

# INVESTMENT INTENTIONS ROADSHOW 2018

## Key highlights



**Helsinki**

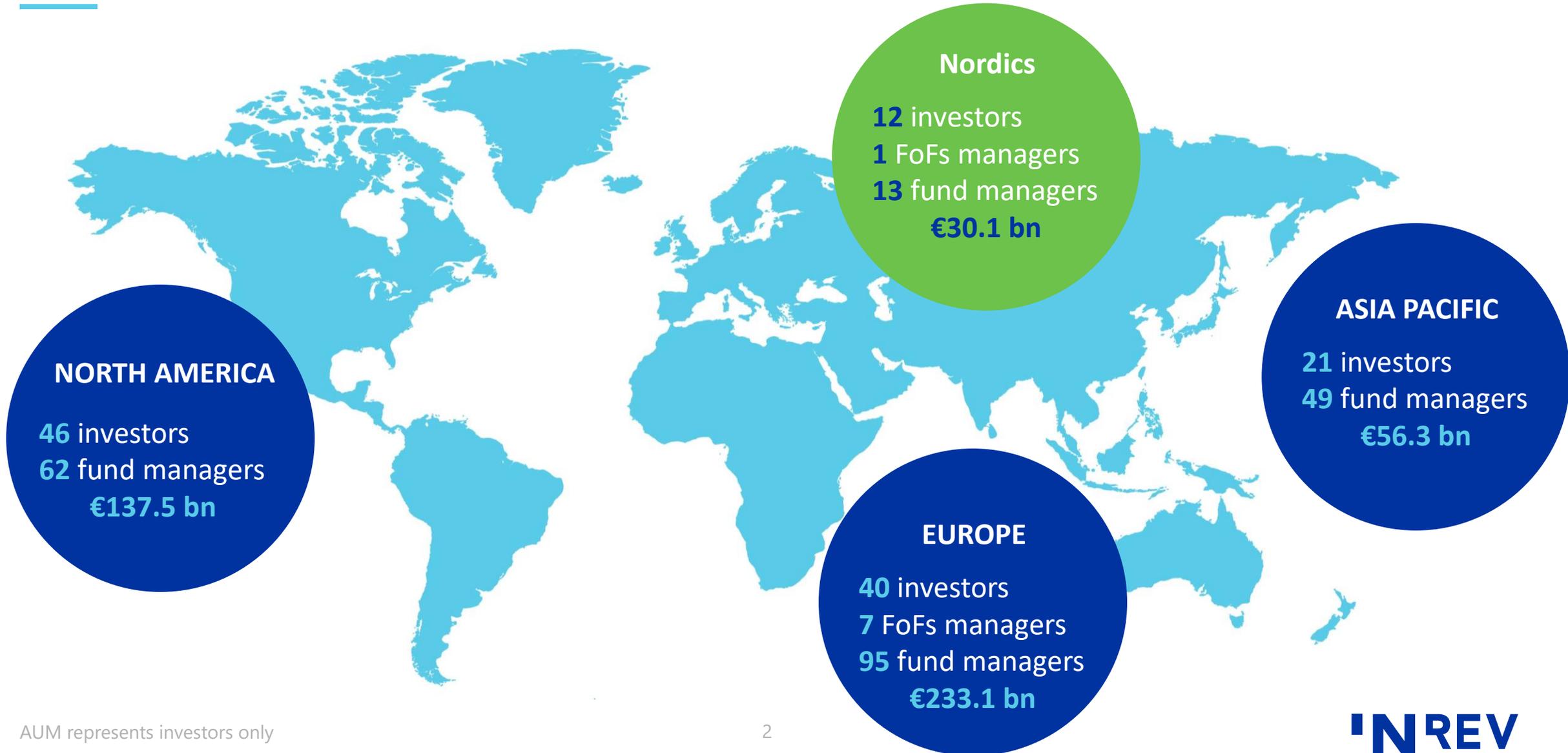
25 January 2018

**Henri Vuong**

INREV Director of Research & Market Information

**INREV**

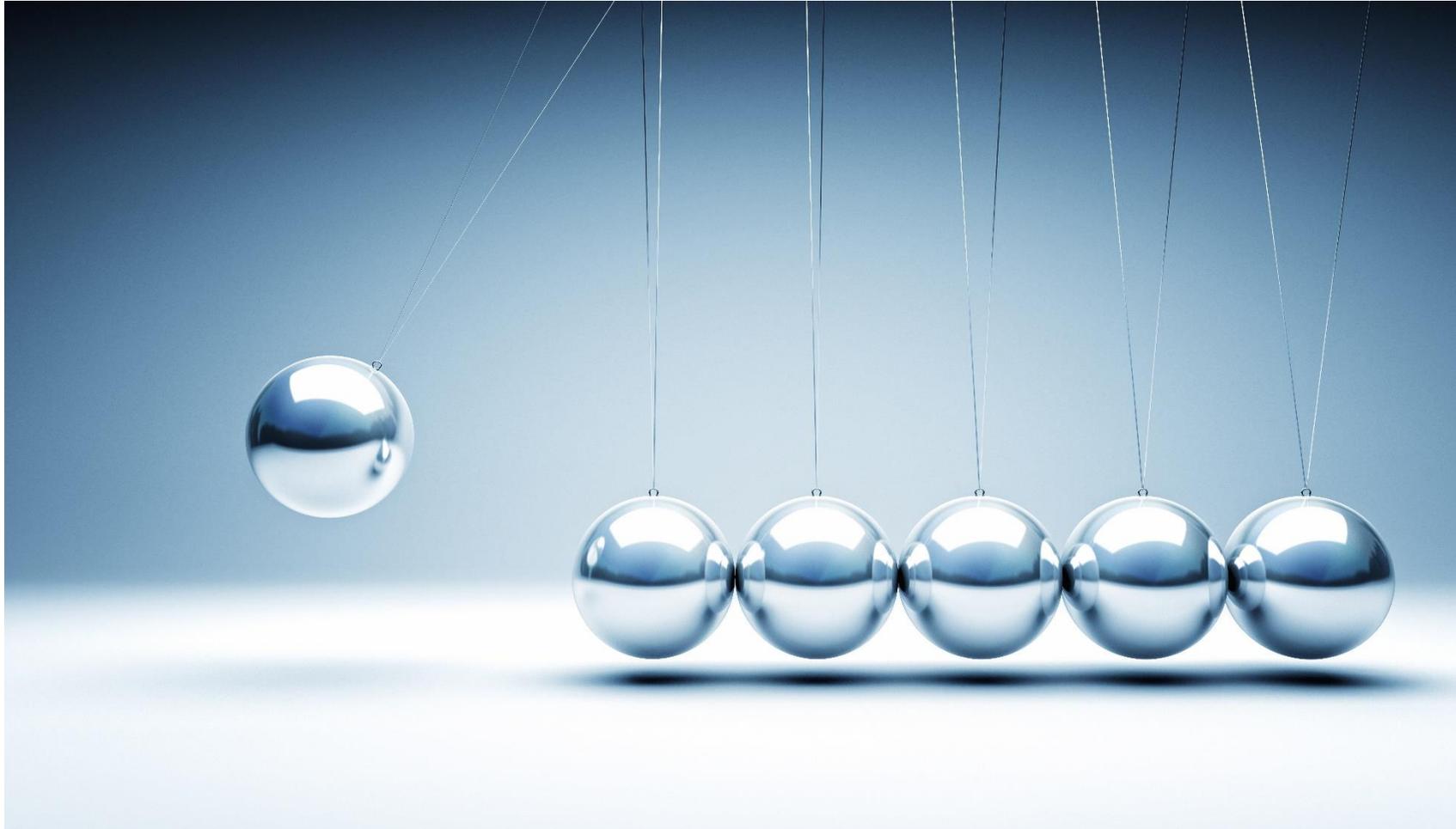
# 320 respondents from 27 countries



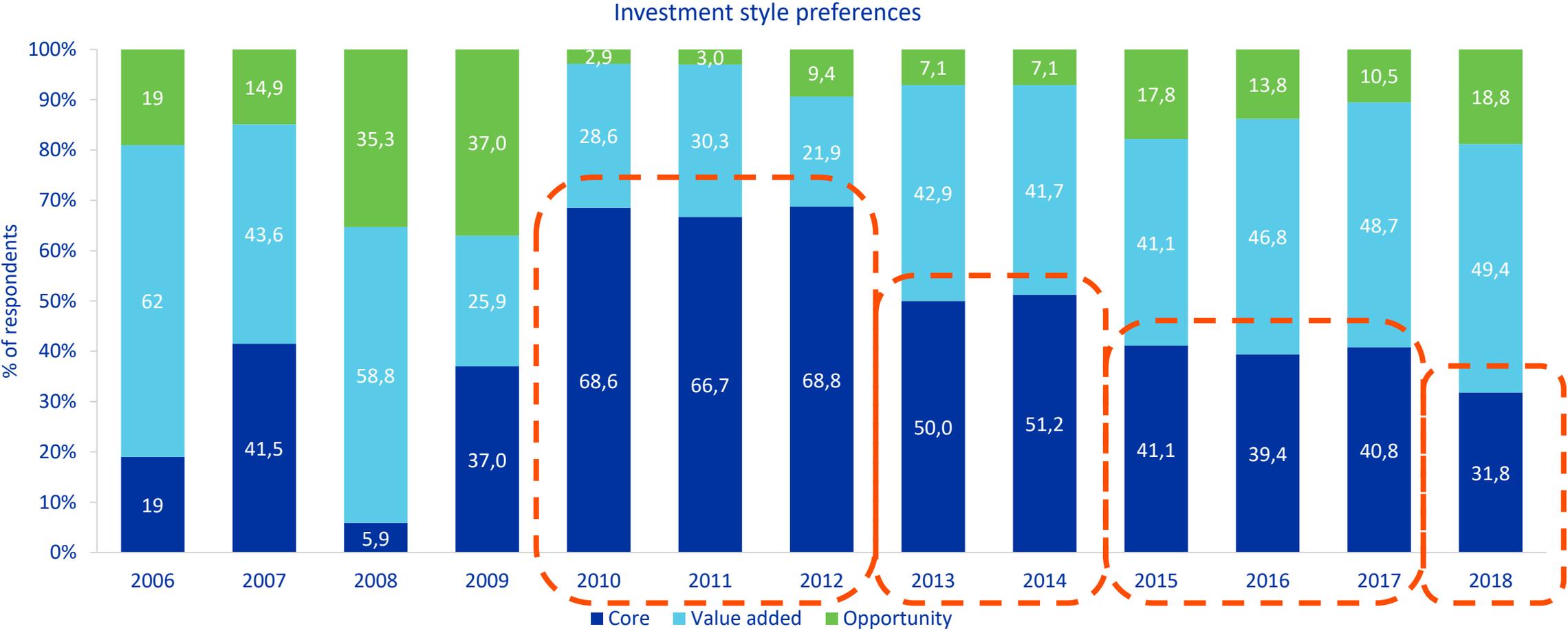
AUM represents investors only

# The pendulum swings towards riskier strategies

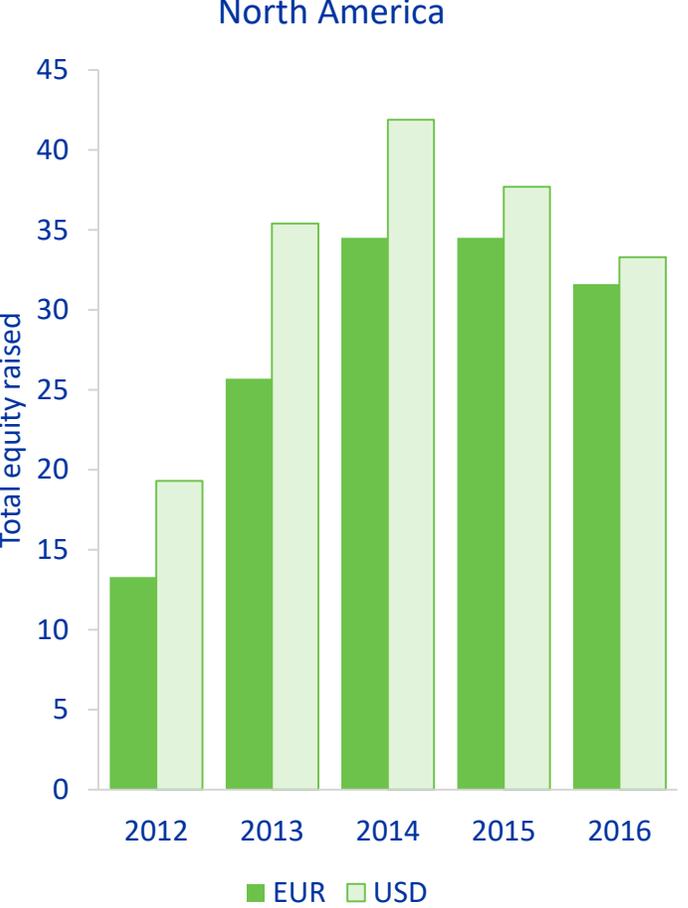
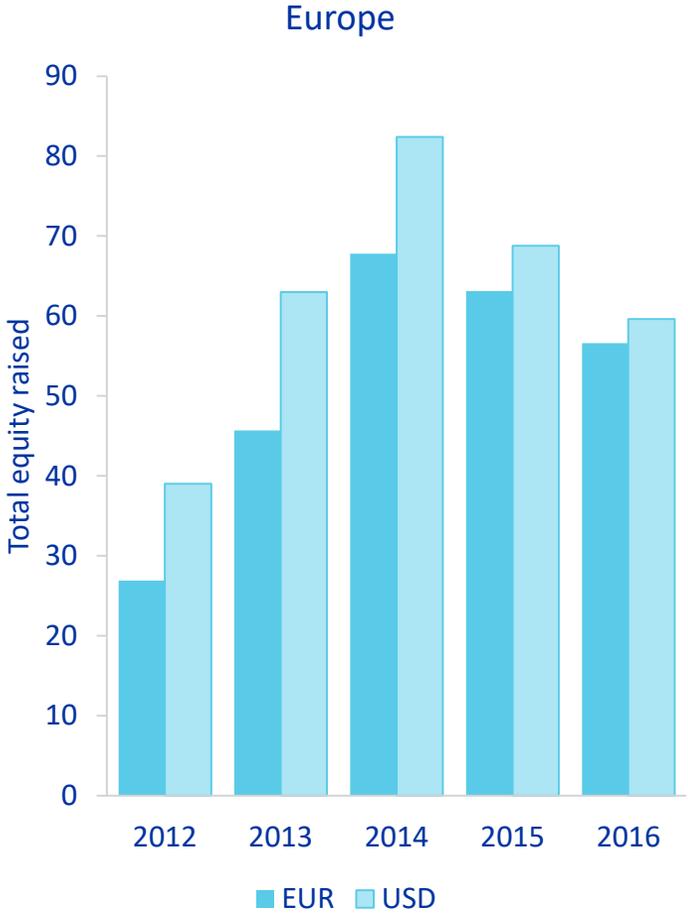
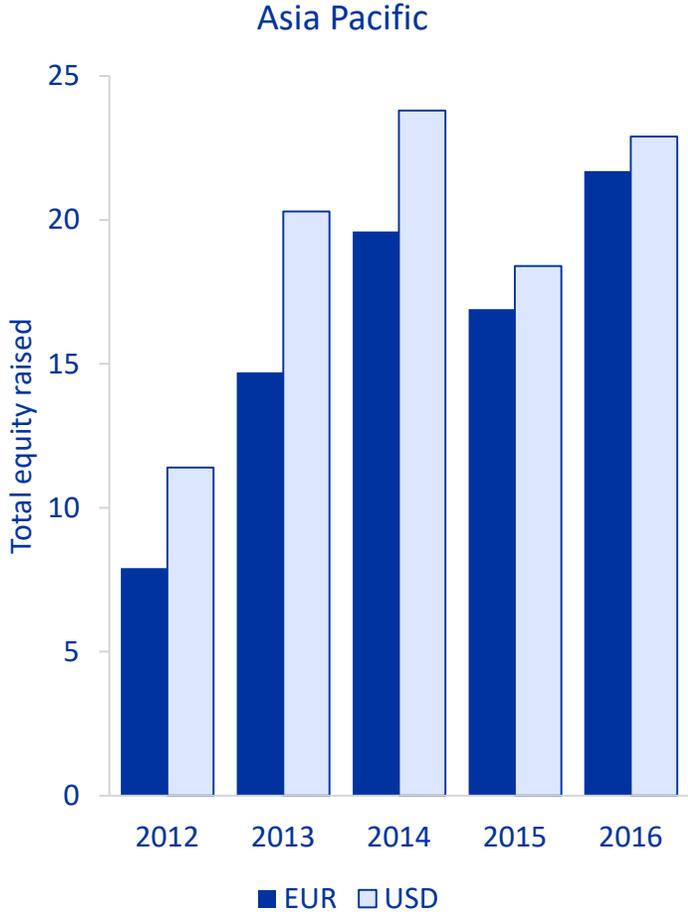
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# A notable shift in appetite for value added and opportunity



# Capital raisings showing signs of deployment challenges



Source: ANREV / INREV / NCREIF Capital Raising Survey 2017  
 Note: Capital raised by target regional strategy

# Owing to increasing challenges of sourcing core product



Achieving target returns

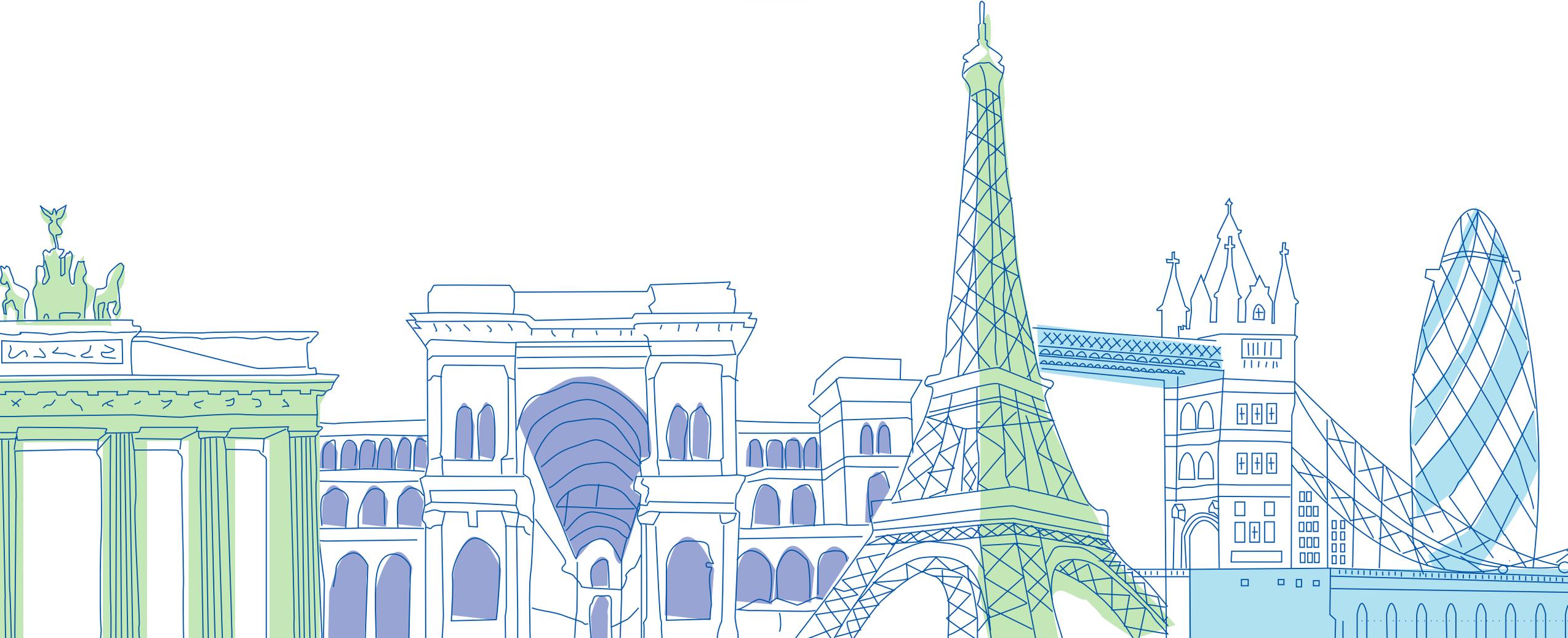


Availability of suitable product

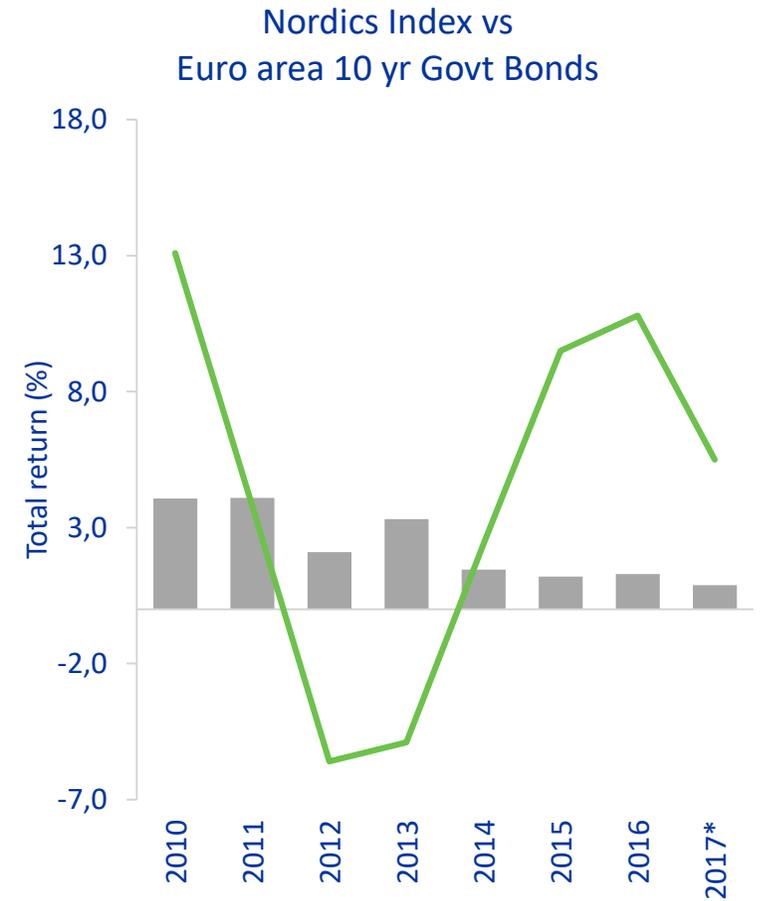
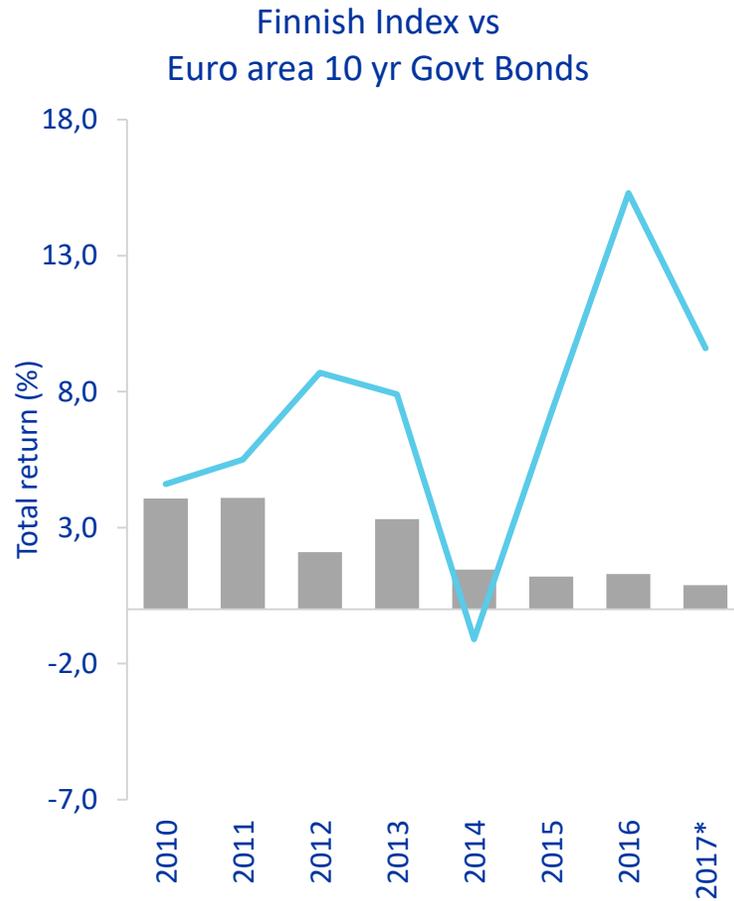
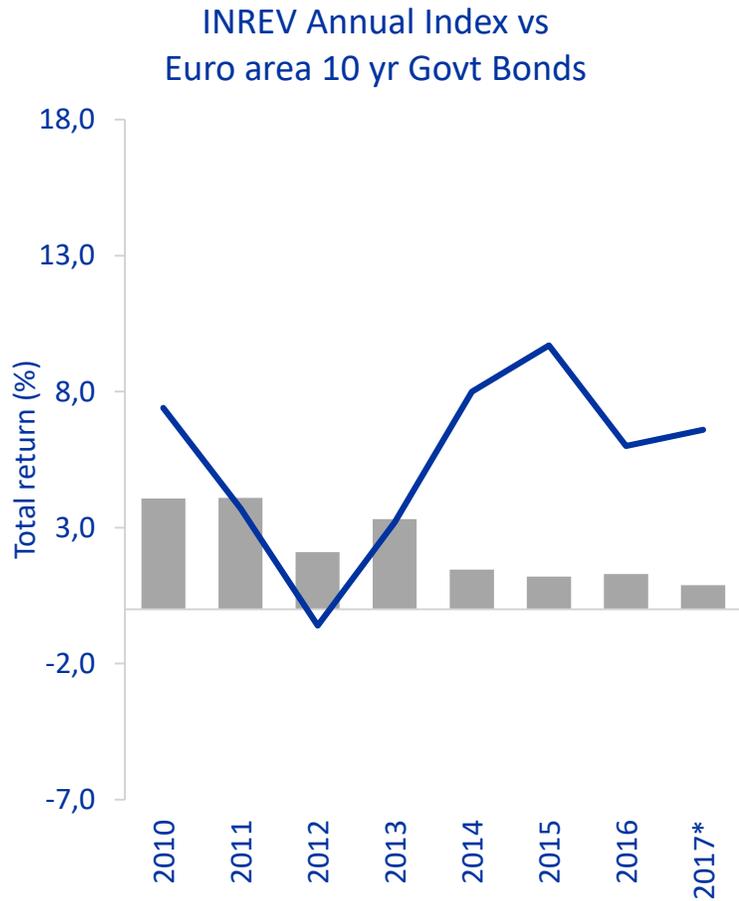


Investment at planned rate

# CAN WE EXPECT ANOTHER GOOD YEAR FOR REAL ESTATE?



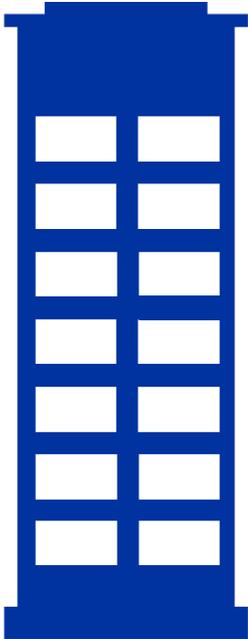
# Real estate delivers strong relative returns, especially Finland



Source: INREV Annual Index 2016; \*INREV Quarterly Index Q3 2017; ECB (2018)

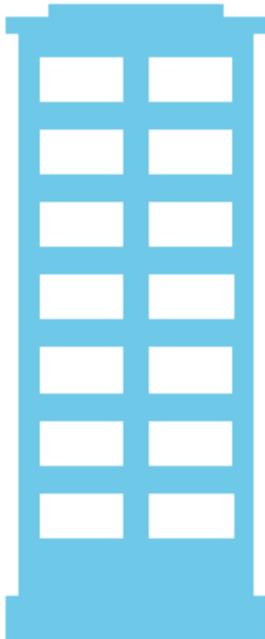
# Another EUR 50 billion earmarked for real estate

€47.7 billion



2016

€52.6 billion



2017

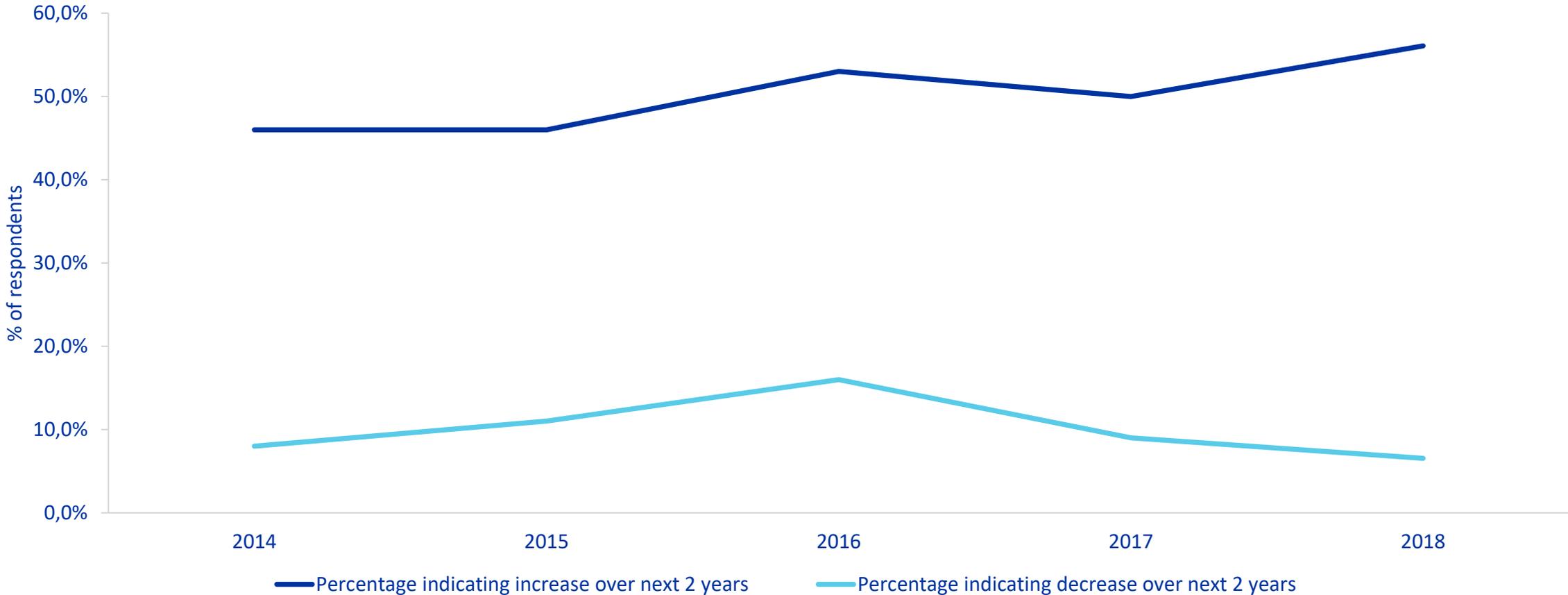
€51.1 billion



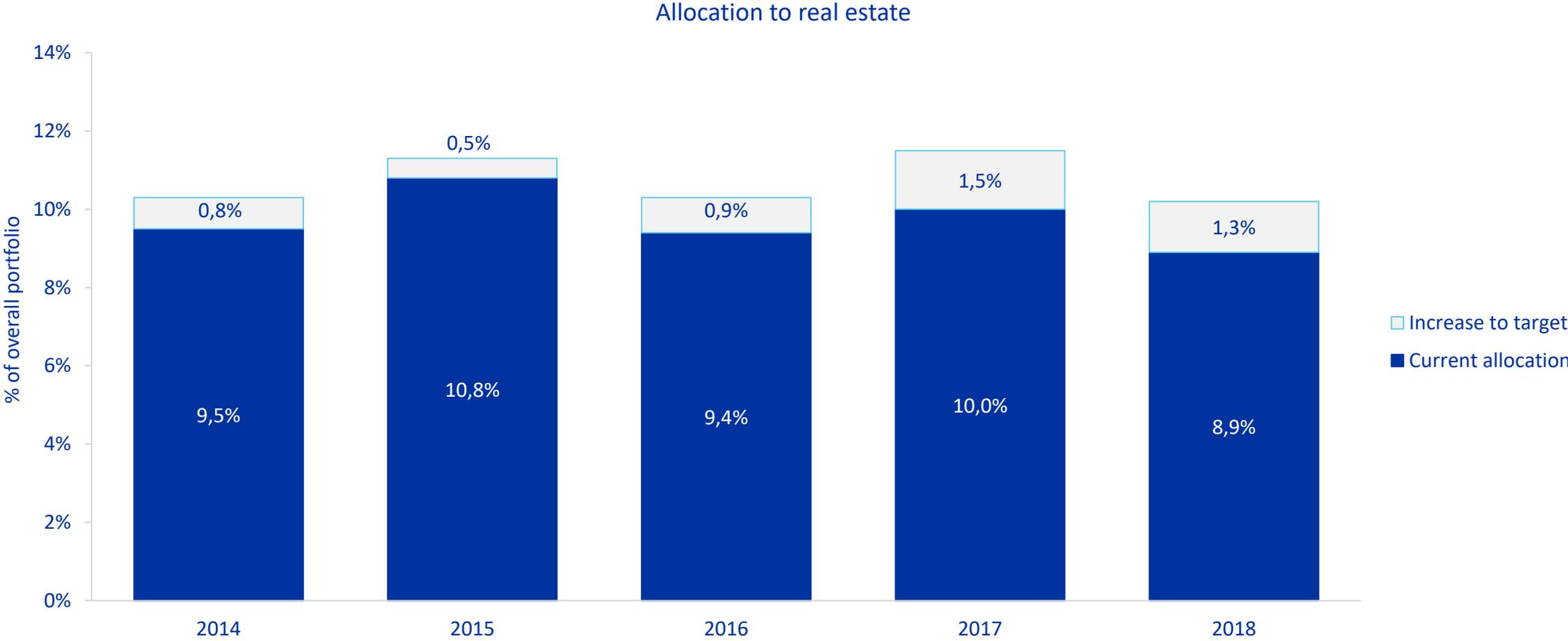
2018

# Global investors plan to increase their exposure to real estate

How investor expectations of allocations have changed over time



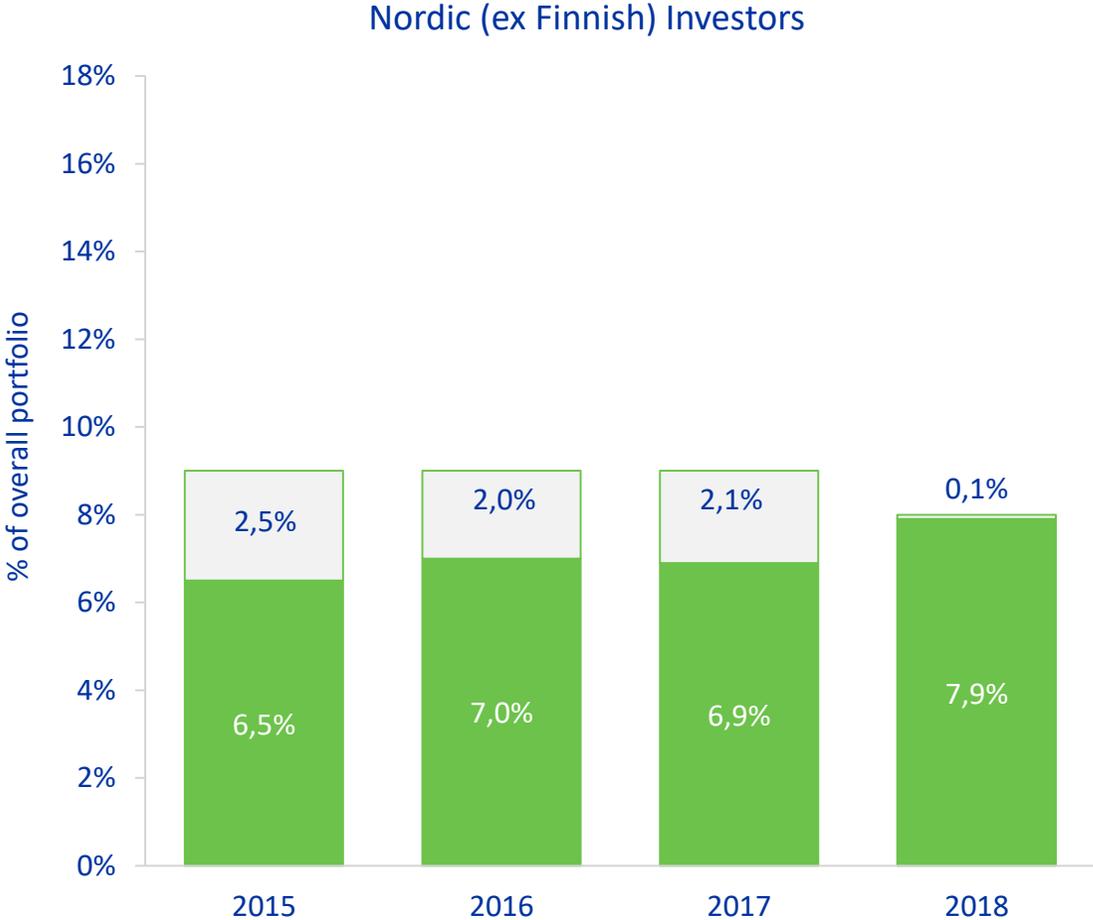
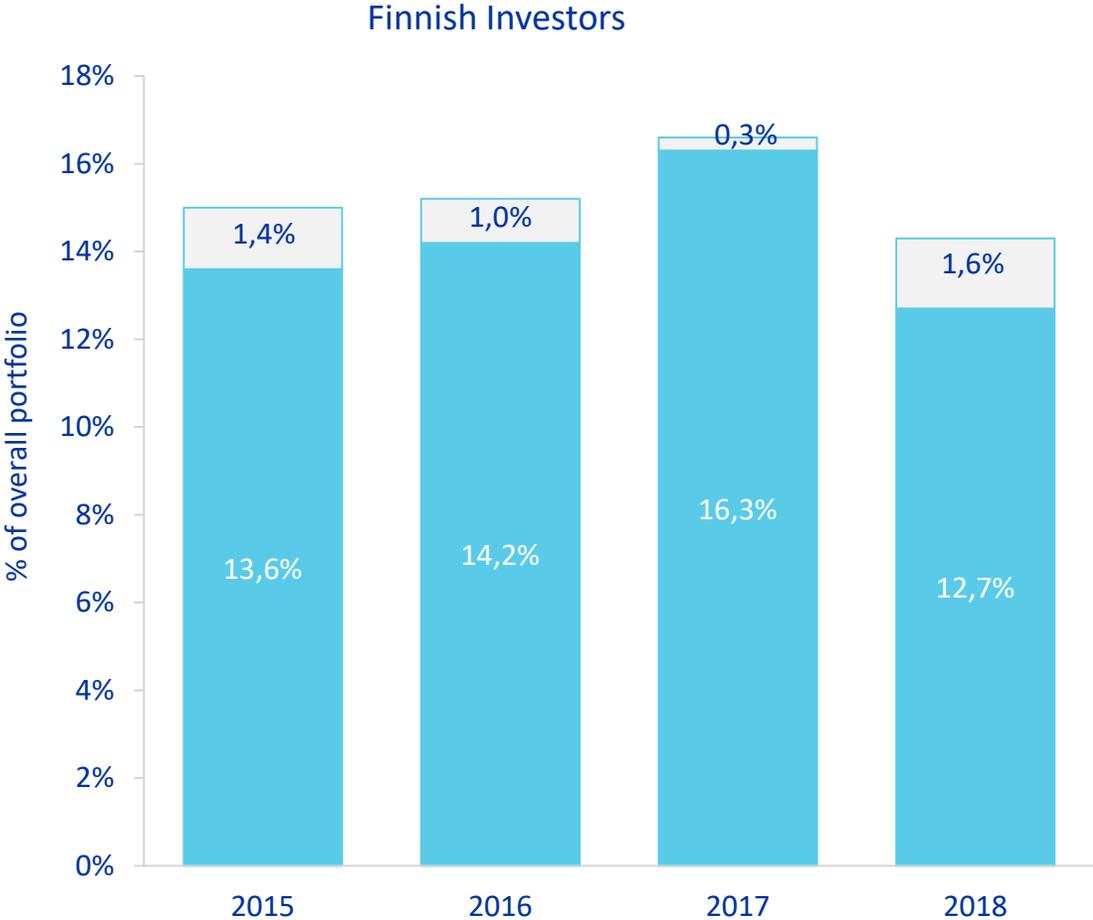
# Targeting a total capital allocation of 10.2%



Note: Equally weighted allocations

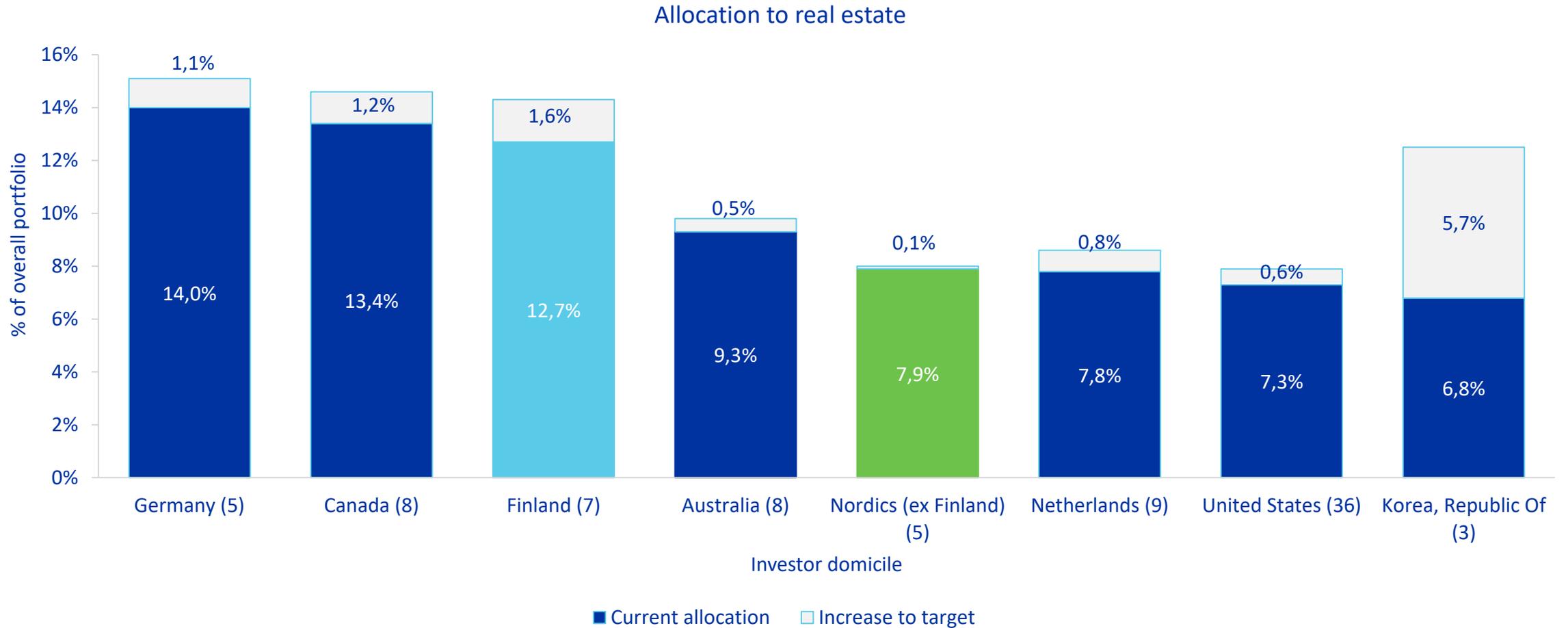


# Finnish investors have higher allocation than neighbours



Note: Equally weighted allocations

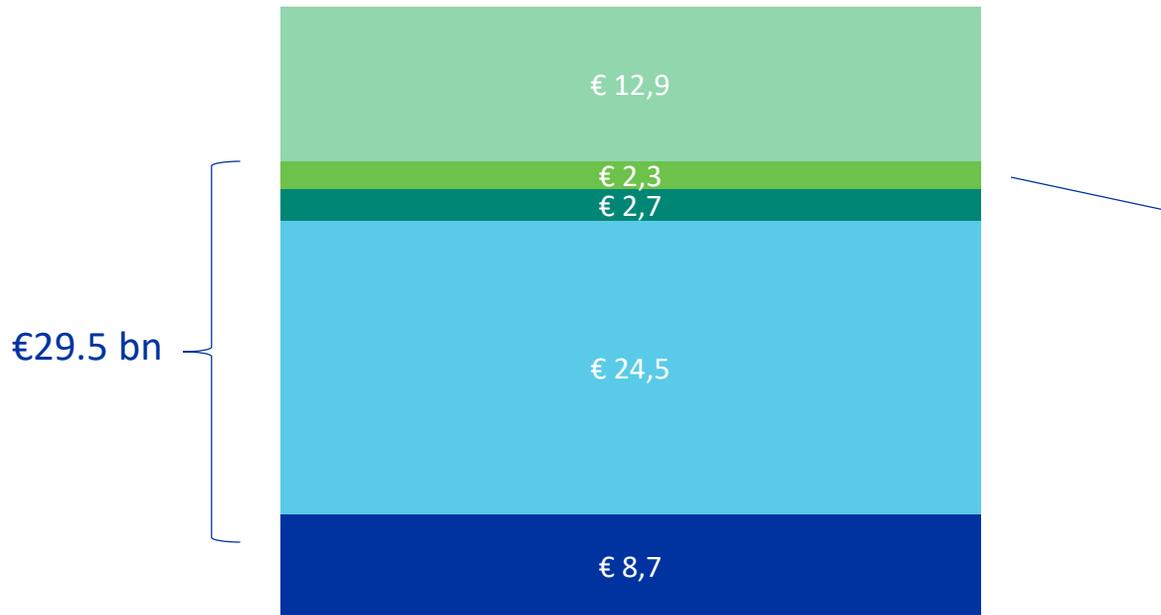
# Europeans not the only ones with big ambitions



Note: Equally weighted allocations; excludes specialised investors with greater than 75.0% real estate allocations

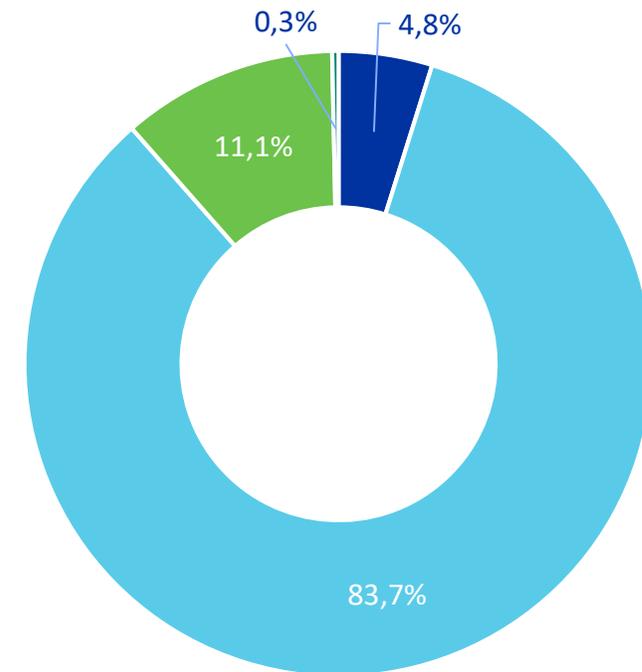
# Home sweet home for Finnish investors

Amount expected to be invested in real estate in 2018  
(€ billion)



- Asia Pacific investors
- European investors (ex Nordic)
- Nordic (ex Finnish) investors
- Finnish investors
- North American investors

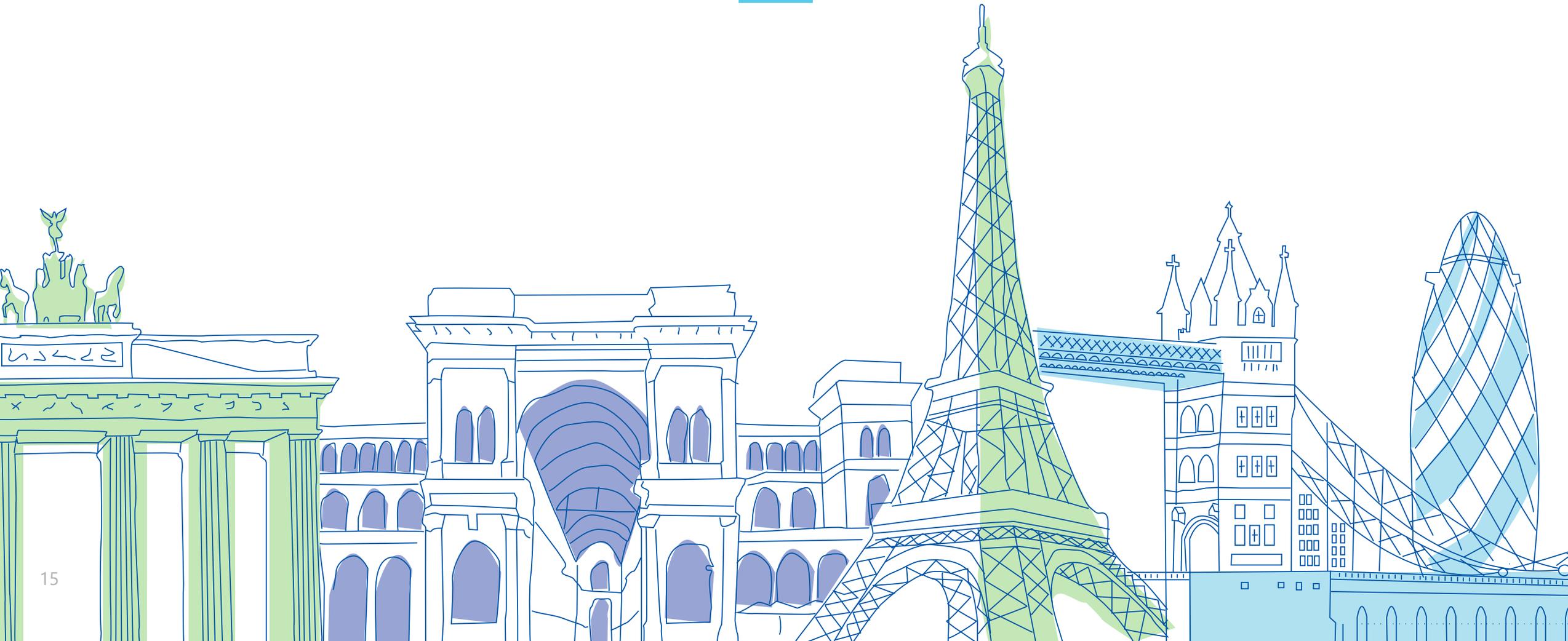
Finnish investors' regional real estate investments for 2018



- Asia Pacific
- Europe
- United States
- Americas ex US

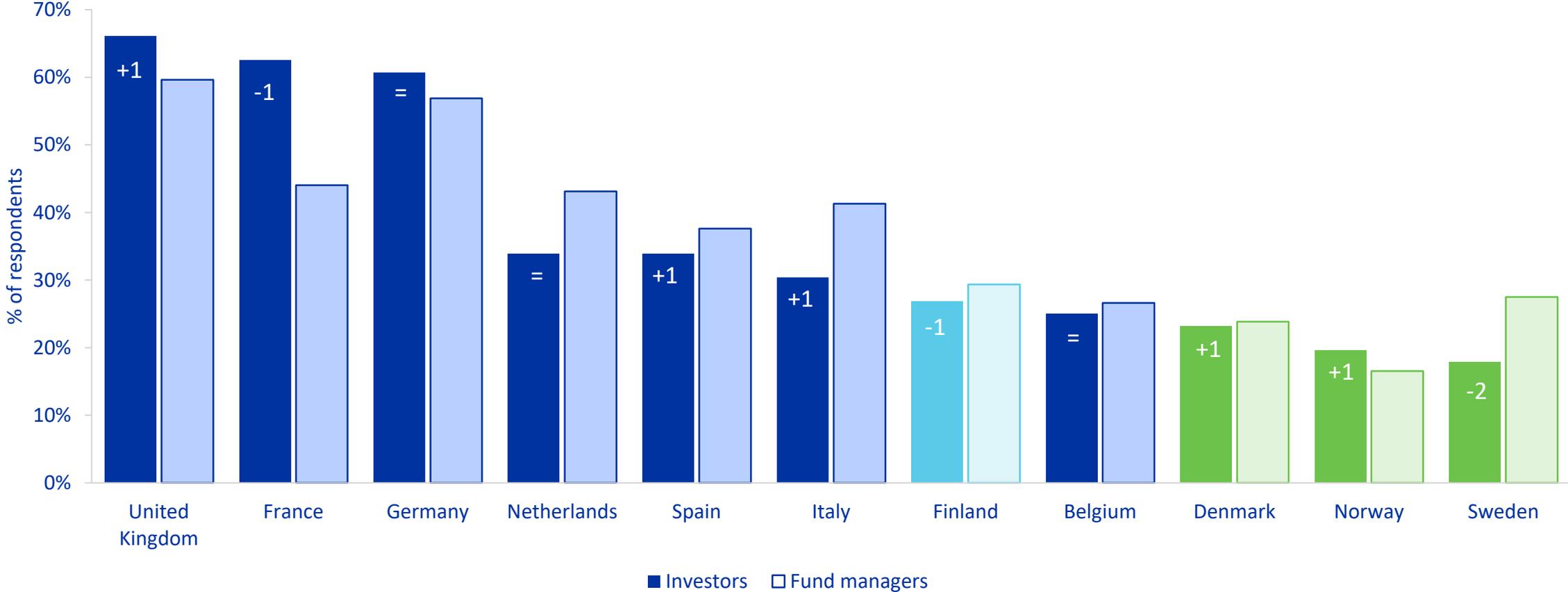
# WHAT'S HOT AND WHAT'S NOT?

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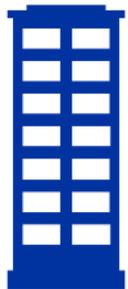
# Finland considered more attractive than its neighbours

Preferred investment locations for 2018



# Residential a hot favourite, logistics also on the up

1. Office (89.3%) ↑



2. Retail (75.0%) ↓



3. Residential (73.2%) ↑ ↑



4. Ind. / Logistics (64.3%) ↑



5. Development (33.9%) ↑



6. Student acc. (25.0%) ↓



7. Healthcare (21.4%) ↓

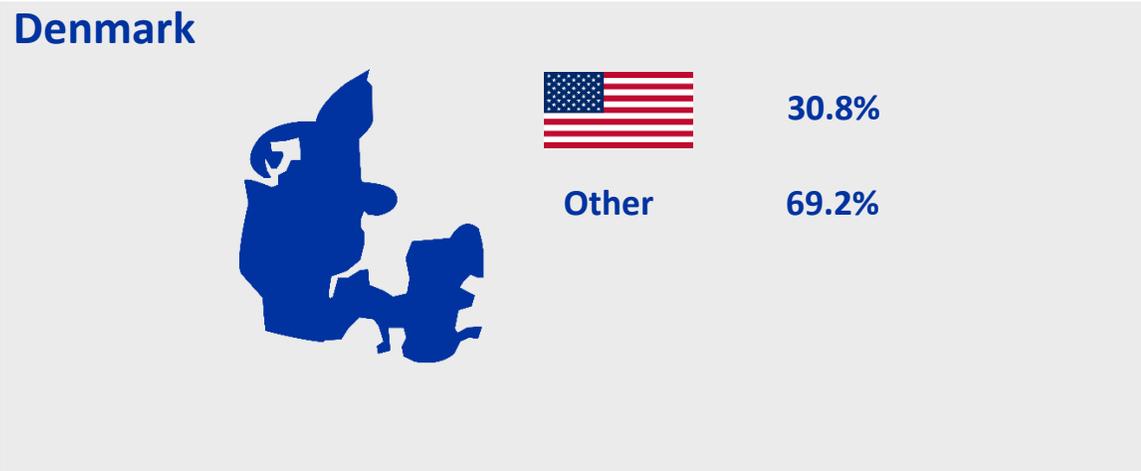
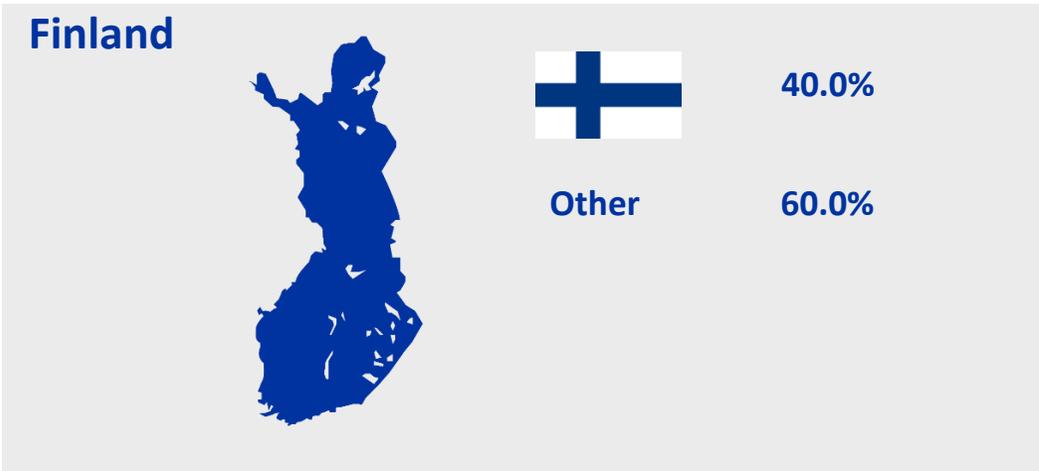
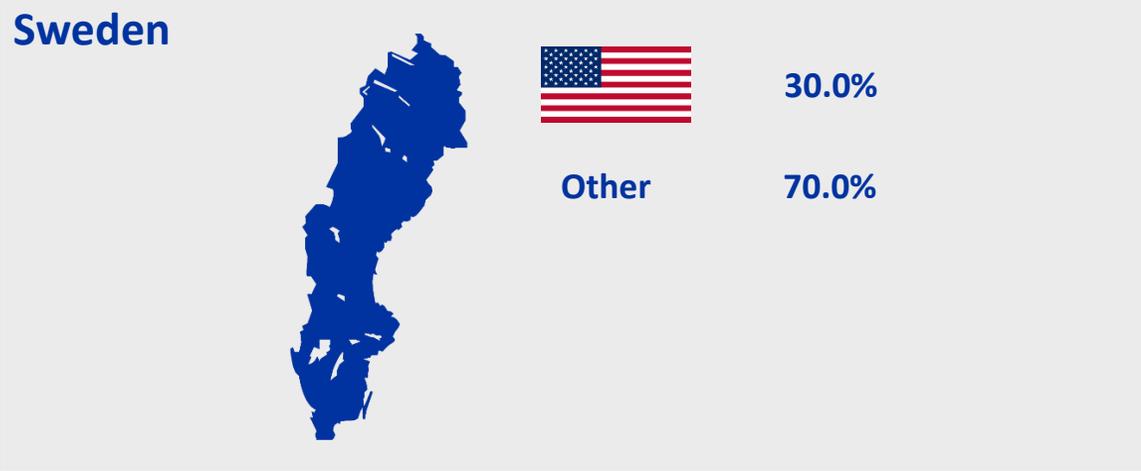


# Offices spear ahead in Finland



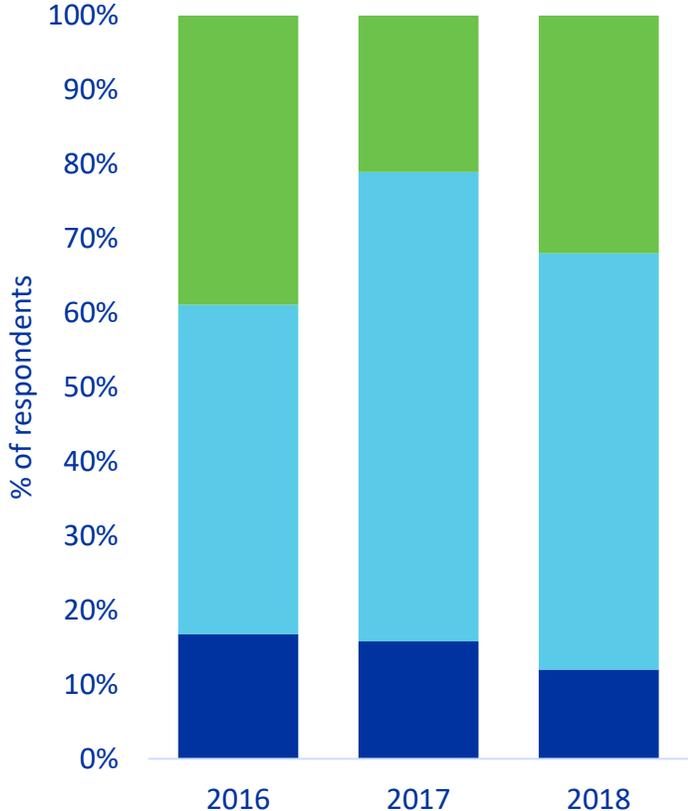
Note: percentage of investors that expressed their interest of investing in each country

# Strong support from locals in Finland

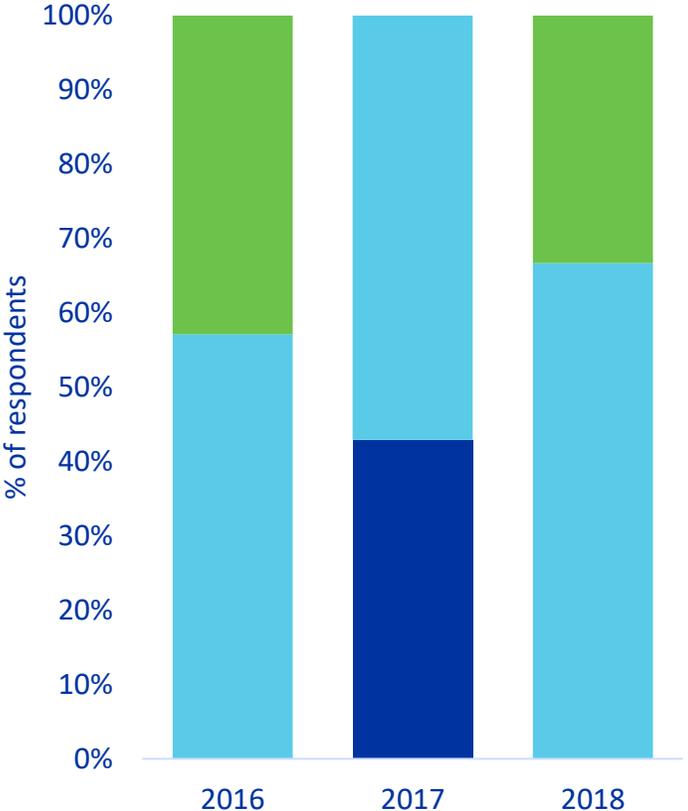


# Those targeting the region have appetites for riskier strategies

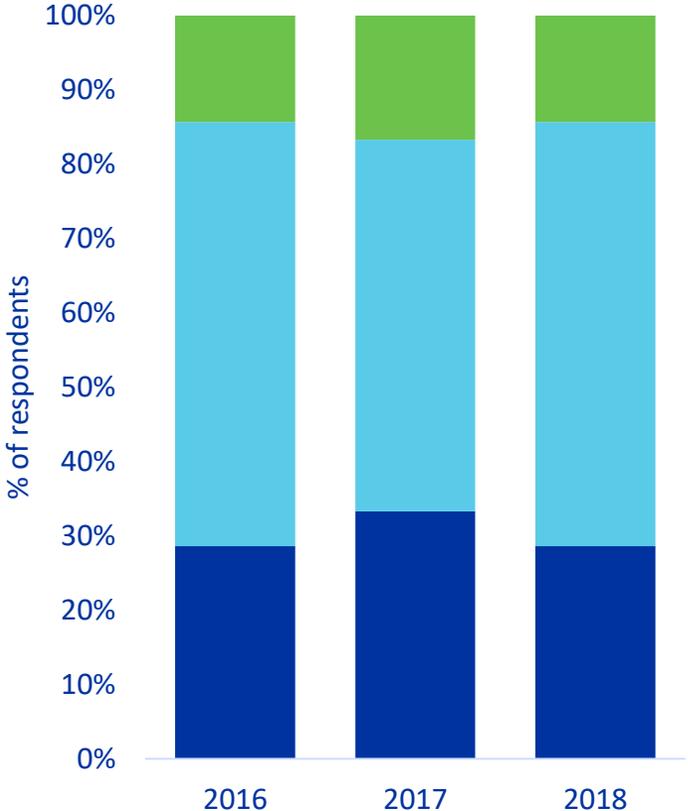
Preferred investment styles for US investors



Preferred investment styles for German investors



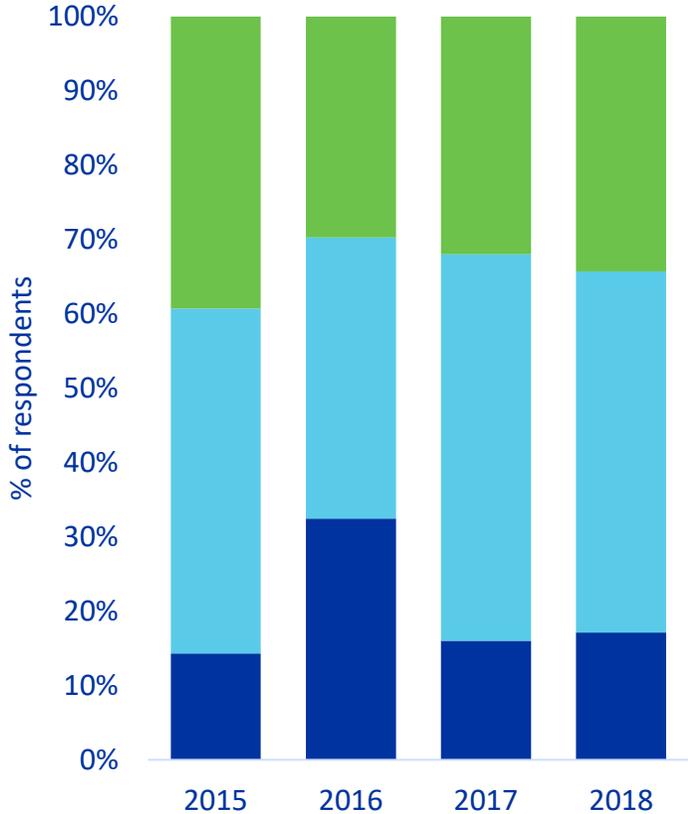
Preferred investment styles for Finnish investors



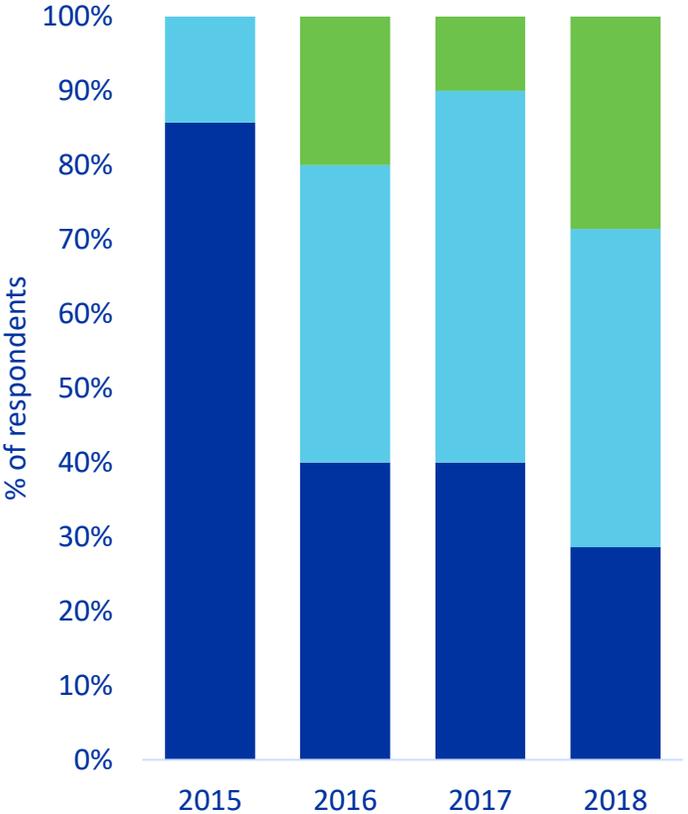
■ Core ■ Value added ■ Opportunity

# The intention is lower down the risk scale

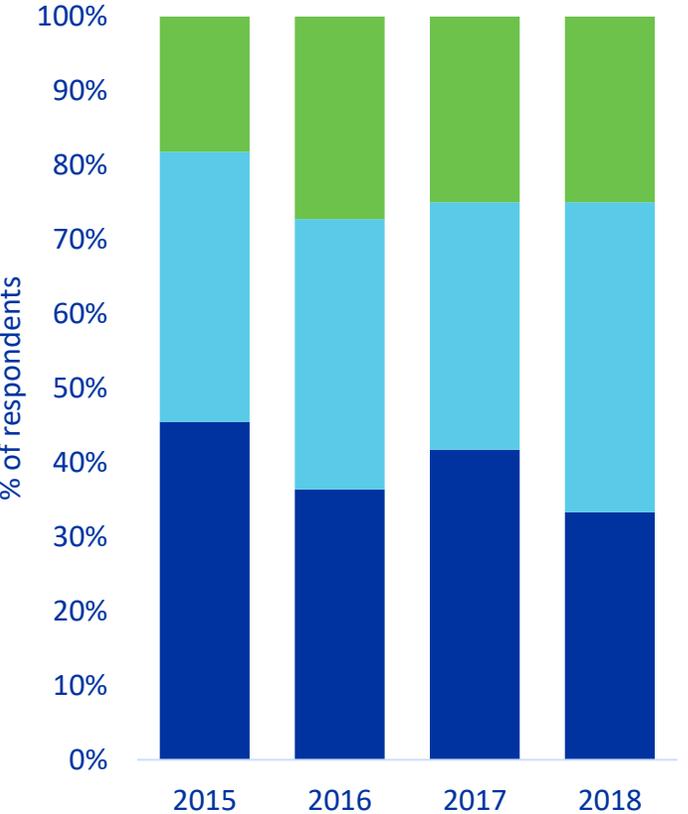
Styles that US investors plan to invest in 2018



Styles that German investors plan to invest in 2018



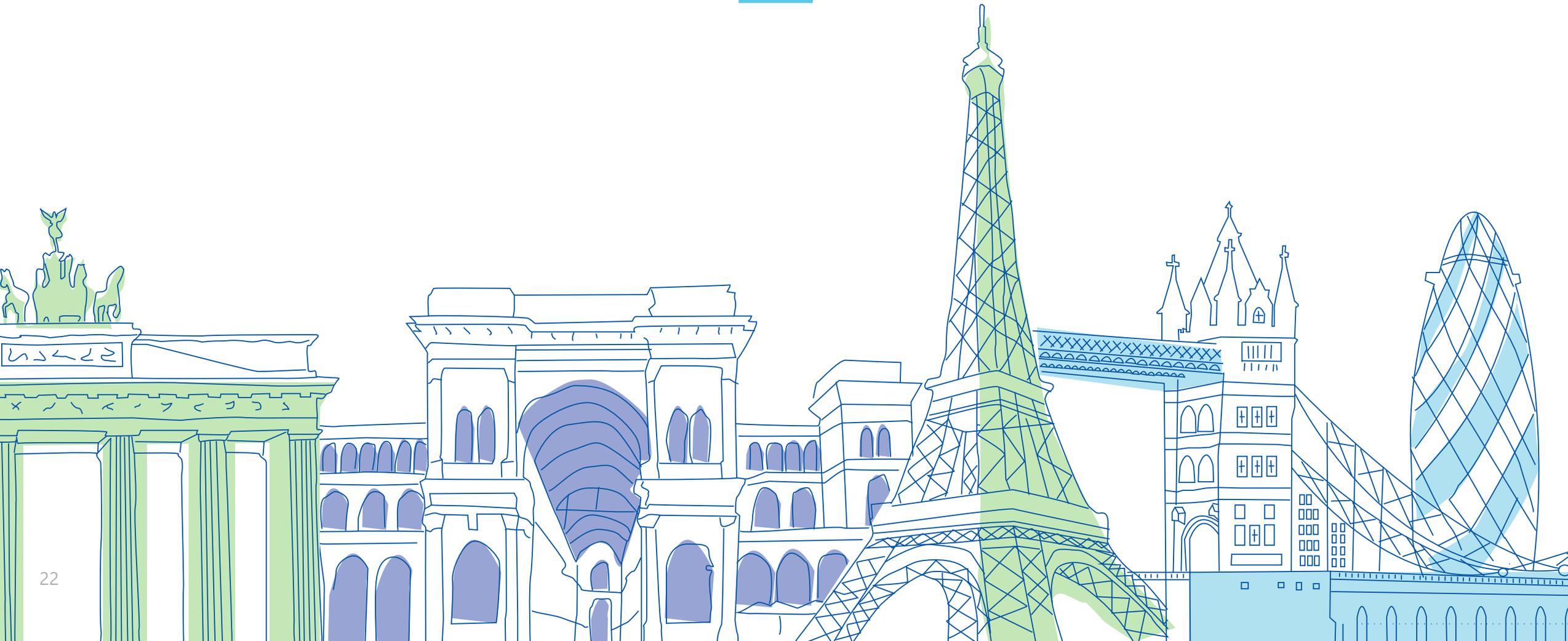
Styles that Finnish investors plan to invest in 2018



■ Core ■ Value added ■ Opportunity

# THE ROUTES TO REAL ESTATE INVESTMENT

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# Different views from different regions to accessing Europe

Asia Pacific investors



RE funds



Separate accounts



Debt

European investors



JVs & Clubs



Directly held assets



RE funds

North American investors



RE funds



JVs & Clubs



Debt

Fund managers



JVs & Clubs



RE funds



Separate accounts



Directly held assets

# Nordic investors prefer the indirect route to real estate

## Finnish investors



JVs & Clubs



RE funds



Directly held assets

## Finnish fund managers



RE funds



JVs & Clubs



Directly held assets

## Nordic (ex Fin) investors



JVs & Clubs



Directly held assets



Separate accounts

## Nordic (ex Fin) fund managers



Directly held assets



JVs & Clubs



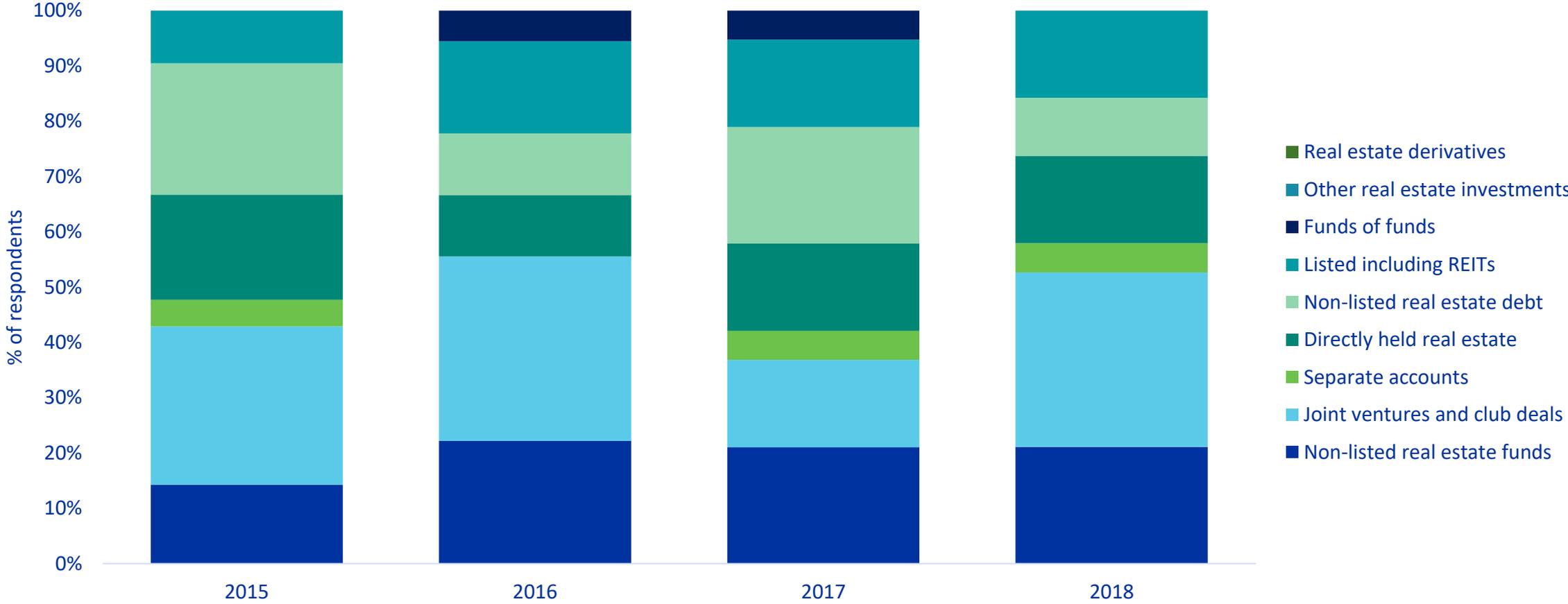
RE funds



Separate accounts

# Finnish investors don't shy away from securities

Expected changes in Finnish investors' European real estate allocations for 2015 - 2018



# Finnish investors consistent in approach

2016



JVs & Clubs



RE funds



Listed

2017



RE funds



Debt



JVs & Clubs



Directly held assets

2018



JVs & Clubs



RE funds



Listed

# Cost conscious investors in Finland and neighbouring countries

All investors



Availability of suitable product

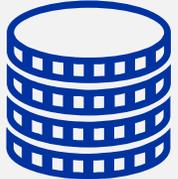


Currency risk



Current market conditions

Finnish investors



Associated costs

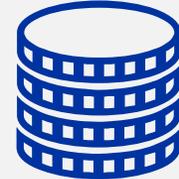


Availability of suitable product



Current market conditions

Nordic (ex Fin) investors



Associated costs



Current market conditions



Availability of suitable product

Sample for Nordics ex Finland too small to show alone

# Investors see different challenges in the European market

## Asia Pacific Investors



Availability of suitable product



Transparency and market information



Resources



Currency risk



Current market conditions

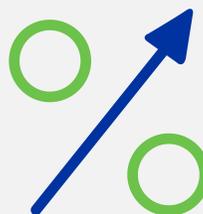
## European Investors



Availability of suitable product



Current market conditions



Alignment of interest

## North American Investors



Currency risk



Resources



Alignment of interest

# Compelling reasons to invest in non-listed real estate funds

## Nordic (ex Fin) investors



Access to expert management

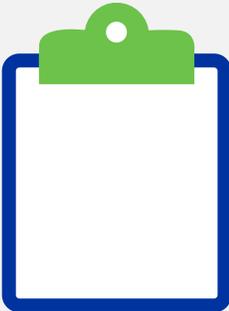


International diversification



Access to new markets

## Finnish investors



Access to expert management



Diversification benefits



International diversification

# Concluding remarks

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- Over half of investors set to increase allocations to real estate
- Targeting a capital allocation of 10.2%, up from 8.9% currently
- A minimum commitment of €51.1 billion to real estate, €2.3 billion of which is from Finland
- Increased appetite for value added and opportunity
- The well for suitable product is drying up

# Where will you sow your seeds?

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