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PRESS RELEASE

Solvency II Real Estate Capital Requirements Retested

London – March 7, 2017 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, today published **an update of its 2011 study** aimed at reassessing the Solvency Capital Requirement (SCR) adopted by the European Insurance and Occupational Pension Authority (EIOPA) in 2010 for real estate investment portfolios held by European insurance companies.

The updated study confirms the original finding that the current SCR of 25% stipulated under the Solvency II Directive for investment in European real estate, including through funds, exceeds the most extreme 12-month downside values at risk documented for geographically diverse real estate investments across Europe.

The latest report adds six years of European investment market records, updates the capital risk analysis to December 2015, and includes data from five additional countries. As a result, the report offers a more comprehensive and robust basis for concluding that an evidence-driven pan-European property shock factor need be no more than 15%, confirming the findings of the 2011 study. In addition, new analysis undertaken for this update indicates that such a shock factor might be further reduced to 12% for broadly balanced European composites that exclude the U.K.

Commissioned by INREV in partnership with other industry associations, including AREF, BPF, BVI, IPF and ZIA, the new report was undertaken in anticipation of the EIOPA's stated commitment to review the SCR before the end of 2018.

Over the coming months, European policymakers will seek feedback on Solvency II in general and the current SCR arrangements in particular. This report should constitute an important information resource for the European real estate industry's responses.

Commenting on the report's conclusions, **Dr Ian Cullen, Real Estate Advisory Director at MSCI**, remarked that "the new data reinforces the conclusion, reached in our 2011 study, that a 15% SCR is a more accurate reflection of the available evidence of extreme downside risk across a broad geographical spread of European real estate investment markets over the past 15 years".

Matthias Thomas, CEO of INREV commented that "the current 25% SCR for European real estate clearly misrepresents the picture across Europe – especially given that the U.K. market shock in 2007-8 currently constitutes the only statistical basis for the level of that requirement."

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About MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking.

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