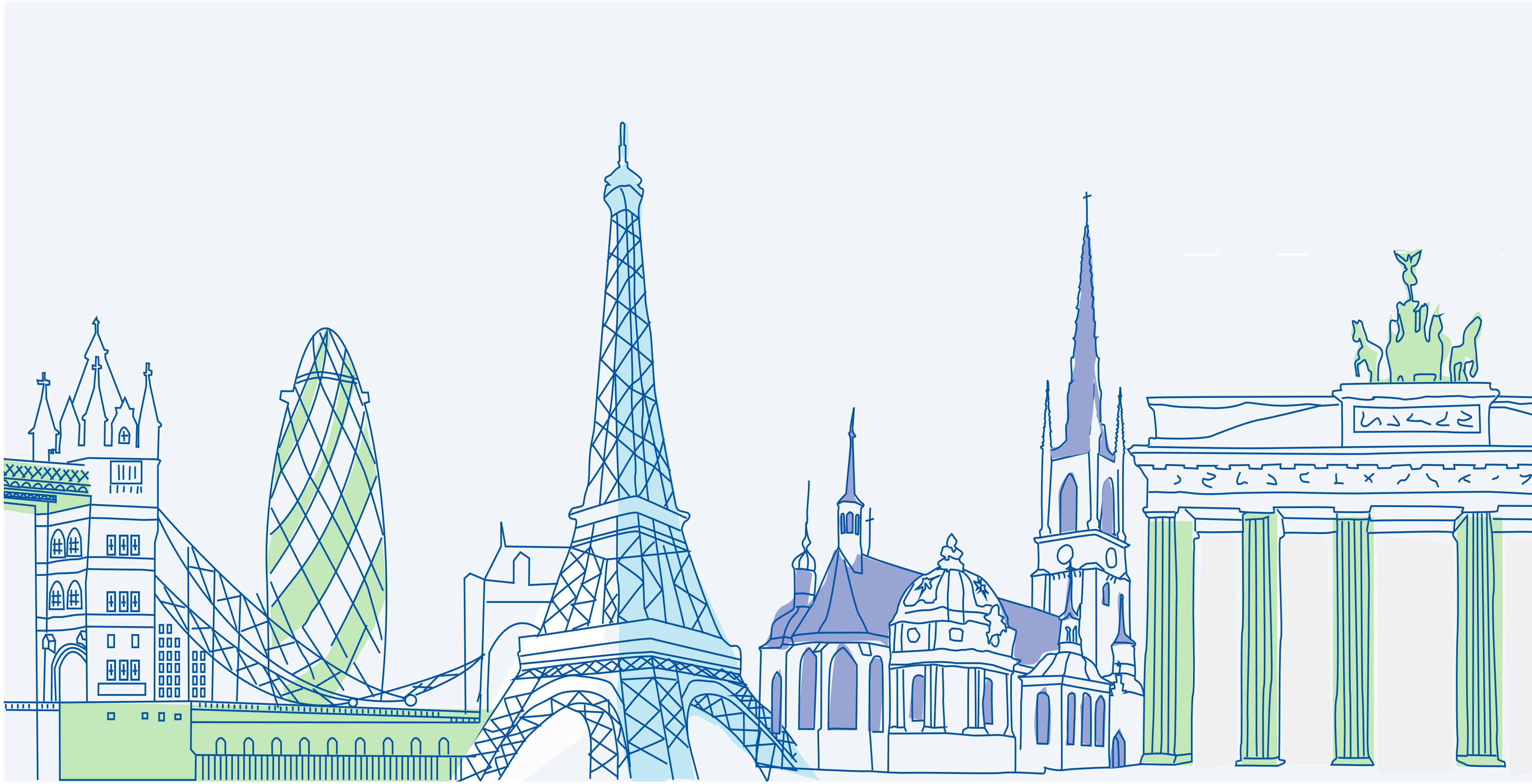

Investment Intentions Survey **2022**

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.

INREV
ITO Tower, 8th floor
Gustav Mahlerplein 62
1082 MA Amsterdam, The Netherlands
+ 31 (0)20 235 86 00 | research@inrev.org | www.inrev.org

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Contents

Executive summary

- At least €67.5 billion* of new capital is planned to be deployed in global real estate in 2022: €60.1 billion* by institutional investors and €7.4 billion* by funds of funds
- Investment style, country and sector preferences shifted towards riskier strategies
- Most investors consider non-listed funds' ESG characteristics before investing

Institutional investors plan to deploy at least €60.1 billion* in global real estate in 2022. The majority of this new capital comes from European investors (37%*) while their counterparts from North America and Asia Pacific account for 41%* and 21%, respectively. In addition, funds of funds expect to invest another €7.4 billion* in 2022.

As was the case last year, the COVID-19 pandemic had some impact on the investment plans for some respondents globally. Nonetheless, there were regional differences, with 48% of North American and 45% of Asia Pacific respondents indicating that their plans were impacted whereas for Europe this was lower, at 31%.

COVID-19 is not the only issue at the top of investors' minds. ESG agenda continues to gain momentum as an important feature across all regions. Globally, 68% of investors consider a Net Zero Carbon commitment an important feature when investing in a non-listed fund while a fund's environmentally and/or socially responsible investments are reviewed even more, by 86% of investors surveyed.

Diversification benefits for a multi-asset portfolio continue to be the main reason for investing in real estate for investors in Europe and North America. Asia Pacific investors rank real estate's ability to enhance portfolio returns slightly higher in importance. Even in the current environment when inflationary pressures are on the rise, inflation hedging is ranked as least important by investors in all regions, albeit it scored higher than last year.

The continued appetite for real estate is evident as the current 8.9% global allocation to the asset class is 120 basis points below the 10.1% average target allocation. Looking at the distribution of target allocations reported by respondents, 90% falls between 5.0% and 22.2%.

Investors targeting Europe exhibit an increased preference for value added strategies at 57%, which is the highest since 2008. The preference for core strategies fell to only 30%, a stark contrast to last year when it stood at 50%.

The three most mature and liquid markets, France, Germany and the UK are once again the top three preferred European destinations. However, they scored lower compared to last year as 2022 investor preference became more geographically diverse. Spain, the Netherlands, Denmark, Finland and Norway scored higher than last year and above their longer-term average. The geographical shift to second-tier markets relates mainly to European investors as North American and Asia Pacific investors continue to prefer the UK and to a lesser extent France and Germany. Spain stands out the most, with a rapid shift in preference from 45% in 2021 to 62% in 2022 and is the only second-tier destination to be equally preferred by both European and cross regional investors.

The industrial/logistics sector was the top sector choice this year, with 71%. It was the only sector in Europe to receive a 2022 score above its seven-year average (67%). Offices and residential are tied in second place, with absolute scores of 69% each. The preference for retail recovered slightly.

Non-listed real estate funds remain the most popular access route to European markets. Access to expert management and specific sectors are cited as key reasons for investing via non-listed real estate funds. On the flip side, costs associated with investing in non-listed funds and availability of suitable products are highlighted as the key obstacles to near term investing.

The second most preferred route to real estate, based on an expected increase, is the joint ventures and club deals category. The impact is even more pronounced when measured by weighted real estate AUM. For investors of sufficient scale, there is continuing interest in joint ventures and club deals but also in non-listed real estate debt and separate accounts, although these routes are also expected to be used by smaller-sized investors.

*Correction notice 25 Jan: Since publication, this number has been changed.

Section 1

Introduction

Introduction

The 2022 ANREV INREV PREA Investment Intentions Survey is the ninth time the three non-profit organisations have cooperated to provide a truly global look at institutional real estate portfolios and intentions for new investments going forward.

The Investment Intentions Survey explores aspirations for investment in the real estate sector over the next two years, with a focus on non-listed real estate funds, and is published once a year in January.

The Investment Intentions Survey was launched in 2005. Since 2014, the Survey has had a global reach, as a joint research project between ANREV, INREV and PREA.

This is the fourth year that the Survey is focused entirely on institutional investors and fund of funds managers. Previously it covered the investment intentions of fund managers too.

This year's sample includes 99 respondents in total: eight fund of funds managers and 91 investors. The results of this study are based on data provided directly by investors and fund of funds managers.

Aggregate results are shown only when there is a minimum sample size of three for any category. ANREV, INREV and PREA do not use publicly available information, and both members and non-members can provide data to the Survey.

ANREV, INREV and PREA would like to thank all participants for contributing to the Investment Intentions Survey 2022.

Use

The results of the Investment Intentions Survey may be used for research and information purposes only.

They may not be used for the following:

- To determine the value of a fund
- To determine the value of a financial instrument
- To determine the amount payable under a financial instrument
- To determine the amount payable under a financial contract
- To calculate performance fees
- To define the allocation of a portfolio

It is important to note that the sample size and its composition varies year by year. As such, a historical comparison should be treated with caution.

Section 2

Global real estate allocations and intentions

Global real estate allocations and intentions

Introduction and sample description

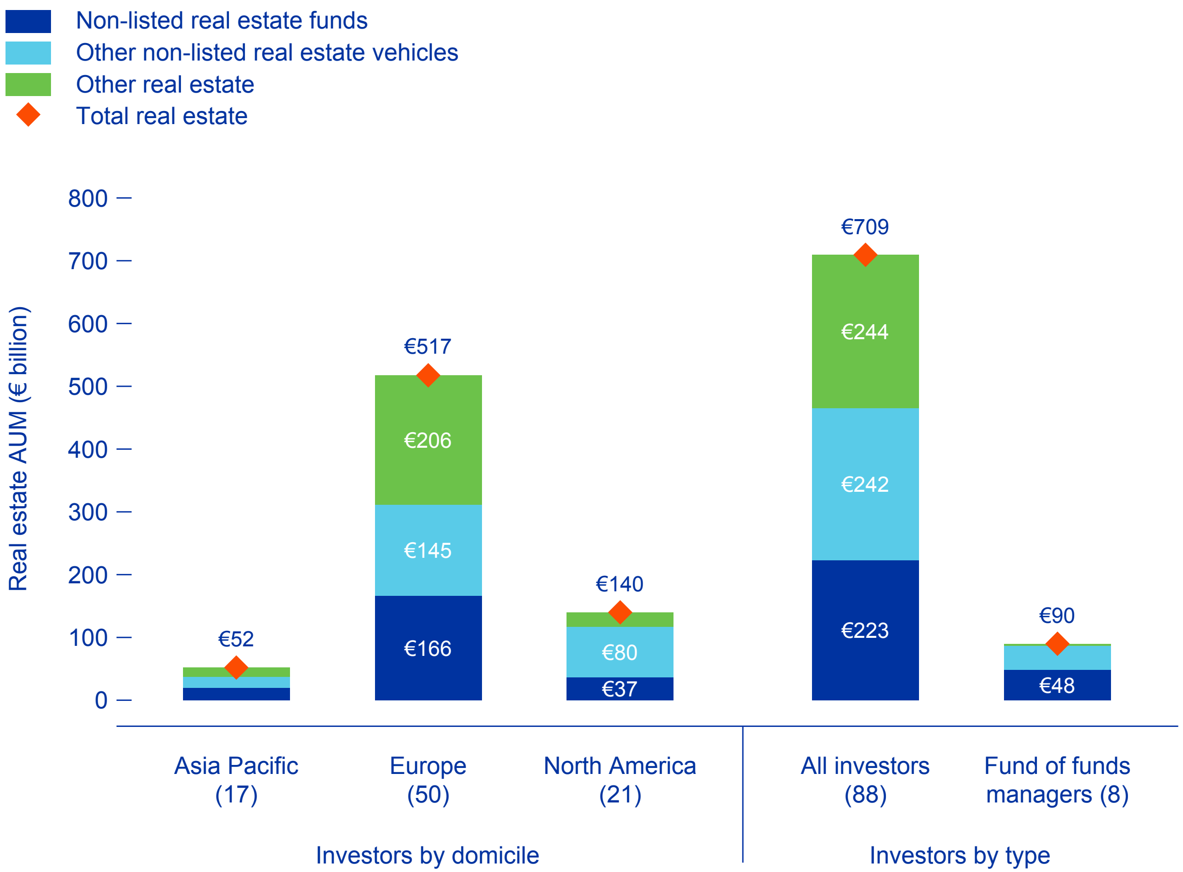
2021 was a year marked by the continuing threat of COVID-19 and macroeconomic uncertainty as the global economy gradually re-opened. New variants of COVID-19 arose leading to fear that new lockdowns would be required, while at the same time the economic rebound following the relaxation of the initial lockdowns led to worries about the resultant effects on inflation and interest rates. Nevertheless, significant amounts of capital continued to be attracted to the real estate asset class, consistent with the finding of last year's Investment Intentions Survey.

The uncertain environment makes understanding the current composition of real estate portfolios and future investment intentions of institutional investors even more important. This, the ninth edition of the annual ANREV INREV PREA Investment Intentions Survey, will help readers gain greater clarity on the state of global institutional real estate investment during these unprecedented times.

This year's survey received responses from organizations with at least €799 billion in real estate assets under management (AUM), with the greatest share of that coming from European based respondents. Of the total, €90 billion is held by fund of funds managers and €709 billion by institutional investors. It is important to note that these figures are minimums as not all survey respondents provided their AUM. Of the total invested in real estate by institutional investors, €223 billion is held in non-listed real estate funds, and a further €242 billion in other non-listed real estate vehicles (e.g., separate accounts, joint ventures, club deals, etc.).

The survey sample encompasses many different investor types, with the largest category being pension funds (47% of respondents by number) and the next largest being insurance companies (15% of respondents by number). The Survey also covers institutional investors across all size categories with small investors (less than $1 billion of real estate AUM) comprising just

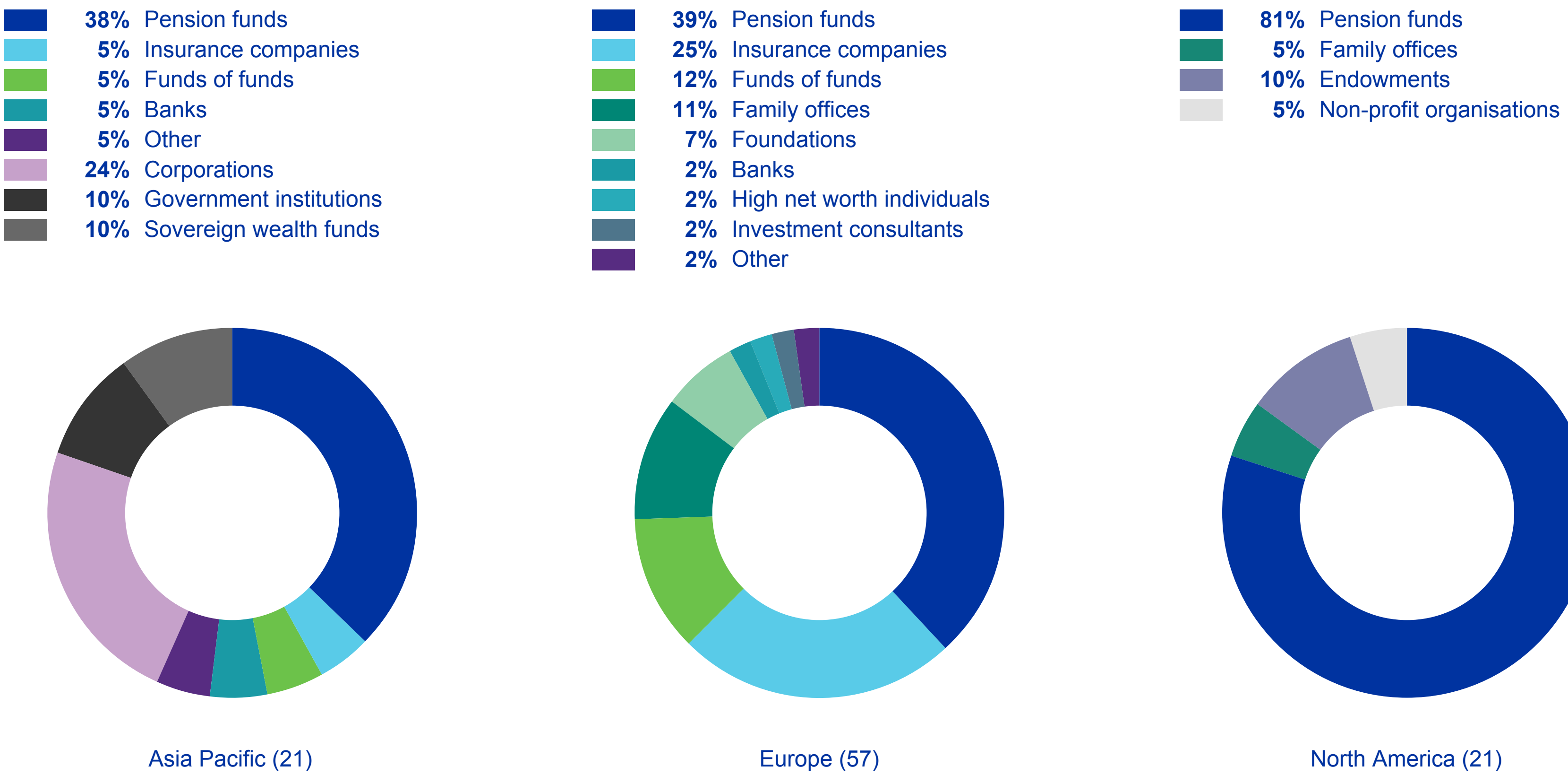
Figure 1: Real estate AUM of the sample by investor domicile and investor type (€ billion)



Numbers in brackets shows sample size by number of respondents

under one-quarter of the sample, medium size investors ($1 billion to $5 billion) being one-third of the sample, large investors ($5 billion to $10 billion) being 19% of the sample, and very large (more than $10 billion) comprising almost one-quarter (23%). While quite evenly divided by size in terms of number of respondents, the sample by real estate AUM is obviously much more heavily weighted to the largest investors, with very large investors constituting 76% of the sample AUM and small investors only 1%.

Figure 2: Composition of sample by investor domicile



Numbers in brackets shows sample size by number of respondents

Figure 3: Sample composition by investor size, by number of respondents

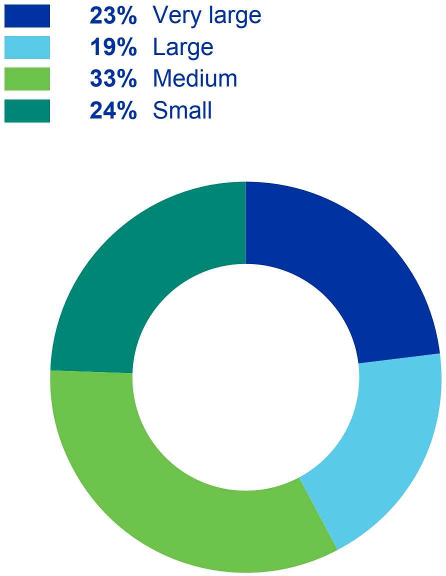
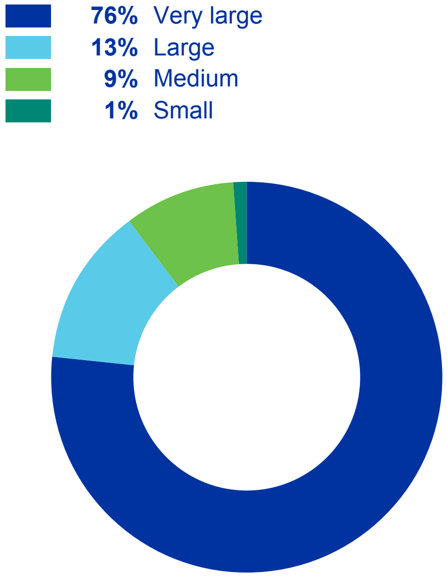


Figure 4: Sample composition by investor size, by real estate AUM of respondents



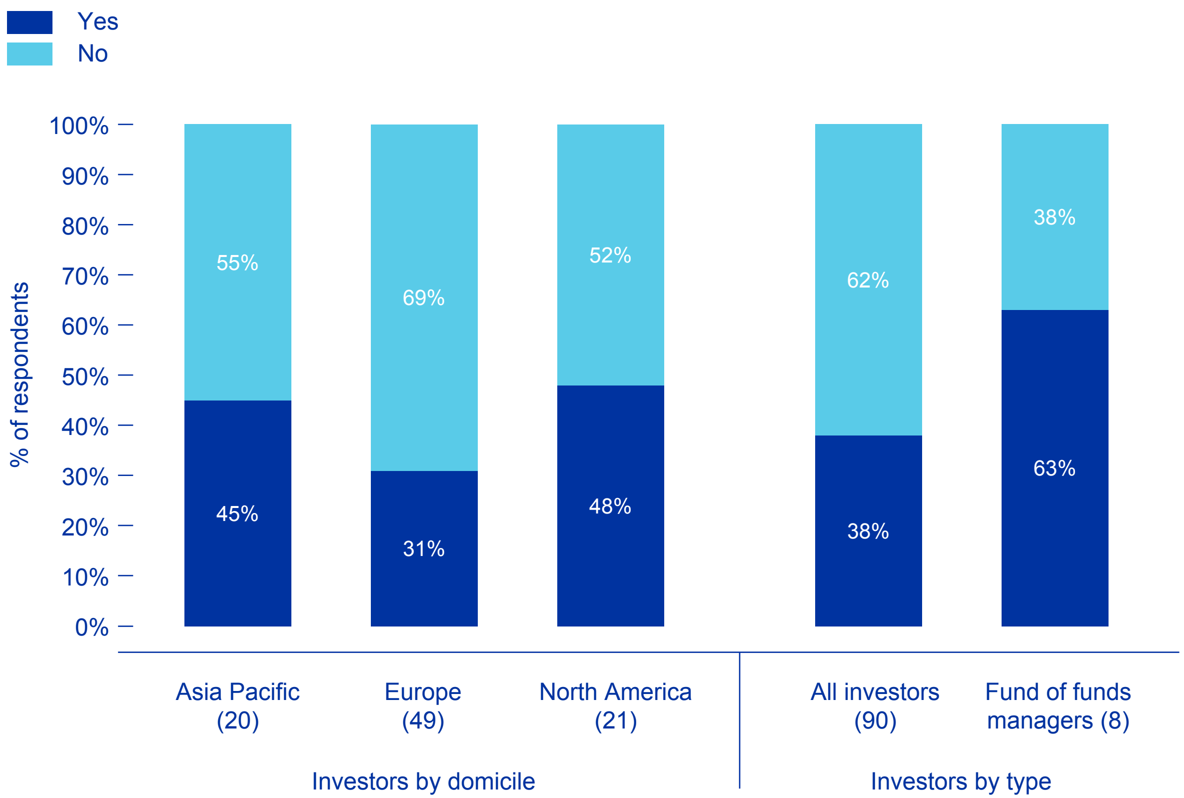
Based on 90 institutional investors that provided real estate AUM

Definitions:
Small = less than $1 billion of real estate AUM;
Medium = $1 billion to $5 billion;
Large = $5 billion to $10 billion;
Very large = more than $10 billion

Current issues affecting investment

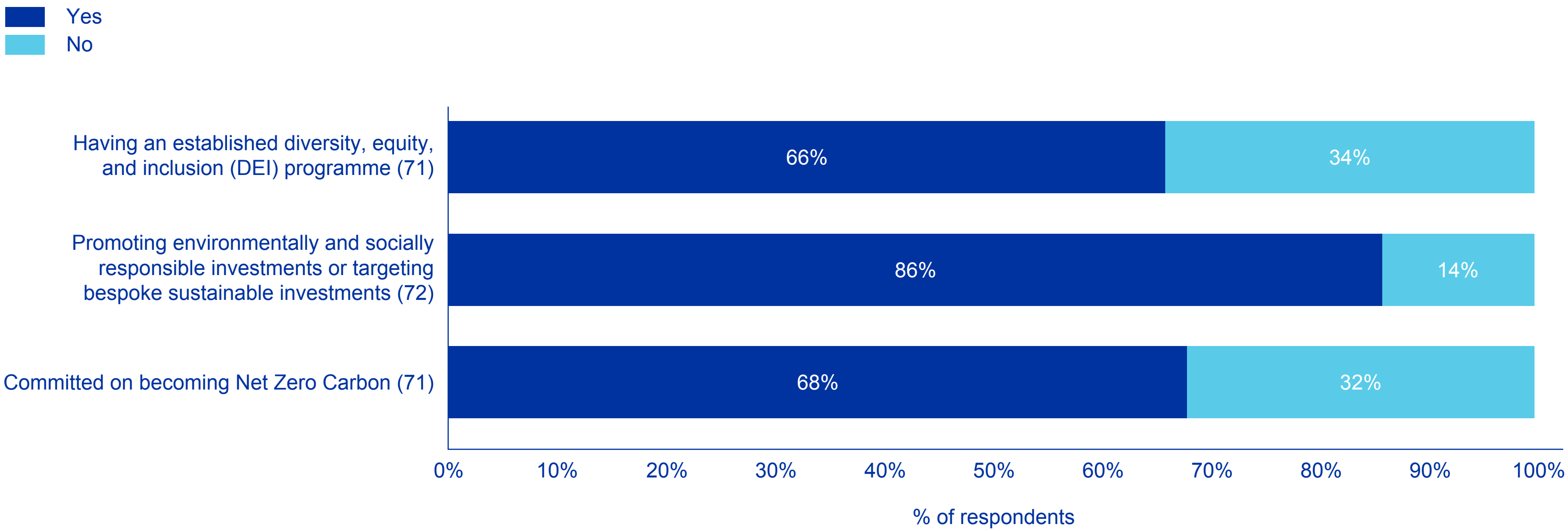
Despite improvements in the COVID-19 pandemic since its beginnings in 2020, a significant number of institutional investors (and a majority of fund of funds managers) indicate that COVID-19 will continue to impact their investment plans for 2022. Overall, 38% of investors believe COVID-19 will impact 2022 plans, although this varies somewhat by region with European based investors being the least concerned while close to one-half of investors based in Asia Pacific and North America believe COVID-19 will impact 2022 investment in some way.

Figure 5: Impact on investment plans for 2022 in response to COVID-19 by investor domicile



Numbers in brackets shows sample size by number of respondents

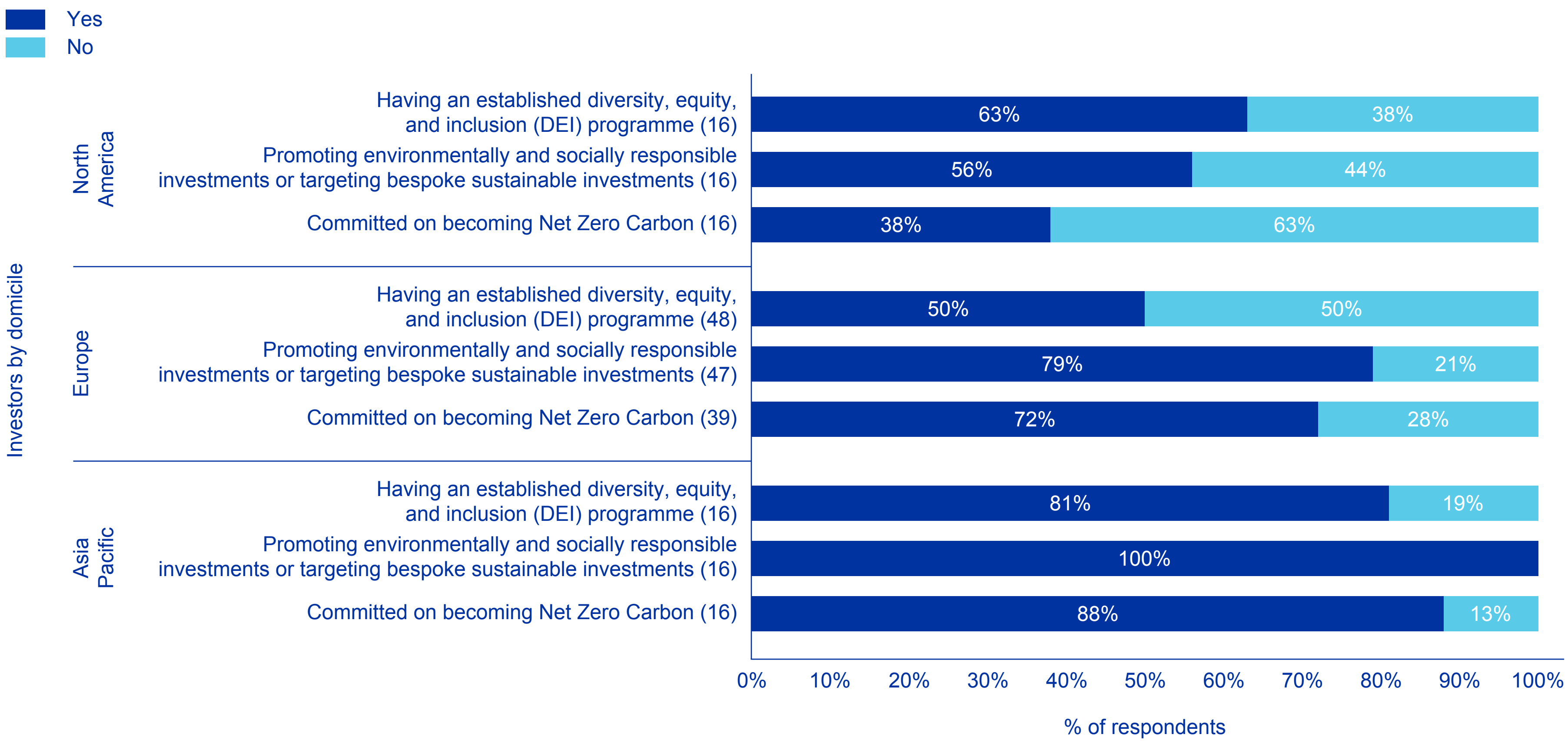
Figure 6: ESG characteristics of a non-listed fund considered before investing



Numbers in brackets shows sample size by number of respondents

But COVID-19 is not the only issue at the top of investors' minds. Environmental, social and governance (ESG) issues are continuing to increase in importance. While environmental issues have been a major concern for European investors for many years, ESG issues in general have taken on a new urgency recently and North American and Asia Pacific have largely caught up to Europe. Globally, when considering investment into a non-listed real estate fund, 68% of investors indicate that a Net Zero Carbon commitment is an important consideration. An even higher percentage (86%) consider a fund's environmentally and/or socially responsible investments before investing. Diversity, equity, and inclusion (DEI) is also important to real estate investors, with 66% taking a fund's DEI program into consideration. These findings confirm that ESG issues are increasingly important in the actual investment decision making of institutional investors when it comes to non-listed funds.

Figure 7: ESG characteristics of a non-listed fund considered before investing by investor domicile



Numbers in brackets shows sample size by number of respondents

The emphasis placed on ESG issues varies by region. Asia Pacific stands out as having the highest proportion of investors indicating ESG issues are important across all three categories asked about. This is not surprising given the dominance of Australian investors in our Asia Pacific sample and their long experience incorporating ESG considerations in real estate investing. Comparing Europe to North America, a greater proportion of European investors consider environmental issues in fund investment decisions, while North American investors place a greater emphasis on DEI than do their European counterparts. Despite variation across regions, the survey results indicate that all aspects of ESG are of significant importance across all regions.

The role of real estate in a portfolio

For investors, the most important characteristic of real estate as an asset class is its ability to diversify the overall portfolio. Of the characteristics asked about in the Survey, inflation hedging is ranked as the least important, with the others (real estate's ability to provide income, enhance returns, or its risk-adjusted performance) falling in the middle. While the rankings of these characteristics have naturally varied slightly over different iteration of the Survey, the relative rankings are quite consistent year-over-year.

Figure 8: Reasons to invest in real estate (all investors)

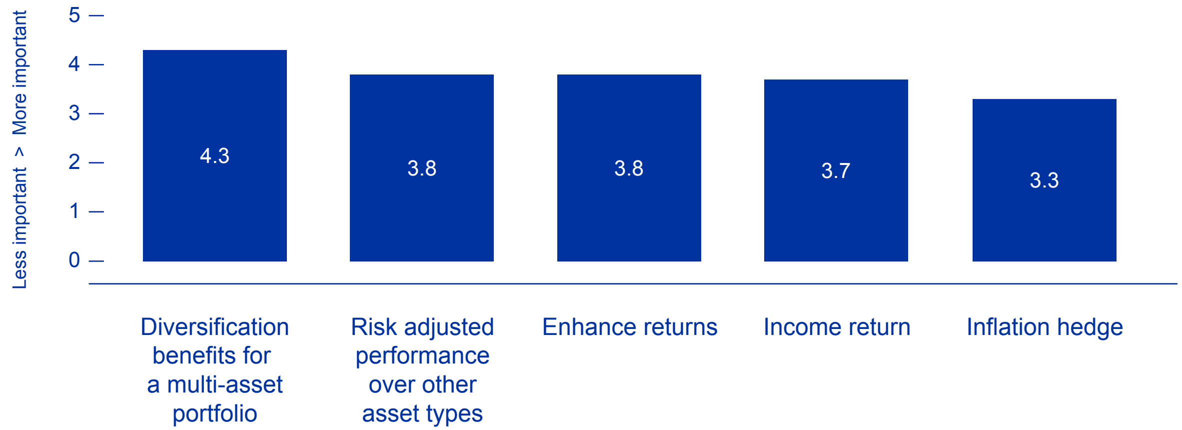
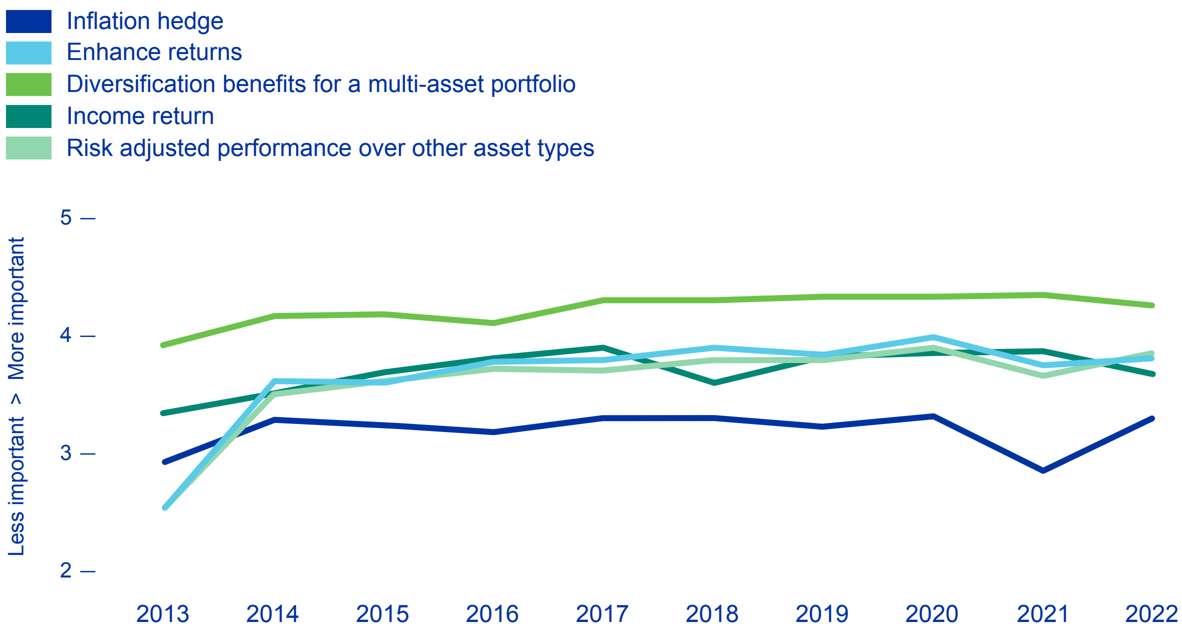
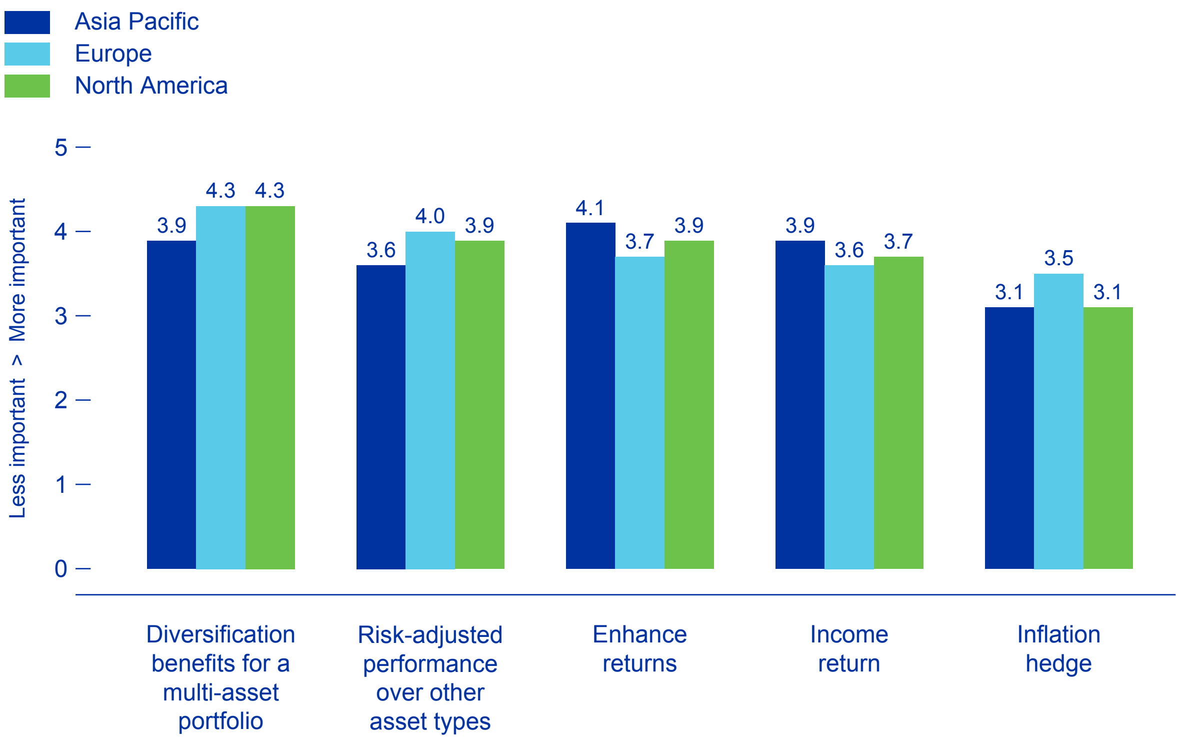


Figure 9: Reasons to invest in real estate, 2013 - 2022 (all investors)



As well as being consistent over time, the rankings are also quite consistent across different geographies. The diversification achieved through a real estate allocation is ranked very highly by investors from all three regions, although Asia Pacific investors actually rank real estate's ability to enhance portfolio returns slightly higher in importance while it is the most important characteristic for investors in both Europe and North America. Inflation hedging is ranked as least important by investors in all regions, even in the current environment when inflationary pressures are on the rise.

Figure 10: Reasons to invest in real estate by investor domicile

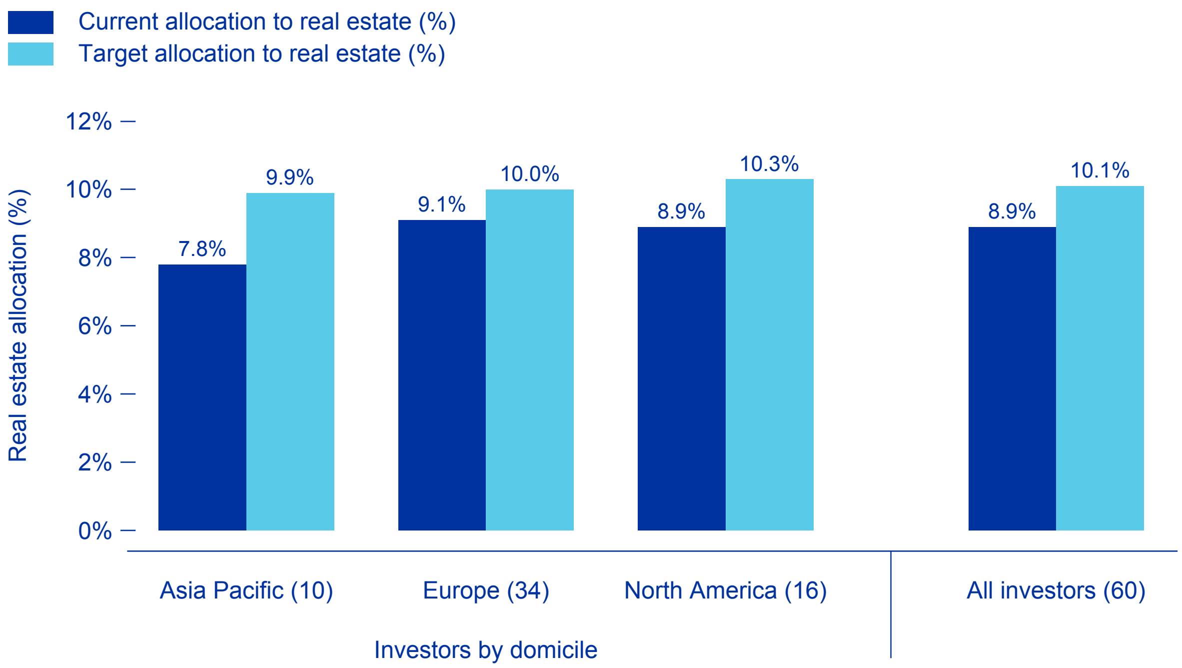


Current and target allocations to real estate

Across institutional investors responding to the Survey, 8.9% of total assets are currently held in real estate. Overall, investors are 120 basis points (bps) below the average target allocation to real estate of 10.1%. Investors across all regions are currently below their target allocations, giving little reason to believe the flow of capital to the asset class will slow.

While target allocations are reasonably similar across regions, ranging from 9.9% in Asia Pacific to 10.3% among North American investors, current allocations vary. The lowest current allocation is in Asia Pacific where investors are, on average, 220 bps below target while European based investors are closest to target but current allocations there are still 90 bps below a 10.0% target.

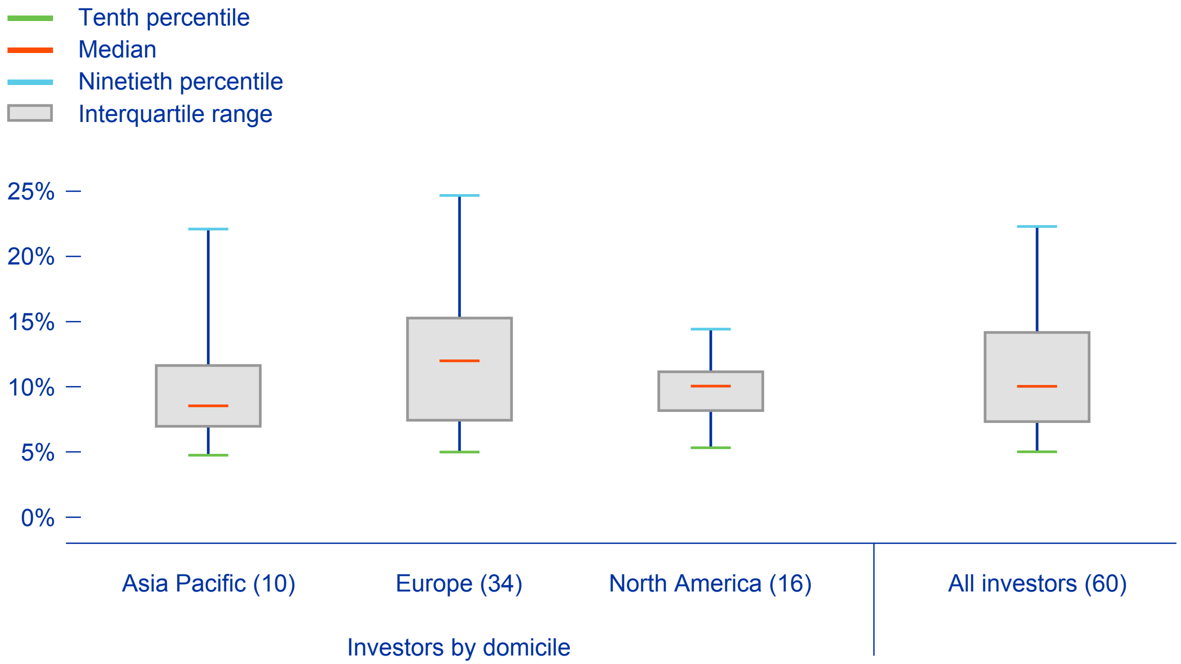
Figure 11: Average current and target allocations to real estate (weighted by total AUM)



Numbers in brackets shows sample size by number of respondents

Of course, average target allocations hide significant differences across investors. Across the sample, one-tenth of institutional investors report targets of 5% or lower to real estate, while one-tenth report targets of 22% or higher. The bottom quartile of real estate target allocations is 7.3%, while the top quartile begins at 14.3%. Across the regions, investors from North America are the most similar to one another (the interquartile range for target allocation goes from 8.2% to 11.2%) while investors from Europe show the widest range of target allocations (interquartile range from 7.4% to 15.3%)

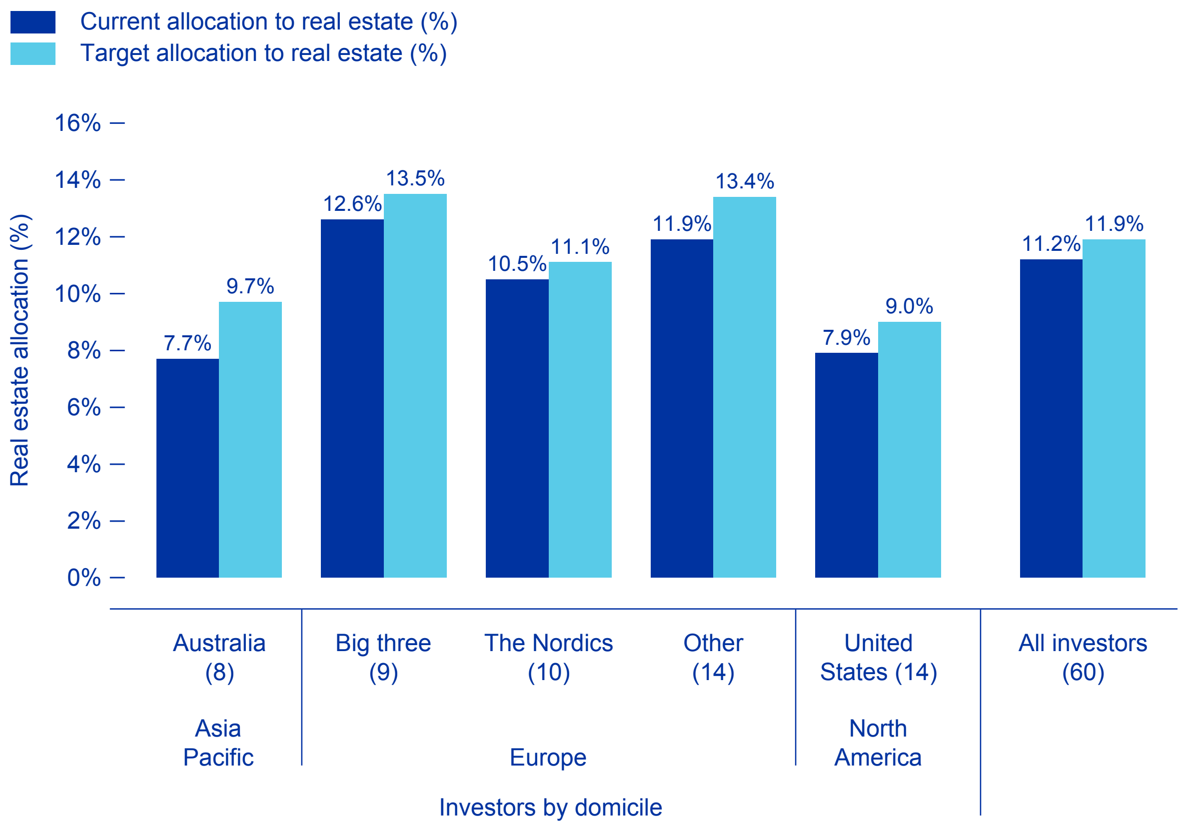
Figure 12: Distribution of target allocations to real estate (equally weighted)



Numbers in brackets shows sample size by number of respondents

Current and target allocations also vary across specific countries or groups of countries within regions (note that the report is unable to provide data on all countries due to a limited number of respondents). Australian investors have a slightly lower current allocation to real estate (7.7%) compared to those based in the United States (7.9%) but have higher targets (9.7% versus 9.0%) meaning that Australian institutions are further below target (200 bps below target, in fact). Within Europe, the "Big Three" of France, Germany, and the United Kingdom have higher average allocations and targets than do investors from the Nordic countries or from elsewhere in Europe.

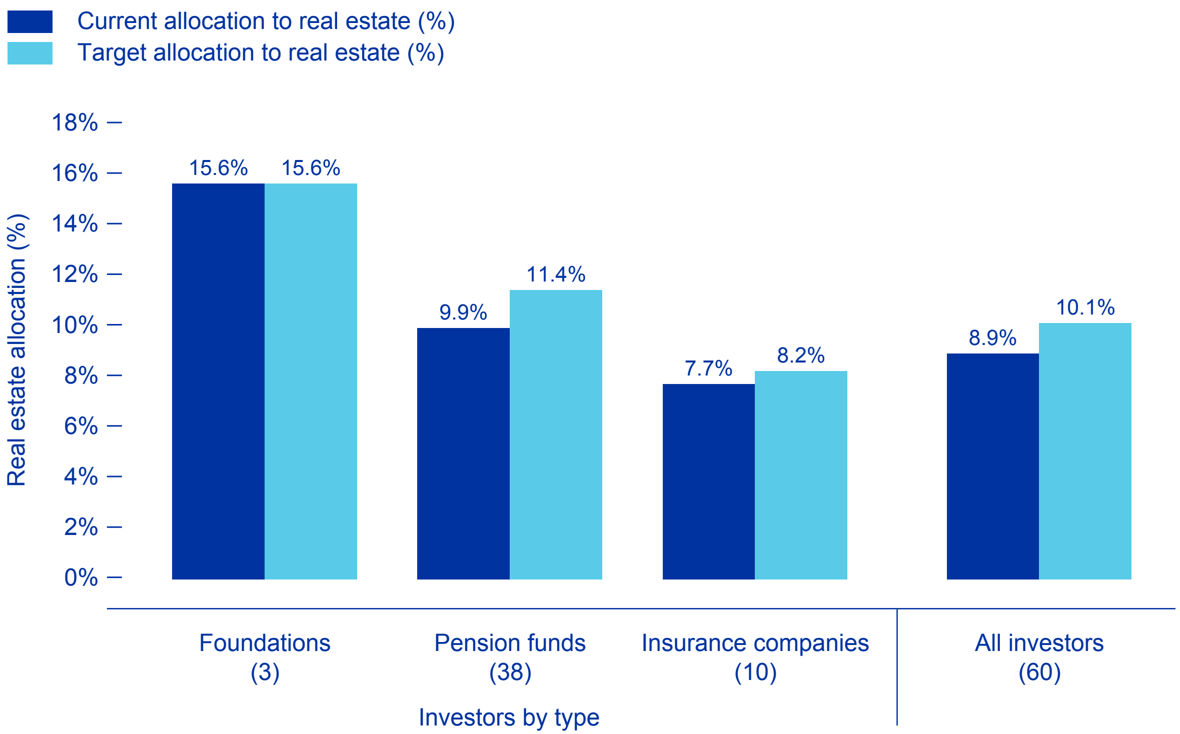
Figure 13: Average current and target allocations to real estate by investor domicile (equally weighted)



Numbers in brackets shows sample size by number of respondents

Allocations also vary by type of investor, with foundations having significantly higher allocations to real estate than do pension funds or insurance companies. Foundations, however, are currently at target for real estate on average while the other two types of investors are still below target (albeit insurance companies are only 50 bps below target).

Figure 14: Average current and target allocations to real estate by investor type (weighted by total AUM)

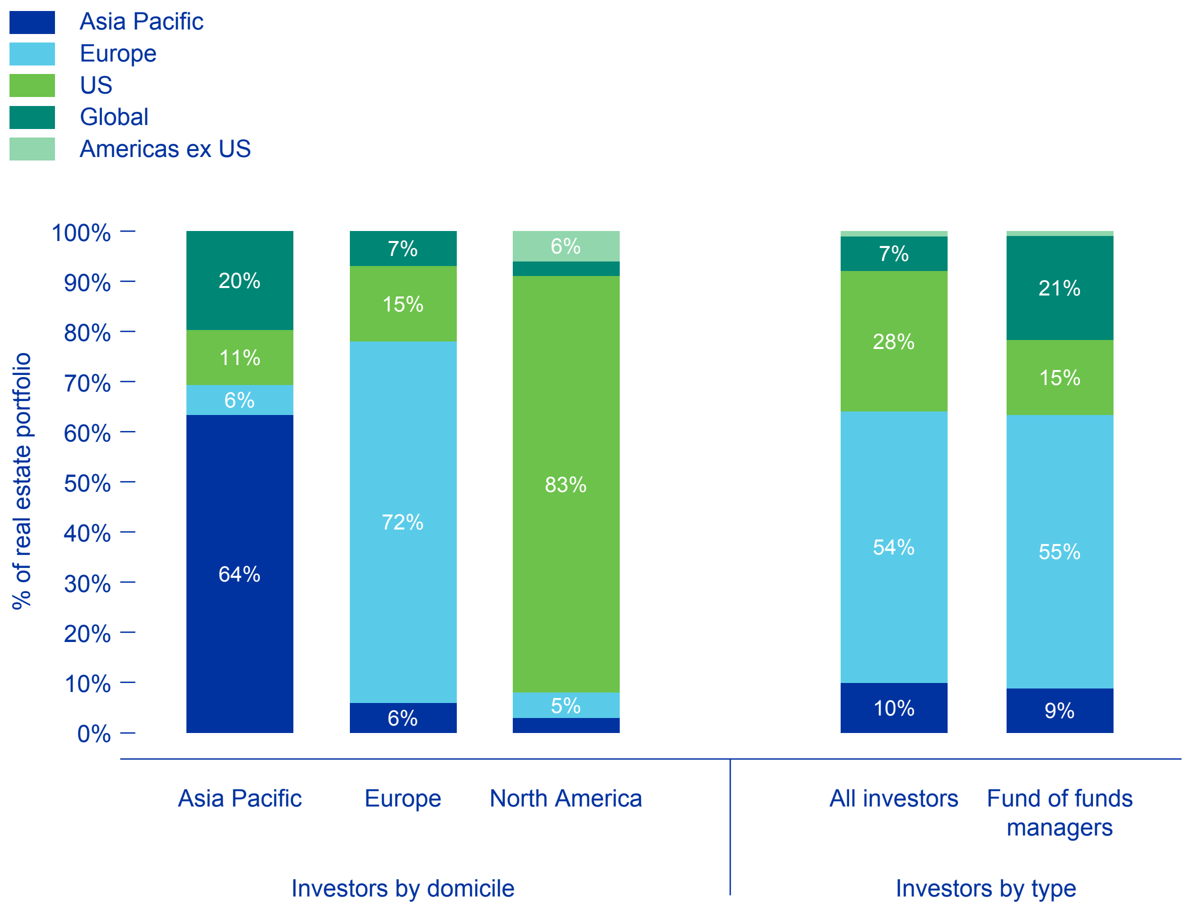


Numbers in brackets shows sample size by number of respondents

Current allocations within real estate portfolios by region, strategy, and sector

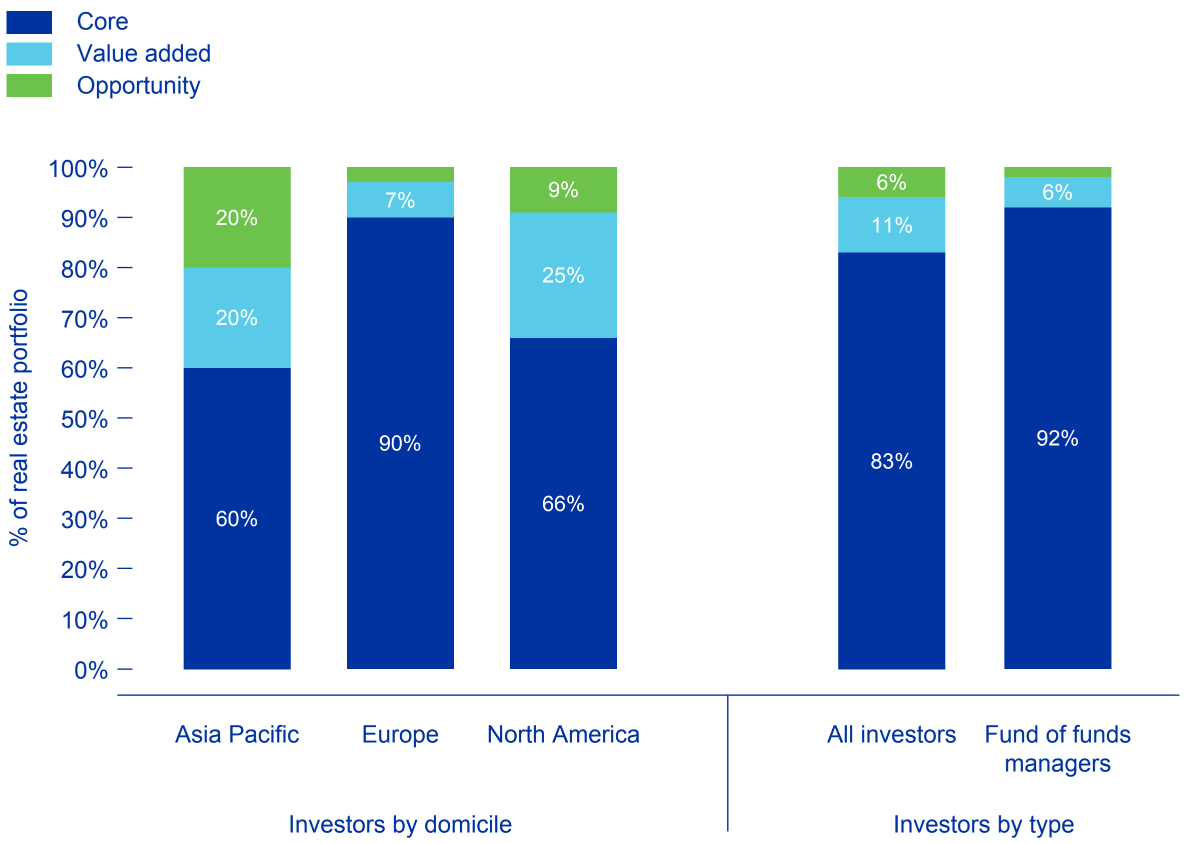
Within the sample of institutional investors, the largest allocation by region is to Europe which comprises 54% of real estate assets held. This is followed by the United States at 28% and Asia Pacific at 10%. Global strategies, which cover more than one region and hold less than 90% of assets in a single region, account for 7% of investor portfolios. Looking across regions, all investors exhibit a significant home bias, with 83% of real estate assets held by North American investors being in the United States, and 72% of assets in Europe for European investors. The least home bias is seen among investors from Asia Pacific where only 64% of real estate capital is invested within the region. Global strategies appear very popular with investors from Asia Pacific, but that is driven by a single respondent reporting a very large allocation to global in their portfolio.

Figure 15: Current regional allocations to real estate (weighted by total real estate AUM)



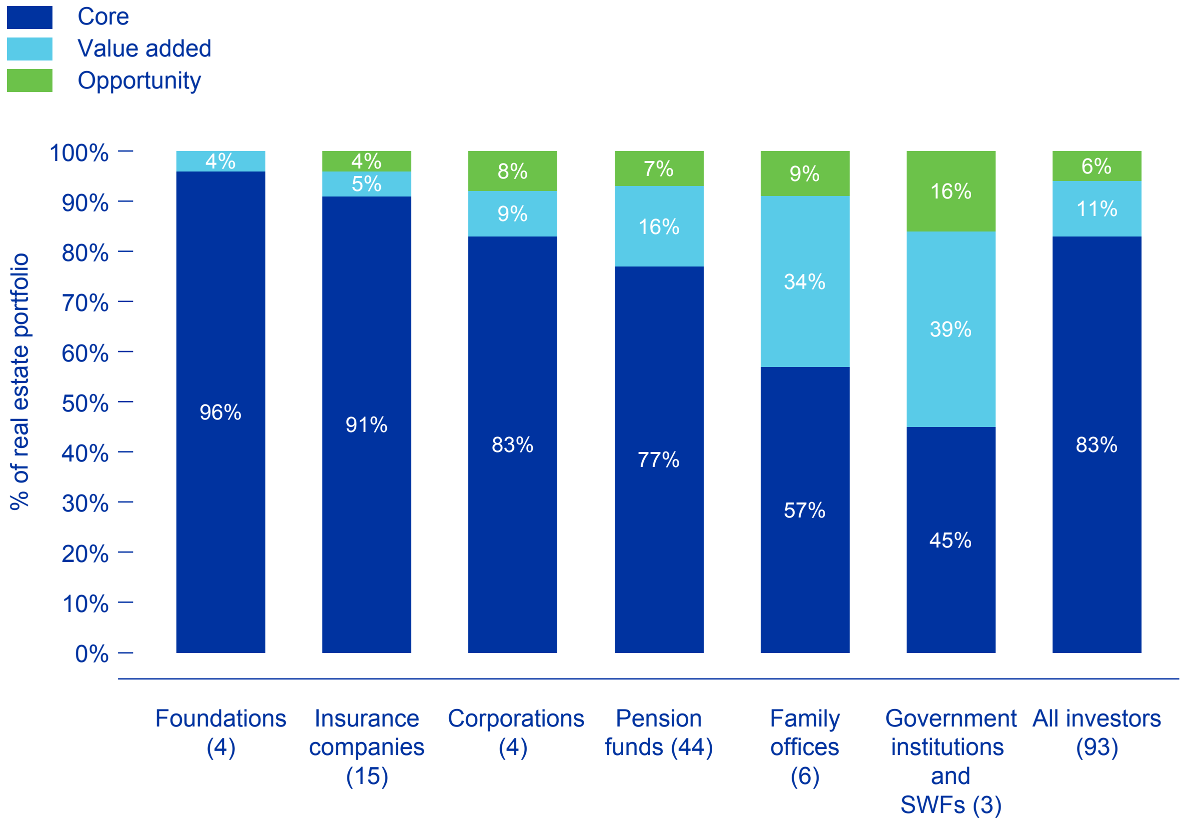
By strategy, core remains the dominant approach among institutional investors. Core comprises 83% of institutional portfolios, with value added strategies being only 11% and opportunistic 6%. Preferences by strategy vary by region, with the European investors being the most core focused – core accounts for 90% of European institutional real estate portfolios. Investors in North America and Asia Pacific both show a greater attraction to the more aggressive investment strategies. In North America, core accounts for 66% of portfolios while value added is 25% and opportunistic 9%. Investors based in Asia Pacific have 60% of assets in core strategies while 20% is held in each of value added and opportunistic.

Figure 16: Current style allocations to real estate by investor domicile (weighted by AUM)



Across different types of investors, sovereign wealth funds and government institutions have the most aggressive portfolios, with only 45% in core, while foundations have almost their entire portfolio (96%) invested in core strategies.

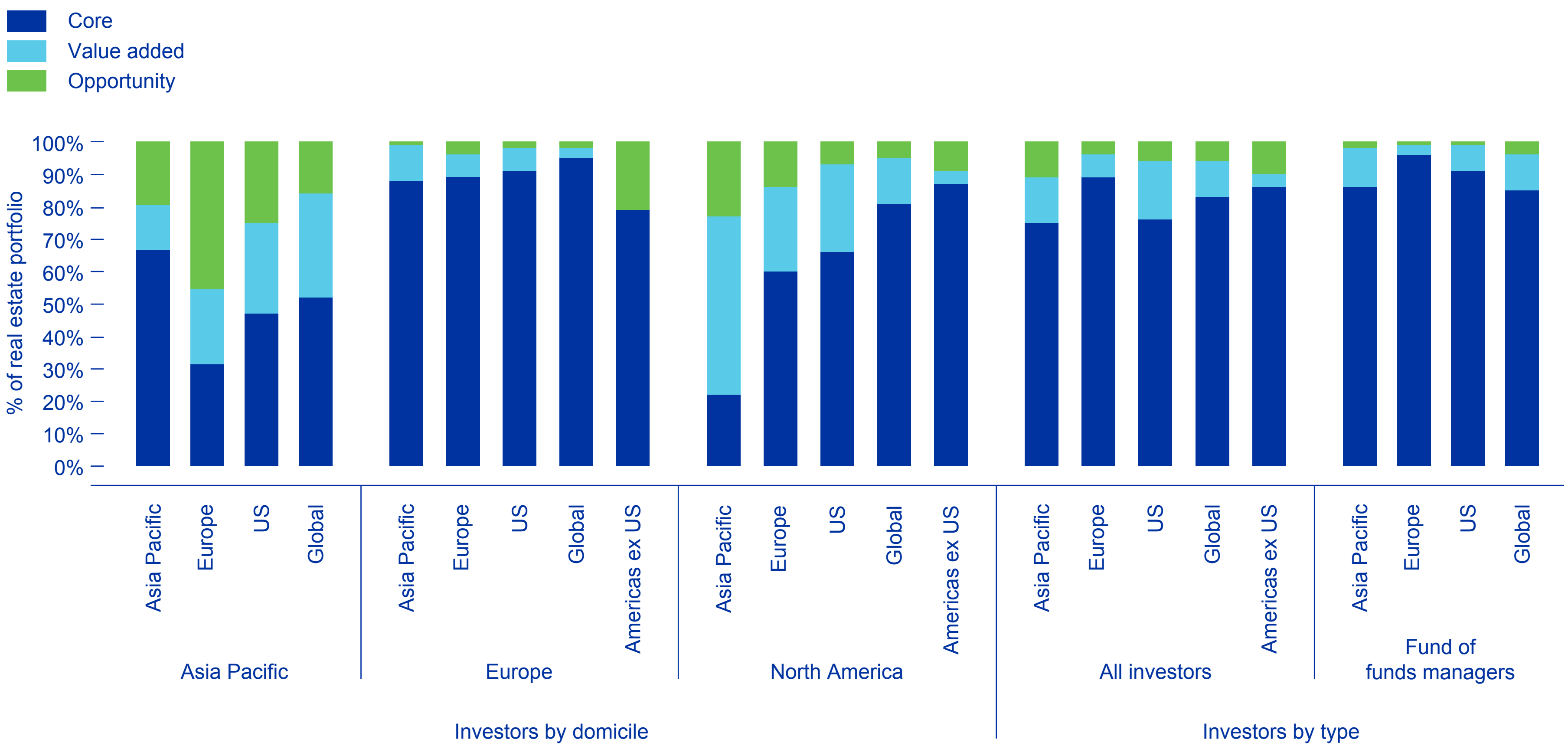
Figure 17: Current style allocations to real estate by investor type (weighted by total real estate AUM)



Numbers in brackets shows sample size by number of respondents

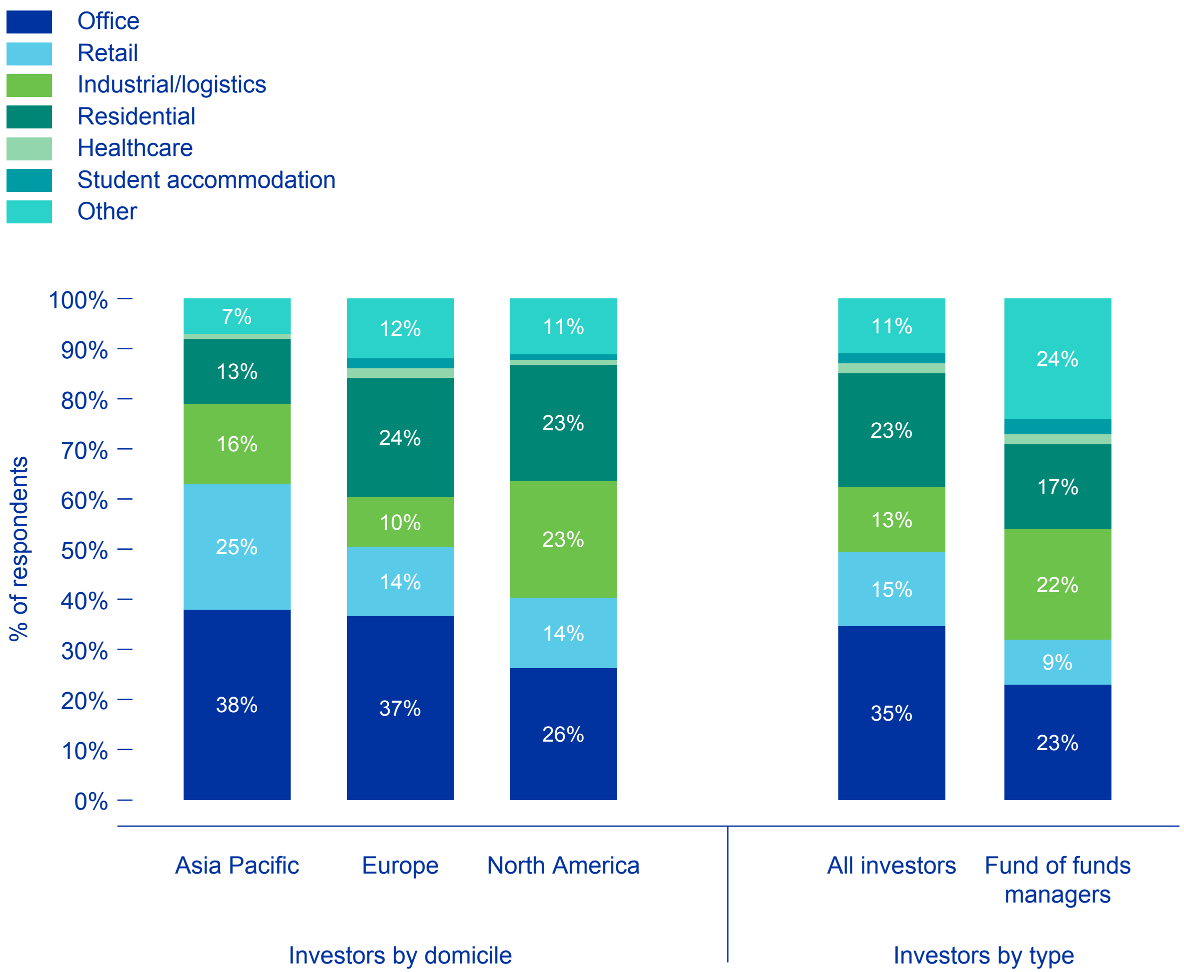
When investing within their own region, investors globally show a preference for core strategies in their current portfolios. However, when investing outside their region, this changes for investors from North America and Asia Pacific. Looking at real estate held in Asia Pacific by North American based investors, only 22% is in core, while 55% is in value added and 23% in opportunistic. This presumably reflects a desire to obtain higher returns when investing outside the home region to compensate for a perceived higher risk of deploying capital internationally. A similar characteristic is seen in the portfolios of Asia Pacific based investors. Core accounts for two-thirds of investment within their own region, but more aggressive strategies account for more than half of investments in the United States (53% in value added and opportunistic combined) and Europe (68% in value added and opportunistic).

Figure 18: Current regional allocations to real estate by style strategies (weighted by total real estate AUM)



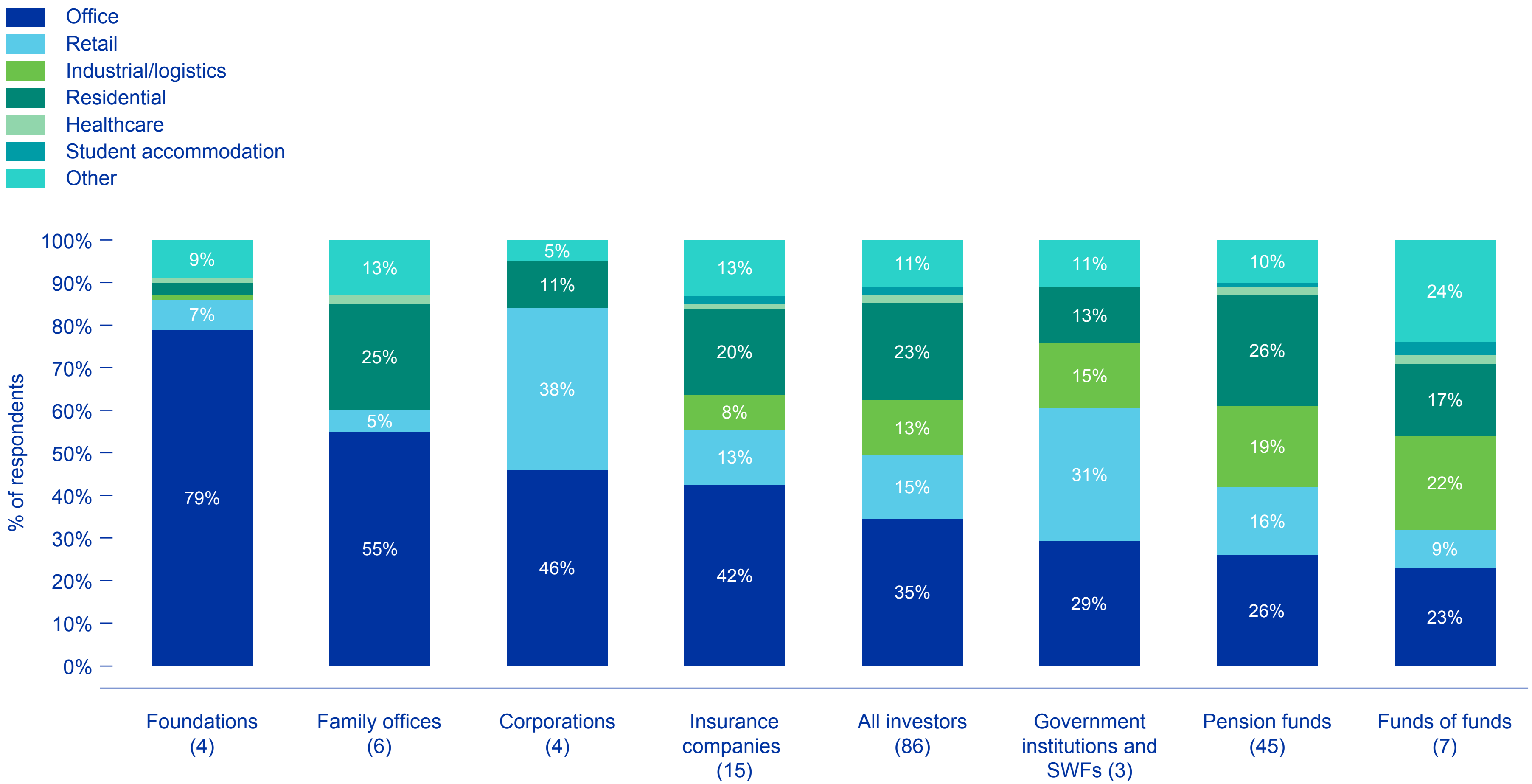
Looking at current investments by property type sector, on a global basis the largest allocation is to office at 35%, followed by residential at 23%, retail at 15%, and industrial at 13%. Globally, 15% of real estate assets are invested outside those four traditional sectors. Across regions, industrial assets are most popular with North American investors where they account for 23% of portfolios, as much as residential and almost as much as office (26%). Industrial is a smaller piece of current portfolios in Europe, at only 10%, with the difference made up by a larger allocation to office. Of the three regions, Asia Pacific shows the highest allocation to retail, where it comprises one-quarter of real estate portfolios.

Figure 19: Current sector allocations to real estate (weighted by total real estate AUM)



The current sector make-up of portfolios varies by type of investor, with both foundations and family offices being heavily oriented towards office. Pension funds have portfolios more evenly distributed across the sectors, with only 26% of assets held in the office sector. Funds of funds also have significant allocations across the four traditional sectors (although only 9% in retail). Funds of funds also have reasonably large allocations outside the four traditional sectors, with other sectors comprising 29% of the average fund of fund's portfolio.

Figure 20: Current sector allocations to real estate, by investor type (weighted by total real estate AUM)

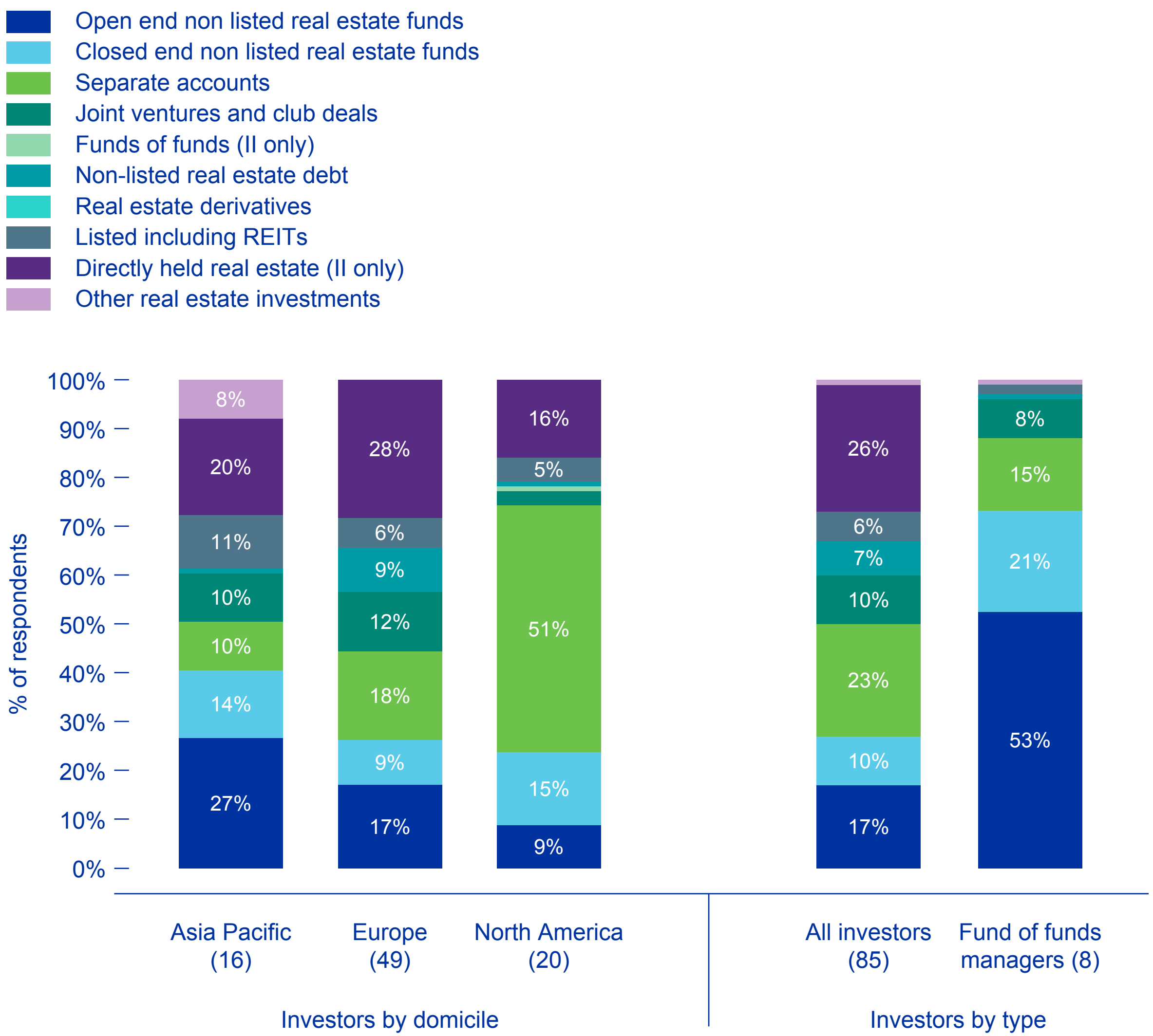


Numbers in brackets shows sample size by number of respondents

Current use of different investment vehicles

The use of different types of vehicles to access real estate varies significantly by the region in which the investor is domiciled. Open-end funds are the most common investment vehicle used by investors based in Asia Pacific, where they account for 27% of real estate portfolios. On the other hand, in Europe direct investment makes up 28% of real estate portfolios and is the most popular form of investment for investors from that region. North American investors take a much different approach to investment vehicles, with separate accounts accounting for more than half (51%) of portfolios. Separate accounts are only 18% and 10% of overall real estate portfolios in Europe and Asia Pacific, respectively. Overall, Asia Pacific investors make the greatest use of non-listed funds with open and closed-end funds combined comprising 41% of portfolios of investors from that region versus 26% for Europe and 24% for North America.

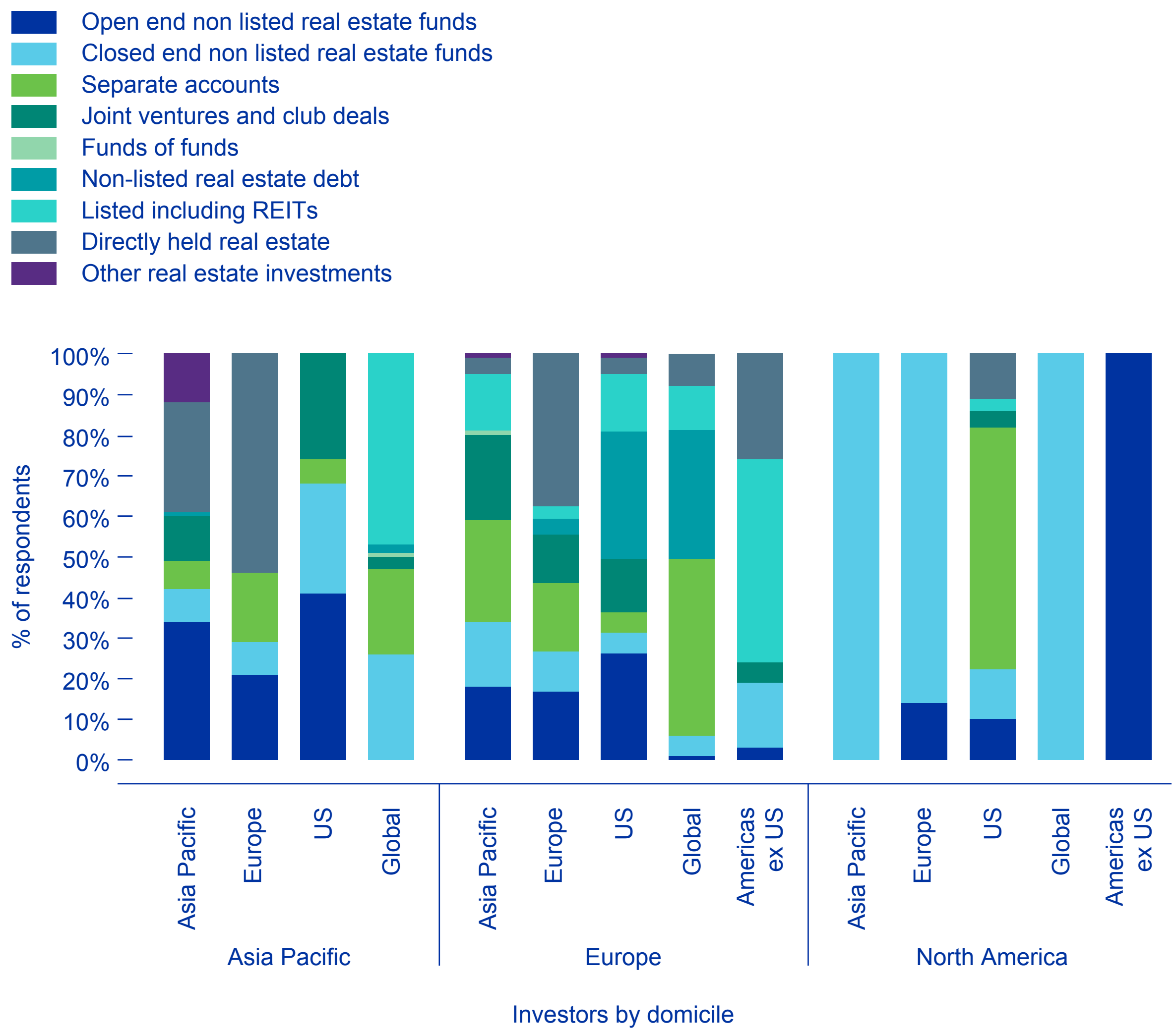
Figure 21: Current vehicle allocations to real estate by investor type (weighted by total real estate AUM)



Numbers in brackets shows sample size by number of respondents

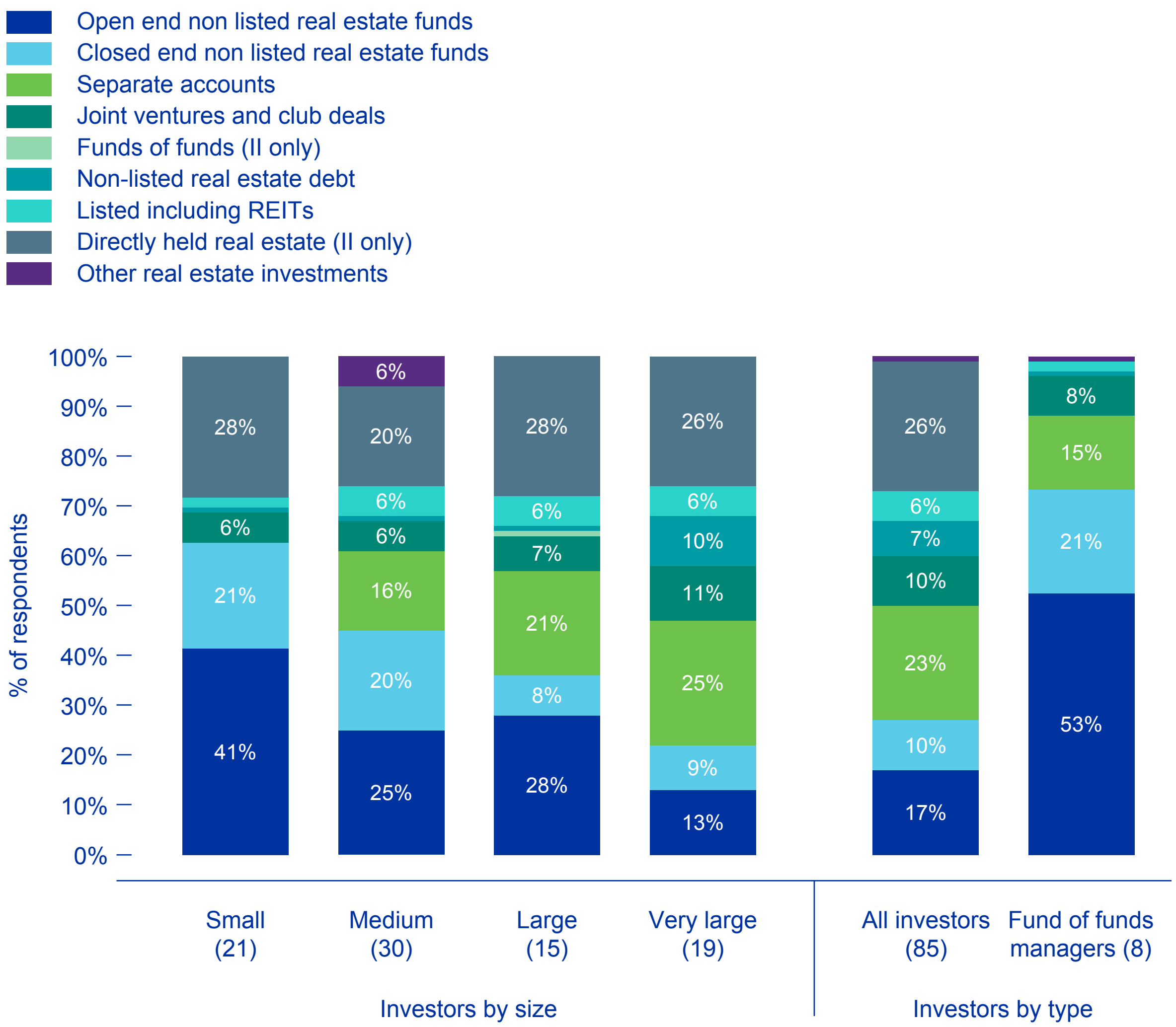
However, the vehicles of choice vary not only by domicile of the investor but also by where the assets are located. Asia Pacific based investors favor open-end funds for investments in their home region and the United States, but make heavy use of directly held investments in Europe. They also use closed-end funds much more commonly for their investments in the United States than they do for other regions. European investors' heavy reliance on directly held assets is largely based on investments within their home region; direct investment is far less common for their non-European investments. North American investors make heavy use of closed-end funds in Asia Pacific and Europe (and for their global strategies), and of open-end funds for the Americas ex US. Separate accounts are a large part of North American portfolios, but are essentially constricted to use within the United States.

Figure 22: Current vehicle allocations to real estate by regional strategy (weighted by total real estate AUM)



Given the differing amount of direct attention required on the part of investors for different investment vehicles, it should be expected that the use of different vehicles varies with the size of the investor. The use of non-listed real estate funds decreases with investor size (as measured by real estate AUM) while the use of separate accounts increases. Given that to be properly diversified a separate account must be of a reasonable size, the fact that the smallest investors do not use them (while they account for one-quarter of the portfolios of the largest investors) is not surprising.

Figure 23: Current vehicle allocations to real estate by investor size (weighted by total real estate AUM)

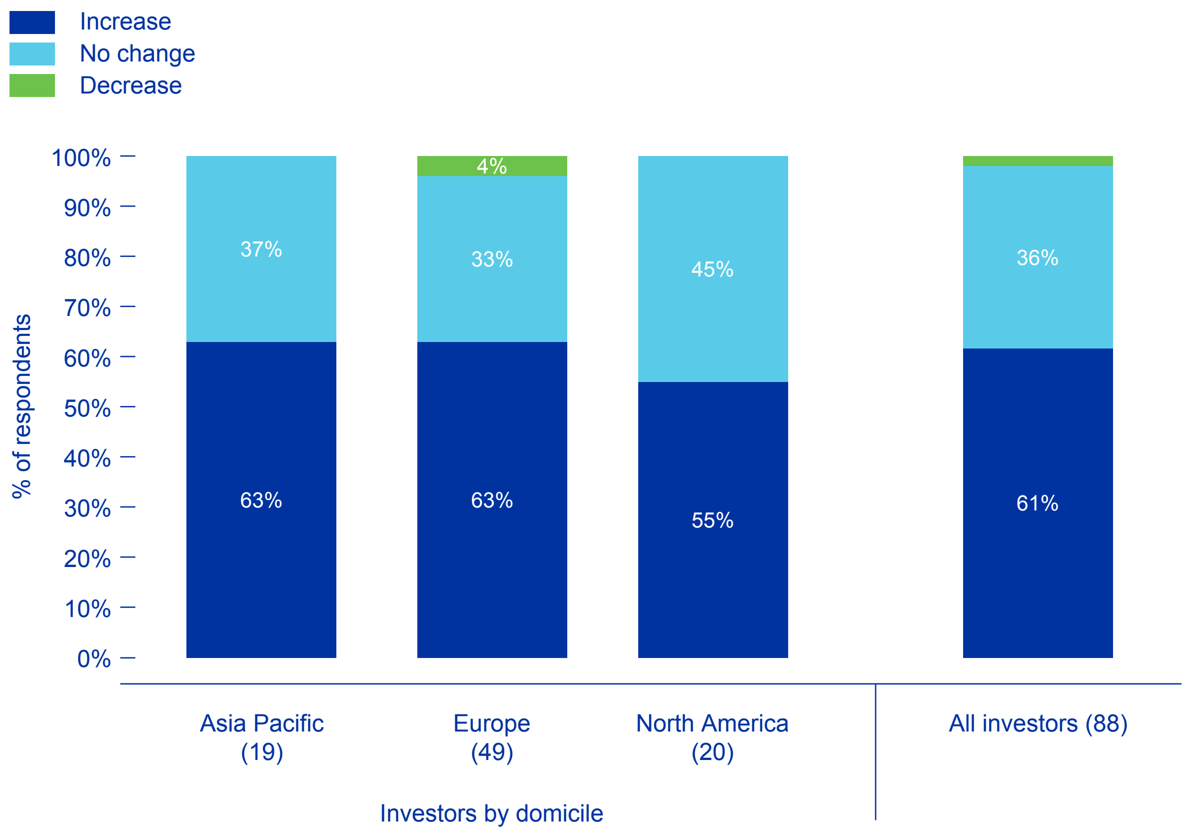


Numbers in brackets shows sample size by number of respondents

Investment intentions going forward

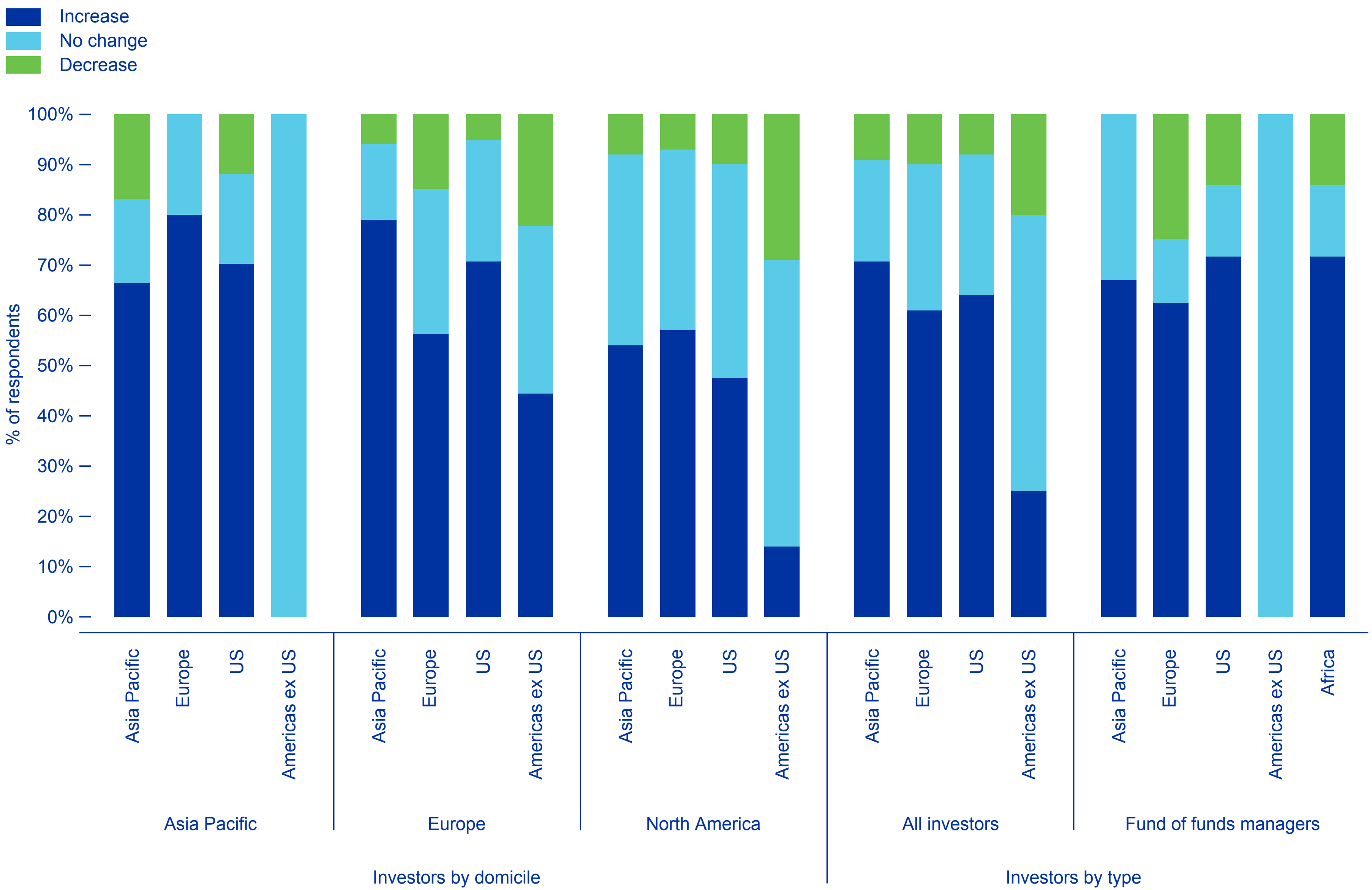
The majority, 61%, of institutional investors expect their allocation to real estate to increase over the next two years, with more than half of investors from all three regions indicating an expected increase. This is consistent with the fact that, as noted previously, investors are currently below their target allocation to real estate on average. This holds across investment regions, with a majority of investors expecting their allocation to increase in almost all regions. The exception seems to be the Americas ex US, in which allocations are generally expected to remain the same.

Figure 24: Expected change in real estate allocations over next two years, by investor domicile



Numbers in brackets shows sample size by number of respondents

Figure 25: Expected change in real estate allocations over the next two years, by region



Further reinforcing the picture of an asset class continuing to attract capital, the vast majority of investors plan to deploy capital into real estate during 2022. This holds across regions and across ìnvestor types.

Figure 26: Intentions to deploy capital in 2022

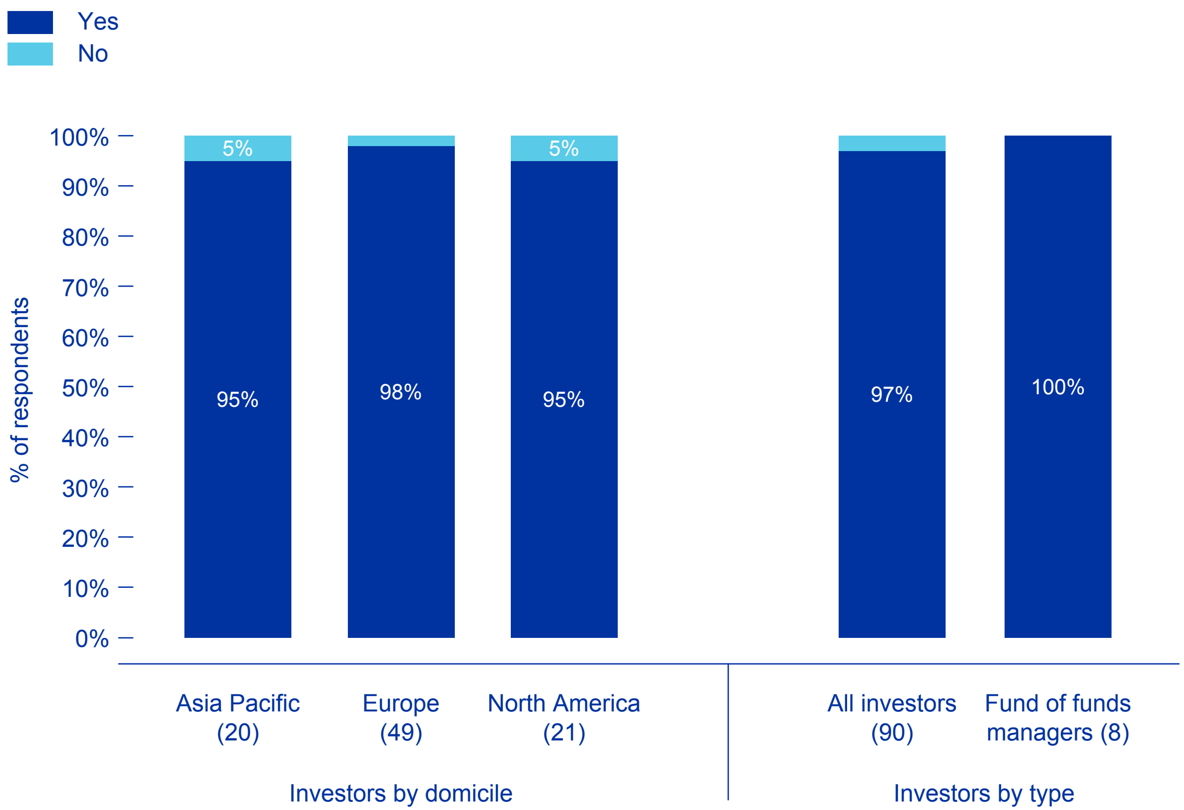
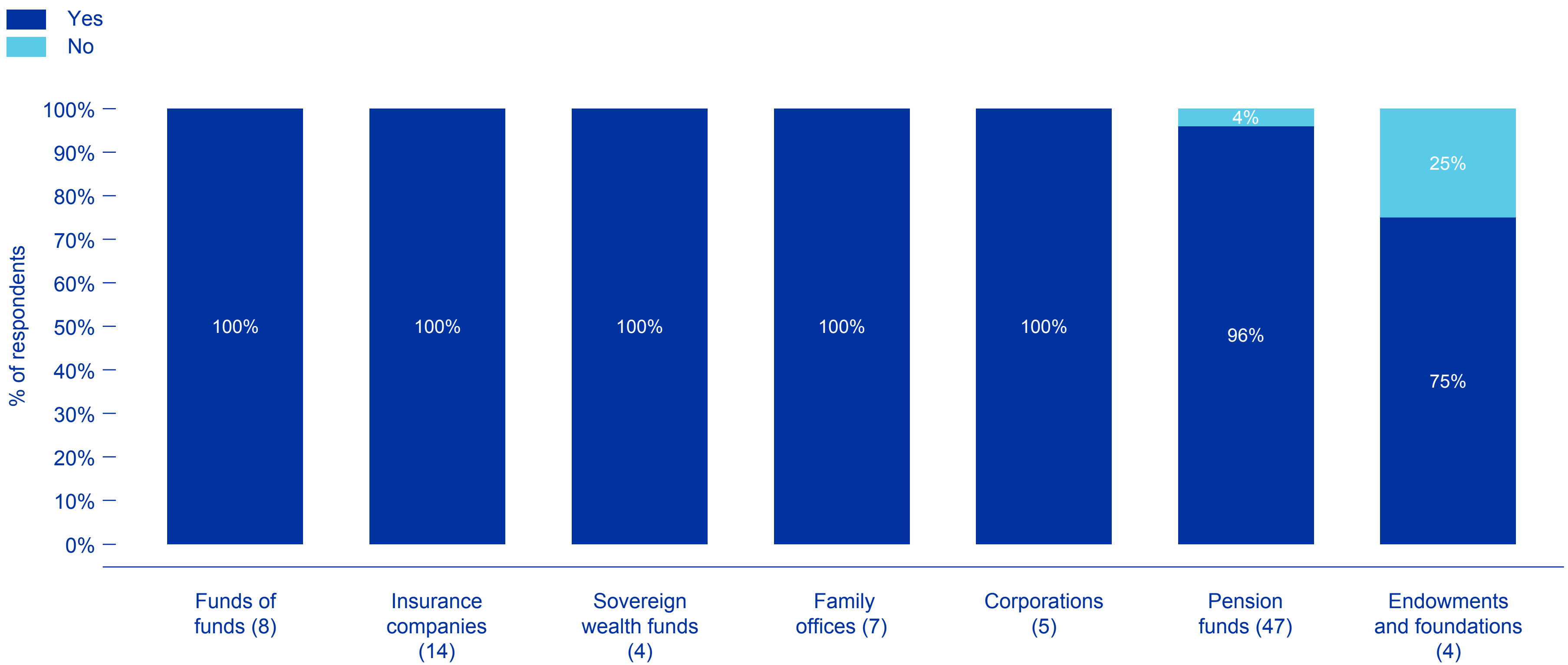


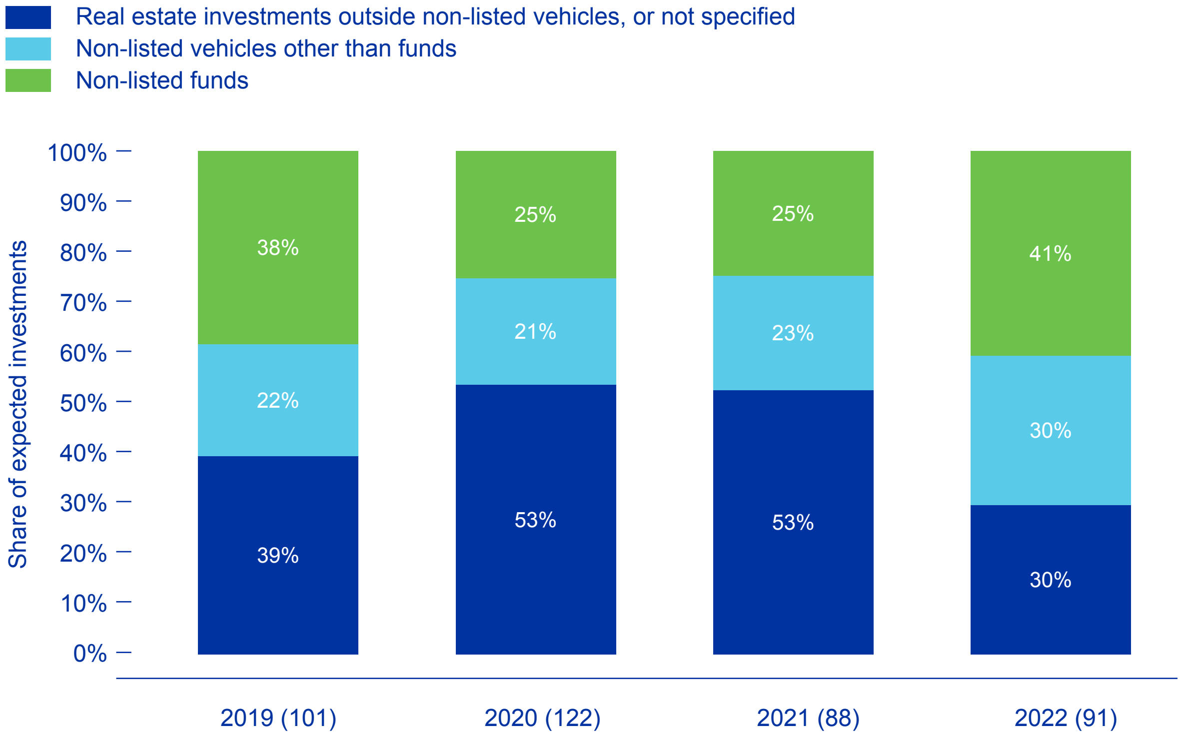
Figure 27: Intentions to deploy capital in 2022, by type of investor



Numbers in brackets shows sample size by number of respondents

Based on the 83 institutional investor respondents who provided information on their planned capital deployments for 2022 (representing €60.1 billion of planned 2022 investment), 41% of capital planned for deployment in 2022 is expected to be invested via non-listed funds, with a further 30% in other non-listed vehicles and the remainder either in other types of investments or not specified by the respondent.

Figure 28: Planned capital deployments in 2022 (and from past surveys) by type of vehicle

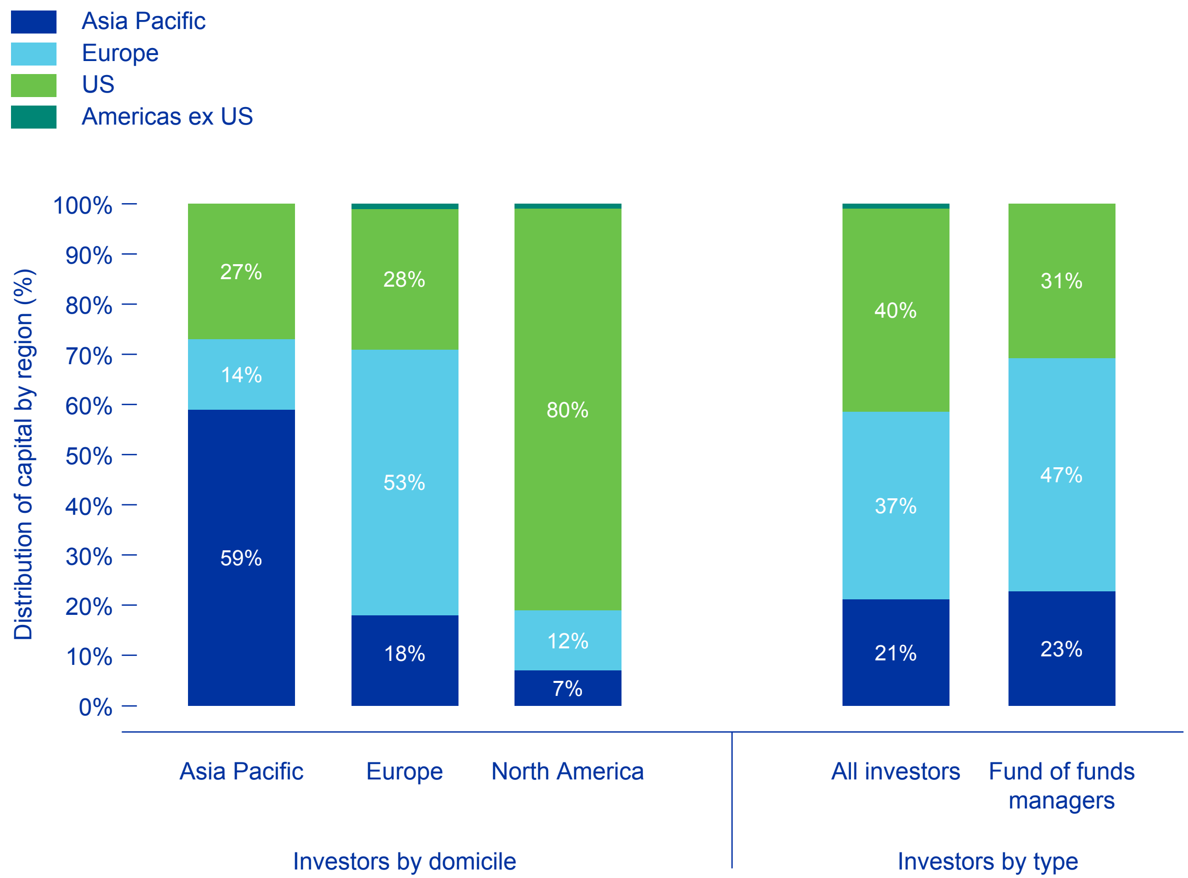


Notes: Vehicles other than funds includes non-listed structures such as separate accounts, club deals, JVs, and other similar structures. Investments outside non-listed vehicles includes direct investments as well as listed securities such as REITs.

Numbers in brackets shows sample size by number of respondents

In terms of the destination for planned capital deployments during 2022, globally 21%* is targeting Asia Pacific, 37%* Europe, and 40%* the United States. For investors from North America, the home bias seen in existing portfolios is also evident in investment plans for the next year, with 80% of capital from North American investors targeting investments in the United States. For Asia Pacific, the homes bias is smaller with 59%* of the Asia Pacific capital targeting their region in 2022 while investors from Europe exhibit the lowest home bias with 53%* of the capital targeting their region.

Figure 29: Regional destination of planned capital deployments

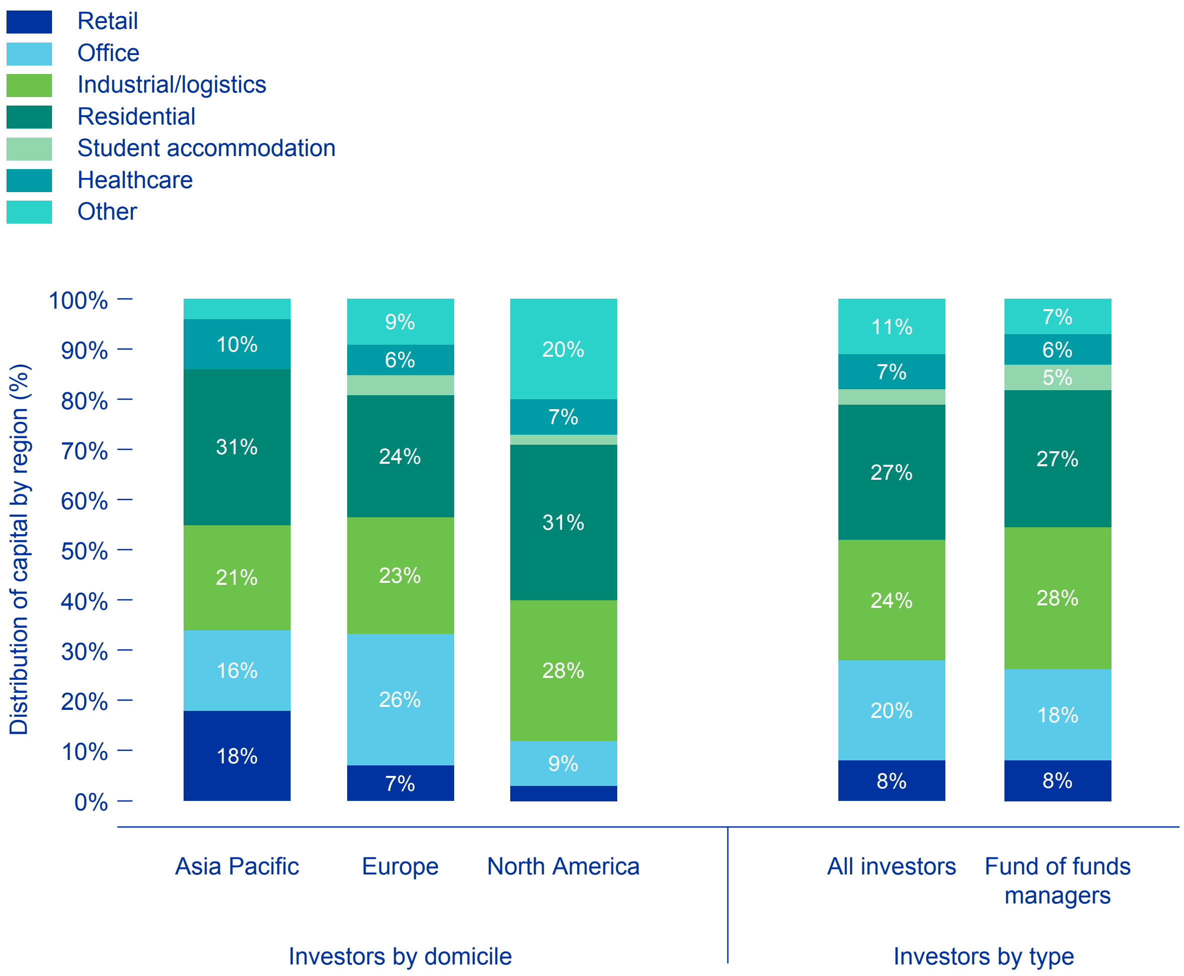


*Correction notice 25 Jan: Since publication, this number has been changed.

In terms of target sector for investment in 2022, the most popular property type is residential, accounting for 27% of planned capital deployments in 2022 on a global basis. Given the strong recent performance of multifamily, favorable demographics in many regions, and the rapid rise of impact investing which often focuses on residential, it is not surprising that residential is the most popular sector for planned new investments by investors from both North America and Asia Pacific, and second most popular for European investors. Given the excellent recent investment performance of industrial/ logistics and the increased demand for logistics space over the course of the COVID-19 pandemic it is also not surprising that industrial / logistics is the second most popular target sector for 2022.

Conversely, while office is the largest component of existing real estate portfolios, it is far less popular for new investment during the coming year with only 20% of capital outlays planned for the office sector. The uncertainty concerning the future of office after the experience of working-from-home for so many during COVID-19 continues to affect investor interest in that sector. Retail is the least popular sector for new investment from among the four traditional property types, accounting for only 8% of planned deployments, although it is more popular for Asia Pacific based investors for whom it is expected to attract 18% of new investment capital. Investments outside the four traditional sectors is of most interest to North American investors, with 29% of 2022 capital outlays from that region targeting newer property sectors. This compares to 19% for European investors and 14% for investors based in Asia Pacific.

Figure 30: Planned capital deployments in 2022 by sector



Section 3

Preferred styles for investing in Europe

Preferred styles for investing in Europe

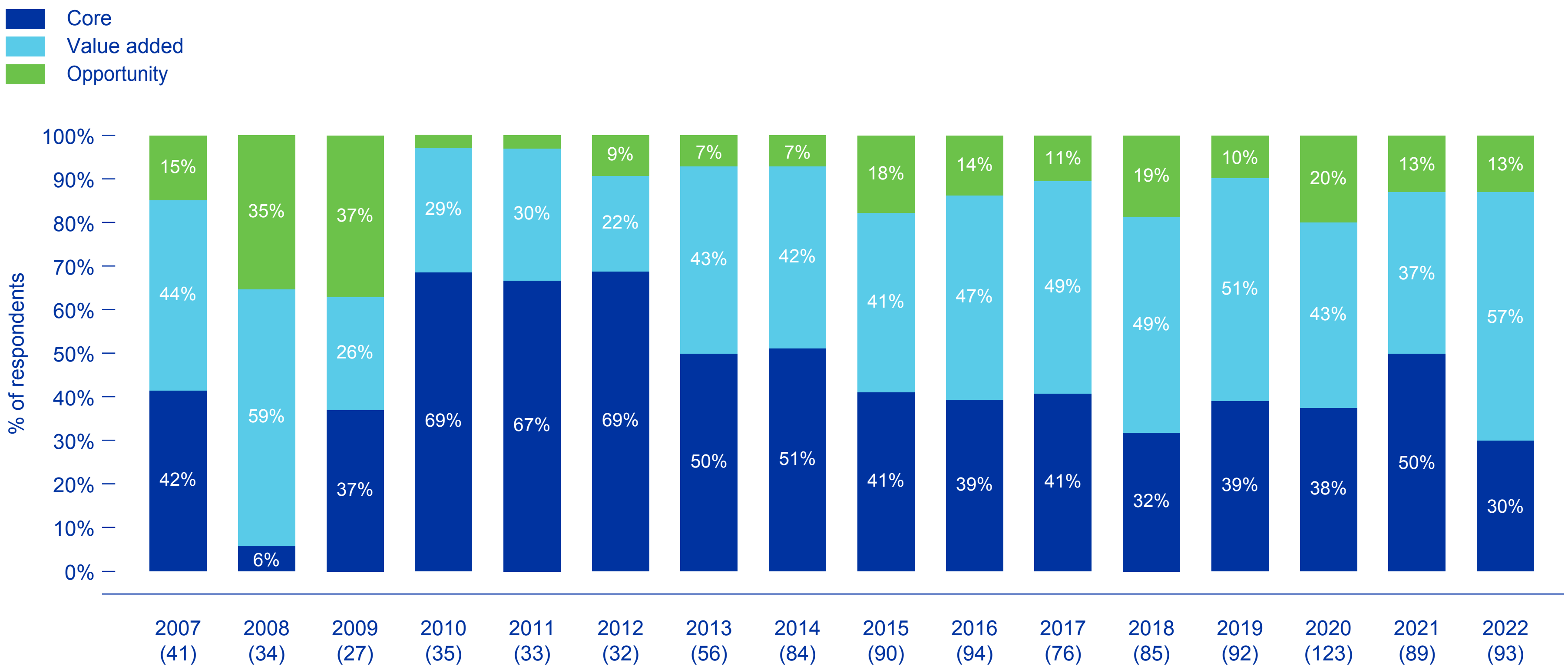
Preferred investment styles

This section of the report focuses exclusively on investment intentions for European real estate.

From the total global sample of 99 respondents (91 investors and eight funds of funds), 70 investors and all funds of funds already have exposure to Europe. Of the remaining investors that are currently not invested in Europe, eight have plans to do so in the next two years. Overall, at least €25.9* billion of capital is expected to be placed in European real estate in the next two years, which is lower than last year's minimum of €30.8 billion.

This year's survey presents a contrasting result compared to last year. When asked about the attractiveness of each investment style based on risk-adjusted performance, it is evident there is a shift in risk appetite towards value added strategies. Over half of the respondents (57%) now prefer value added strategies, the highest level since 2008, whereas the preference for core strategies fell to only 30%. Demand for opportunistic strategies stood at 13%.

Figure 31: Investment style preferences, 2007 - 2022



Numbers in brackets shows sample size by number of respondents

*Correction notice 25 Jan: Since publication, this number has been changed.

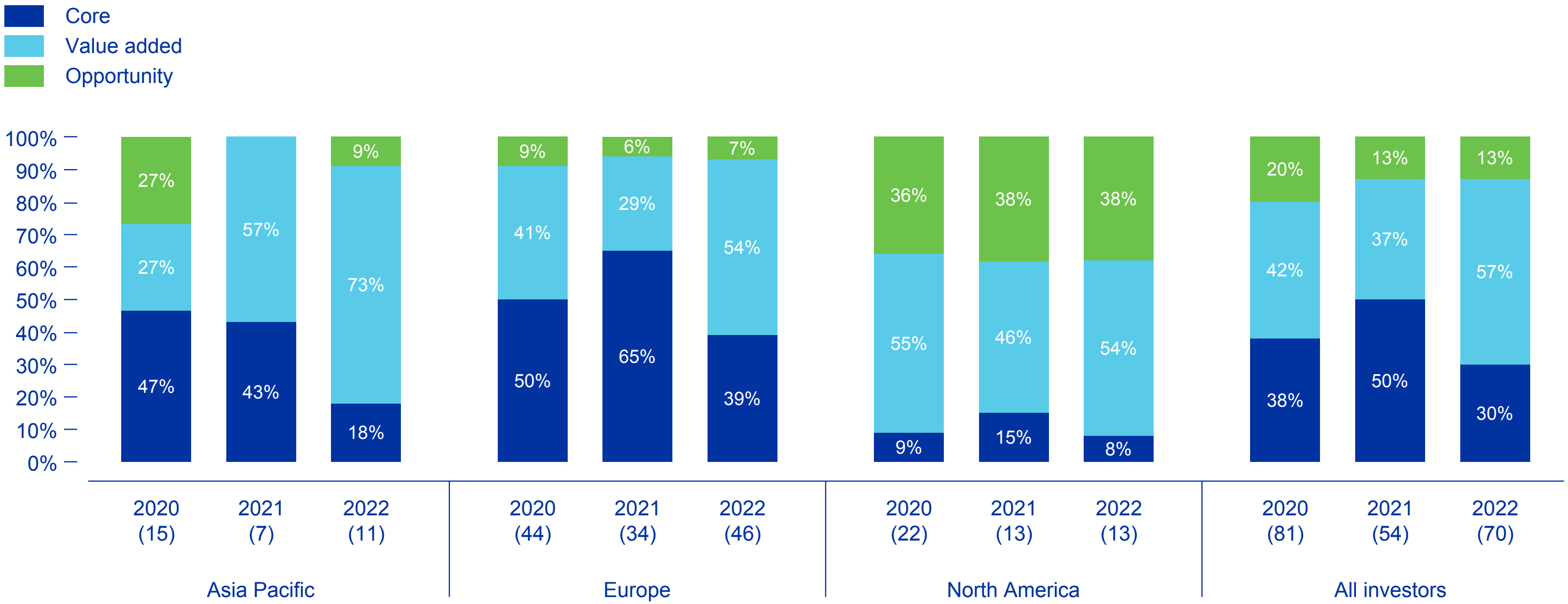
Last year's findings demonstrated a stronger preference for core strategies in response to the global outbreak of COVID-19, where market uncertainties led to a weaker economic outlook. However, with the rollout of vaccination programmes worldwide, and the subsequent reopening of economies and a gradual normalisation in occupier and investment markets, a notable uptick in risk appetite has been observed in 2022 results as investors search for yield and diversification.

Preferred investment styles by investor domicile and investor type

In line with the overall market trend, investors from all three regional domiciles demonstrated an increased appetite for value added strategies, at the expense of core. Similar to the previous years, European investors indicated the highest preference for core strategies (39%) than investors from both Asia Pacific and North America, but their preference for value added strategies grew to 54%, almost double the 29% reported in 2021.

Investors domiciled in North America traditionally have the lowest preference for core strategies, which is the case again for 2022 at only 8%, even lower than 15% reported last year. Their higher risk appetite goes hand in hand with higher performance expectations for cross regional investing,

Figure 32: Preferred investment styles by investor domicile, 2020 - 2022



Numbers in brackets shows sample size by number of respondents

where preference for value added strategies and opportunistic strategies reached 54% and 38%, respectively.

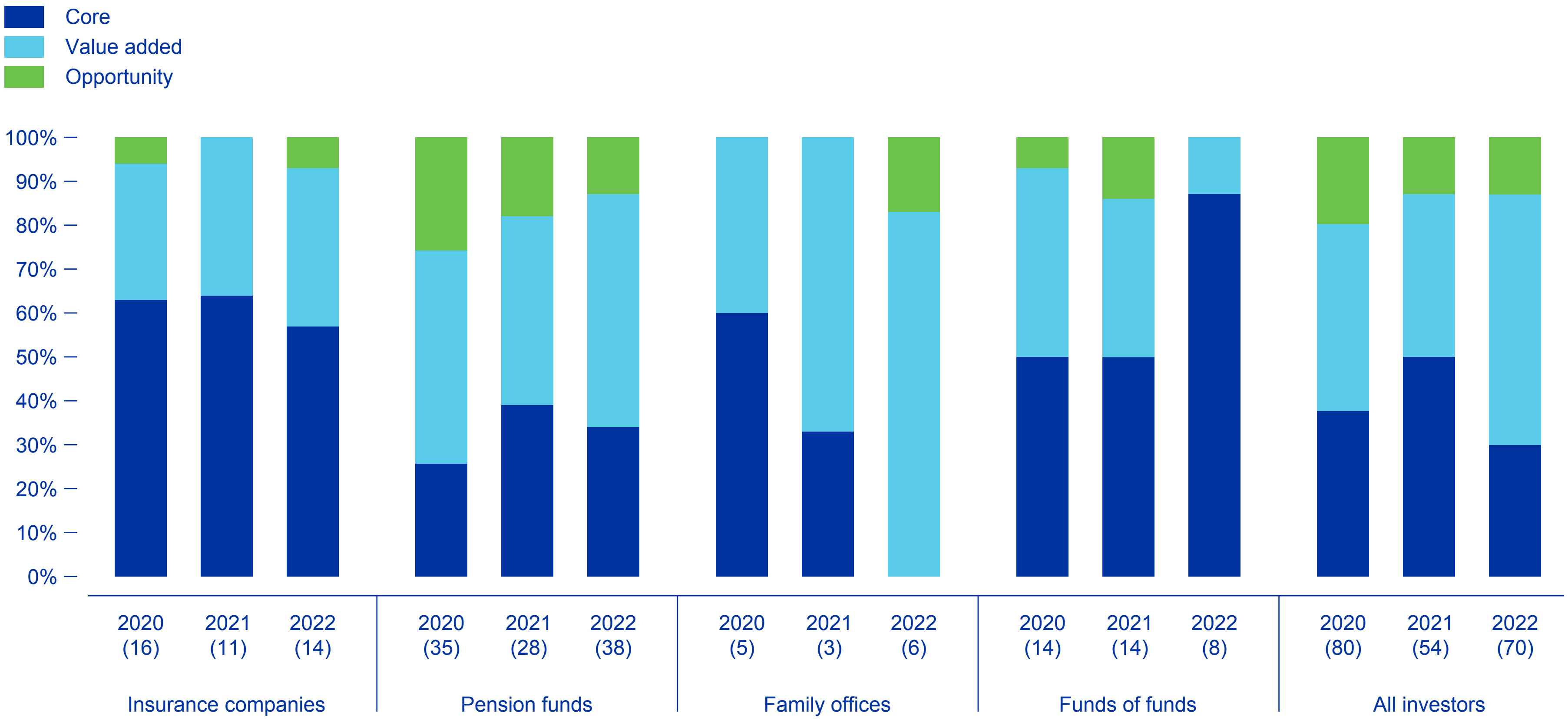
Asia Pacific investors have also shown a notable decrease in demand for core European strategies for 2022, amounting to only 18%. This decline made way for a higher risk appetite towards value added and opportunistic strategies, accounting for 73% and 9% of preferred investment styles when targeting Europe. The high composition of Australian investors in the 2022 respondent sample of Asia Pacific investors makes it difficult to draw a year-on-year comparison.

The shift in preferences towards riskier investment strategies is evident across most investor types.

Insurance companies, which are traditionally more core-oriented, show a shift towards opportunistic strategies this year, with 7%* indicating a preference for this style of investment, up from 0% in 2021. Although this shift came fully at the expense of core, the majority of insurance companies, namely 57%*, target lower-risk strategies.

*Correction notice 25 Jan: Since publication, this number has been changed.

Figure 33: Preferred investment styles by investor type, 2020 - 2022



Numbers in brackets shows sample size by number of respondents

For pension funds, there was also a decline in demand for core strategies but for this group of investors there was a shift to value add strategies from 43% last year to 53%* according to the latest results. For core strategies the preference decreased from 39% to 34%* year-on-year while their interest in opportunistic strategies decreased from 18% to 13%*.

Family offices, which have traditionally shown some inclination towards core strategies, are not intending to adopt a core investment style in 2022. Instead, 83% are targeting value added strategies and 13% are opting for opportunistic investments.

Fund of funds managers' preferred investment styles have not followed the general market trajectory of moving up the risk curve. The share of managers intending to invest in core strategies increased to 88%* compared to 50% in previous years, with the remaining 13% preferring value added strategies.

*Correction notice 25 Jan: Since publication, this number has been changed.

Section 4

Preferred sectors and destinations for investing into Europe

Preferred sectors and destinations for investing into Europe

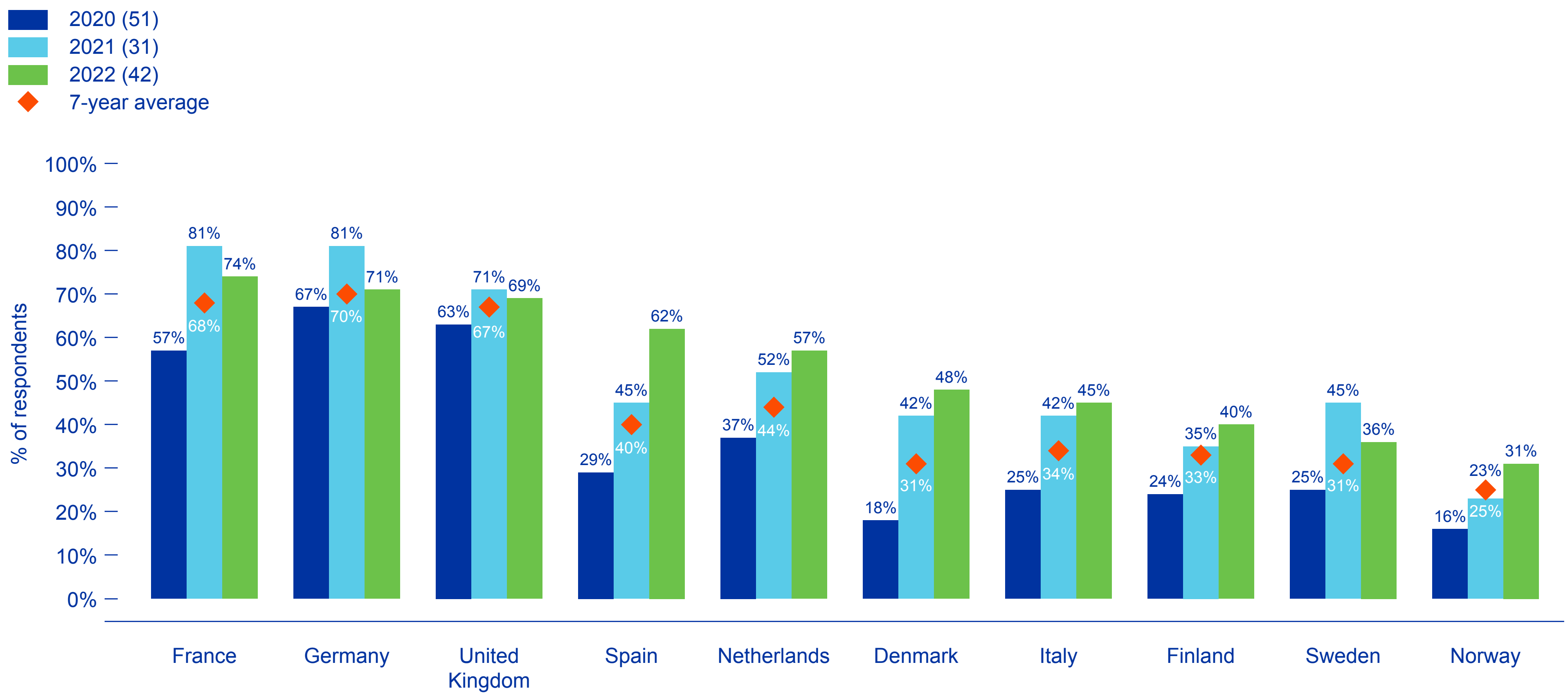
Preferred country destinations

Europe's three most mature and liquid markets, France, Germany and the UK were once again the top three preferred country destinations, albeit all somewhat below the last year's highs as 2022 investor preference became more geographically diverse, as expected given the shift towards value added strategies.

France cemented its position as the most preferred investment destination in Europe, with 74% of investors indicating it as their preference. This is considerably higher than the long term average of 68% and marks continuing positive momentum for the market.

Germany came as a close second most preferred European destination, trailing France by a margin of 3%. The German

Figure 34: Top ten most preferred locations over time

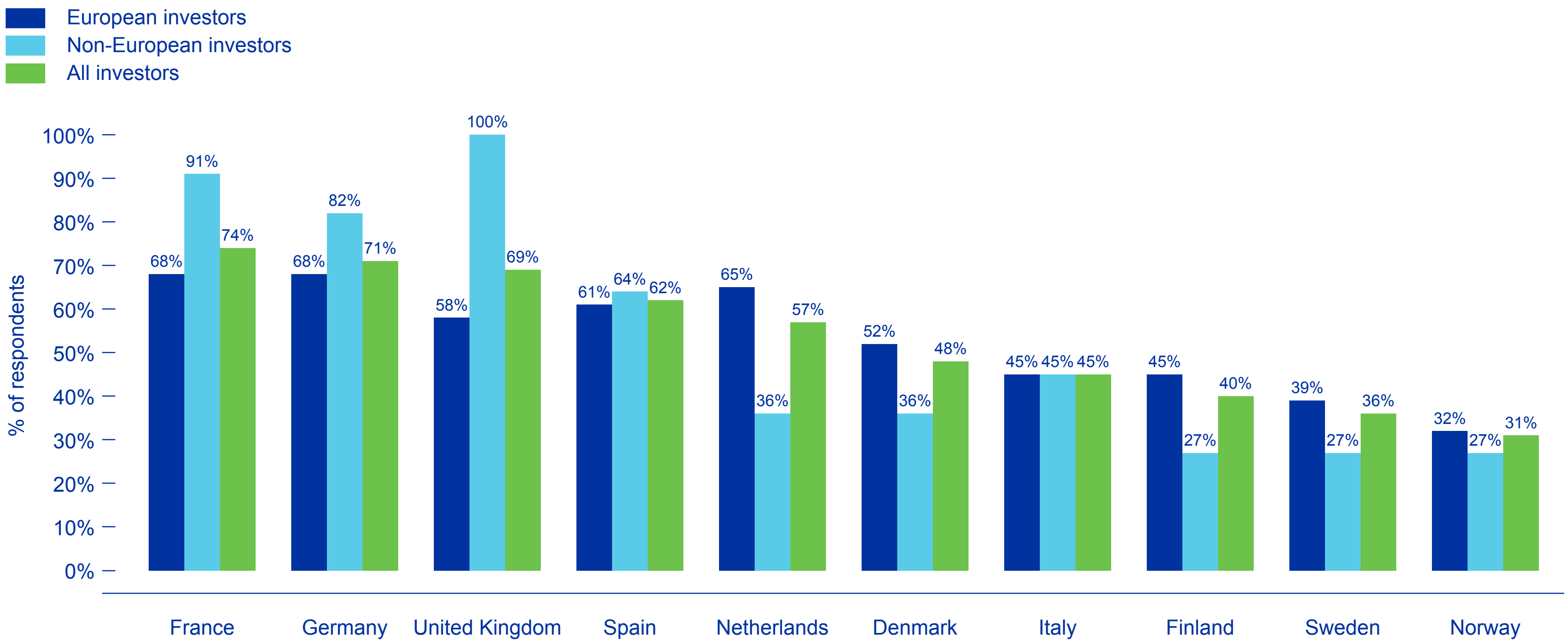


market has always been amongst investors' top choices, with the highest long term average (70%) of all European markets. The UK took third place, with an absolute score of 69%, only slightly below its 2021 results of 71%.

While the three largest markets are still dominating investor preferences, a notable shift towards second-tier markets in Southern Europe and the Nordics can be observed in 2022. Spain stands out the most, with a rapid shift in preference from 29% in 2020 to 45% last year, in 2022 it overtook the Netherlands to become the fourth most preferred European destination with 62%. The Netherlands, on the other hand, moved a step down, albeit continuing to see an increase in preference to 57% in 2022, which is well above a 44% long-term average. A similar pattern of an above long-term average trend is visible for nearly all other countries that are present in the top ten, albeit to a lesser extent. This trend is in line with investors moving up the risk curve, as indicated on page 38, on the back of economic recovery from the COVID-19 pandemic and gradual normalisation of occupier and investment markets.

Examining country preferences by investor domicile reveals that non-European investors, when investing in Europe, have a strong tendency towards investing in France, Germany and the UK, in other words, the most mature and liquid markets. European domiciled investors, on the other hand, consider a wider variety of European markets.

Figure 35: Top ten most preferred locations by investor domicile

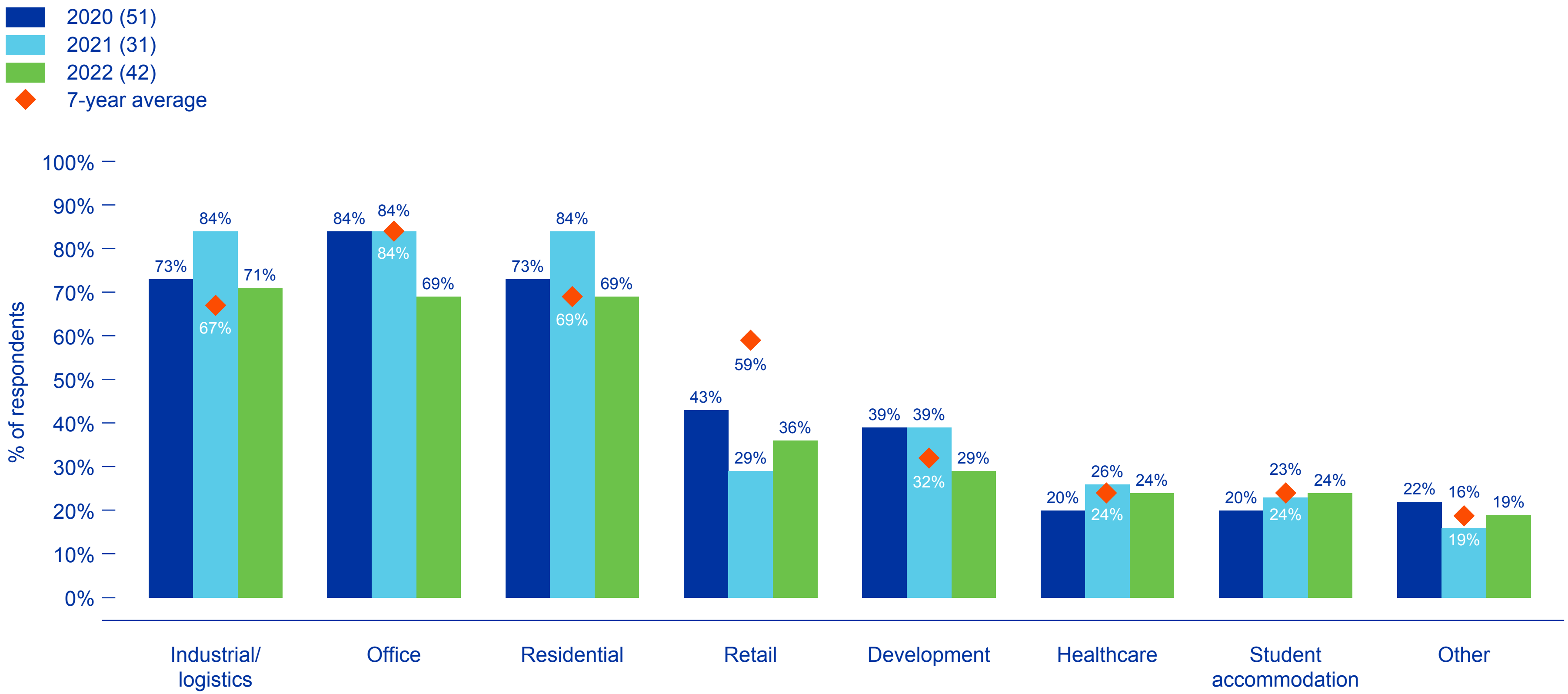


While this tendency was held according to the latest results, Spain and Italy stood out as the two markets where the strength of interest from both European and cross-regional investors was on a par, confirming a broad uptick in sentiment towards these Southern European markets.

Preferred sectors

The industrial/logistics sector, underpinned by continued strong performance results[1], was the top choice for investors this year with 71%. It is the first time in the history of the Survey that industrial/logistics is featured as a single preferred sector choice. It was the only sector in Europe to receive a 2022 score above its seven-year average (67%), up by 4%. This is in sharp contrast to offices and retail which were 15% and 23% down from their long-term averages, with the remaining sectors more or less on par.

Figure 36: Top ten most preferred sectors over time



1 INREV Quarterly Asset Level Index Q3 performance of 6.14% led to the highest 12-month rolling return since inception of 24.41%.

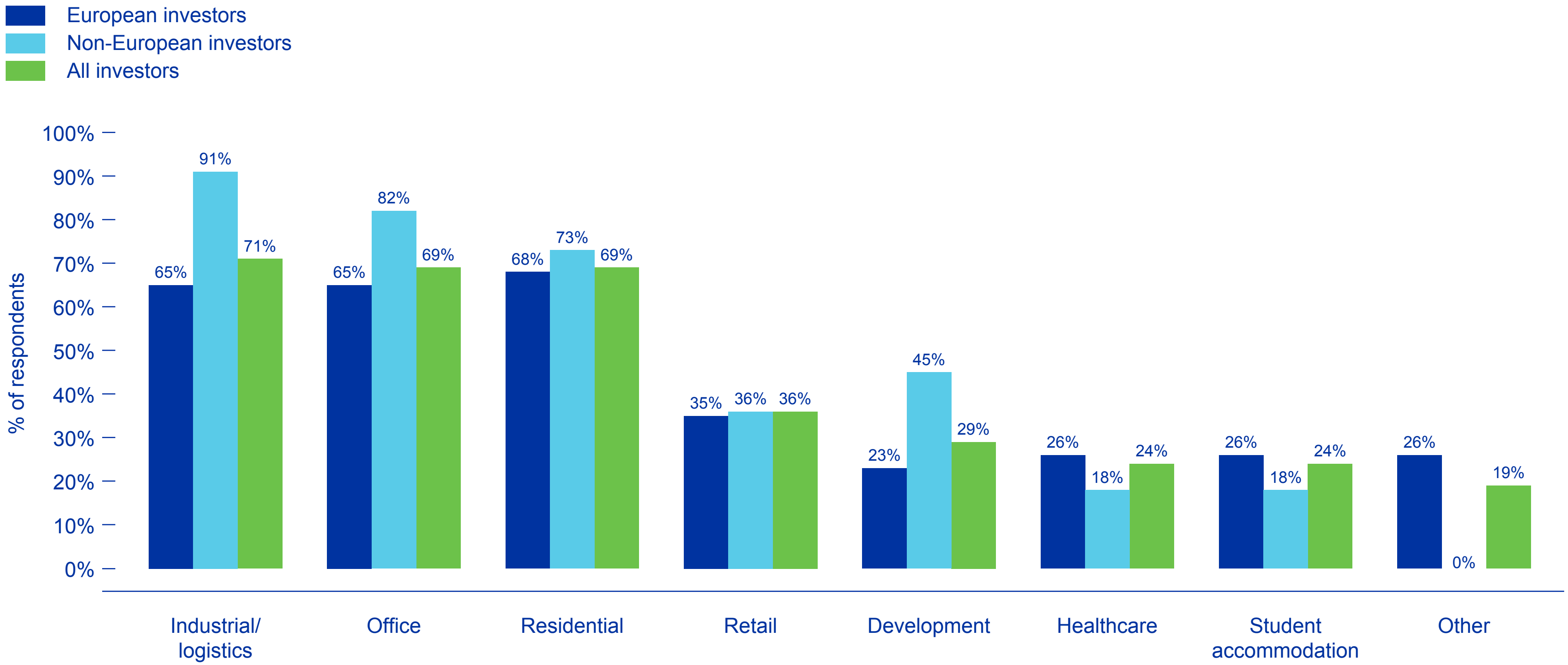
Offices and residential are tied in second place with absolute scores of 69% each, which for offices is significantly below its long term average of 84% as investors are reassessing the future of the office space and their allocations to the sector.

After dropping into fifth place last year, the retail sector moved up back in the fourth position, with an absolute score of 36%.

This is well below industrial/logistics, offices and residential, and still significantly lower than its long term average of 59%, but marks a notable uptick from the lowest level recorded in 2021 of 29%. This shift is aided by a turnaround in retail performance, with a gradual return of investor interest and capital growth turning positive across most European markets in H2 2021, including the UK.

Similar to investor preferences at the country level, there are differences in sector preferences between European and non-European domiciled investors. The two segments that stand out the most are industrial/logistics and developments, with cross-regional investors displaying notably stronger preferences, up to 20% above their European counterparts. It is also the

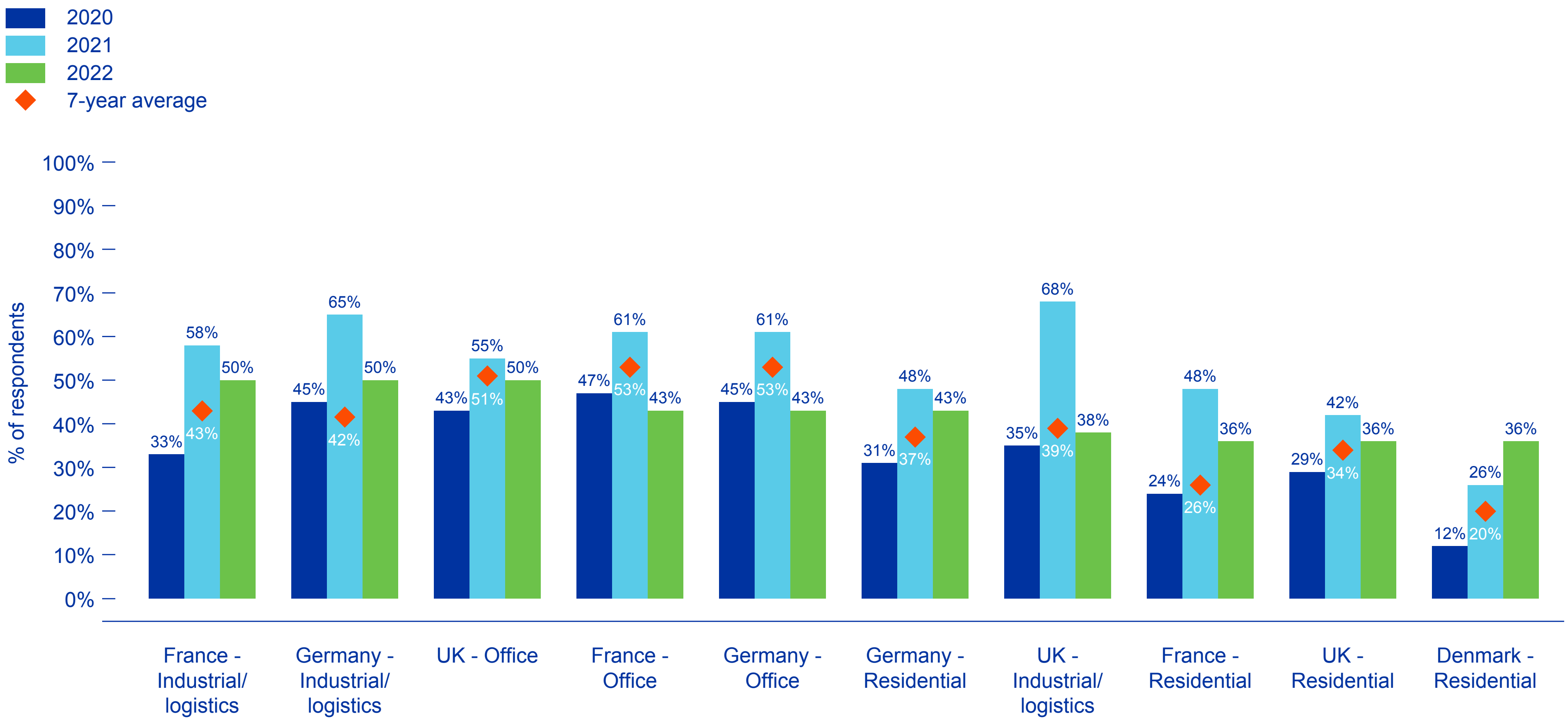
Figure 37: Top ten most preferred sectors in 2022



case for offices, albeit the difference is less pronounced. European investors, on the other hand, have a somewhat stronger preference for the more operationally intense sectors such as healthcare and student housing, which can be explained by high local expertise and operational requirements.

It is worth highlighting the positive shift in cross-regional sentiment towards retail, which is in line with European investors' preference and stood at 35-36% in 2022. This marks a sharp recovery from no interest from Asia Pacific or North American investors reported last year.

Figure 38: Most preferred country/sector combinations over time

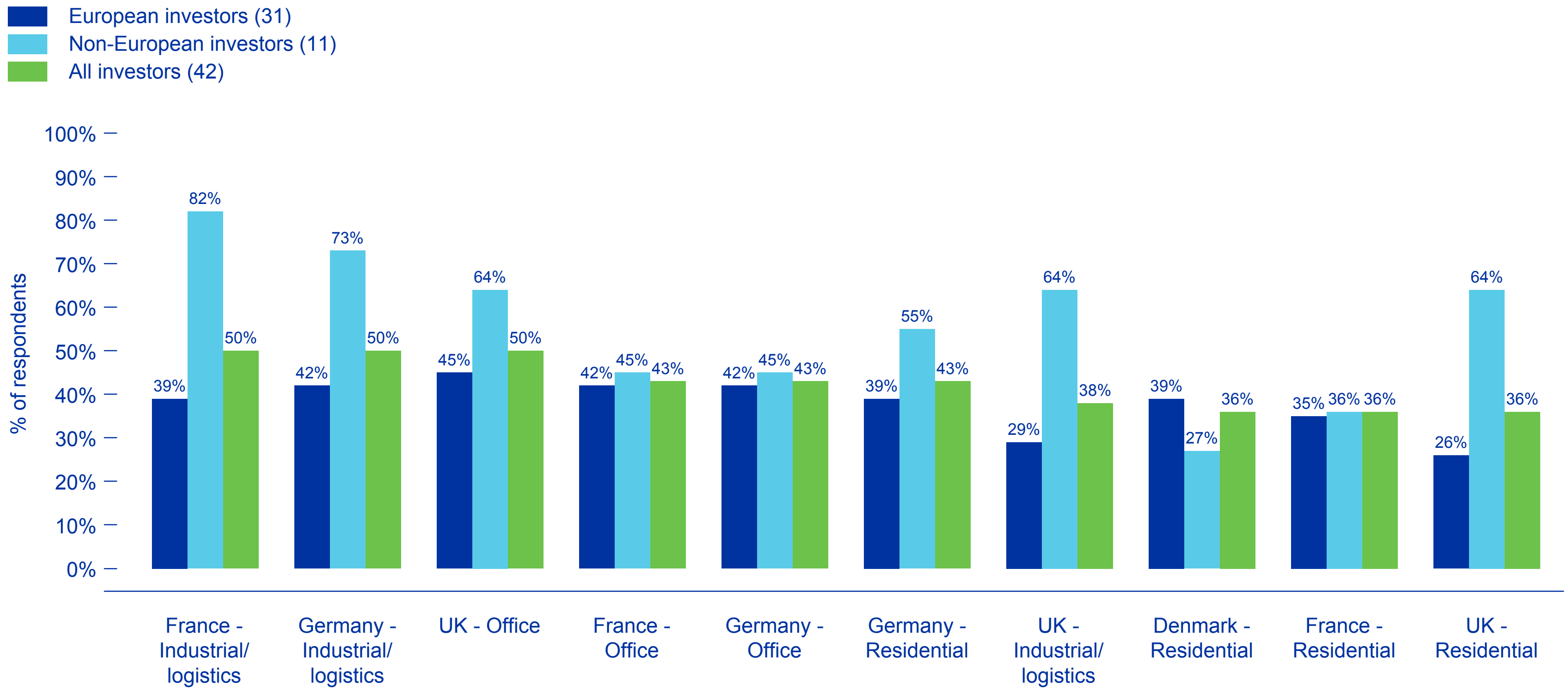


Preferred country/sector combinations

Turning to investors' most preferred country/sector combinations, France industrial/logistics, Germany industrial/logistics and UK office are tied in first position (50%), underlining strong momentum for industrial/logistics as was outlined in the previous section. France office, Germany office and Germany residential share a second position, with 43% of investors indicating their preference. It thus seems that, despite losing some momentum, the office markets for the largest economies in the eurozone are still in demand, relative to other country/sector combinations. In third place this year is UK industrial/logistics, with a score of 38%, which is in line with its long term average.

Worth highlighting the entry of Denmark residential, which is now tied in fourth place with France residential and UK residential. This confirms positive sentiment towards the residential sector in general, where an imbalance between supply and demand continues to exist across Europe.

Figure 39: Most preferred country/sector combinations for 2022



With three entries, the UK made a comeback in 2022, having been absent from the 2021 top ten preferred country/sector combinations.

Regional differences exist when breaking down the results by investor domicile. Non-European investors have a strong preference for the French, German and UK industrial/logistics markets in Europe, in line with previous findings at the sector level.

European investors, on the other hand, seem to have a slight preference for the office sectors in the UK, Germany and France, while still indicating strong demand for French and German industrial/logistics. France residential was the only top ten country/sector where they had a stronger preference than non-European investors.

When looking at the three most preferred country/sector combinations throughout the history of the Survey, France, Germany and the UK have dominated the ranks. France office and Germany office were featured the most, each appearing nine times in the top three selections over the last thirteen years, but absent in 2022. In terms of sector, there has been more dispersion over time, with a shift towards industrial/logistics in the last few years at the expense of retail. These findings are evidenced by the most preferred country and sector combinations in 2022, where France industrial/logistics, Germany industrial/logistics and UK office are most favoured by investors.

Figure 40: Top three most preferred country/sector combinations, 2010 - 2022[2]

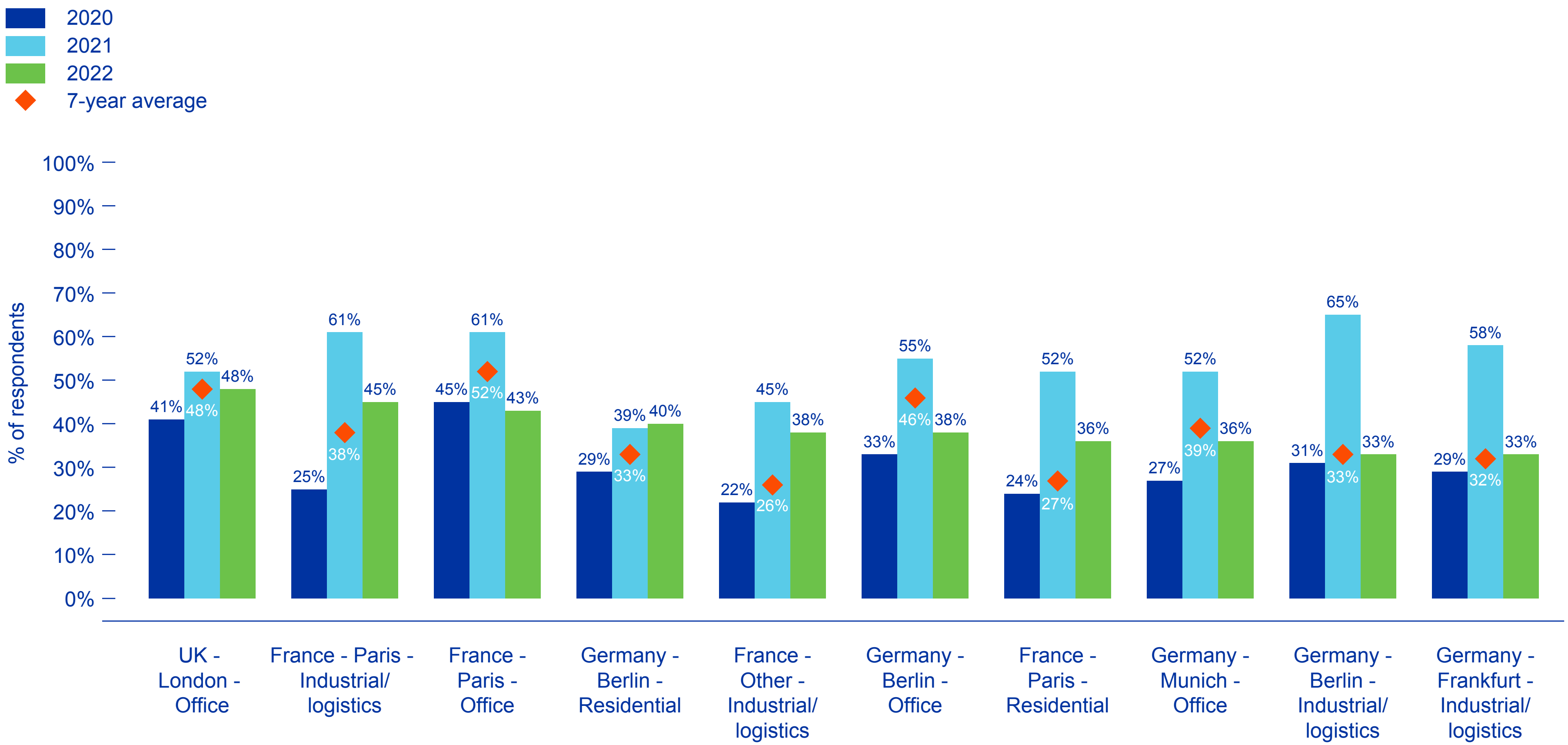
YEAR										
2022			UK - Office		Germany - Ind/logistics					France - Ind/logistics
2021	France - Office	Germany - Office			Germany - Ind/logistics					
2020	France - Office	Germany - Office			Germany - Ind/logistics					
2019	France - Office	Germany - Office	UK - Office							
2018	France - Office	Germany - Office	UK - Office							
2017	France - Office	Germany - Office		Germany - Retail						
2016	France - Office	Germany - Office	UK - Office							
2015		Germany - Office	UK - Office	Germany - Retail						
2014	France - Office	Germany - Office	UK - Office							
2013				Germany - Retail		Nordic - Retail			Germany - Residential	
2012				Germany - Retail		Nordic - Retail		Nordic - Office		
2011	France - Office	Germany - Office		Germany - Retail						
2010	France - Office		UK - Office				UK - Retail			

2 Overview of three most preferred country and sector combinations over time, in ascending order from left to right.

Preferred city/sector combinations

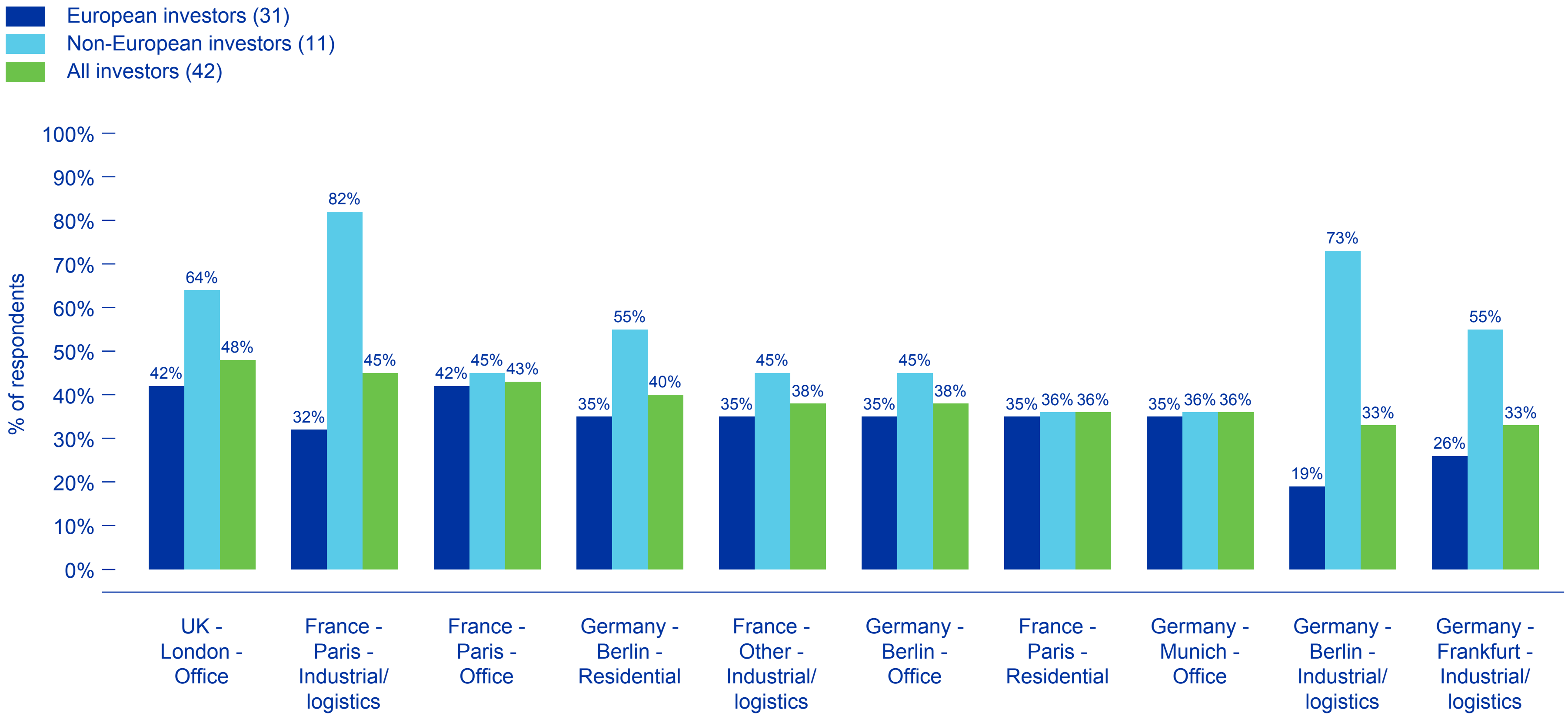
When examining investors' preferred city/sector combinations for 2022, the London office market is the top investment choice, which is interesting, given slower office sentiment overall. This interest might be explained by a positive momentum towards the UK market in general, which is experiencing a sharp recovery after a prolonged period of underperformance. Moreover, interest in the London office market specifically has always been high, as demonstrated by its relatively high long term average of 48%. Less surprising is that the Paris industrial/logistics market is in second place, in light of France industrial/logistics being the most preferred country/sector combination. This also explains increased interest in other industrial/logistics markets in France, ranked in shared fifth place this year with a score of 38%, and substantially higher than its long term average of 26%. The Paris office market came in third, with 43% of investors indicating their preference, albeit below its long term average of 52%.

Figure 41: Most preferred city/sector combinations over time



Similar to preferences observed at the country/sector level, non-European investors are more inclined to invest in industrial/logistics markets than their European counterparts. This is illustrated by Paris industrial/logistics and Berlin industrial/logistics, which top the list with respective scores of 82% and 73%. In contrast, European domiciled investors assigned scores of 32% and 19% to these combinations, respectively. Their top ten scores range from 42% to 19%, with London office and Paris office representing the upper band. Overall, European investors have fewer differences in terms of preferred scores, which goes hand in hand with the search for greater diversification and less concentration in the top ten than was the case last year.

Figure 42: Most preferred city/sector combinations for 2022



Section 5

Expected investment trends for accessing Europe

Expected investment trends for accessing Europe

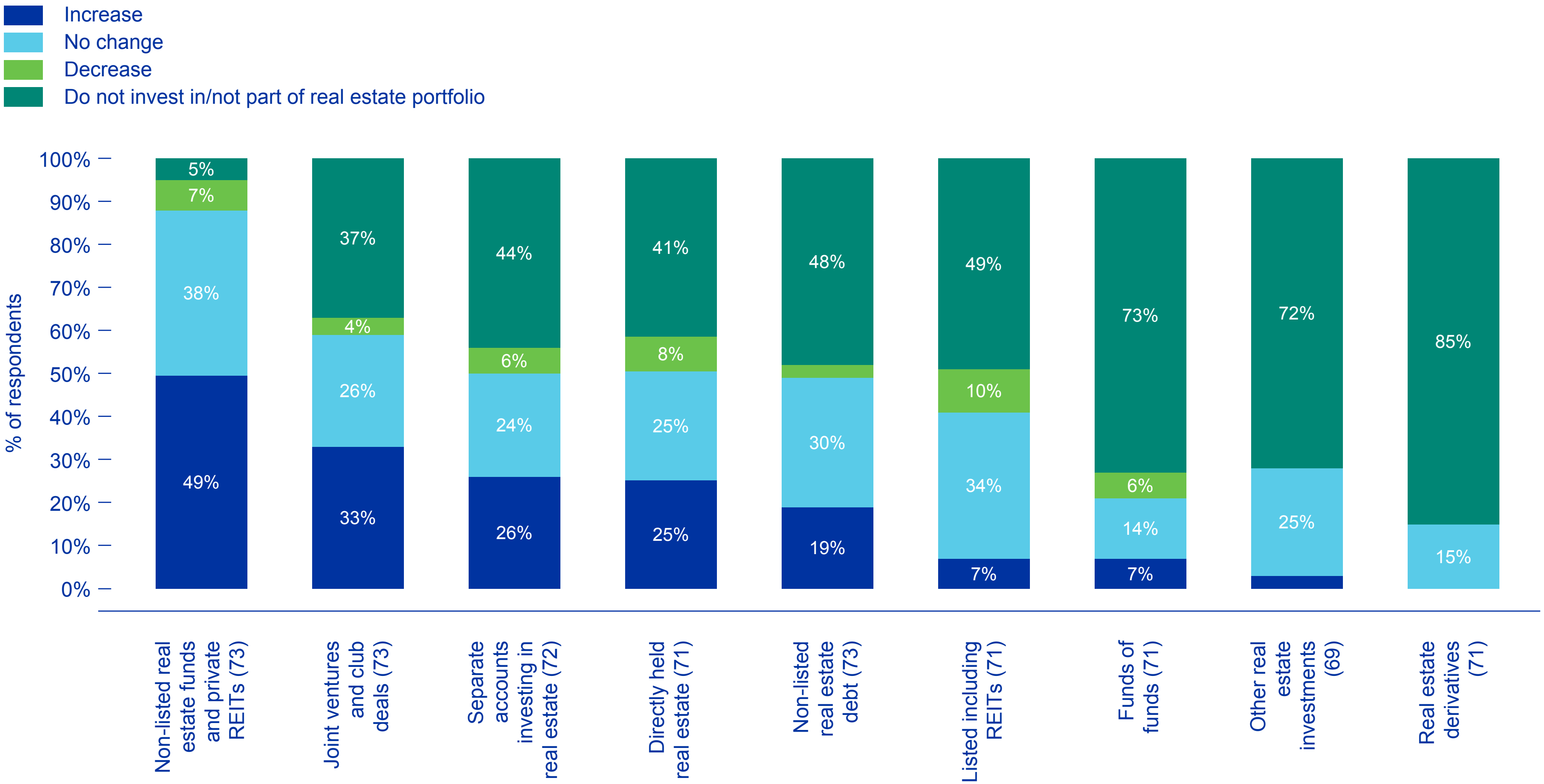
Expected changes to real estate allocations

Despite the continuing pandemic, a large quantity of capital is expected to be placed in European real estate in the next two years. Investors and fund of funds managers in total expect to invest at least €25.9 billion* in European real estate, compared to €26.6 billion* for North America and €14.5 billion* for Asia Pacific and €0.4 billion* to America excluding US. For Europe expected deployments are lower compared to last year's minimum of €30.8 billion while for North America and Asia Pacific the amounts are notably higher compared to last year's €20.3 billion and €11.7 billion, respectively.

On an equally weighted basis and in line with previous years, non-listed funds and private REITs will see most of the new capital

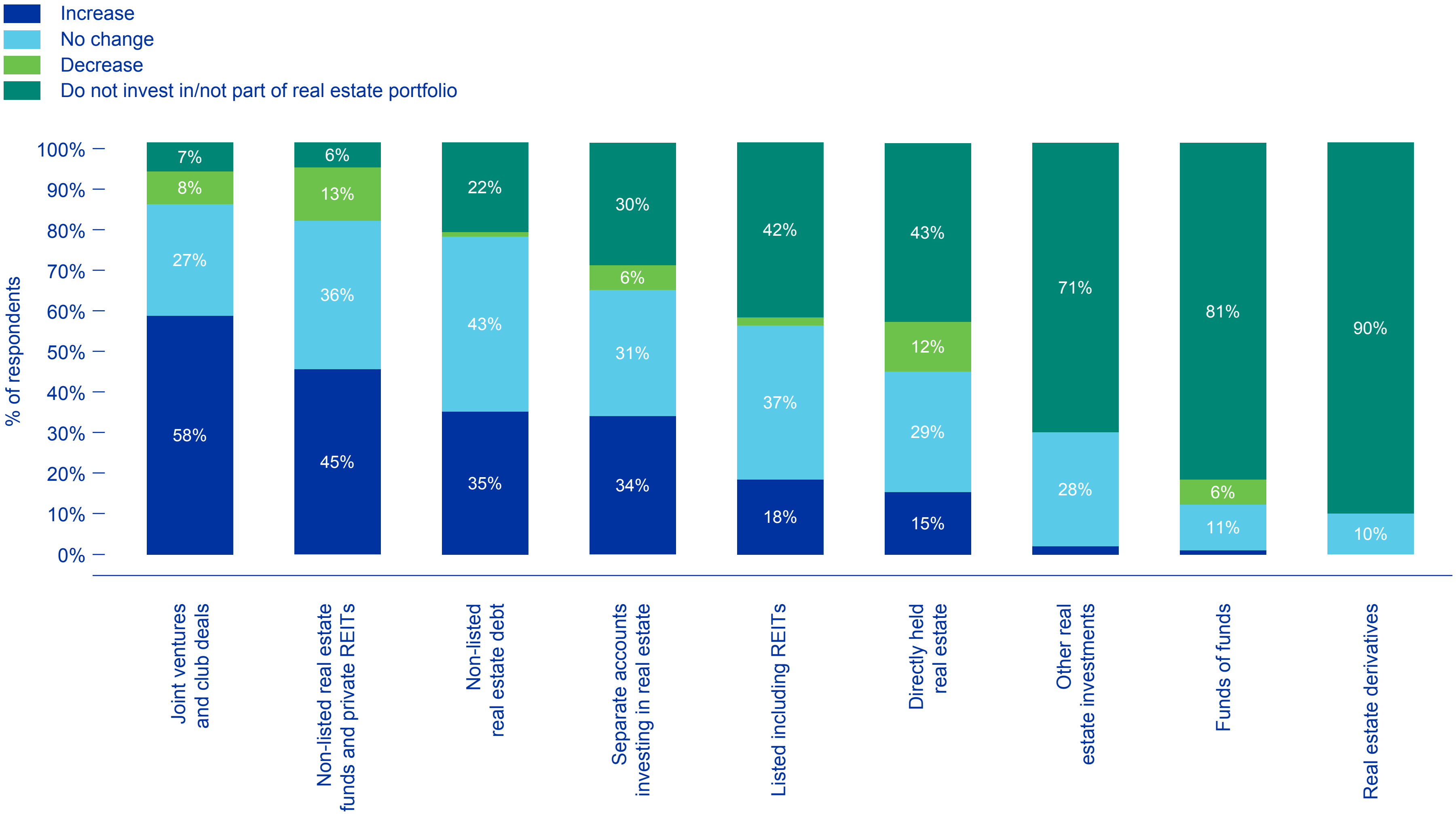
*Correction notice 25 Jan: Since publication, this number has been changed.

Figure 43: Expected changes to real estate allocations in Europe over the next two years



Numbers in brackets shows sample size by number of respondents

Figure 44: Expected changes to real estate allocations in Europe over the next two years (weighted by real estate AUM)



allocations, followed by joint ventures and club deals, separate accounts investing in real estate and directly held real estate.

Between 2017 and 2022, the share of surveyed investors indicating to allocate to European non-listed funds and private REITs increased from 88% to 95%.

It is interesting to observe that directly held real estate slipped into fourth position according to this year's results, with separate accounts moving up into third place with 26% of contributors looking to increase allocations from 17% a year ago, which placed it in fifth position.

Since 2017, the share of surveyed investors with allocations to joint ventures and club deals increased from 57% to 63% while for directly held real estate it rose from 34% to 59%. However, for separate accounts the increase follows after several years of a decline in the share of surveyed investors with allocations.

At the other end of the spectrum, none of the investors expect to increase allocations to real estate derivatives as was the case last year. A significant number of investors indicate that certain types of vehicle/access routes do not play a part in their real estate portfolios. This is also the case for real estate derivatives, and to a lesser extent, funds of funds.

Different findings emerge if the analysis is weighted by real estate assets under management (AUM).

According to the AUM-weighted results, it is clear that joint ventures and club deals, non-listed real estate debt and separate accounts are considered more attractive by larger investors. For joint ventures and club deals as well as for separate accounts, this reflects that larger investors are seeking greater control when looking to invest in real estate over the next two years.

The growing non-listed real estate debt allocations reflect an increased interest in recent years and the gradual evolution of the European real estate debt market. With 19% of respondents aiming to increase allocations to European non-listed real estate debt, the share goes up to 35% on an AUM weighted basis, suggesting that this investment route is notably more attractive to larger investors and less so to smaller ones.

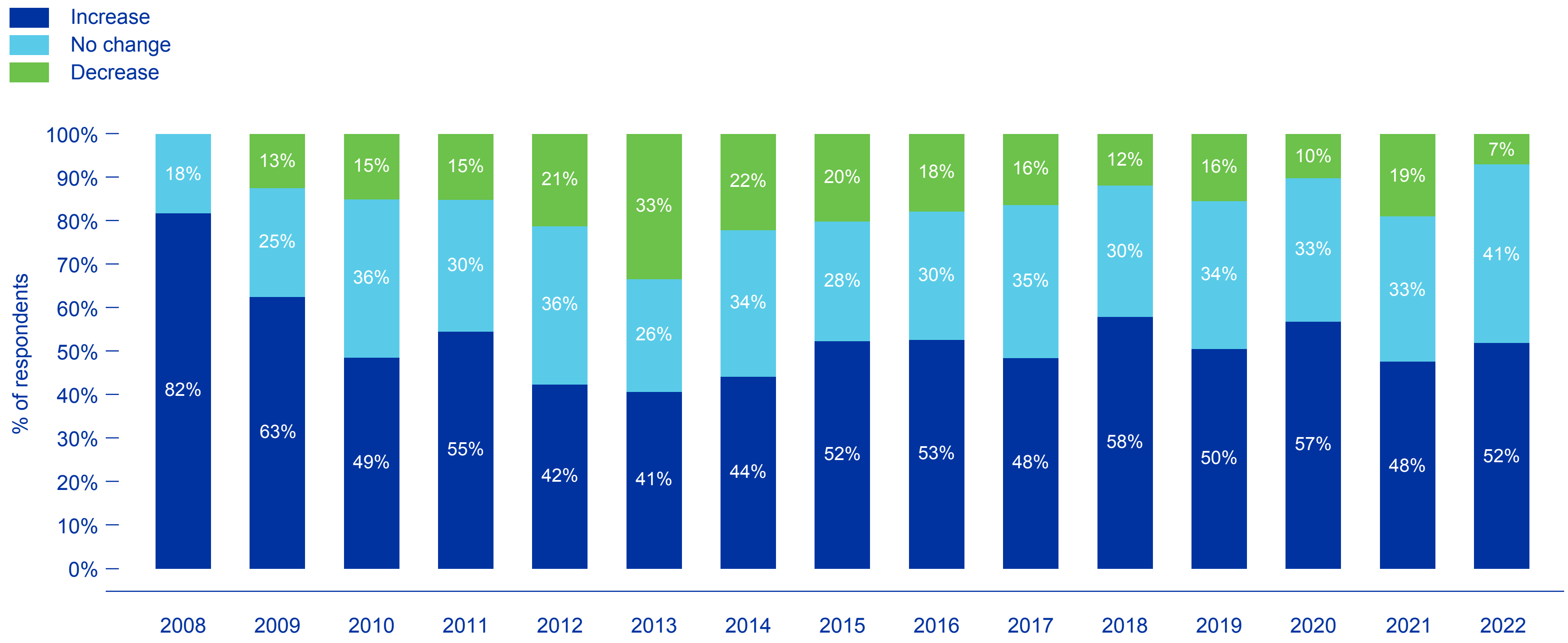
As in the previous three years, non-listed funds are the vehicles for which the largest share of investors expect to decrease their allocations. Real estate derivatives and funds of funds remain unused by most investors.

Expected changes for non-listed real estate funds

Over the last 15 years, investors have indicated that they expect to maintain or increase their allocation to non-listed funds in their portfolios and 2022 results are no different.

The latest results reveal that 52% of the investors expect to increase their allocation to non-listed funds in the next two years, up from 48% in 2021. The number of respondents expecting to decrease allocations to non-listed funds has fallen to 7%, its lowest level since 2008 and a sharp contrast to 19% reported last year.

Figure 45: Expected changes in allocations to non-listed real estate funds and private REITs, 2008 - 2022



Turning to the same analysis by different investor types, some differences emerge.

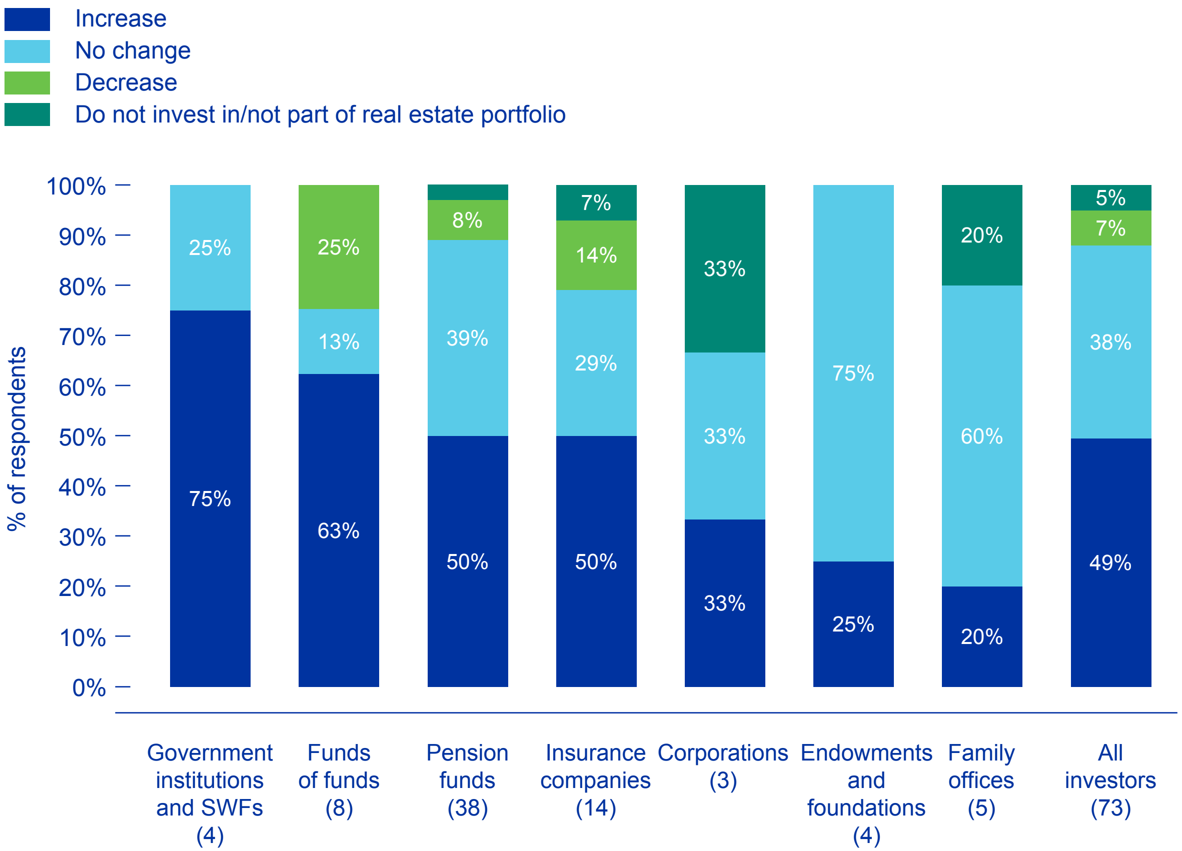
Government institutions and sovereign wealth funds have the most positive view on non-listed real estate funds, with the majority expecting to increase their allocations, and none planning to decrease them.

For funds of funds, the majority of respondents expect to increase their allocations although this year 25% of respondents expect to decrease them, which is a new development, compared to no such intentions reported last year.

On balance, pension funds and insurance companies have a positive view of non-listed real estate funds, as was the case last year. Over the next two years, the proportion expecting to increase allocations exceeds those respondents expecting to decrease them.

For corporations, the share of investors expecting to decrease allocations to non-listed real estate funds is the highest among all investor types. No change in allocations are expected by most endowments and foundations as well as for family offices.

Figure 46: Expected changes in allocations to non-listed real estate funds and private REITs by investor type



Numbers in brackets shows sample size by number of respondents

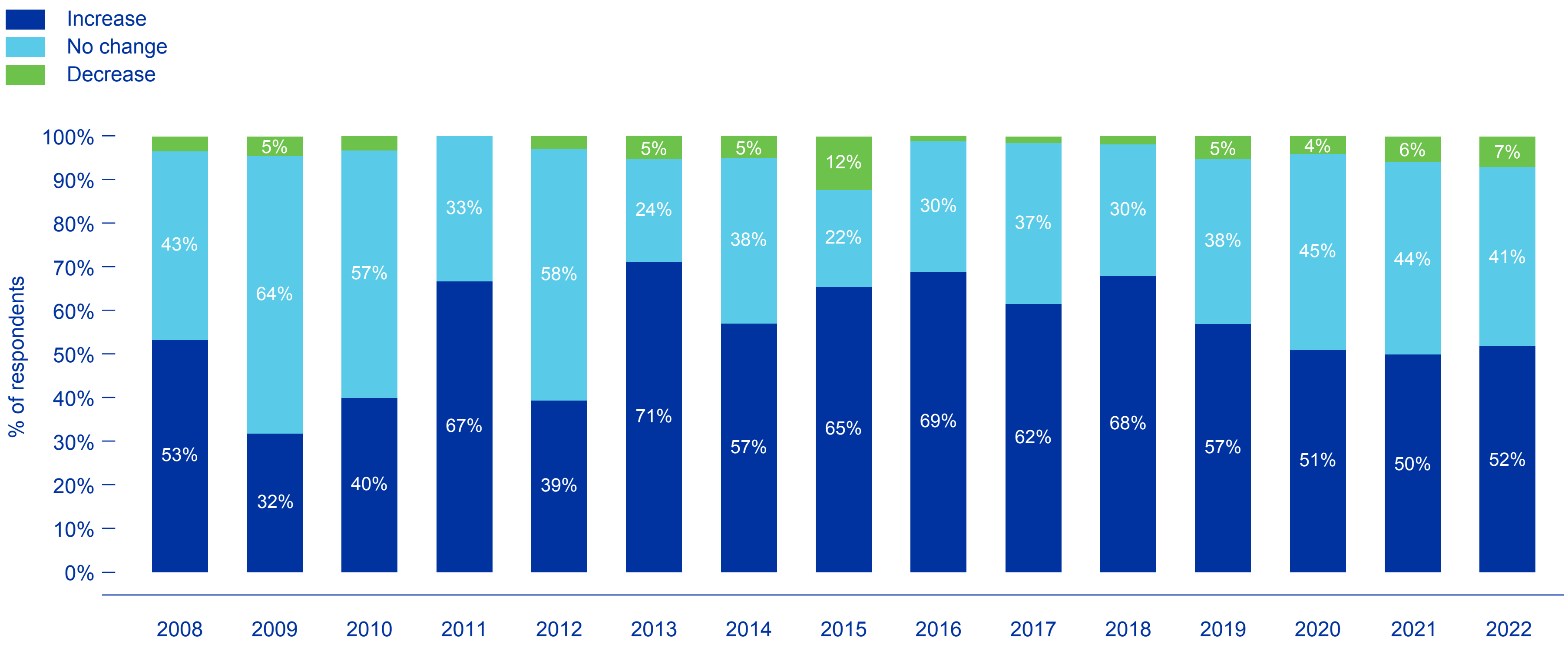
Expected changes to joint ventures and club deals

Interest in joint ventures and club deals has been on the rise since 2012. Until 2019 the proportion of investors indicating that they intend to increase their allocation to this type of vehicle stood above 55%.

For the next two years, 52% of investors intend to increase allocation to joint ventures and club deals. This follows the trend that started in 2019, as illustrated by Figure 47, with fewer investors increasing their allocations and a growing share maintaining or decreasing their level of exposure.

At a first glance, this may indicate that a growing number of investors have met their desired allocations. However, respondents expected to increase their exposure to this type of vehicle include large investors and this can have a significant impact on the market.

Figure 47: Expected changes in allocations to joint ventures and club deals, 2008 - 2022

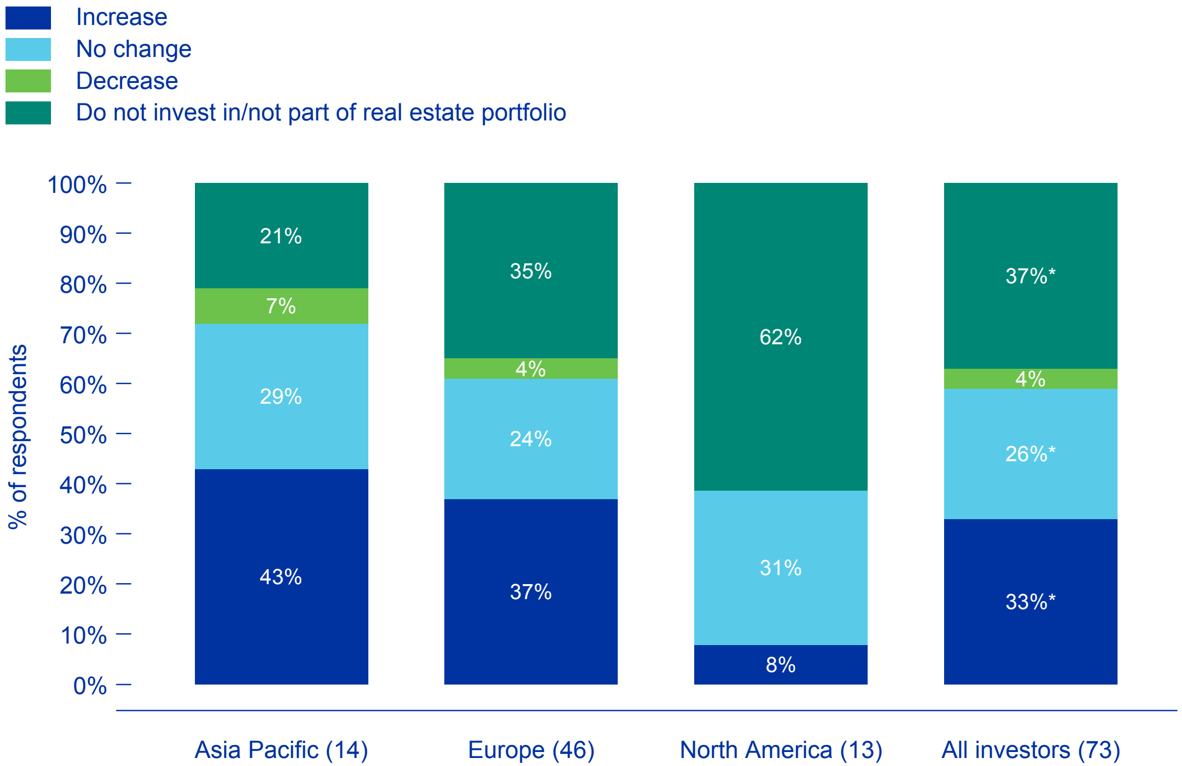


Most European investors expect to increase or maintain their allocations to joint venture and club deals in the next two years, while only a small proportion expects a decrease.

Asia Pacific investors targeting Europe have a higher exposure to joint ventures and club deals. Moreover, those that expect to increase their exposure outnumber those that expect to decrease.

In contrast to Asia Pacific and European investors, the majority of the North American investors targeting Europe do not have exposure to joint ventures and club deals. Of those that do, the majority expect to maintain their allocation while a smaller proportion expects an increase.

Figure 48: Expected changes in allocations to joint ventures and club deals by investor domicile



Numbers in brackets shows sample size by number of respondents

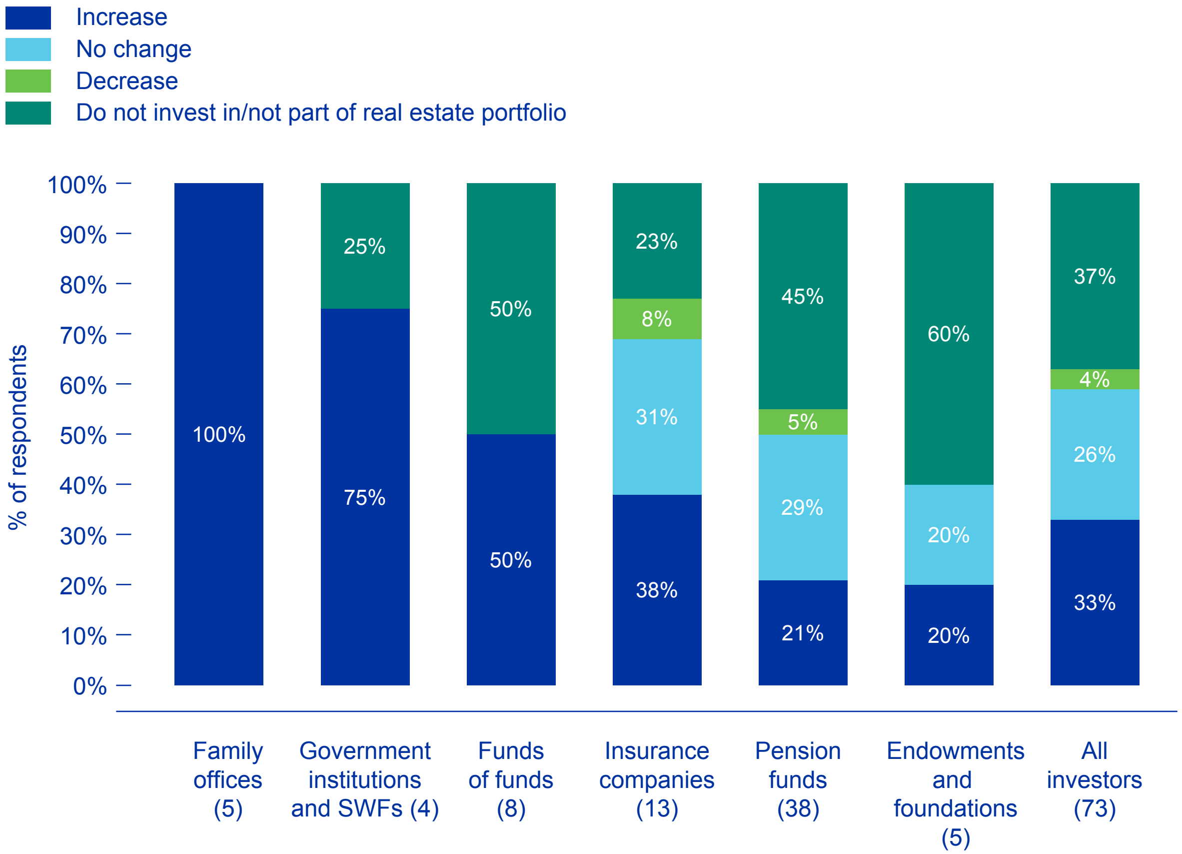
*Correction notice 25 Jan: Since publication, this number has been changed.

As in previous years, family offices and funds of funds have a relatively strong commitment to joint ventures and club deals, with 100% and 50%, respectively, expecting to increase their allocation further.

This year government institutions and sovereign wealth funds also show a large proportion expecting to increase their allocation, with about a quarter not investing in the segment at all.

A majority of most other types of investors expect to increase or maintain their allocation to these vehicles. Only a small proportion of pension funds and insurance companies plan to reduce allocations in the next two years.

Figure 49: Expected changes in allocations to joint ventures and club deals by investor type

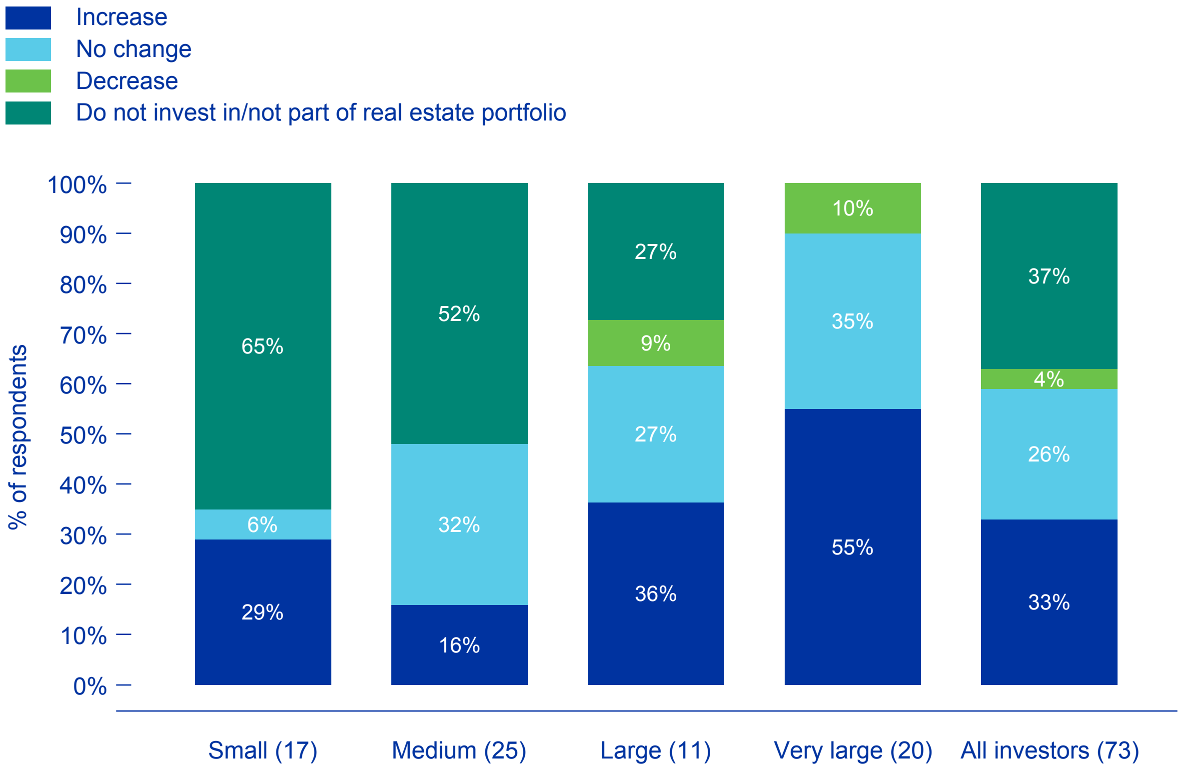


Numbers in brackets shows sample size by number of respondents

It is not surprising that, relative to smaller investors, larger investors exhibit a higher exposure to joint ventures and club deals and higher allocation expectations.

On the other hand, 35% of the smaller investors and 48% of the medium-sized investors expect to increase or maintain their allocation to joint ventures and club deals, while none plan to decrease.

Figure 50: Expected changes in allocations to joint ventures and club deals by investor size



Numbers in brackets shows sample size by number of respondents

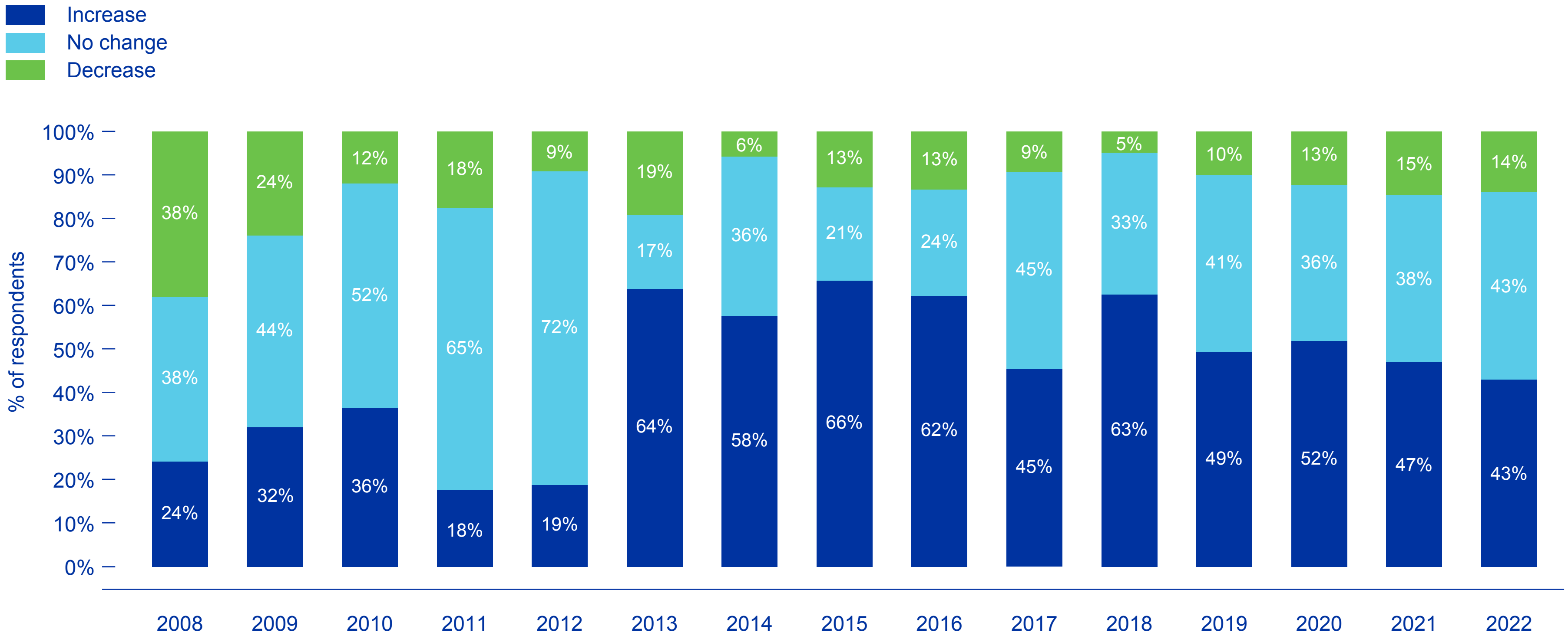
Expected changes to directly held real estate

Most investors have been expressing their intention to increase allocations to European directly held real estate since 2013, or at least to maintain them.

This year is no exception, with 43% of the respondents expecting to increase their allocations to direct real estate in the next two years, while another 43% are looking to maintain their exposure.

On the other hand, the share of investors expecting to decrease their allocation to directly held real estate in the next two years decreased slightly following an increase between 2018 and 2021.

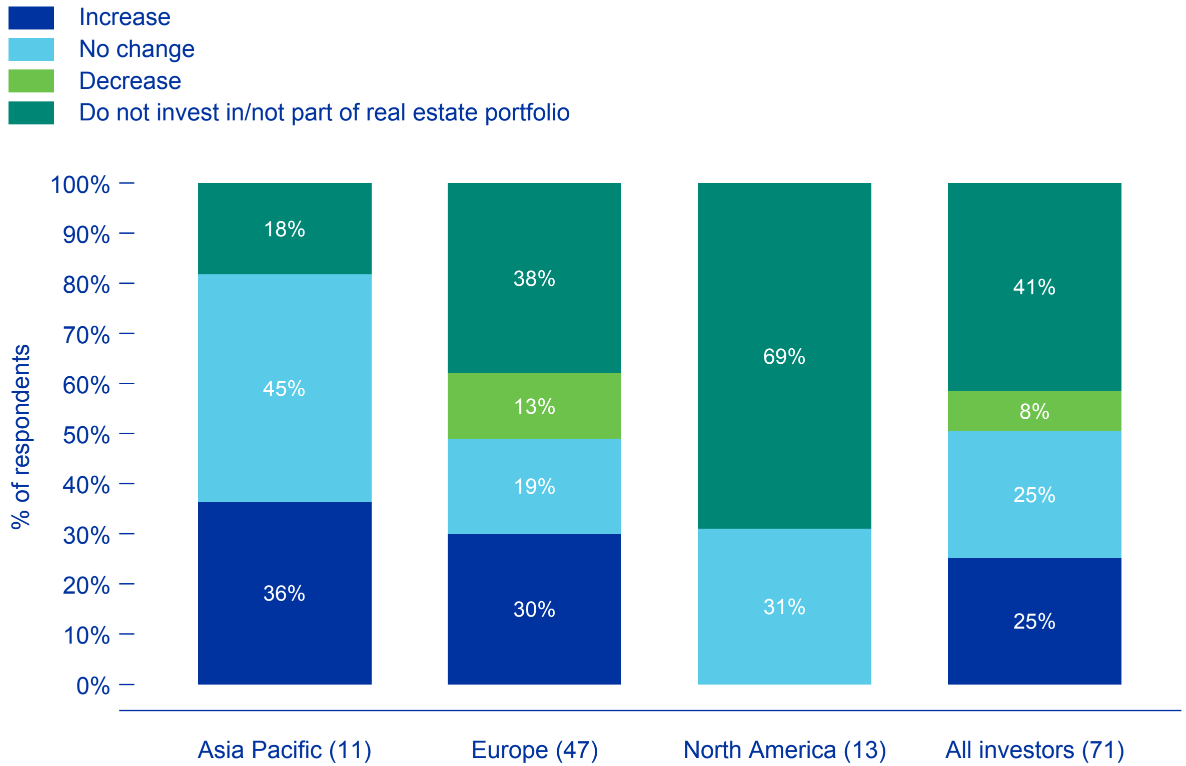
Figure 51: Expected changes in allocations to directly held real estate, 2008 - 2022



A majority of the European investors with exposure to directly held real estate in Europe expect to increase allocations to this type of vehicle, while 13% expects to decrease.

Cross-regional investors with exposure to directly held real estate in Europe expect to increase or maintain their allocations. This is the case for all Asia Pacific and North American investors, albeit the latter group is mostly focused on maintaining current allocations.

Figure 52: Expected changes in allocations to directly held real estate by investor domicile



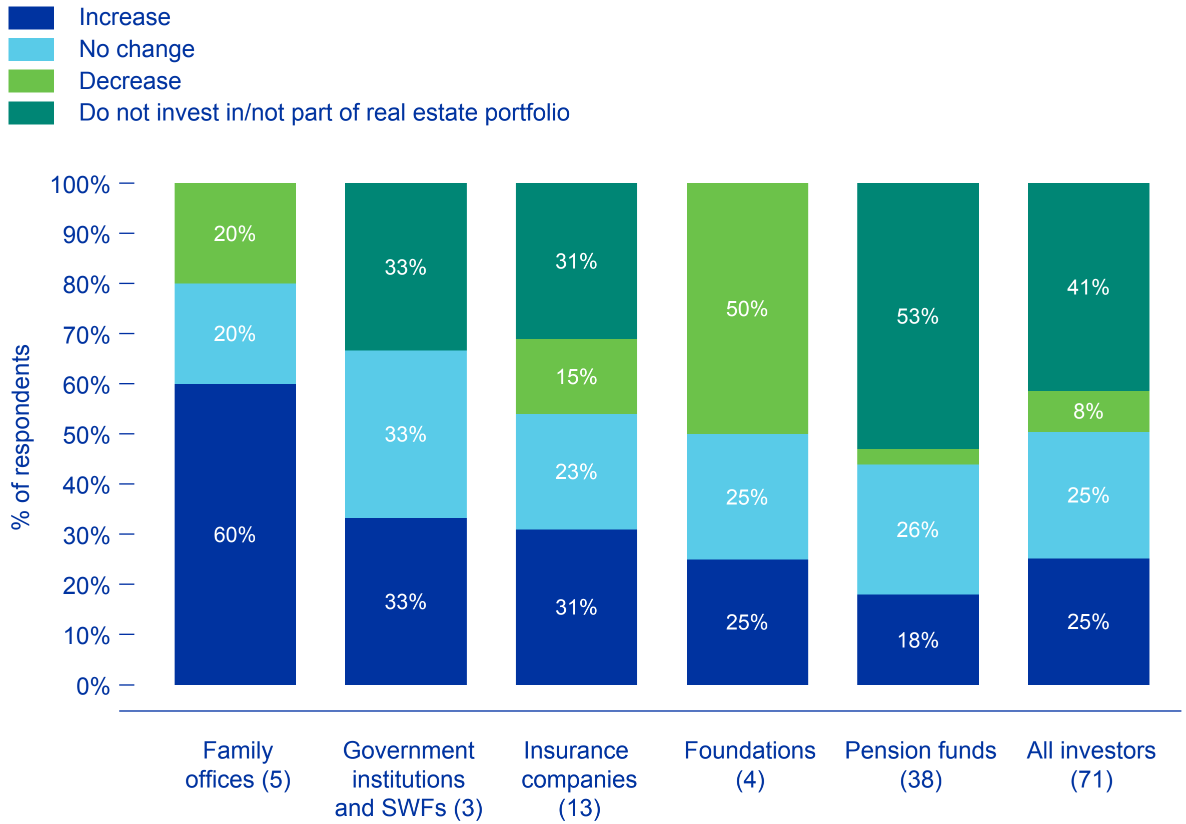
Numbers in brackets shows sample size by number of respondents

By type of investor, family offices with exposure to directly held European real estate have the strongest ambitions, with 80% expecting to increase or maintain their allocations.

Of those government institutions and sovereign wealth funds with exposure to directly held real estate, an equal proportion expects to increase or maintain their allocation in the coming two years.

All foundations in the sample have direct real estate exposure with 50% of respondents expecting to decrease their allocations, the highest proportion among all investor types.

Figure 53: Expected changes in allocations to directly held real estate by investor type



Numbers in brackets shows sample size by number of respondents

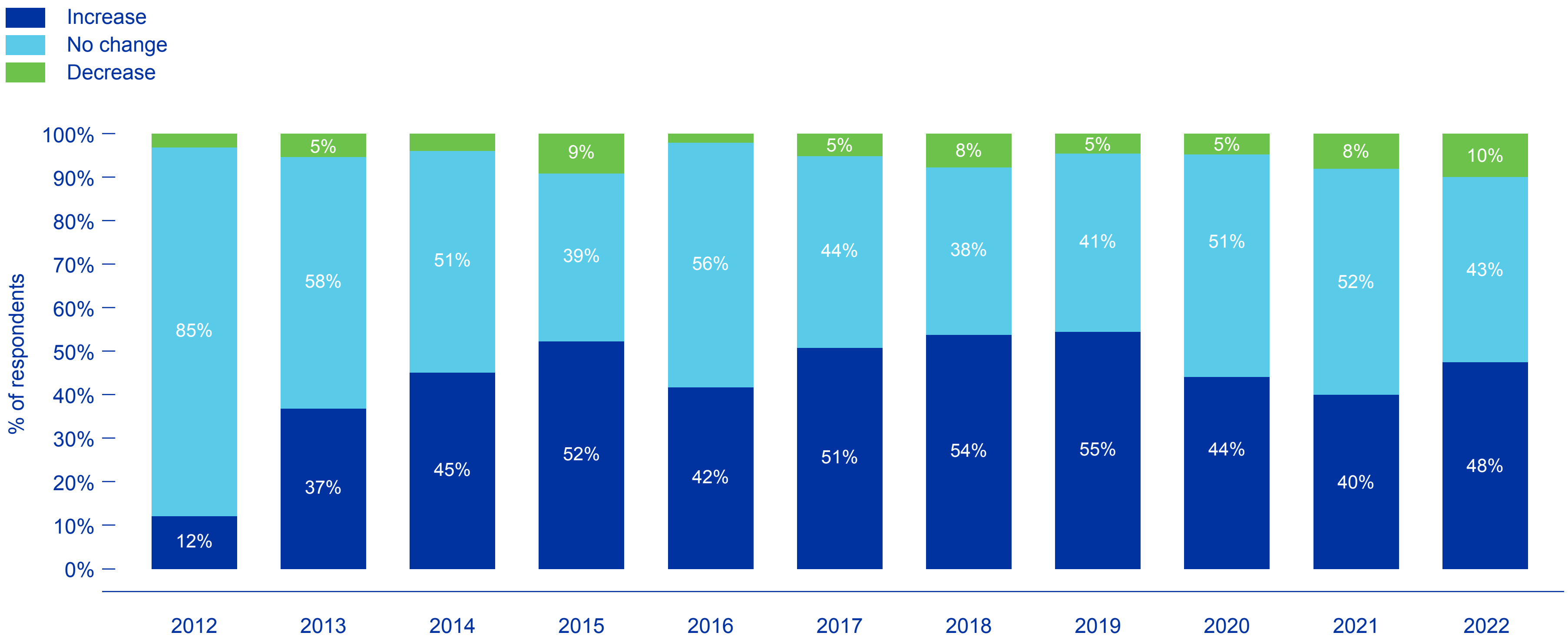
Expected changes to separate accounts investing directly

Up until 2019, there has been a strong tendency for investors to increase their allocation to separate accounts.

The share of investors looking to increase allocations slowed to 40% in 2021, its lowest level since 2013. This decline appears to have reversed in 2022, with 48% of the investors surveyed expecting to increase their allocation.

On the other hand, the proportion of investors expecting to decrease their allocation in the next two years increased slightly to 10%, the highest level since the start of the time series in 2012.

Figure 54: Expected changes in allocations to separate accounts investing in real estate, 2012 - 2022

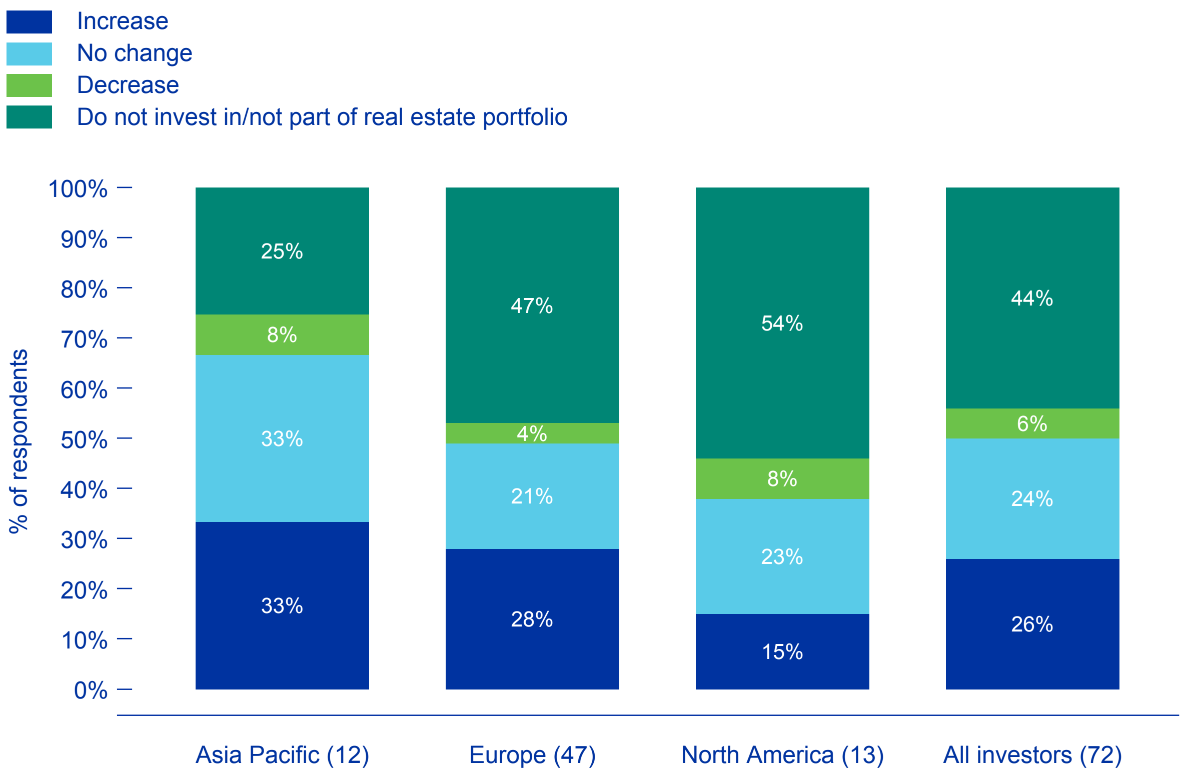


Regardless of their home region or type, a notable share of investors does not use separate accounts to access the real estate market. At 25%, Asia Pacific investors have the lowest share of respondents with no allocations to separate accounts at all, followed by European and North American investors with 47% and 54% of the respondents with no allocations, respectively.

Of those based in Europe who use separate accounts as a vehicle for managing their real estate investments, the majority intend to maintain or increase their allocations, and only a small fraction expect to decrease their allocation to it. The outlook is quite similar for North American investors, albeit the share of respondents intending to increase allocations is notably smaller at 15% against 28% equivalent for European investors.

Asia Pacific investors show a similar pattern, with the majority expecting to maintain or increase their allocation to separate accounts in the next two years although of this group a small fraction expects to decrease the exposure.

Figure 55: Expected changes in allocations to separate accounts investing in real estate by investor domicile



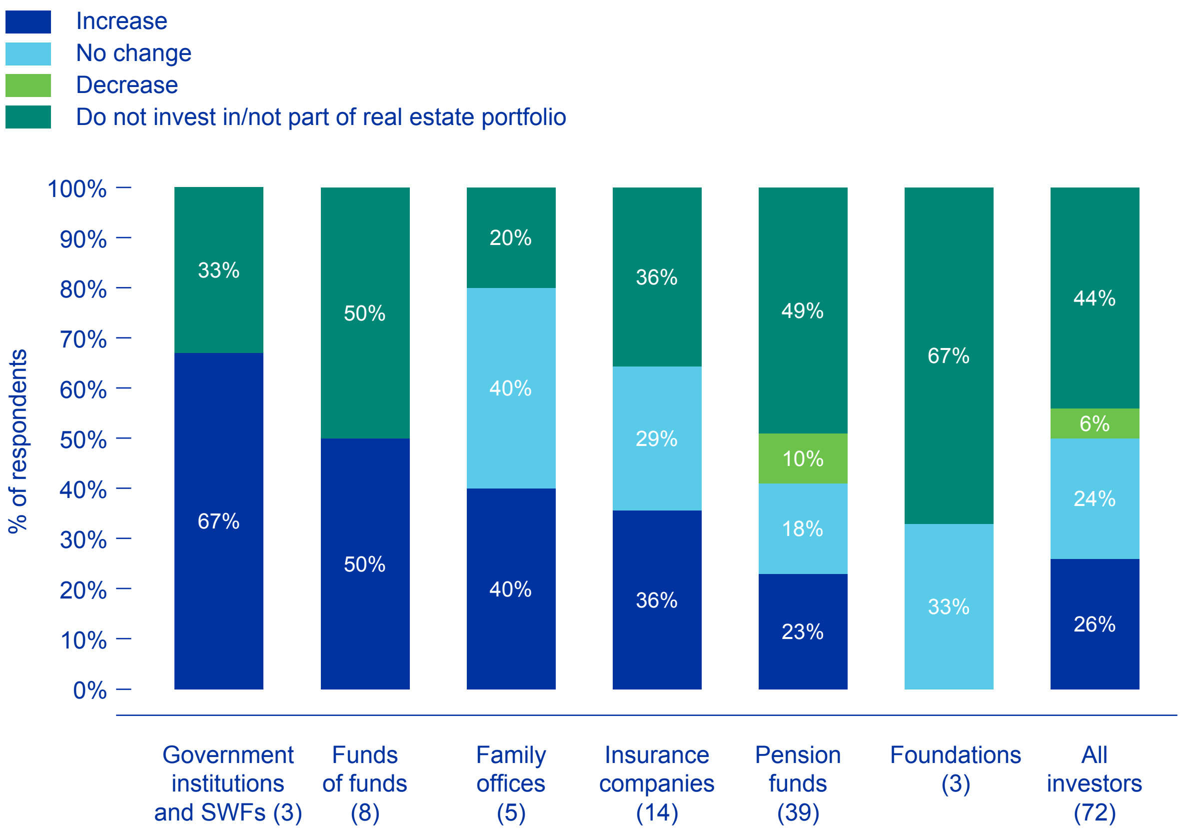
Numbers in brackets shows sample size by number of respondents

In aggregate, most types of investors in separate accounts in Europe expect to maintain or increase their allocation in the next two years.

Family offices have the highest exposure to separate accounts with none expecting to decrease their allocation. As was the case last year, pension funds are the only investor type with some respondents expecting to decrease allocations to this type of vehicle in the next two years.

Foundations have the lowest exposure to separate accounts, and of those that do, none expect to further increase.

Figure 56: Expected changes in allocations to separate accounts investing in real estate by investor type



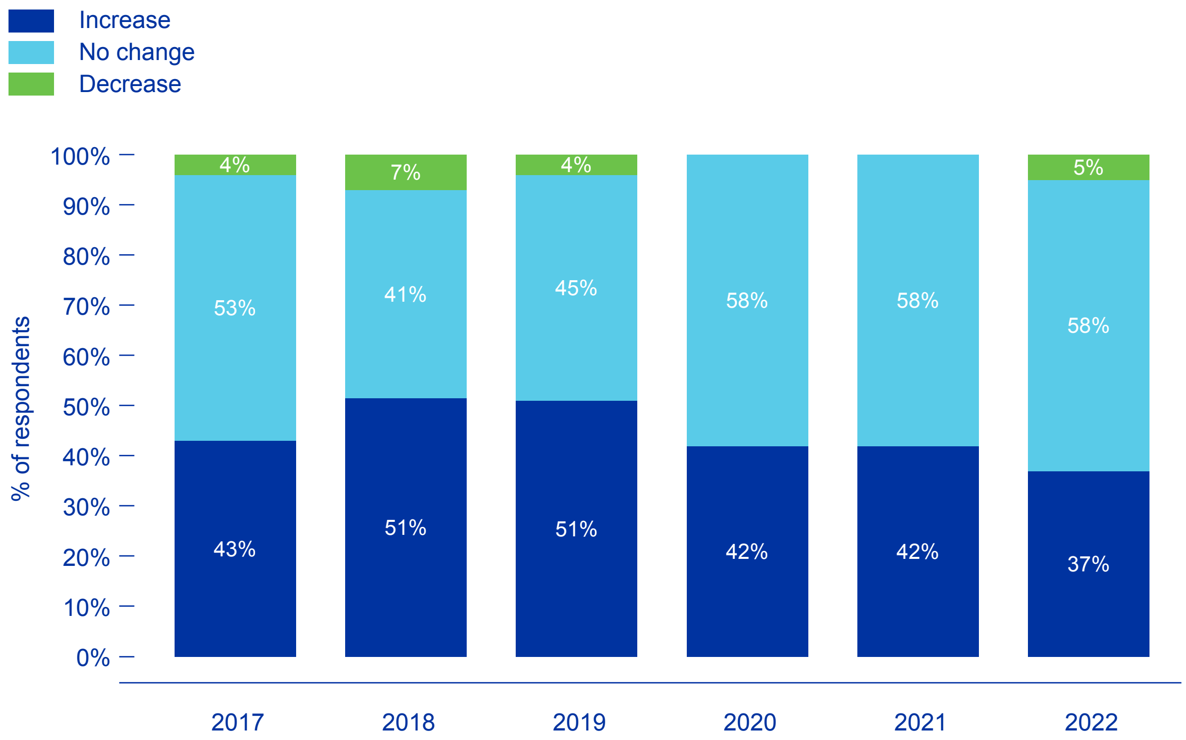
Numbers in brackets shows sample size by number of respondents

Expected changes to non-listed real estate debt

Investing in European non-listed real estate debt has been on the rise in recent years. The proportion of investors with allocations to this vehicle type has increased for the third consecutive year from 43% in 2019 to 52% in 2022.

Of those investors in non-listed real estate debt, the majority expects to maintain their allocations. The share of investors expecting to increase allocations has levelled off in the last three years to 37% in 2022, and only 5% of investors expecting a decrease.

Figure 57: Expected changes in allocations to non-listed real estate debt, 2017 - 2022



Despite the strong growth in interest for European non-listed real estate debt in recent years, the market is still evolving, meaning that the proportion of investors with no exposure is higher compared to non-listed real estate funds, joint ventures and club deals, separate accounts and directly held real estate.

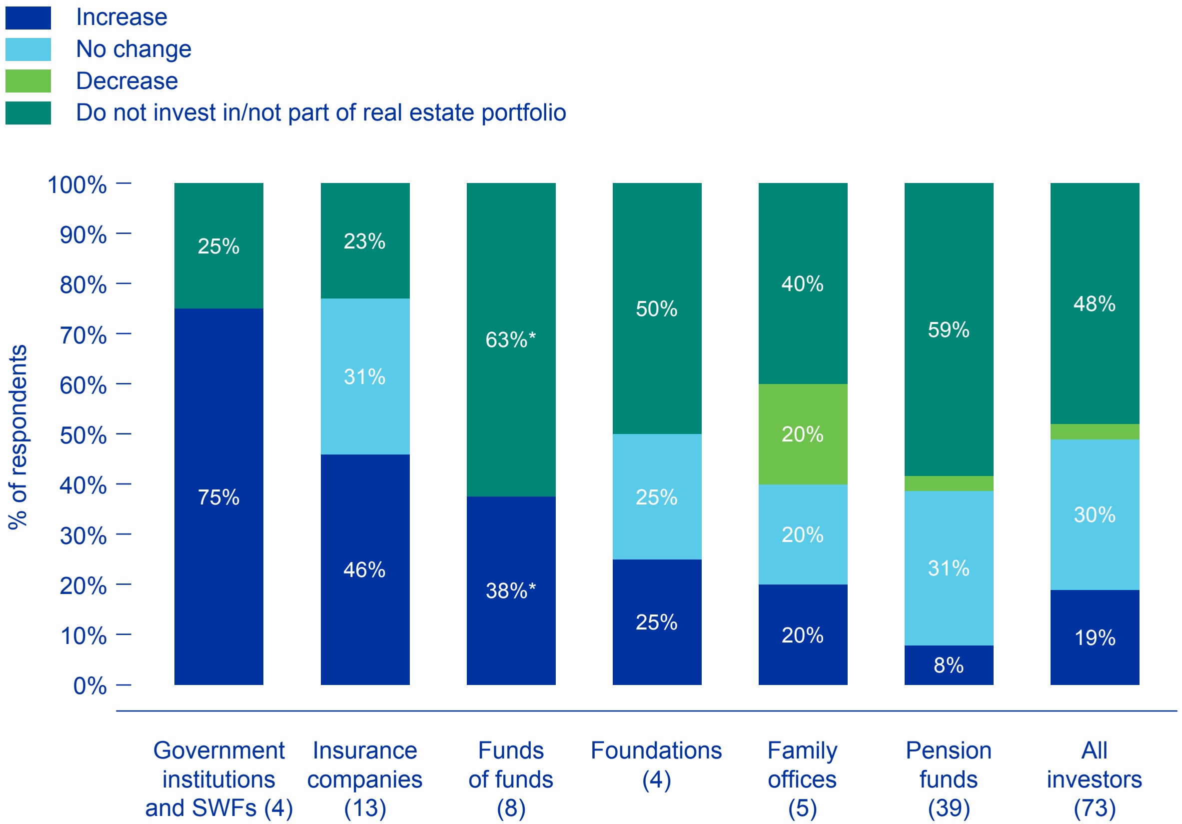
A majority of the pension funds in the sample do not invest in non-listed real estate debt, while for funds of funds and foundations this is the case for 63% and 50% of the investors, respectively.

Of those investors with exposure to European non-listed real estate debt, government institutions and sovereign wealth funds have the most positive outlook and all expect an increase in allocations. The same goes for funds of funds although the proportion of investors with allocations to non-listed real estate debt is lower.

For insurance companies and foundations all investors with allocations to non-listed real estate debt expect to maintain or increase their allocations.

At 20%, family offices is the only investor type with notable share of investors expecting to decrease allocations to non-listed real estate debt. No or minimal decrease in allocations is reported by all other investor types.

Figure 58: Expected changes in allocations to non-listed real estate debt by investor type



Numbers in brackets shows sample size by number of respondents

*Correction notice 25 Jan: Since publication, this number has been changed.

In addition, there are some differences by size of investors that are worth highlighting.

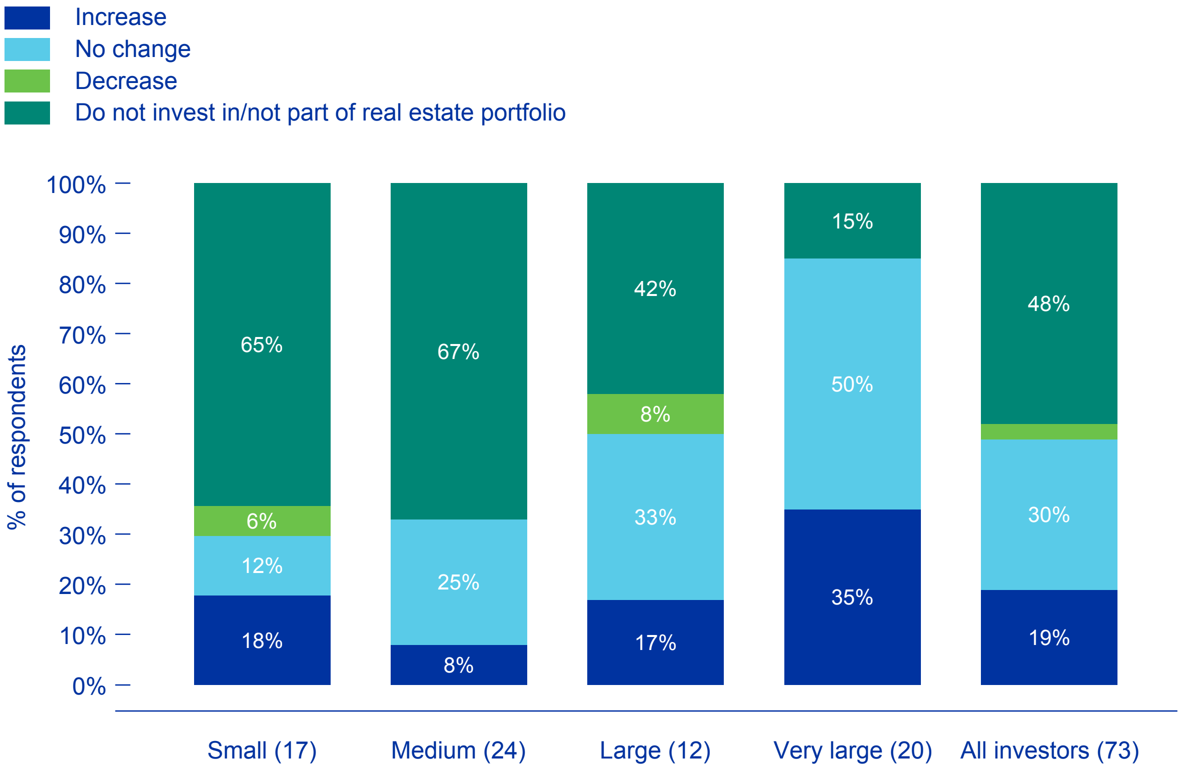
By size, very large investors appear to have the highest exposure to European non-listed real estate debt. Of these, all expect to maintain or increase their allocations and none expect a decrease.

For other investors, the exposures to European non-listed real estate debt are considerably lower at approximately a third for small and medium-sized investors and around 40% for larger-sized investors.

Nevertheless, of those small, medium and large-sized investors with exposure to non-listed real estate debt, the majority expect to maintain or increase their allocations.

Besides non-listed funds as the most popular route into European real estate, there is continuing interest in joint ventures, club deals, non-listed real estate debt and separate accounts. This is especially the case for investors of a certain scale as it enables them to be even more effective and flexible in deploying strategies. Equally, all of these routes are also used by smaller-sized investors to increase and diversify their European real estate allocations.

Figure 59: Expected changes in allocations to non-listed real estate debt by investor size



Numbers in brackets shows sample size by number of respondents

Section 6

Preferred features of non-listed real estate funds

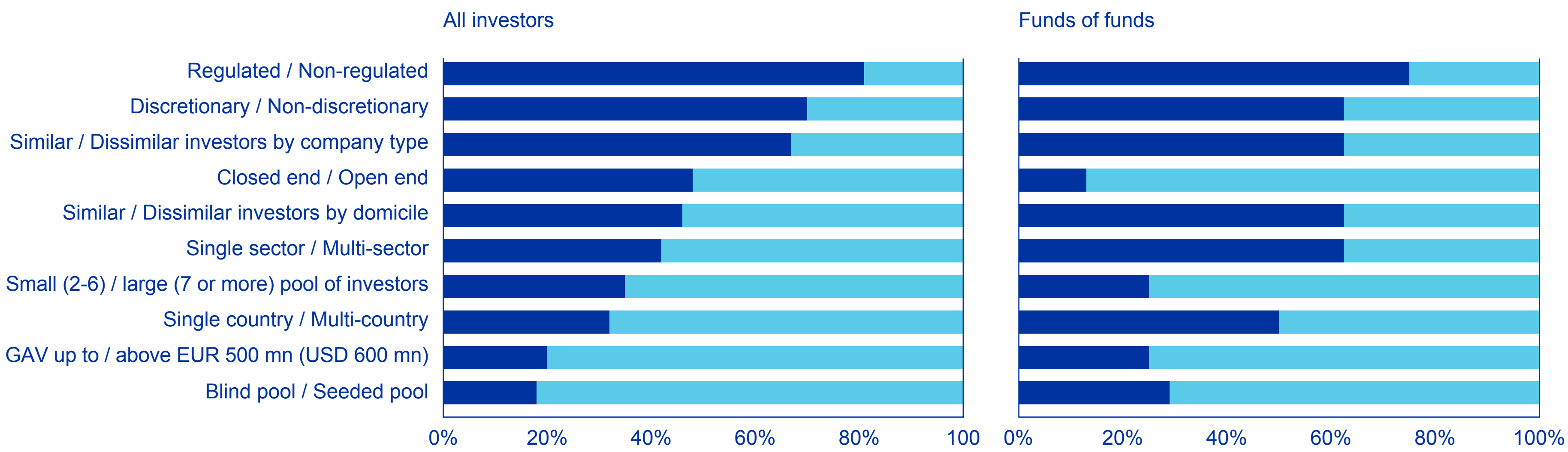
Preferred features of non-listed real estate funds

Preferred features of non-listed real estate fund investments by respondent type

When examining the features of non-listed real estate fund investments, investors have a stronger preference for discretionary funds in a regulated environment. The results have also shown that investors prefer to invest alongside investors who are similar in structure. This is likely to ensure their interests are aligned in terms of expected returns and risk appetite. Moreover, investors tend to prefer investing in multi country and multi sector funds that offer diversification over their single country and single sector counterparts, which goes hand in hand with a significant preference for funds with GAV above €500 million.

Fund of funds managers are similar to investors when it comes to preferred features for non-listed funds, albeit some differences exist in terms of the degree of preference. One of those differences is exhibited in the stronger interest towards open end funds, which offer more flexibility when looking to rebalance portfolios. Fund of funds managers also seem to have a less clear preference for diversified structures, where a higher proportion of respondents indicated they would rather invest in single sector funds than multi sector funds. This is not surprising, given the nature of their business model.

Figure 60: Preferred features for non-listed real estate fund investments by respondent type



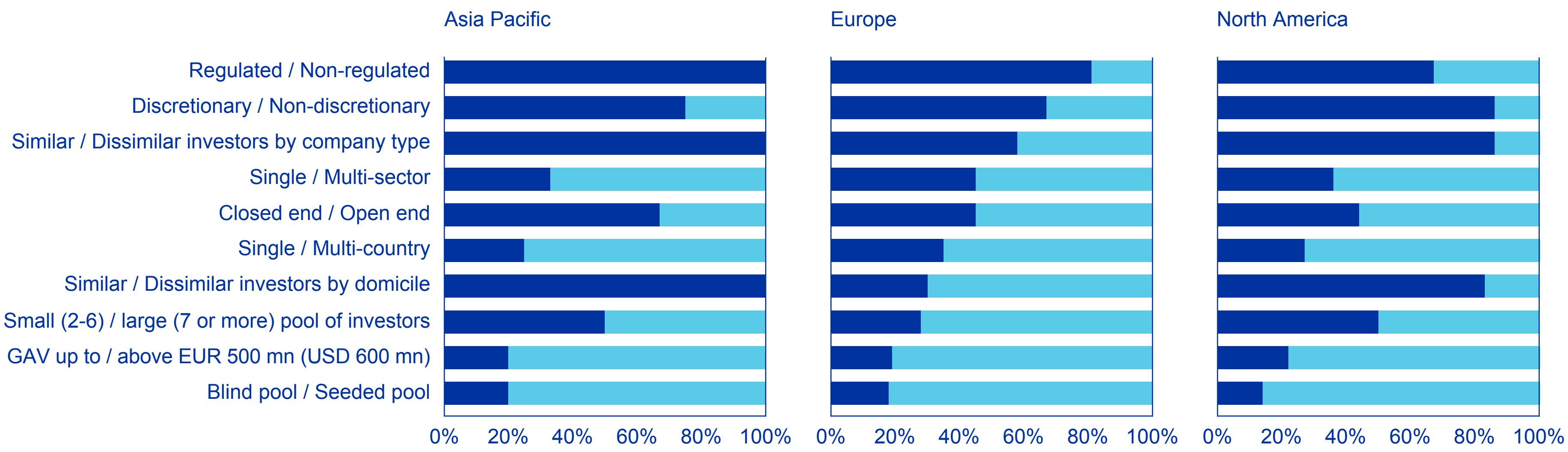
Preferred features of non-listed real estate fund investments by investor domicile

Turning to the preferred features by investor domicile, Asia Pacific investors show a clear preference for investing in regulated funds in a discretionary environment, with similar investors in terms of company type as well as domicile. Furthermore, and in line with broader market dynamics, diversification is an important factor when considering investments in non-listed funds, exemplified by a strong interest in multi country and multi sector strategies. The results also indicated that Asia Pacific investors favour closed end, seeded funds with a GAV above €500 million, but have less focus on the size of the pool of investors.

European investors also indicate a strong preference for larger, regulated funds in a discretionary environment. Contrary to their Asia Pacific counterparts, European investors are more likely to choose non-listed funds with a larger pool of investors, where those investors are dissimilar in terms of domicile. Moreover, while diversification is still an important consideration, this seems to be more pronounced at a country level than at a sector level.

Similar to investors from Asia Pacific and Europe, North American investors show interest in larger, regulated funds, where there is an opportunity to exercise discretionary decision making. They prefer to invest alongside investors that are similar in investor type and domicile. Equally, results show attraction towards multi country and multi sector funds with a seeded pool, preferably with an open end structure.

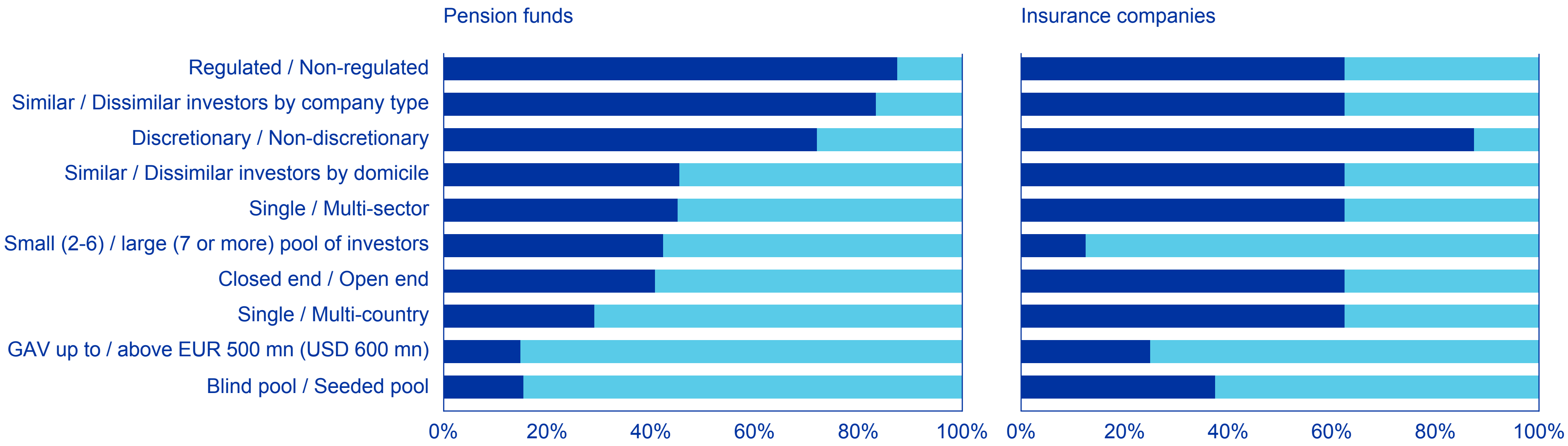
Figure 61: Preferred features for non-listed real estate fund investments by respondent



Preferred features of non-listed real estate fund investments by investor type

When examining preferred features for non-listed funds by investor type, similarities emerge for pension funds and insurance companies. Larger, regulated funds in a discretionary environment and with a seeded pool tend to be preferred by both investor types. Differences start to emerge, however, when looking at diversification requirements, for example. Where pension funds indicate higher interest in multi country and multi sector funds, it is the funds with single country and single sector strategies that are favoured by insurance companies. These preferences result in insurance companies highlighting stronger interest in closed end fund structures, whereas pension funds choose open end funds. The 2022 results for insurance companies are contrasting last years' findings, highlighting a shift in momentum towards specialist managers and structures and reflective of a circa 25% year-on-year shift towards value added strategies as discussed on page 40 of the report.

Figure 62: Preferred features for non-listed real estate fund investments by respondent type



Section 7

Pros and cons of investing in non-listed real estate funds

Pros and cons of investing in non-listed real estate funds

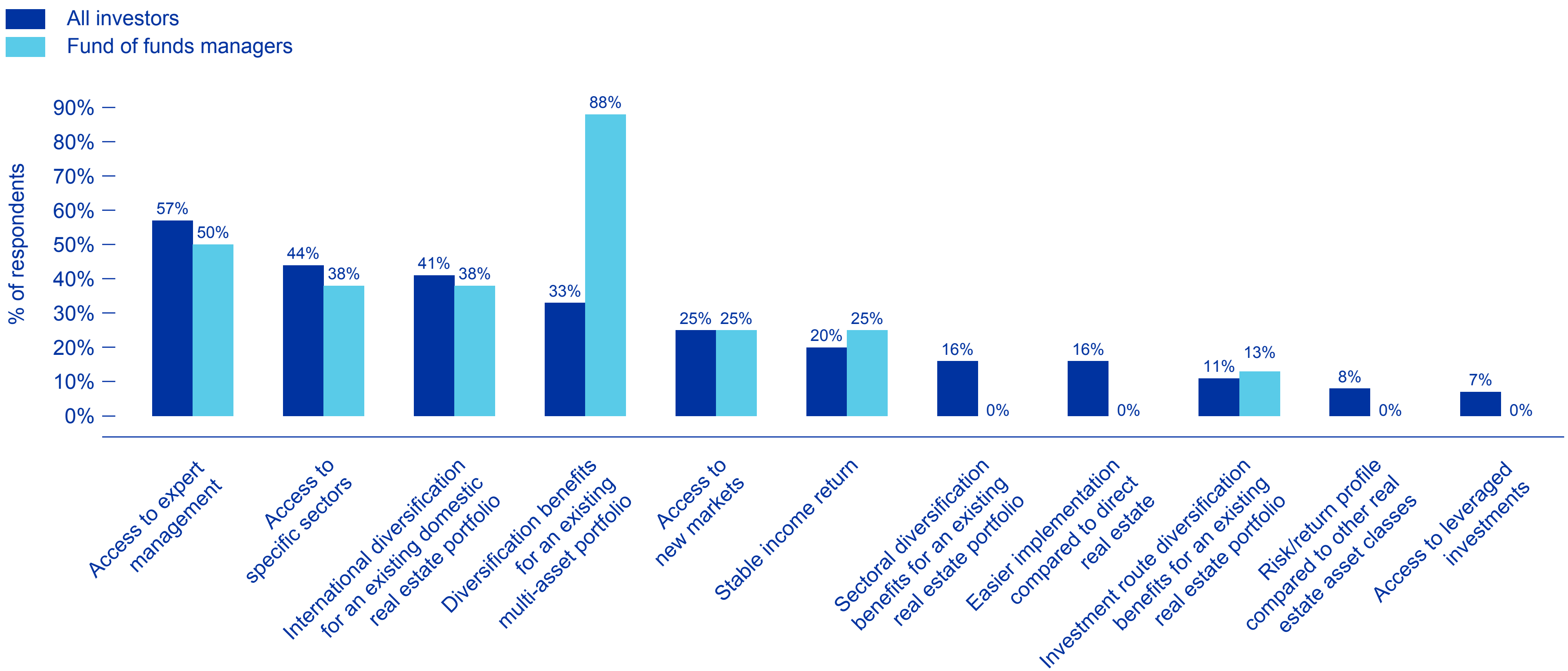
Reasons to invest in non-listed real estate funds

As was the case in previous years, the latest survey results indicate expert management as the main reason behind investing in European non-listed real estate funds. Access to specific sectors was the second most important reason in 2022, which was fifth in the ranking last year.

This is closely followed by international diversification for an existing domestic real estate portfolio and diversification benefits for an existing multi-asset portfolio both slid one place to third and fourth positions. Other diversification reasons, namely investment route diversification and sectoral diversification were introduced this year in the Survey and ranked as seventh and ninth.

For funds of funds, the results deviate on one measure. They ranked diversification benefits for an existing multi-asset portfolio as the main reason to invest in European non-listed funds in 2022, with 88% of respondents compared to 38% and a third position in 2021. It is a striking contrast to the 2022 result for all investors, where it was in fourth place with 33%.

Figure 63: Reasons to invest in European non-listed real estate funds by respondent type

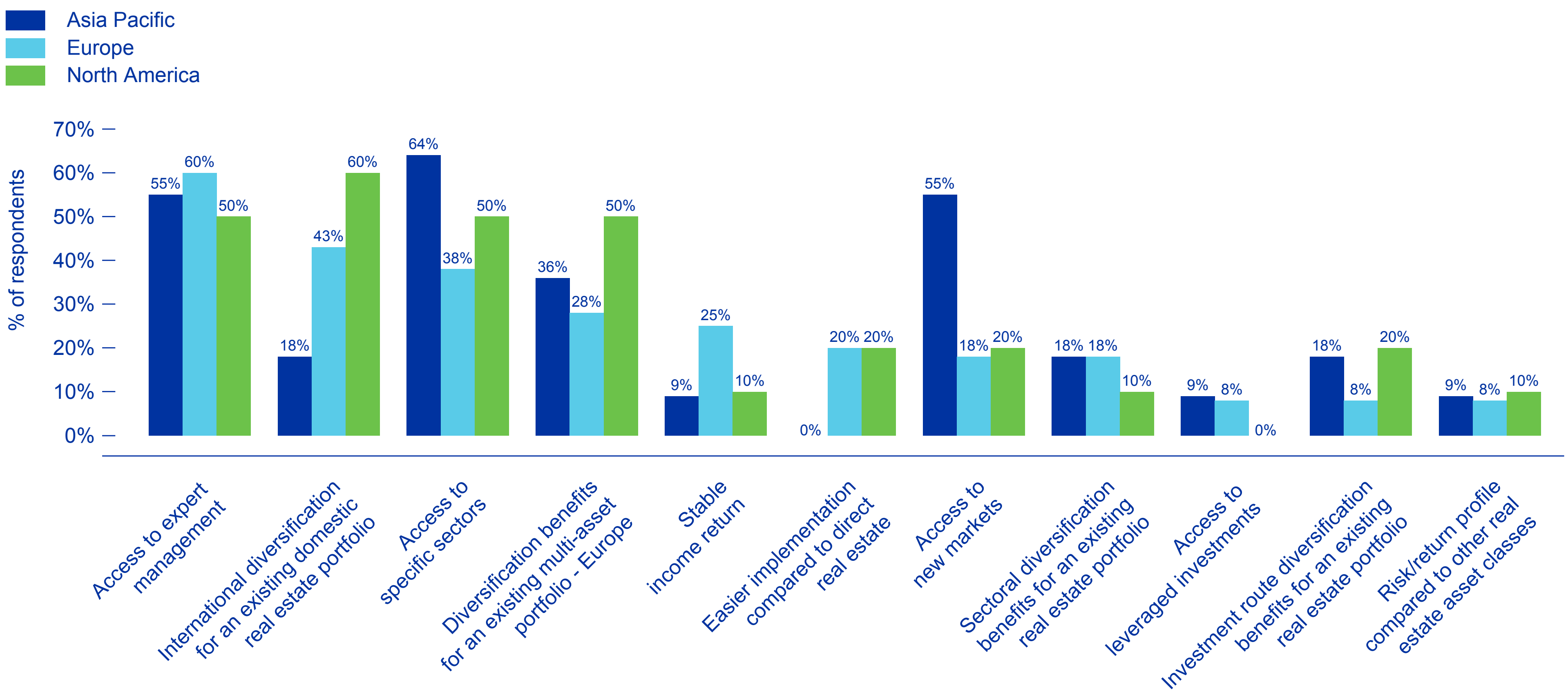


Different preferences emerge when reasons to invest in European non-listed real estate funds are broken down by investor domicile. This year, Asia Pacific investors' main motivations focus on access to specific sectors, expert management and new markets. As for the diversification reasons only the benefits for an existing multi-asset portfolio achieved a high score. Last year international diversification benefits ranked first but were only of a shared fifth position this edition. High composition of Australian investors in this year's sample of Asia Pacific investors may explain the differences in the results.

European investors, on the other hand, are using European non-listed real estate funds, both as a way of accessing expert management and specific sectors and for diversification benefits of their domestic portfolio internationally and within a multi-asset portfolio. Stable income return and easier implementation compared to direct real estate are also important considerations.

For North American investors the four main reasons to allocate capital to European non-listed real estate funds are the same as last year. International diversification for their existing domestic portfolios ranked first, access to expert management and new markets as second and third and diversification benefits for a multi-asset portfolio came fourth.

Figure 64: Reasons to invest in non-listed real estate funds by investor domicile



Key obstacles when investing in European non-listed real estate funds

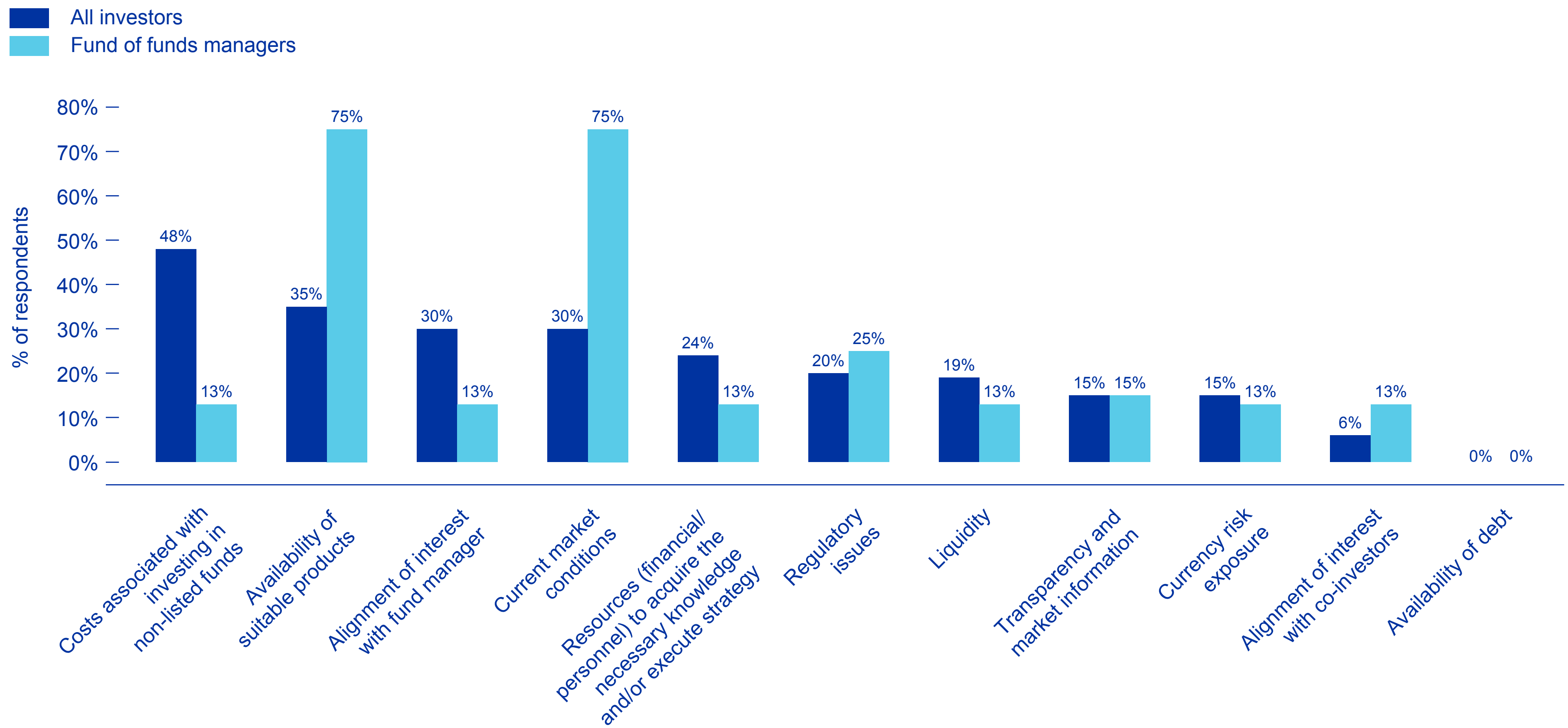
Investors and funds of funds seem to encounter similar obstacles when investing in European non-listed real estate funds. Though results also indicate differences when comparing one type of respondents to the other.

Ranking first compared to third position last year, the 'costs associated with investing in European non-listed funds' obstacle was cited by almost half of all investors, for the first time since the start of the Survey in 2005. Current market conditions, the former most cited obstacle in 2021, dropped to fourth position this year.

Availability of suitable products is the second most important obstacle in 2022, as it was last year, although the proportion of respondents decreased from 47% to 35%. Alignment of interest with fund manager ranks third compared to fourth last year.

For funds of funds availability of suitable products was last year's main obstacle and is again this year, although in a shared position with current market conditions. The other obstacles are notably less prominent than the top two, with regulatory issues ranking third, just like last year.

Figure 65: Most challenging obstacles when investing in non-listed real estate funds by respondent type



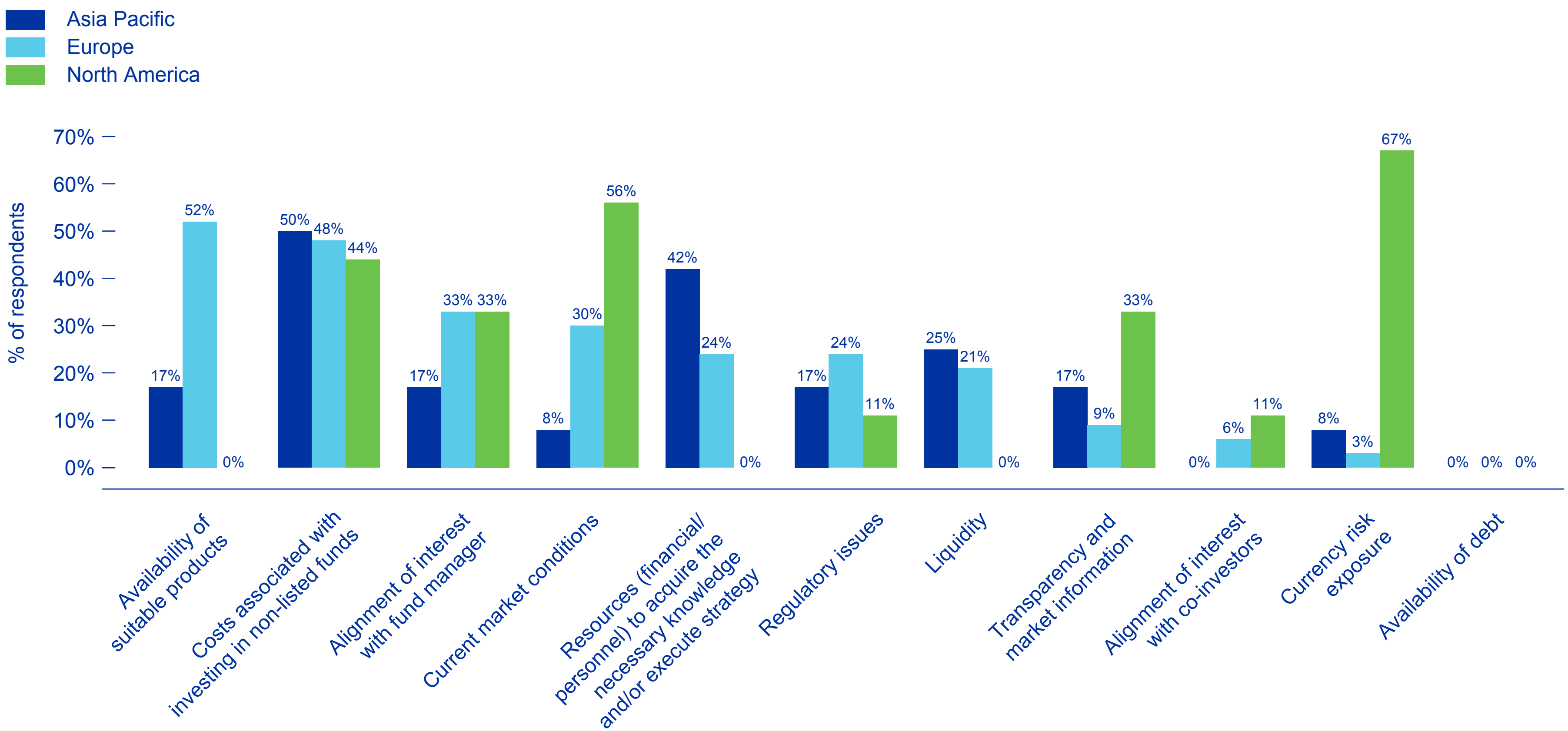
Turning to investor domicile, Asia Pacific investors identify costs associated and the resources (financial/personnel) needed to acquire the necessary knowledge and/or execute the strategy as the main challenge when investing in European non-listed funds.

European investors, on the other hand, cite the availability of suitable products as the biggest challenge. The cost associated with investing in non-listed funds features in second place, followed by alignment of interest with the fund manager.

As in previous years, North American investors note currency risk exposure as their main obstacle when investing in European non-listed real estate funds. It is followed by current market conditions in second place and the cost associated with investing in non-listed funds third.

Interestingly, transparency and market information are less cited by Asia Pacific and North American investors. This year, 24% of the surveyed cross-regional investors indicated this is an obstacle when investing in European non-listed real estate funds compared to 30% and 33%, respectively, in 2019 and 2020.

Figure 66: Most challenging obstacles when investing in non-listed real estate funds by investor domicile



Appendix 1

Participants

Participants

Adimmo AG
AFIAA Foundation for International Real Estate Investments
Alecta Pension Fund
Allianz Real Estate GmbH
Almazara
Altis Investment Management AG
APG Asset Management
ASGA Pensionskasse
AXA IM Alts
BEI Capital
Bouwinvest
CBRE IM Indirect Private Real Estate
Cbus Property
Cooperatie DELA
Dicoval AG
ERAFP
Finnish State Pension Fund
Generali Real Estate
H2i Assetmanagement GmbH
Helaba Invest
HESTA Super Fund
Hostplus
KBC Verzekeringen
Kommunal Landspensjonskasse gjensidig forsikringsselskap Oslo
KZVK/VKPB
Local Finance Association
Mandatum Life Insurance Company
Mass PRIM
NN Group
OP Real Estate Asset Management Ltd
P+, Pensionskassen for Akademikere
PGGM
Public Officials Benefit Association
Sacramento County Employees' Retirement System
Stichting Pensioenfonds APF (AkzoNobel)
Stichting Pensioenfonds PGB
Stiftelsen för Åbo Akademi
Storebrand Fastigheter AB
Swiss Life AG
Syntrus Achmea Real Estate & Finance (FoF)
Teachers' Retirement Allowances Fund
Tennessee Consolidated Retirement System
UBS AG
UniSuper
Varma Mutual Pension Insurance Company
Virginia Retirement System
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