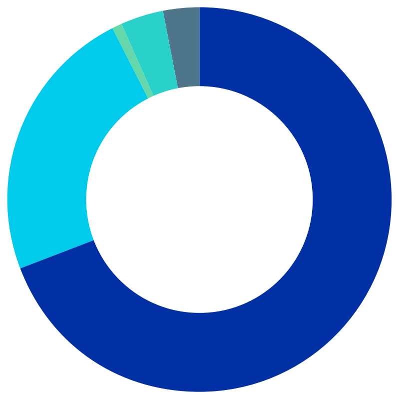
High net worth individuals, family offices, and charities, foundations and non-profit organisations account for the remainder of the equity raised.

Figure 38: Equity raised for European funds of funds by vintage

28.6%	2015
14.3%	2014
14.3%	2013
7.1%	2012
14.3%	2010
14.3%	2006
7.1%	2003

Figure 39: Equity raised for European funds of funds by investor type

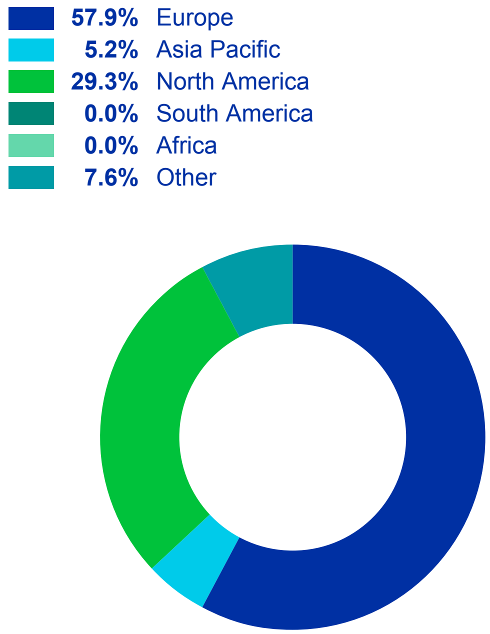
69.3%	Pension funds
23.3%	Insurance companies
0.0%	Sovereign wealth funds
0.0%	Government institutions
1.0%	Charities, foundations, non-profit organisations
0.0%	Funds of funds
3.5%	High net worth individuals/ Family offices
2.9%	Other



In terms of investor domicile, Europe leads the pack in terms of equity raised for funds of funds, with a dominant 57.9% share. North Americans are next, making up 29.3% of the total. Asia Pacific and the 'other' (unspecified) category are responsible for the remaining 12.8%. Africa and South America did not open the purse strings for funds of funds in 2015.

One possibility (though this has not been analysed) is that the greater use of fiduciary management and implemented consulting frameworks in Europe is a contributor to Europe's dominance in this area.

Figure 40: Equity raised for European funds of funds by investor domicile



'Europe leads the pack in capital raised for funds of funds'

Appendix

List of participants

List of participants

The following is a list of fund managers, fund of funds managers and debt fund managers who participated in the *Capital Raising Survey 2016* and gave permission for their company names to be published. This survey was undertaken in conjunction with ANREV in Asia Pacific and NCREIF in the US.

a.s.r. reim
Aalto Invest
Aberdeen Asset Management
AEP Investment Management
AEW
Altan Capital
Altera Vastgoed NV
AMP Capital
Amundi
Amvest
Areim AB
Ascendas
Aviva Investors
BlackRock
Bluehouse Capital
BNP Paribas REIM
Bouwfonds Investment Management
Bouwinvest Real Estate Investment Management (REIM)
CAERUS Debt Investments AG
Cairn Capital
CapMan Real Estate
Catella
CBRE Global Investment Partners
CBRE Global Investors LLC
Challenger
CITIC Capital Holdings Limited
City Square REI
Clearbell Capital LLP
Cording Real Estate Group
Cornerstone Real Estate Advisers LLC
Credit Suisse
CreditEase Asset Management (Singapore) Pte. Ltd.
Deutsche Asset Management
DEXUS Property Group
DNB Life
Dymon Asia Real Estate
Dynasty Investments / EZLand
ECE Real Estate Partners S.à r.l.
EG Funds Management
Equity Estate BV
Europa Capital LLP
Fidelity International
First Property Group
Forum Partners
FPA Multifamily
Franklin Templeton
FREO Group
Frogmore
Global Logistic Properties
Grosvenor Fund Management
GTIS Partners
Guggenheim Real Estate LLC
Guidance Investments
Hahn Group
Hannover Leasing Investment GmbH
Heitman
Helaba Invest
Hines
Hunter REIM
IBUS Asset Management BV
ICG-Longbow
IGIS Asset Management
ImmoFinRE Group
InfraRed Capital Partners
Intercontinental Real Estate Corp.
Investa
IPUT plc
ISPT Pty Ltd
J.P. Morgan Asset Management
Jamestown
Jensen Group
KaiLong Investments

Jensen Group
KaiLong Investments
Kenedix, Inc.
KGAL GmbH & Co. KG
Knight Frank Investment Management
Kristensen Properties
LaSalle Investment Management
Legal & General
Lend Lease Investment Management
M&G RealEstate
Madison International Realty
Mapletree Investments
Mitsubishi UFJ Trust and Banking Corporation
MOMENI Investment Management GmbH
Morgan Stanley Real Estate Investing
Niam AB
Nomura Real Estate Asset Management
Nordika Fastigheter AB
Northern Horizon Capital
Orion Partners Real Estate Group

PAG Real Estate
Palatium Investment Management
Palmer Capital
Pamfleet
Partners Group
PATRIZIA Immobilien AG
Pramerica Real Estate Investors Limited
PROJECT Investement AG
Prologis
Quadrant Real Estate Advisors
Quantum Immobilien KVG
Rockspring PIM
Rynda Property Investors LLP
Sarofim Realty Advisors
Savills Investment Management
SC Capital Partners
SCOR Investment Partners
Sentinel Real Estate Corporation
Sirius Capital Partners
Sonae Sierra

Sparinvest Property Investors
Starwood Capital Group
Steen & Strøm AS
Syntrus Achmea Real Estate & Finance
TH Real Estate
The GPT Group - Funds Management
Tishman Speyer
Tokyo Tatemono Investment Advisors Co., Ltd.
Trevian Asset Management Oy
Tristan Capital Partners
TRIUVA Kapitalverwaltungsgesellschaft mbH
UBS AG
Valad Europe
Vesteda Investment Management
VinaCapital
Warburg-HIH Invest Real Estate GmbH
Waterton
White Peak

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