RESEARCH & MARKET INFORMATION

INVESTMENT INTENTIONS SURVEY 2009

INREV

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INREV
STRAWINSKYLAAN 631
1077 XX AMSTERDAM
THE NETHERLANDS

T +31 (0)20 799 39 60
INFO@INREV.ORG
WWW.INREV.ORG

INREV is the European Association for Investors in Non-listed Real Estate Vehicles. In seeking to generate increased levels of liquidity within the European private real estate fund market, INREV's strategy is to promote 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 fund market. INREV is dominated by institutional investors and supported by other market participants such as fund managers, investment banks, lawyers and other advisers.

CONTENTS

EXECUTIVE SUMMARY

The mark of the fallout of the ongoing financial crisis is clearly stamped on the results of the INREV Investment Intentions Survey 2009. The outcome of the survey, which gauges preferences and trends for the non-listed property funds industry for the coming year, includes some notable changes from the 2008 survey. These reflect the consequences of the industry coming to terms with falling capital values and the lack of availability of financing.

The survey questioned respondents on which issues will affect the non-listed property funds market over the next two years; the now familiar themes of the lack of availability debt, refinancing and concerns over valuation were raised as well as an overall concern about property market conditions going forward. Many respondents also voiced the possibilities of bankruptcies and restructurings among industry participants.

Expectations for an upturn in the European real estate industry during 2009 were few and far between. Instead, fund managers and fund of funds managers mainly looked to 2010 as the year most likely to show the first signs of a recovery. This view was more optimistic than that of investors, the majority of which think sentiment will only start to improve in 2011. In addition, a significant number of fund of funds managers did not expect to see any improvement until 2012.

Intentions by investors to increase allocations to non-listed real estate over the next two years have fallen to 63% compared to 82% last year. However, this is in a context of investors' reducing allocation expectations across all the real estate investments sectors except direct real estate. This more conservative view over increasing allocations across all real estate sectors may be reflective of investors' concerns about the denominator effect across a multi-asset portfolio.

In a marked shift since the 2008 survey, many investors have reduced their risk appetite with 37% now favouring core as a preferred style compared to 5% in 2008. The shift has been away from value added but with the level of responses from investors who prefer opportunity funds remaining at 37% compared to 2008, the result does not indicate an overall reduction in risk appetite.

This result is contrasted somewhat with expected allocations by style for investors and fund of funds managers as well as new launches by style for fund managers. More investors expect to increase their allocation to opportunity funds (50%) rather than core funds (36%). In contrast, the largest proportion of fund managers is expecting new launches for core funds (58%) with opportunity funds in second place (46%).

Market conditions is the main reason for both investors and fund of funds managers to not invest in non-listed real estate funds; it was cited as a reason by 85% of fund of funds managers. In addition, the lack of alignment of interest has overtaken transparency and the availability of market information as a main obstacle for investors and it is now a major barrier for half of investors surveyed. It is a significant shift and a reflection of how alignment structures have been tested as the market has headed into a downturn. Alignment of interest is also perceived as a key issue for investors by fund managers and fund of funds managers but in their view transparency and the availability of market information is still the bigger obstacle.

In a continuation of a theme from the 2008 survey, corporate governance and adoption of the INREV Guidelines continue to rise up the agenda of survey respondents. When selecting the most important criteria for fund selection, almost 40% of fund of funds managers noted corporate governance while 10% of investors (up from 3% in 2008) outline the adoption of the INREV Guidelines as an important criteria. In terms of the relative

change in importance of this last category, the results showed that 73% of investors, 82% of fund of funds managers and 83% of fund managers now see the adoption of the guidelines as more important than last year.

The UK was the preferred location for all three categories of respondents overtaking France as investors' top investment location in 2008 and Germany for fund managers and fund of funds managers. This selection is a result of the UK being the first European property market to react to the global financial and economic crisis and therefore likely to be the first to bottom out. This is also reflected in the preferred location/sector combinations with UK office and retail dominating investors' responses. Fund managers mirrored these choices with the addition of German residential.

1 INTRODUCTION

The fifth annual INREV Investment Intentions Survey provides a guide to the expected trends among investors, fund managers and fund of funds managers in the non-listed real estate funds industry in 2009.

The report is based on results gathered through an online survey, which questioned INREV members and other participants in the non-listed real estate funds industry on their likely intentions and preferences for 2009 including locations, sectors and strategies. It also asked respondents to provide their views on the issues facing the non-listed property funds industry.

The survey was sent to a senior representative in each INREV member organisation, with the intention for each response to represent a company view. The survey was sent to 243 member organisations. In addition, the survey was distributed by email to IPE Real Estate's readership for the third year in succession.

The survey attracted 114 respondents, which comprised 30 investors, 13 fund of funds managers and 71 fund managers. Of the total respondents 104 were INREV members, representing a 43% response rate among members.

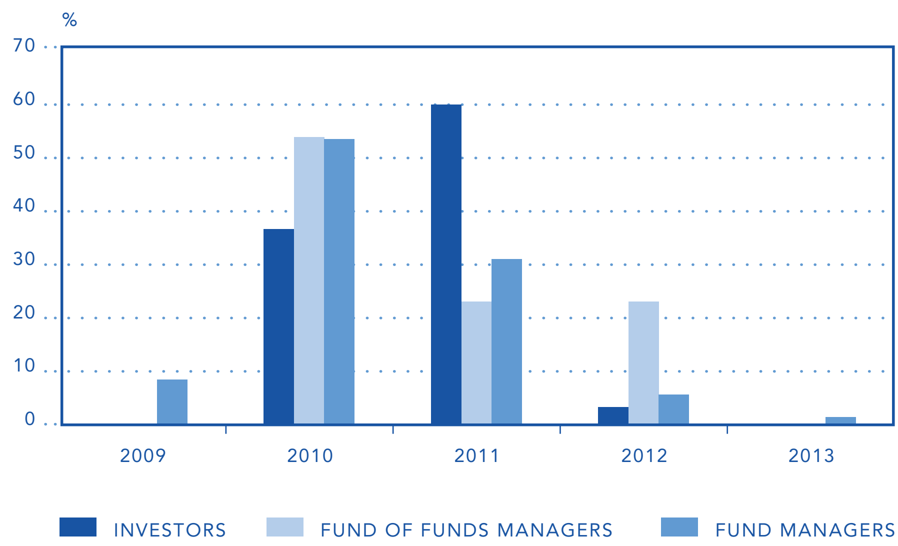
More details on survey respondents can be found in Appendix 2 on page 28.

2 TRENDS IDENTIFIED BY PLAYERS IN THE NON-LISTED MARKET

Survey respondents were asked to outline the key issues facing the European non-listed property funds market for the next two years and to predict when they thought improvement would return to the European real estate market.

Figure 01 shows that only a handful of respondents surveyed think that market sentiment will improve in 2009. In general fund managers and fund of funds managers were more optimistic in their views, with over half respectively expecting to see improvement in the European real estate markets in 2010. The majority of investors think sentiment will only start to improve in 2011. A significant number of fund of funds managers (23%) did not expect to see any improvement until 2012.

FIGURE 01 / CURRENT VIEW ON YEAR EUROPEAN REAL ESTATE WILL IMPROVE



The greatest concern identified by respondents for non-listed real estate and European property in the years to 2010 was ‘market conditions’, relating to fact that markets have been characterised by falling capital values, rising investment yields and stagnating rents. However, respondents in the survey identified other major market drivers for European property and non-listed real estate funds over the next two years, which are outlined below:

- DEBT AND REFINANCING: Debt issues were specified by investors, fund managers and fund of funds managers as the most critical area of concern, both for the non-listed real estate sector and the European investment property markets. This is due to the cost of finance and the impact this is having on fund performance, the increasing difficulty of raising new debt, and the consequent problems involved in refinancing. Ultimately there is the fear that debt, combined with falling property prices, will lead to fund insolvencies.

- LACK OF LIQUIDITY: Allied to the difficulty and cost of raising debt, this relates both to the lack of capital available for fund managers to invest, and the impact this will have on direct property markets in Europe.

– VALUATION CONCERNS: The fact that many investment markets across Europe have virtually come to a standstill is clearly causing difficulties for the process of valuing real estate assets, a concern which was voiced by fund managers and fund of funds managers. Properties are not being down-valued as rapidly as the real market – however thinly this is spread – suggests they should be. The view is the downturn may be prolonged if realistic adjustments to property values are not made, making it difficult for investors to see when real estate has become good value again.

– OCCUPATIONAL MARKETS AND TENANT DEMAND: Capital markets and yield movements were not the only cause for concern voiced by the survey respondents. Significant numbers of investors and fund managers now regard the occupational markets and tenant demand as a major issue for European real estate as recession has now become a reality in most countries, and economists' views continue to darken.

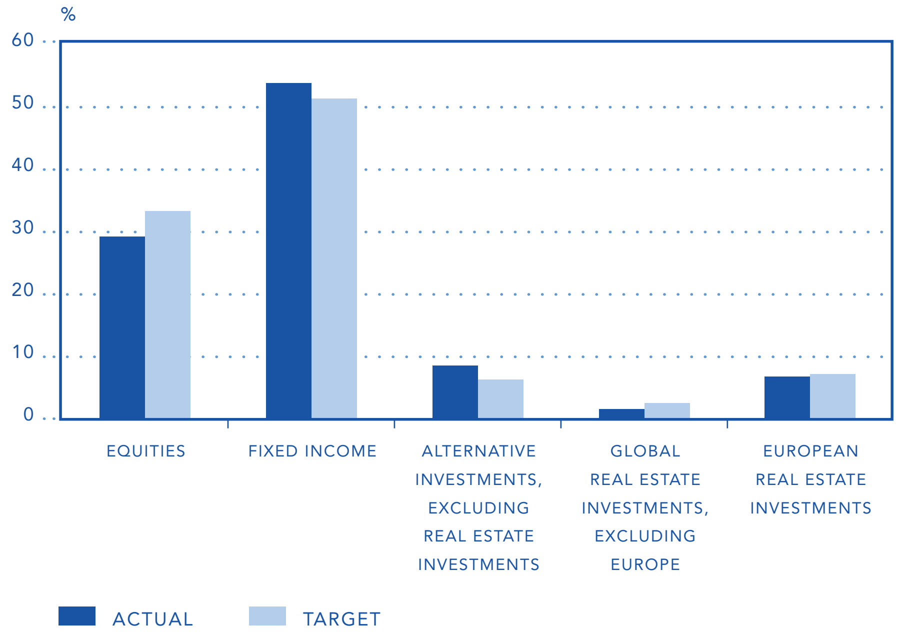
– RESTRUCTURING AND BANKRUPTCY: Given all of the above, it comes as little surprise that a number of respondents are worried that there will be casualties amongst the businesses involved in the non-listed real estate industry sector over the next two years. The words 'blow-ups', 'shake-out' and 'restructuring' were used relative to prospects for the fund management business, while bankruptcies among property owners are feared as likely to bring further instability to the market.

A small number of positive points were noted, such as the possibility to identify investment opportunities during this period of market weakness, and the premium on active management. It was suggested that this will be a time for real estate to go back to basics: meaning equity-based investment, low leverage and income management.

3 INVESTORS' FUTURE ALLOCATIONS

Investors contributing to the survey have allocated 7% (Figure 02) of their global portfolios to European real estate, and a further 2% to real estate outside of the region. Investors intend to allocate 3% to global real estate investments, excluding Europe. If target weights are achieved, real estate will make up nearly 10% of investors' overall assets.

FIGURE 02 / ACTUAL AND TARGET GLOBAL ASSET ALLOCATION



Intentions by investors to increase allocations to non-listed real estate have fallen from 82% to 63% from 2008 to 2009 (Figure 03). This is at the lowest level since the 2005 survey. However, this is in a context of investors' reducing allocation expectations across all the options except direct real estate, which has seen an eight percentage point increase to 34%.

Non-listed real estate funds remain the preferred method of real estate investment for most investors comprising 40% of real estate allocations globally and 45% within Europe (Figure A06 and A07, page 29). These results are, however, reflective of the dominance of INREV members in the sample.

Over one third of investors intend to increase real estate allocations through joint ventures (Figure 03), although they have fallen in popularity compared to the 2008 survey where more than half said they intended to increase this investment approach. This goes against views that with market volatility joint ventures will increase in popularity as it gives investors more control over their investments.

Only one third of investors expect to raise their allocations to listed real estate, despite the increasing discounts to NAV to be found for listed real estate across Europe. This result is a significant reversal from the picture seen in the 2008 survey.

FIGURE 03 / INVESTORS' EXPECTED CHANGE IN REAL ESTATE ALLOCATION OVER THE NEXT TWO YEARS

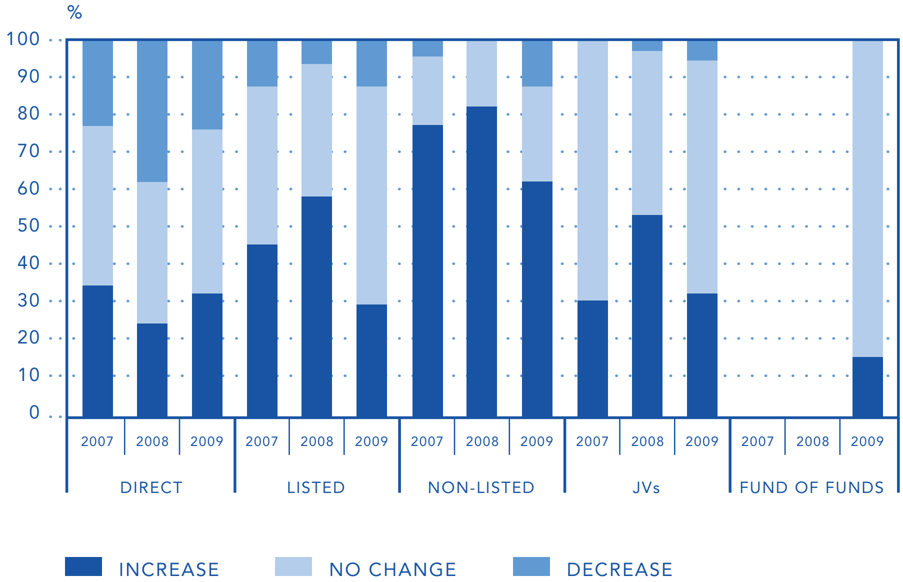
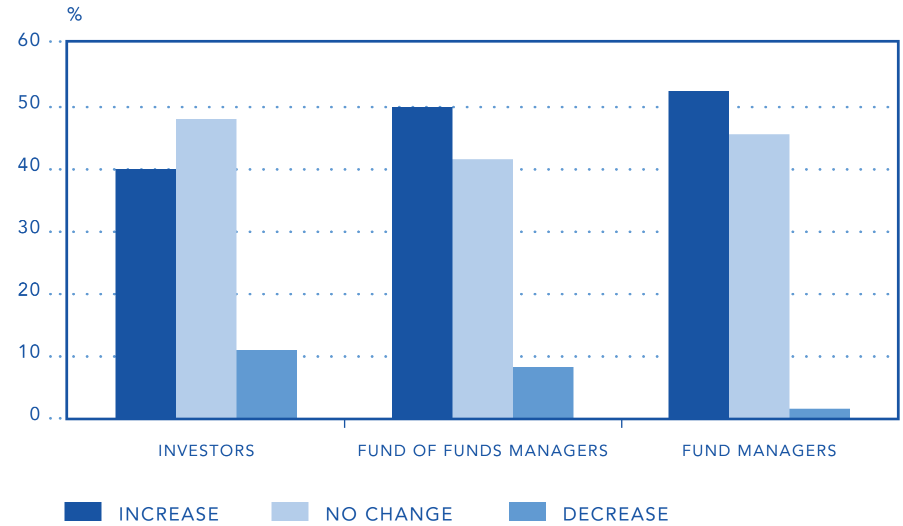


Figure 03 shows that investors do intend to increase real estate allocations in general but the more modest increases to real estate categories may relate to concerns about real estate and the denominator effect within multi-asset portfolios.

For the first time, respondents were asked whether they intended to increase their exposure to non-European non-listed funds over the next two years (Figure 04).

At 40%, a smaller percentage of investors relative to fund managers and fund of funds managers, intend to increase their commitment to non-European, non-listed real estate funds. Nonetheless, investors mainly intend to increase, or remain committed (48%) to current levels of non-European non-listed real estate funds between 2009 and 2010.

FIGURE 04 / OUTLOOK FOR COMMITMENT TO NON-EUROPEAN NON-LISTED REAL ESTATE FUNDS IN 2009 – 2010



Target Returns

The average target Internal Rate of Return (IRR) sought by investors for their portfolios is 10.0%, with fund of funds managers looking to achieve 11.9%. This compares to 10.1% and 11.5% in last year's survey.

As can be seen in Figure 05, there is a large range of IRRs amongst respondents.

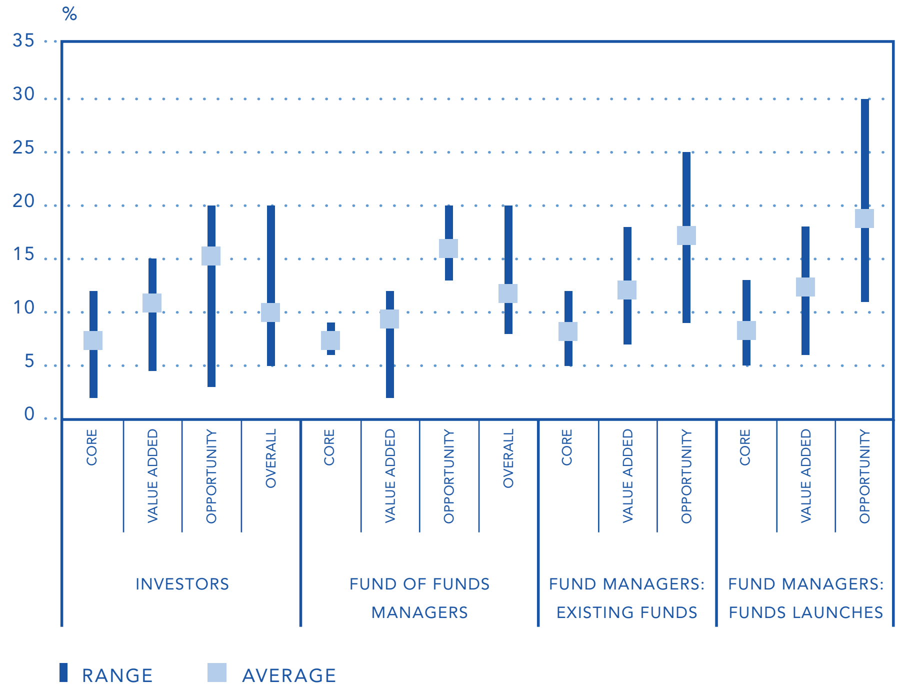
For the first time, the survey asked investors to break this down by style with investors on average looking to achieve an IRR of 7.5% for core funds, 11.0% for value added funds and 15.3% for opportunity funds.

For fund launches, fund managers appear to be targeting somewhat higher levels of return compared to investors' expectations, particularly for value added funds at 12.4% and opportunity funds at 18.8%. This could imply that some fund managers are optimistic on making higher returns in the current market but it is clear from Figure 05 that there is a wide range of return expectations within investment styles.

For new funds, fund of funds managers are targeting slightly lower average returns than investors' expectations for both core at 7.4% and value added at 9.4%. Fund of funds managers usually target a blended yield by investing across a range of styles.

For existing funds, fund managers' targets were 8.2% for core, 12.1% for value added and 17.2% for opportunistic. This mirrors results from the 2008 survey and shows that fund managers are not downgrading target and anticipated rates of returns for existing funds yet, despite market conditions.

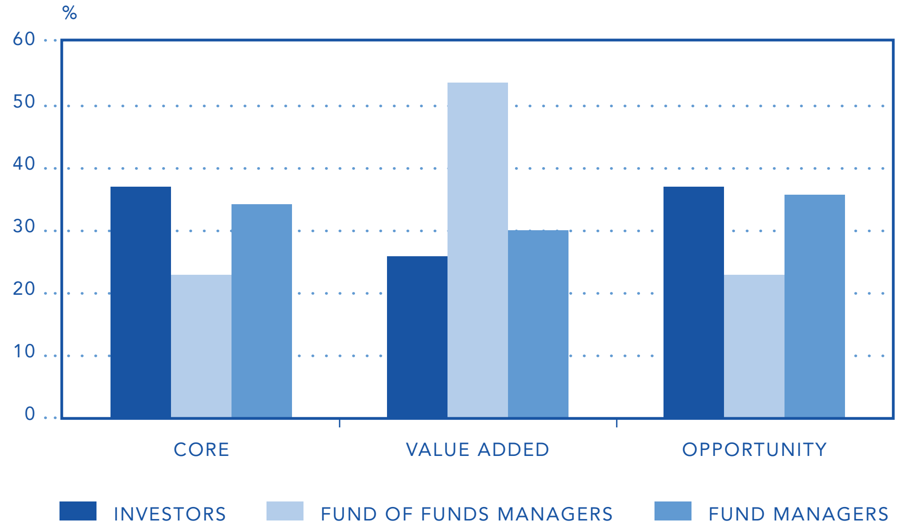
FIGURE 05 / RANGE AND AVERAGE OF IRRs



4 PREFERRED STYLE AND FUND TYPES

Investors' preferred style of fund has altered significantly since last year's survey, with 37% now favouring core funds (rising 32 percentage points from the 2008 survey). This has mainly been at the expense of value added which has fallen 34 percentage points (to 26%), showing a marked shift downwards in the risk appetite of some investors. However, the proportion of investors favouring opportunity funds (37%) has remained constant, indicating that some investors remain committed to higher risk/return opportunities taking into account the market conditions. This pattern is mirrored in fund managers' responses. Fund of funds managers continue to focus on value added funds (54%) as a preferred style as they did in the 2008 survey (Figure 06).

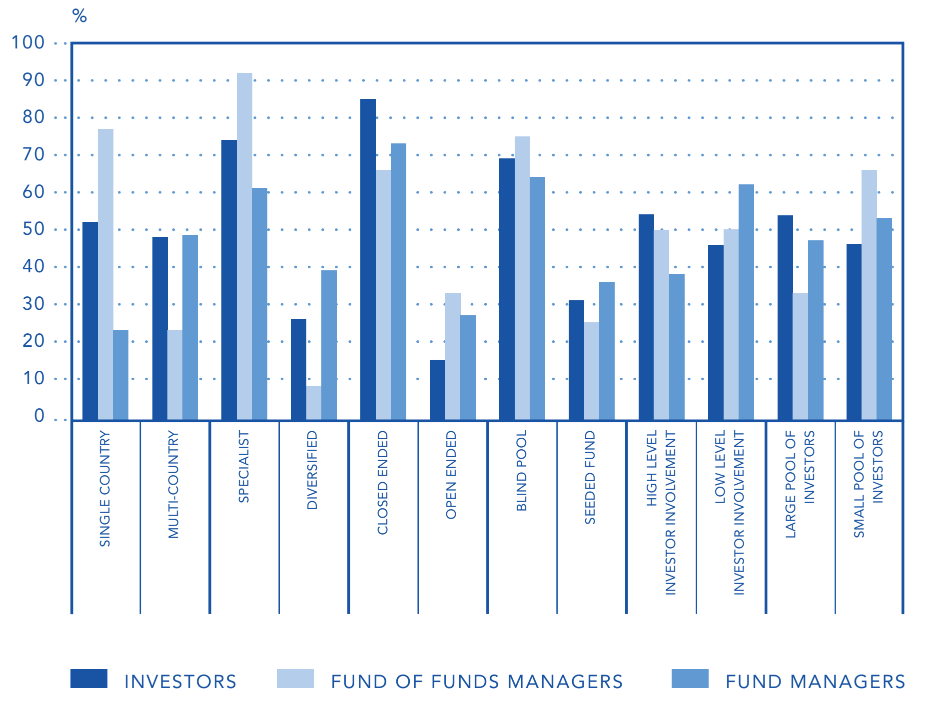
FIGURE 06 / PREFERRED FUND STYLE



The biggest turnaround since the 2008 survey for preferences on fund type has been in respondents' view of blind pool funds (Figure 07). Over two thirds of respondents overwhelmingly prefer blind pools to seeded structures. This is likely to be due to reluctance by investors to take on properties in a market environment where values are still falling.

All of the groups' surveyed show a strong preference for closed ended fund structures (similar to previous surveys). This is probably unsurprising considering the redemption problems encountered by UK pooled funds during the latter half of 2007. One third of fund of funds managers favour open ended funds.

FIGURE 07 / PREFERRED STRATEGY FOR CHOSEN FUND TYPE



All groups prefer specialist over diversified funds. Over 90% of fund of funds managers prefer specialist funds (up 25 percentage points from the 2008 survey). Investors (52%) and fund of funds managers (76%) prefer single country funds as opposed to multi-country funds. More investors prefer a high level of investor involvement in the 2009 survey (54%), compared to the 2008 survey (47%). This preference for specialised funds, single country funds and a high level of investor involvement may reflect a desire to invest through managers with a long period of experience in their chosen markets as conditions deteriorate.

Both investors and fund of funds managers are expecting to increase their allocations to funds of all three investment styles (Figure 08). More investors expect to increase their allocation to opportunity funds (50%) than core funds (36%). This may reflect the anticipated change from the current position – where some investors have relatively few opportunistic holdings rather than an overall re-weighting in that direction. It may also be reflective of a view that the market holds opportunities. In contrast to investor and fund of funds managers anticipated allocations, the biggest proportion of fund managers are expecting new launches for core funds (58%) with opportunity funds in second place (46%).

FIGURE 08 / EXPECTED STYLES FOR NON-LISTED REAL ESTATE ALLOCATIONS AND NEW LAUNCHES 2009 – 2011

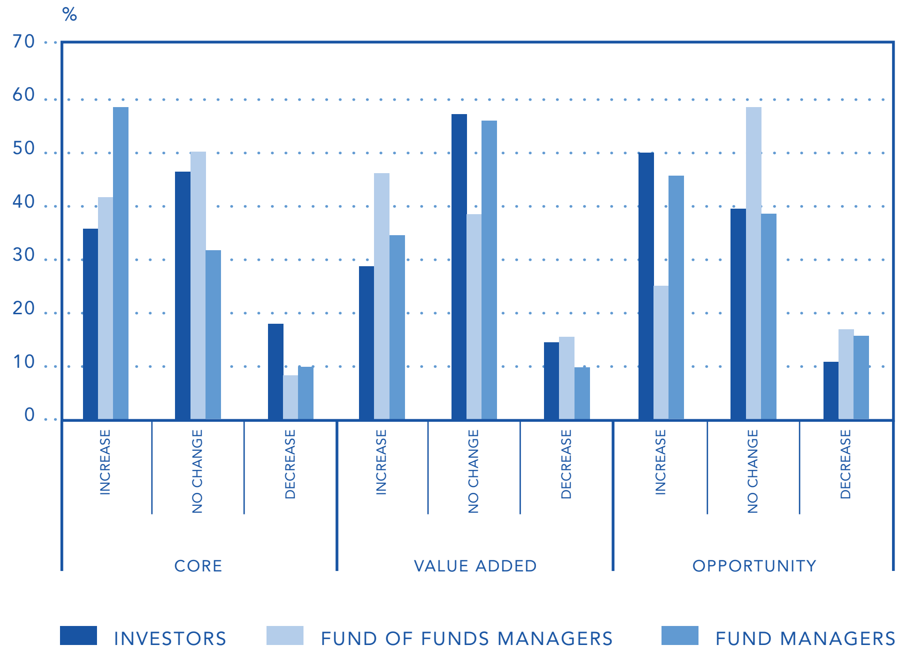


Figure 09 shows that investors identified manager's local presence as the most important reason for choosing a fund (57%) with the style of fund (53%) in second place (respondents were able to choose more than one option).

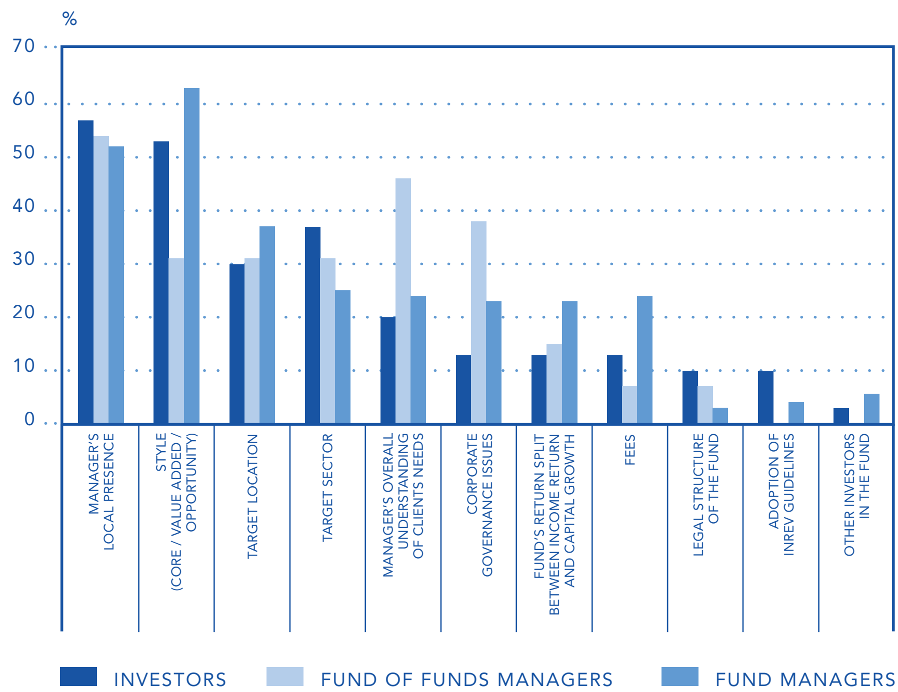
For fund of funds managers, the importance of the fund manager's overall understanding of their clients' needs (46%), and corporate governance issues (39%), have risen since the 2008 survey by 38 and 14 percentage points respectively.

The adoption of INREV Guidelines has gained significance for investors in particular with 10% now choosing it as an important criteria for fund selection compared to 3% in the 2008 survey.

However, more interesting is the relative change in importance among respondents on the guidelines compared to this time last year. The results showed that 73% of investors, 82% of fund of funds manager and 83% of fund managers now see the adoption of the guidelines as more important than last year. For an overview of the relative change in importance for fund selection see Figure A01, page 26.

Target sector and target location have fallen in importance as criteria for fund selection for investors (16% and 19% respectively). This may reflect the belief that most types and locations of property are likely to suffer to similar extents in the continuing market downturn. Despite the fall in importance, Figure 09 shows that over one third of investors classify target location and target sector as one of the most important criteria for fund selection.

FIGURE 09 / MOST IMPORTANT CRITERIA FOR FUND SELECTION



5 PROS AND CONS OF INVESTING IN NON-LISTED REAL ESTATE

Access to expert management is considered the most important reason for investing in non-listed property funds, similar to previous surveys (Figure 10).

Over 40% of investors now regard diversification benefits for an existing multi-asset portfolio as a key advantage to investing in non-listed real estate (up 20 percentage points from the 2008 survey) while more than 25% of respondents see the risk/return profile of non-listed property funds as a potential benefit against other real estate investments. This implies that non-listed funds can make a contribution to the risk management of portfolios through their specialist styles of investment.

Accessing new markets has dropped in importance for investing in non-listed real estate funds as compared to the 2008 survey. This might start to reflect the fact that investors have now gained exposure to many of the locations where they wish to hold assets (Figure A02, page 27) as well as concerns over the liquidity of less mainstream locations in the market downturn.

FIGURE 10 / REASONS FOR INVESTING IN NON-LISTED REAL ESTATE FUNDS

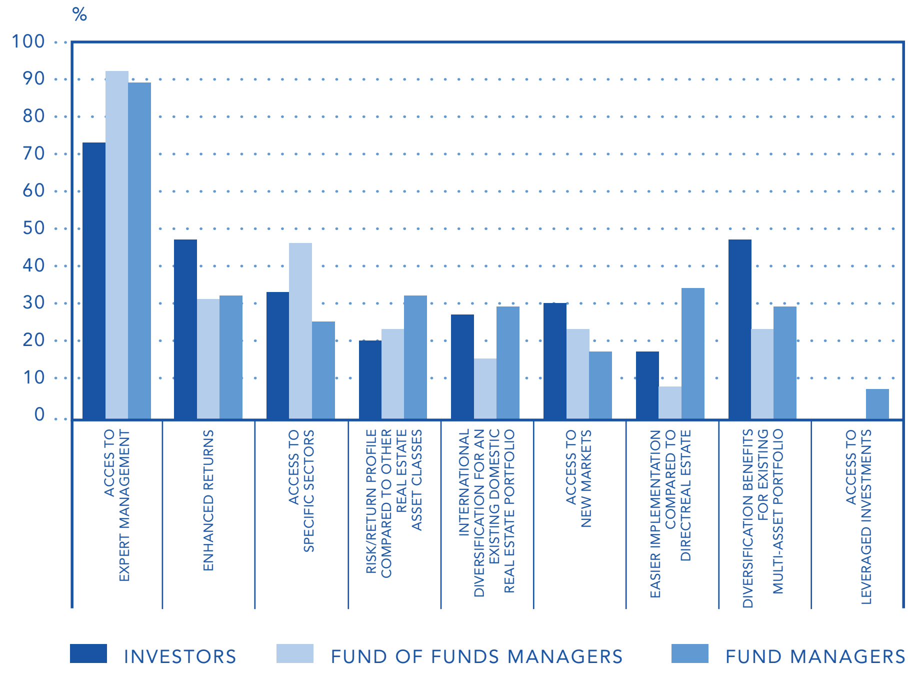


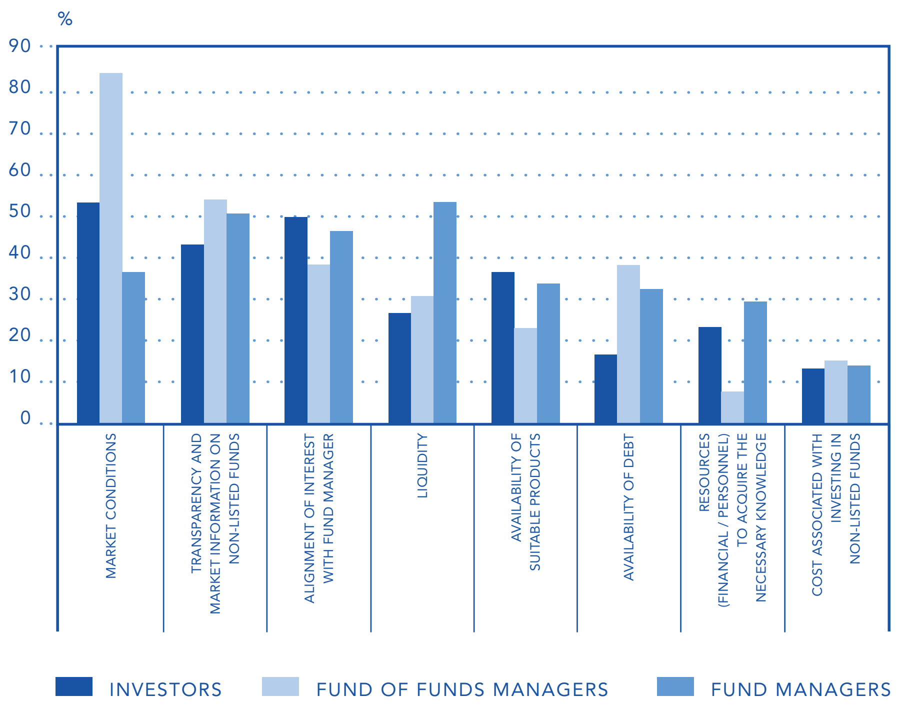
Figure A02 (page 27) shows the perceptions of the changing importance of these reasons for investing in non-listed real estate as identified in the 2009 survey. It is interesting to note that all fund of funds managers and all fund managers have indicated a decrease in importance of access to specific sectors as a reason for investing in non-listed real estate funds. With the lack of finance available, it is no surprise that access to leveraged investments is seen as less important than the 2008 survey while access to expert management is seen of increasing importance compared to the previous survey. These trends can be seen a desire on the part of investors to return to the basics of property investment in an adverse environment.

It is no surprise that market conditions was cited as the main reason for not investing in non-listed real estate funds by investors and fund of funds managers, although fund managers were less concerned. As can be seen in Figure 11, fund of funds managers saw it as a major problem with 85% citing it as an obstacle. Interestingly the lack of alignment of interest has now overtaken transparency and the availability of market information as a major obstacle for investors. Alignment of interest remains a barrier for half of investors surveyed which now overtakes the 43% of investors which cite transparency as an important obstacle (down from 65% in last year's survey).

Alignment of interest is also perceived as a key issue for investors by fund managers and fund of funds managers but in their view transparency and the availability of market information is still a bigger obstacle.

The issue of the availability of debt was asked for the first time in the 2009 survey (as a reason for not investing in non-listed real estate funds), and was cited by 38% of fund of funds managers, making it their third highest reasons for investors not to invest in non-listed real estate funds. It was also rated highly by fund managers at 32% while this factor was viewed as less important by investors with 17% choosing this option.

FIGURE 11 / REASONS FOR NOT INVESTING IN NON-LISTED REAL ESTATE FUNDS



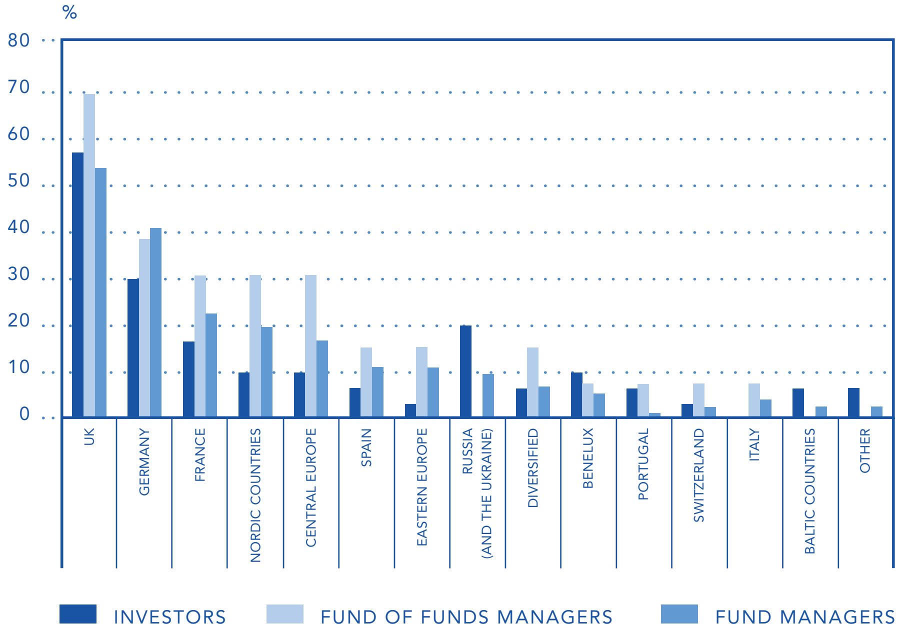
It is not surprising that the issue of the availability of debt also prompted a high response from all three types of respondents when asked to consider the relative decline or improvement in the obstacles for not investing in non-listed real estate funds. All fund of funds managers, 76% of investors and 84% of fund managers agreed the availability of the debt for non-listed real estate has become more of an obstacle compared to last year (Figure A03, page 27). Over half of respondents indicated that market conditions are now less of a barrier to investing in non-listed real estate funds in the next 12 months. Transparency and market information as an obstacle to investing in non-listed real estate has seen an improvement by over one third of respondents.

6 BEST LOCATIONS IN EUROPE AND WORLDWIDE

Europe

Respondents rated the UK as the most appealing location in terms of performance prospects. The strong downward re-pricing of the UK market since mid-2007 has made the UK the first European property market to react to the global financial and economic crisis. It has overtaken France as the most popular investment location from the 2008 survey (Figure 12). It should be noted that the survey asked respondents to specify the most appealing location and sector combination for 2009. Hence the results for location may be skewed by preference of sector and vice versa.

FIGURE 12 / PREFERRED LOCATIONS IN EUROPE

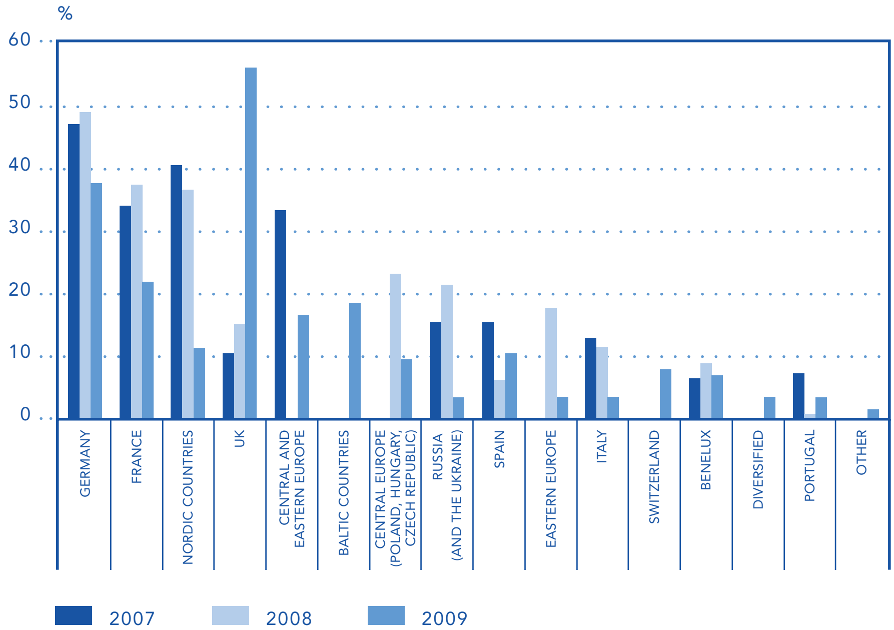


Germany is the second most preferred national market in Europe among respondents which may reflect the perceived lack of volatility in this market so far.

Respondents' interest in the Nordic markets has waned from the 2008 survey, though it is holding up strongly among fund of funds managers who also show considerable enthusiasm for Central Europe (31%).

In nearly all markets investors appear to be less enthusiastic about prospects than either fund of funds managers or fund managers, (with the exception of Benelux and Russia and Ukraine).

FIGURE 13 / PREFERRED LOCATIONS IN EUROPE 2007 – 2009

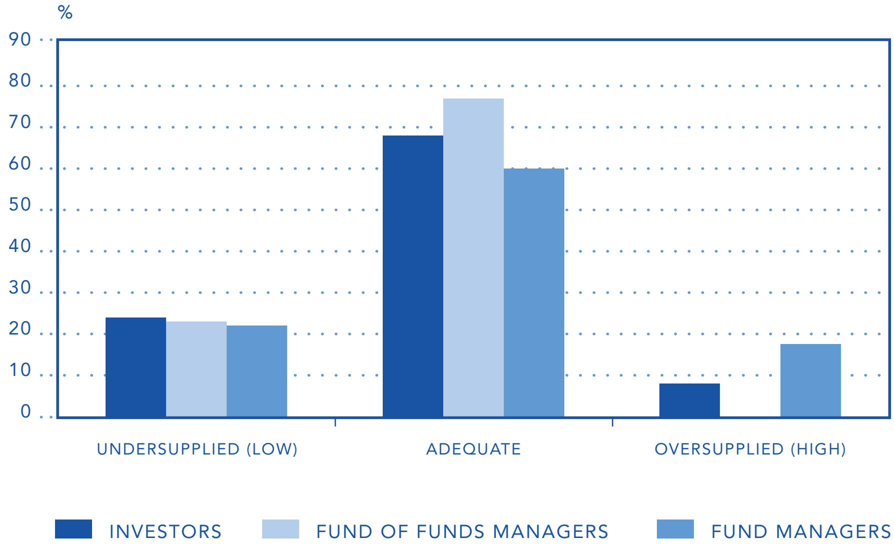


Interest in the Spanish and Portuguese markets has increased as preferred locations from the 2008 survey. The demand for emerging markets has mixed results. Demand by respondents for Eastern Europe has dropped by 14 percentage points from 2008 to 2009. This maybe due to the Baltic states being seperated from the Eastern Europe option. Demand by respondents is still high in the Baltic States, and if the Baltic States are taken into consideration within Eastern Europe, then Eastern Europe is actually a more preferred location in 2009 than in 2008.

The remaining emerging markets have experienced a drop in demand by respondents with Central Europe down 14 percentage points to 10% from 2008 to 2009. Russia has experienced an 18 percentage point drop in demand by respondents, as a preferred location to invest in 2009. Demand for Russia dropped from 21% in 2008 to 4% in 2009. It should be noted that the data may be affect by the respondents being asked to combine their sector/geography preference in the 2009 survey. For all other markets the level of enthusiasm has declined reflecting a general perception of market malaise.

According to the 2009 survey, market intentions are in equilibrium in terms of available supply and demand. Over two thirds of investors consider that their favoured markets are adequately supplied with fund products (Figure 14). Over two thirds of fund of funds managers and fund managers feel that the supply side of the market is adequate. Given current market conditions, this may be more a reflection of limited demand compared to earlier years than of the sensitivity of product supply.

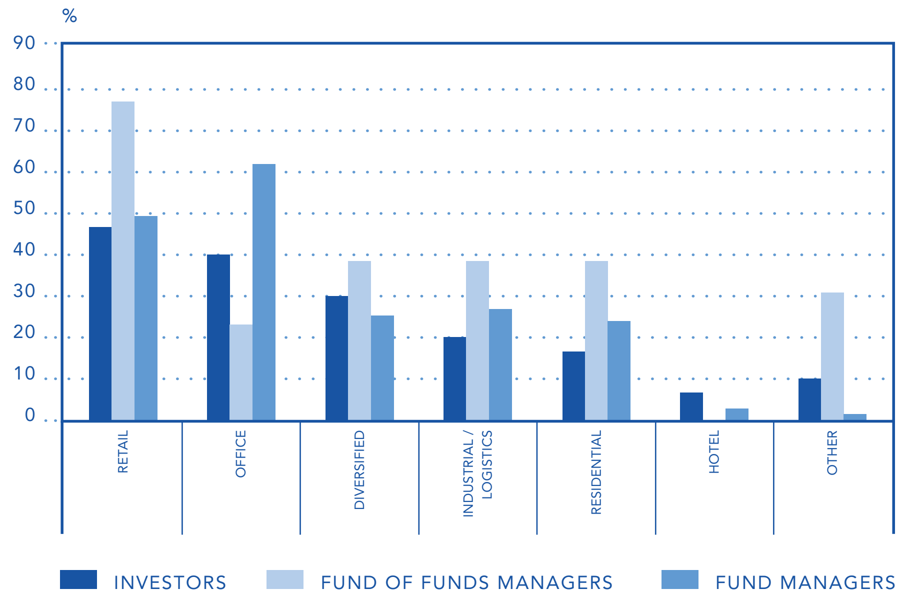
FIGURE 14 / SUPPLY OF PRODUCTS AND INTEREST FROM INVESTORS IN TOP LOCATIONS AND SECTORS



7 BEST SECTORS AND ALTERNATIVE SECTORS

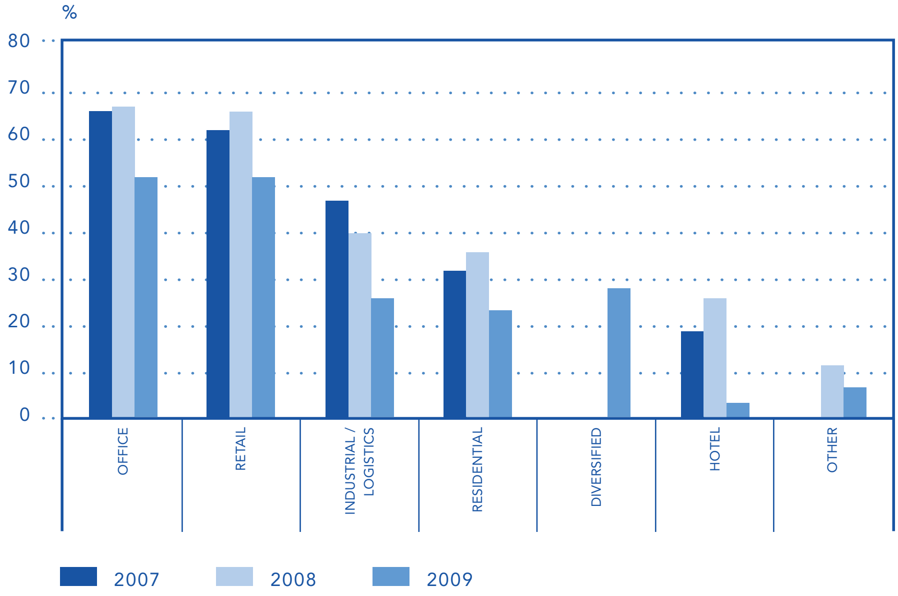
Retail is the most preferred sector across Europe for investors (47%) and fund of funds managers (77%). Office is the most preferred sector for fund managers (62%, Figure 15). It should be noted the survey asked respondents to specify the most appealing location and sector combination for 2009. Hence the results for sector may be skewed by preference of location and vice versa.

FIGURE 15 / PREFERRED SECTORS IN EUROPE



Possibly due to current market conditions all sectors are showing a lower level of interest for 2009 than was the case for either 2007 or 2008 (Figure 16). It is notable that industrial/ logistics showed a substantial fall in interest (14 percentage points), despite the fact that its higher income yields often makes the sector resilient in a downturn. The preference for hotels has declined by 22 percentage points, which appears extreme and could be due to a difference in samples. It should be noted that diversified was added as a category this year which could affect the results.

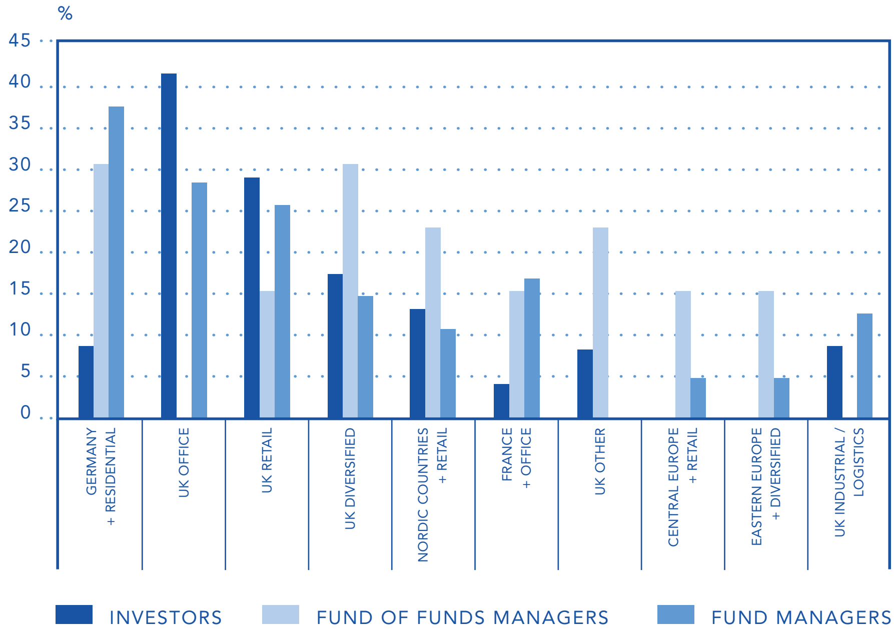
FIGURE 16 / PREFERRED SECTORS IN EUROPE 2007 – 2009



As mentioned, the UK as an investment location is looking more attractive to investors than other national markets. This is also reflected in Figure 17, which shows an analysis new to this year's report, illustrating that in combination the UK takes the top three country/sector preferences with UK offices, retail and diversified investments. It should be noted that over one fifth of the respondents are from the UK which may affect the results.

Surprisingly, German residential property is popular with both fund managers and fund of funds managers (38% and 31% respectively). This may be because the supply in this sector has been constrained over a very long period, and Germany has not seen the boom-bust scenario that has affected many other countries' residential markets over recent years.

FIGURE 17 / PREFERRED LOCATIONS AND SECTORS IN EUROPE

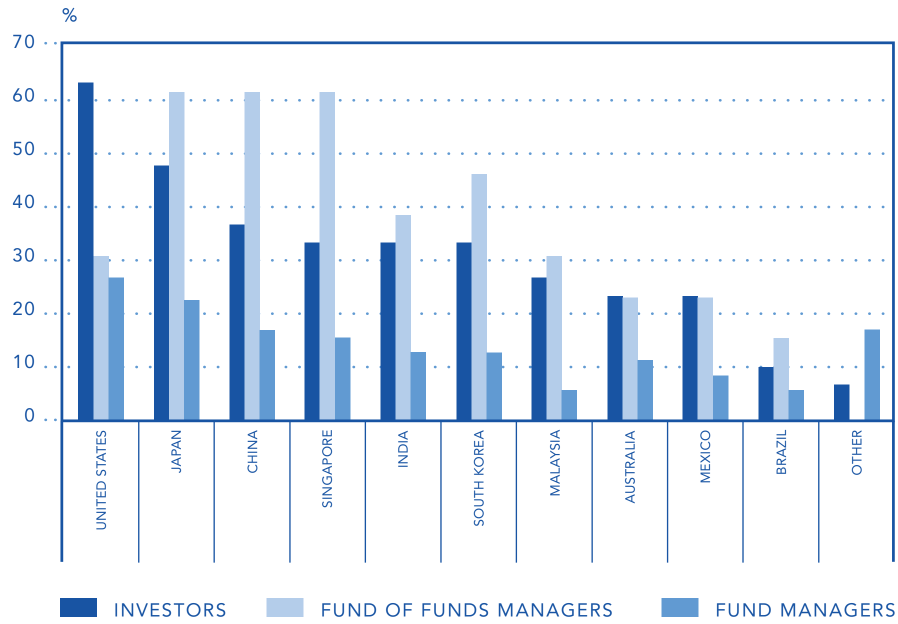


Worldwide

Investors have become truly global over the last few years, with holdings in a wide range of national markets across America, Asia and Australia, as can be seen in Figure 18. Fund of funds managers have sought to mirror this demand for global diversification with an even wider spread of holding locations.

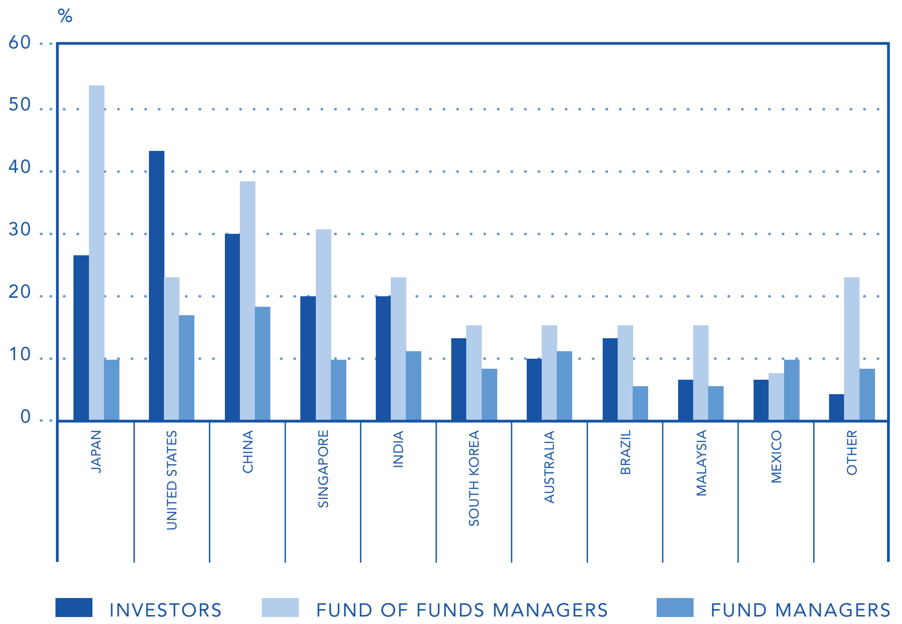
Fund management organisations tend to be more regionally specialised, meaning that there are relatively few managers from this sample to choose from in each of the major markets around the world. Investor and fund of funds manager appetite is likely to be partly satisfied by local managers.

FIGURE 18 / INVESTMENTS IN AND OFFERING OF FUNDS OUTSIDE EUROPE



Fund of funds managers continue to remain active in the key global markets (Figure 19) and appear most bullish about Japan, China and Singapore with over one third of respondents already investing in this market and intending to increase their presence.

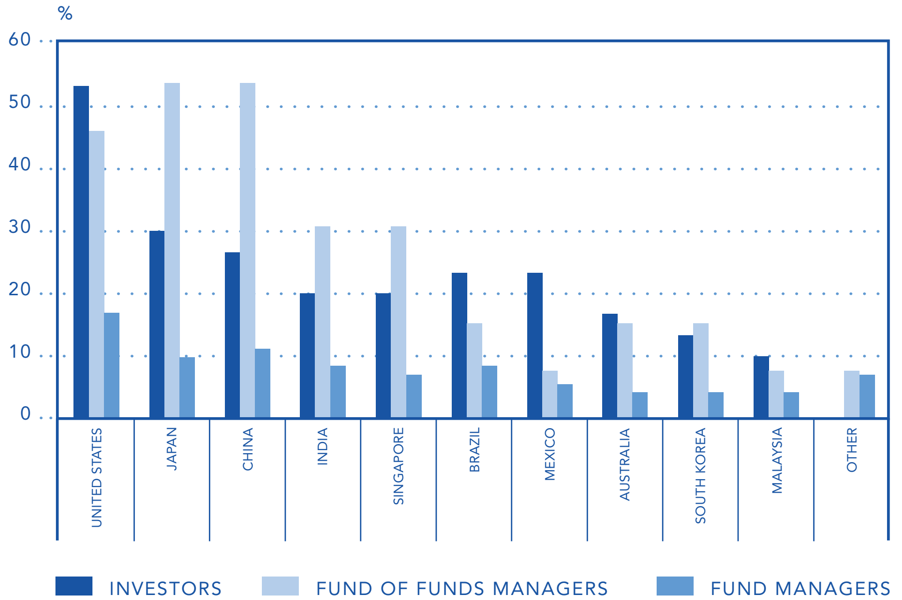
FIGURE 19 / LOCATIONS OUTSIDE EUROPE WHERE RESPONDENTS INTEND TO INCREASE INVESTMENT



Investors are generally showing a lower level of enthusiasm for international markets compared to fund managers and fund of funds managers. However, 43% of investors plan to increase their presence in the United States in 2009 (Figure 19).

More than 50% of investors not already present in the United States also plan to target the market in 2009 (Figure 20). Fund of funds managers are also matching this interest in the United States but more than half are planning to make investments in Japan and China.

FIGURE 20 / MARKETS OUTSIDE EUROPE FOR PLANNED INVESTMENTS IN 2009



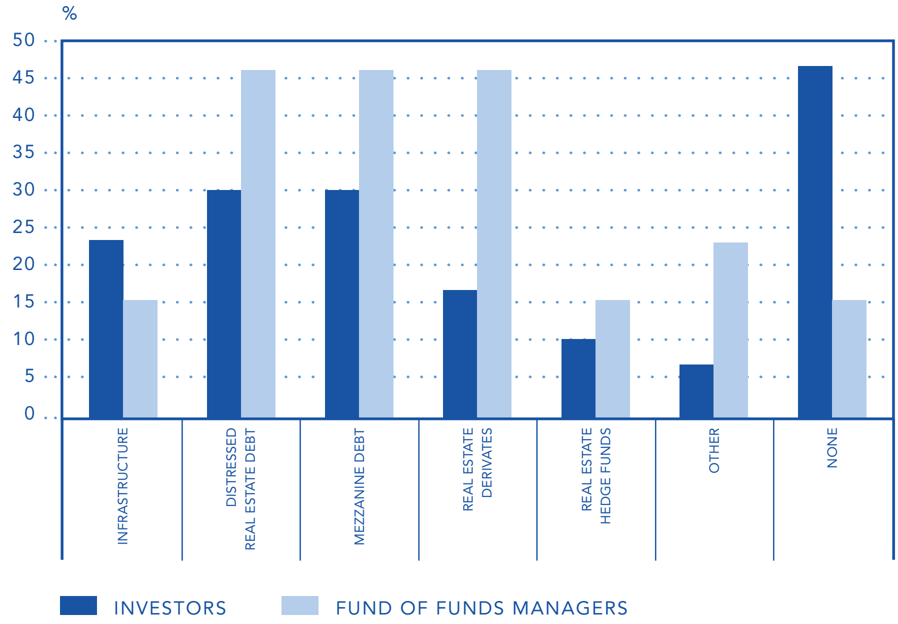
Alternative sectors

Fund of funds managers now appear to have more leeway than investors in the extent to which alternative property assets fall in their investment process compared to last year's survey. Of the investors surveyed, 47% do not take any of these alternatives into consideration as against 35% last year, while only 15% of fund of funds managers disregard all alternatives (Figure 21).

This tendency for investors to show less interest in alternative sectors may reflect a desire to return to the tried and tested basics of property investment. Considerable interest is however being shown in distressed and mezzanine debt products, because these products represent an area of the property sector where opportunistic levels of return may still be achievable. Perhaps most surprisingly is that 17% of investors now consider property derivatives within their investment process, compared to 42% in last year's survey.

Trading in the derivatives market fell in quarter three 2008 to €1.31 billion from the previous quarter, according to IPD; a figure which represented the lowest number of trades since quarter 2007. The weakening demand in the market could be feeding into low demand from investors to include derivatives in their investment processes.

FIGURE 21 / WHICH OF THE FOLLOWING FALL WITHIN YOUR REAL ESTATE INVESTMENT PROCESS



Infrastructure, mezzanine and distressed real estate funds have proved the most popular with investors so far (Figure 22), although there is still a significant minority at 33% which have made no alternative investments. Fund managers appear to be behind investors in terms of the funds offerings they have made for infrastructure, distressed debt and mezzanine funds but are disproportionately keen on derivatives compared to investors.

FIGURE 22 / INVESTMENTS AND FUND OFFERINGS IN ALTERNATIVES FOR NON-LISTED REAL ESTATE FUNDS

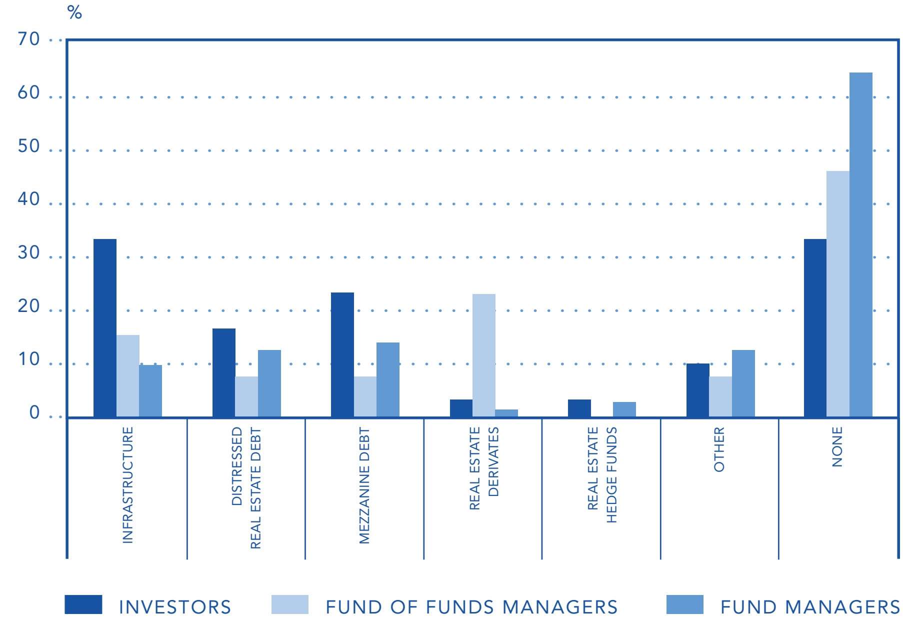
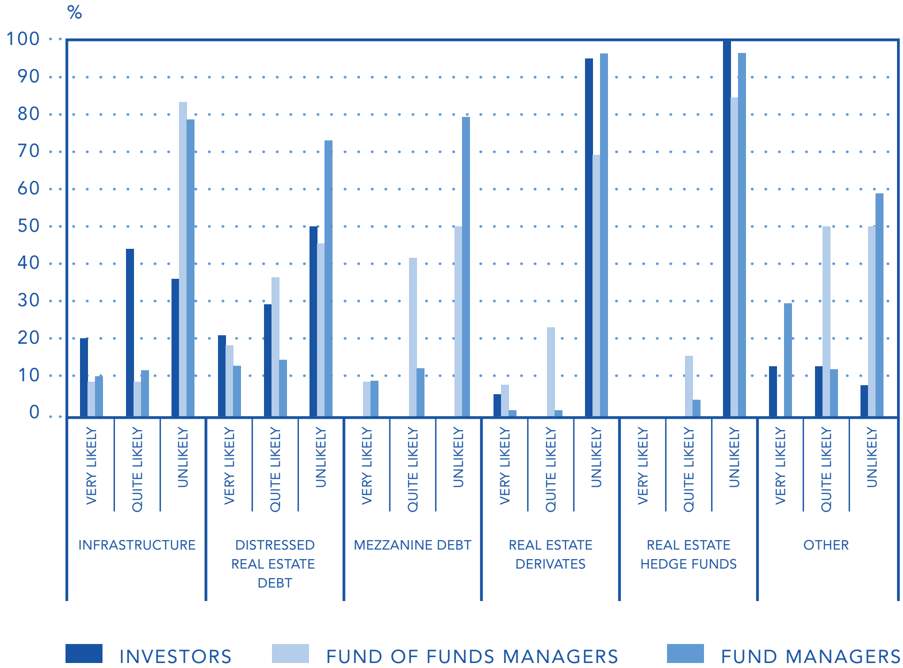


Figure 23 shows that in the future most investors think they are very unlikely to be investing in either property hedge funds (100%) or property derivatives (95%). Investors are most likely to invest in infrastructure and distressed real estate debt funds (64% and 50% respectively). More than 60% of fund managers considered it unlikely to offer a fund in an alternative sector.

FIGURE 23 / EXPECTATION TO MAKE AN INVESTMENT AND OFFER A FUND IN AN ALTERNATIVE SECTOR



APPENDIX 1: ADDITIONAL GRAPHS

The following graphs relate to information on page 14 – 16.

FIGURE A01 / RELATIVE CHANGE IN IMPORTANCE OF FACTORS FOR FUND SELECTION

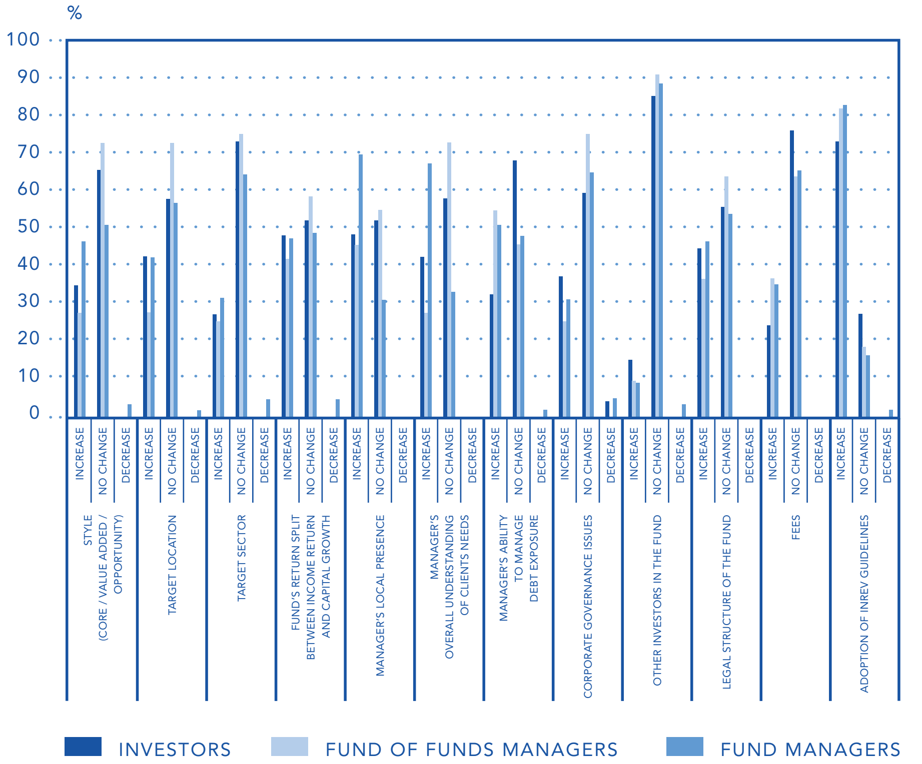


FIGURE A02 / RELATIVE CHANGE IN IMPORTANCE OF REASONS FOR INVESTING IN NON-LISTED REAL ESTATE FUNDS

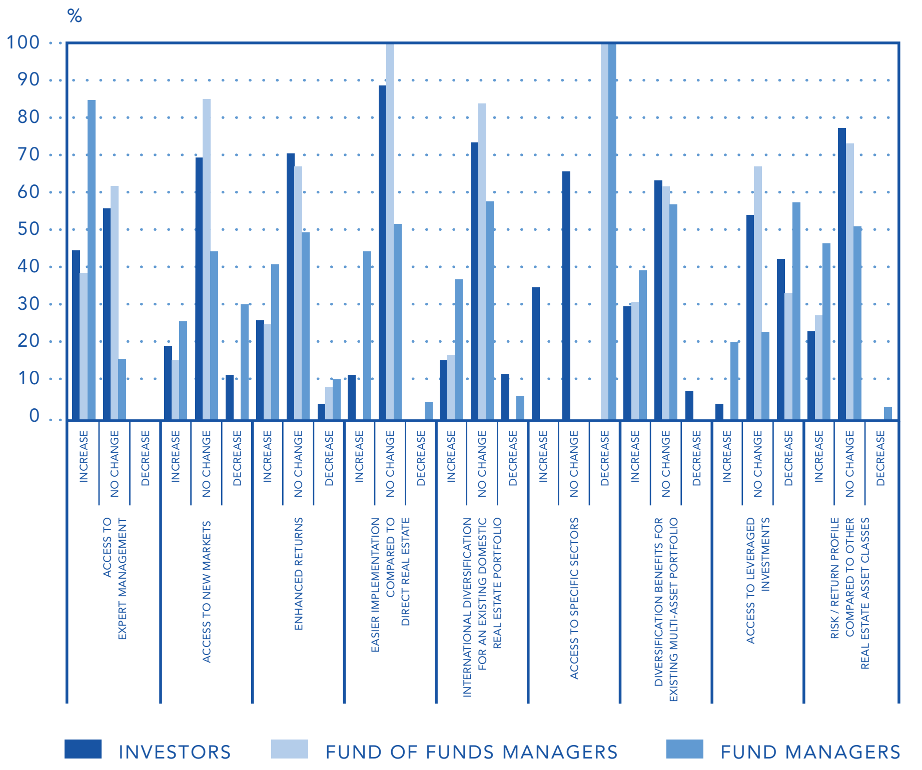
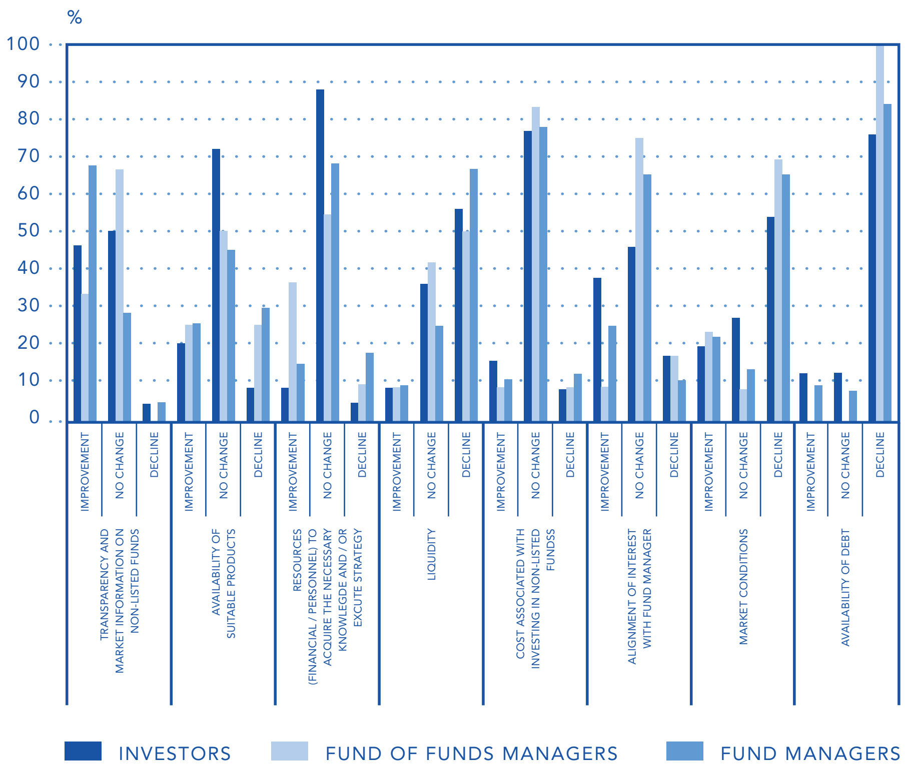


FIGURE A03 / RELATIVE IMPROVEMENT OR DECLINE OF OBSTACLES FOR NOT INVESTING IN NON-LISTED REAL ESTATE FUNDS



APPENDIX 2: RESPONDENTS

All respondents

FIGURE A04 / RESPONDENTS BY COMPANY TYPE AND INREV MEMBERSHIP

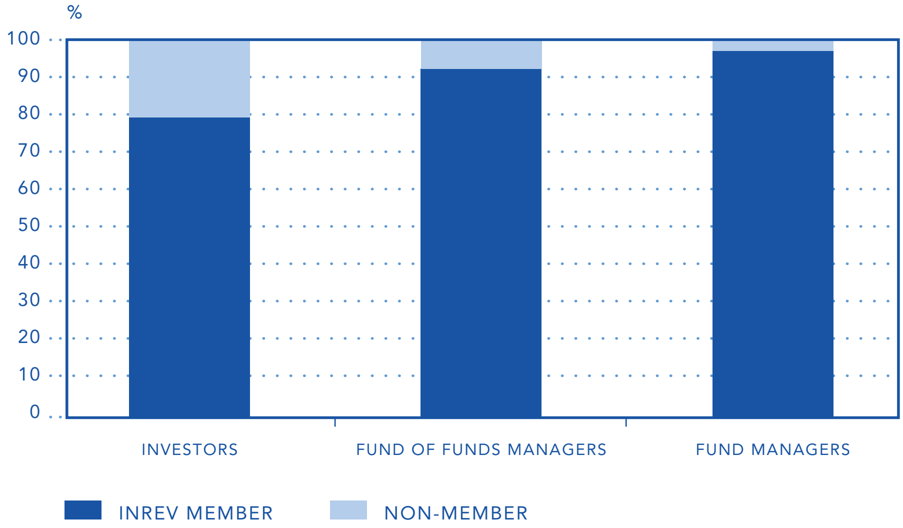
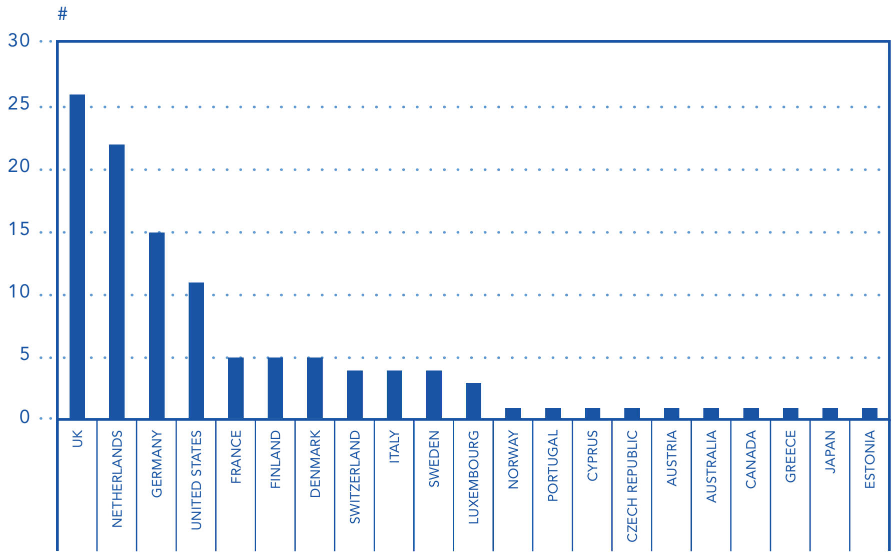


FIGURE A05 / RESPONDENTS BY COUNTRY



Investors

FIGURE A06 / GLOBAL ALLOCATION WITHIN REAL ESTATE

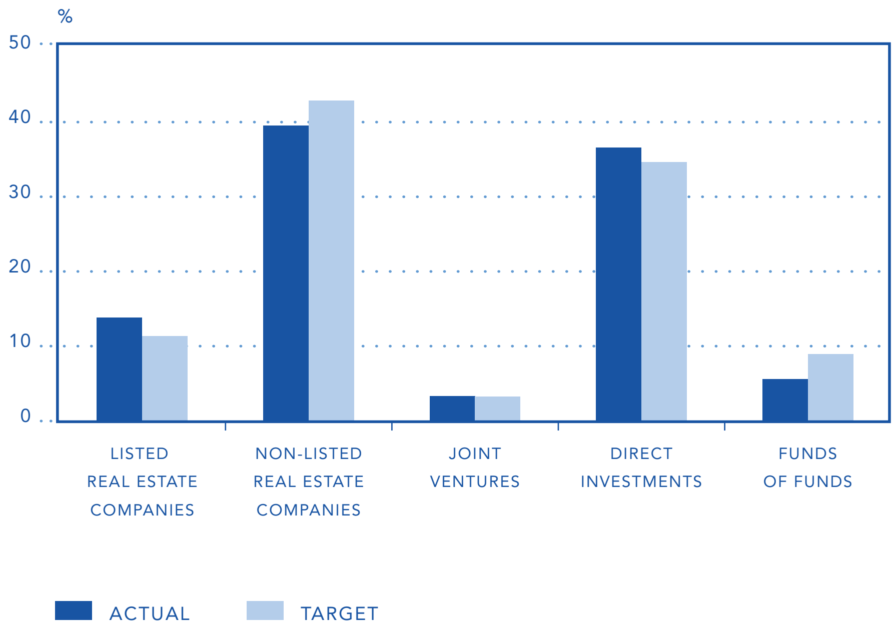


FIGURE A07 / EUROPEAN ALLOCATION WITHIN REAL ESTATE

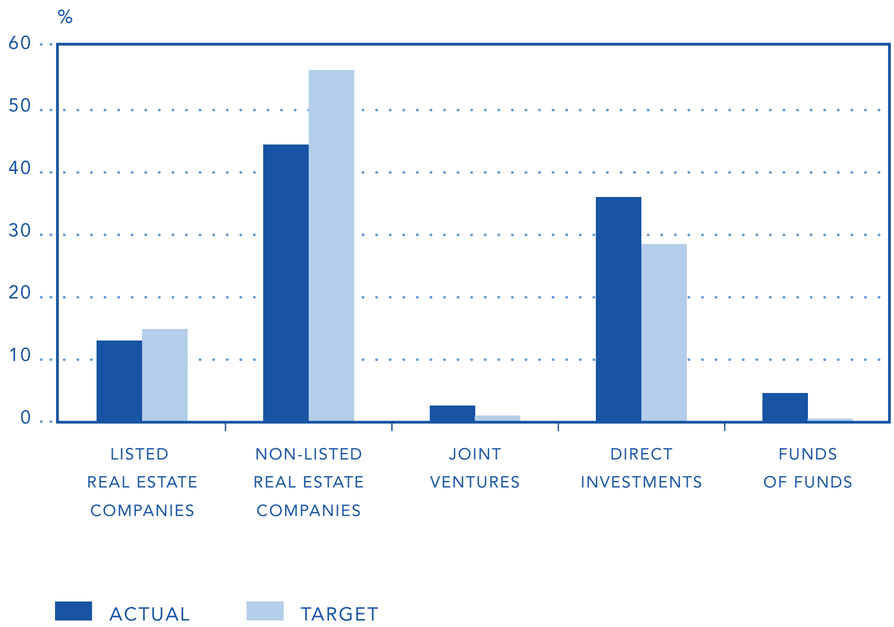


FIGURE A08 / BREAKDOWN EUROPEAN REAL ESTATE ALLOCATION GEOGRAPHICALLY

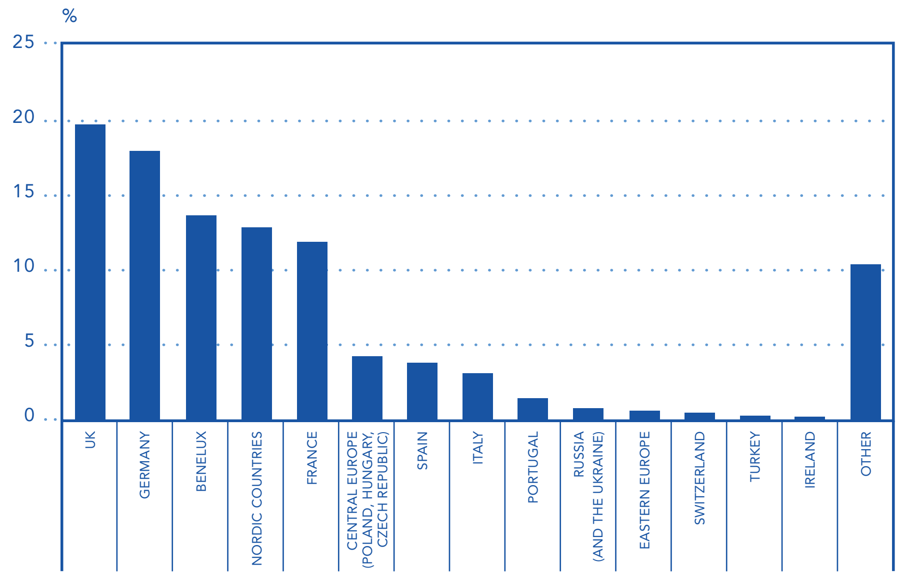


FIGURE A09 / BREAKDOWN EUROPEAN REAL ESTATE ALLOCATION BY SECTOR

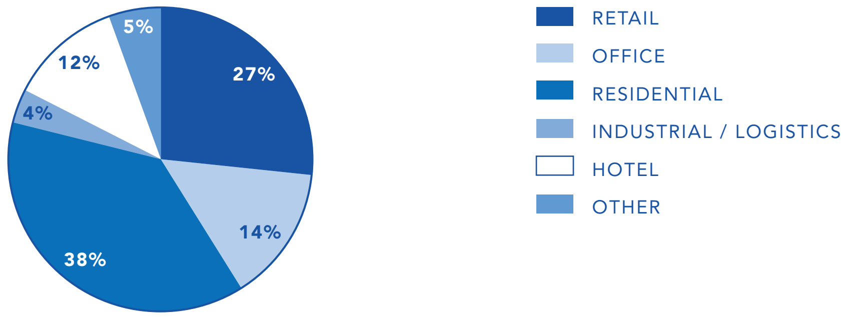


FIGURE A10 / BREAKDOWN EUROPEAN NON-LISTED REAL ESTATE FUND ALLOCATION BY STYLE

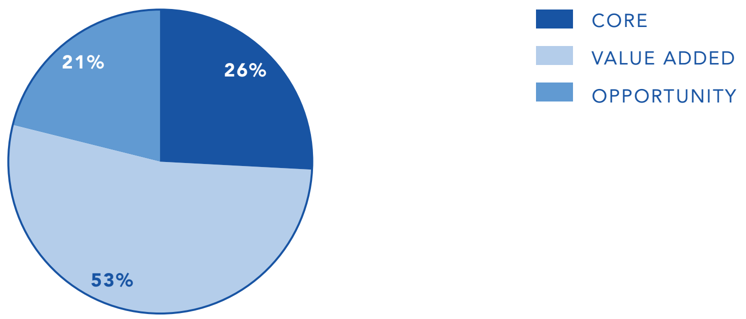
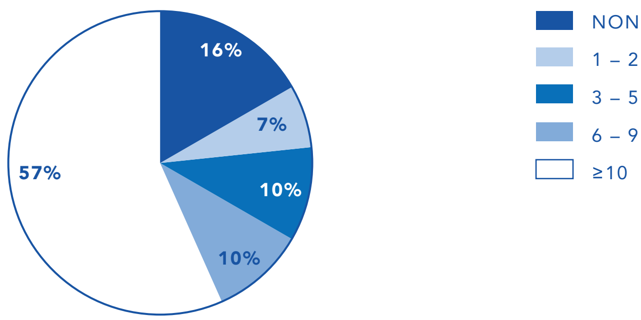


FIGURE A11 / NUMBER OF NON-LISTED REAL ESTATE FUNDS INVESTED IN



Fund Managers

FIGURE A12 / BREAKDOWN OF ASSETS MANAGED BY INVESTOR TYPE

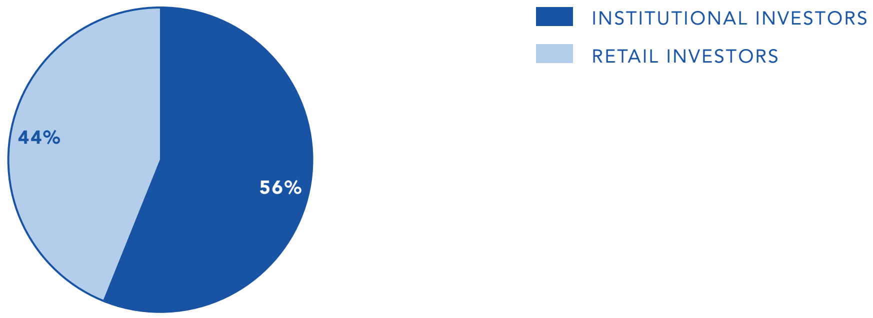
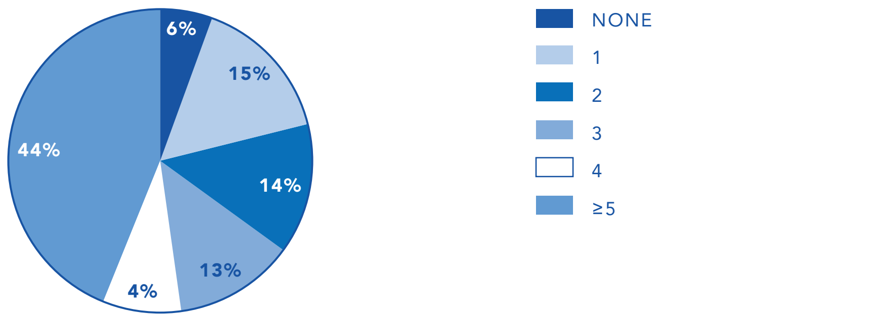
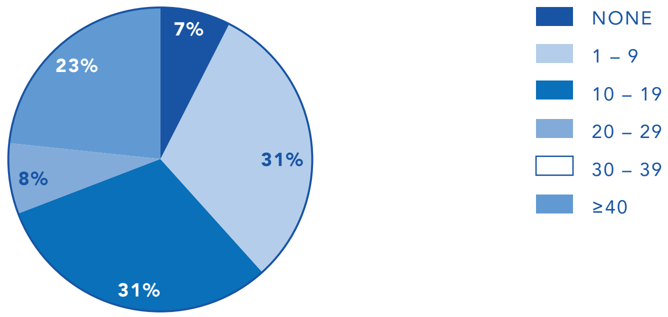


FIGURE A13 / NUMBER OF FUNDS INVESTING IN EUROPE UNDER MANAGEMENT



Fund of Funds Managers

FIGURE A14 / NUMBER OF NON-LISTED REAL ESTATE FUNDS INVESTED IN



RESPONDENT COMPANIES*

4IP Management AG (Sal. Oppenheim Group)
Aberdeen Property Investors
Aedes BPM Real Estate SGR
AEW Europe
AFIAA
Aliianz Real Estate GMBH
AMB Generali Immobilien GmbH
AmpegaGerling Asset Management GmbH
Amvest
APG Investments
Archstone BV
AREIM AB
ATP Real Estate
AXA REIM
Blue Sky Group
BNL Fondi Immobiliari
BPF Bouwinvest
Bundespensionskasse AG
CAAM RE
Capman
Catalyst Capital
CBRE Investors
Clerestory Capital Partners LLC
Commerz Real
Compsition Capital Partners
Cordea Savills
Corestate Capital AG
Corpus Sireo Investment Management S.à.r.l.
DEGI
DTZ Investment Management
EPG Global Property Invest
Eurindustrial NV
Even Capital
Fortis Investments
Forum Partners
Franklin Templeton Real Estate Advisors
GILD Property Aset Management AS
Gothaer Asset Management AG
Grontmij | Kats & Waalwijk Vastgoedvermogensbeheer
Hahn Group
Hanzevast Capital
Heitman
Horizon Investment Management
Hotel Employees Provident Fund
IBUS Asset Management BV
iii-investments
ING Real Estate Investment Management
Invesco Real Estate
Invista Real Estate Investment Management
J.P. Morgan Asset Management
KBC Asset Management
Kristensen Properties A/S

Kruger Inc.
Landmark Partners
LaSalle Investment Management
Lend Lease
MGPA
Monte Paschi Asset Management SGR
Morgan Stanley
Nomura Real Estate
Nordic Real Estate Partners
Pacific Star Europe
Pirelli RE SGR
Pohjola Property Management Ltd
PT Asset Management Fondsmæglerselskab A/S
ProLogis
Protego Real Estate Investors
Prupim
RREEF Spezial Invest GmbH
Russell Investments
Sampension A/S
Schroder Property Investment Management Ltd
SEB Asset Management AG
SGAM Alternative Investments
Sonae Sierra
SPF Beheer BV
STAM EUROPE
Sveafastigheter
The Crown Estate
The Endurance Real Estate Fund
The Local Government Pensions Institution
Threadneedle
TIAA-CREF
Tishman Speyer
TKP Investments
UBS Global Asset Management, Global Real Estate
Union Investment Real Estate AG
Valad Property Group
Vesteda Groep
Vital Eiendom AS

*This list includes only those respondents who have permitted the publication of their company name.