

Non-Listed Real Estate



NOMISMA
25 March 2015

Henri Vuong
Director of Research & Market Information

CONTENTS

- 1. Introduction to INREV**
- 2. Non-Listed Real Estate Industry**
- 3. Non-Listed Real Estate Funds**
- 4. Recent Trends in Non-Listed Real Estate**
- 5. INREV: Supporting Growth of the Non-Listed Industry**

Introduction to INREV



Key Milestones in INREV's History

2003

INREV officially launches with an event in Wiesbaden



Co-founders Pieter Hendrikse and William de Geus and founding Chairman Michiel Olland



2004

The INREV Vehicles Database is launched. Today it has information on more than 400 vehicles

2005

At its first Annual Conference, the INREV Index is officially launched



2008

The integrated INREV Guidelines are launched and the Association launches a full training programme



2007

Professional Standards makes headway with the launch of the Corporate Governance, Reporting and Due Diligence Guidelines



2010

INREV steps up its Public Affairs role, while the INREV Index goes quarterly



2011

Training goes online with an e-learning programme while green issues prompt the development of the Sustainability Reporting Guidelines

2009

INREV reaches a new audience through its cooperation with ANREV

ANREV

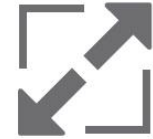
2012

INREV opens an office in Brussels and initiates a global index with ANREV and NCREIF



2014

Revised INREV Guidelines launched after 18 months of consultation and Global Index is released



2013

Non-listed products remit expanded

INREV – Investor Led

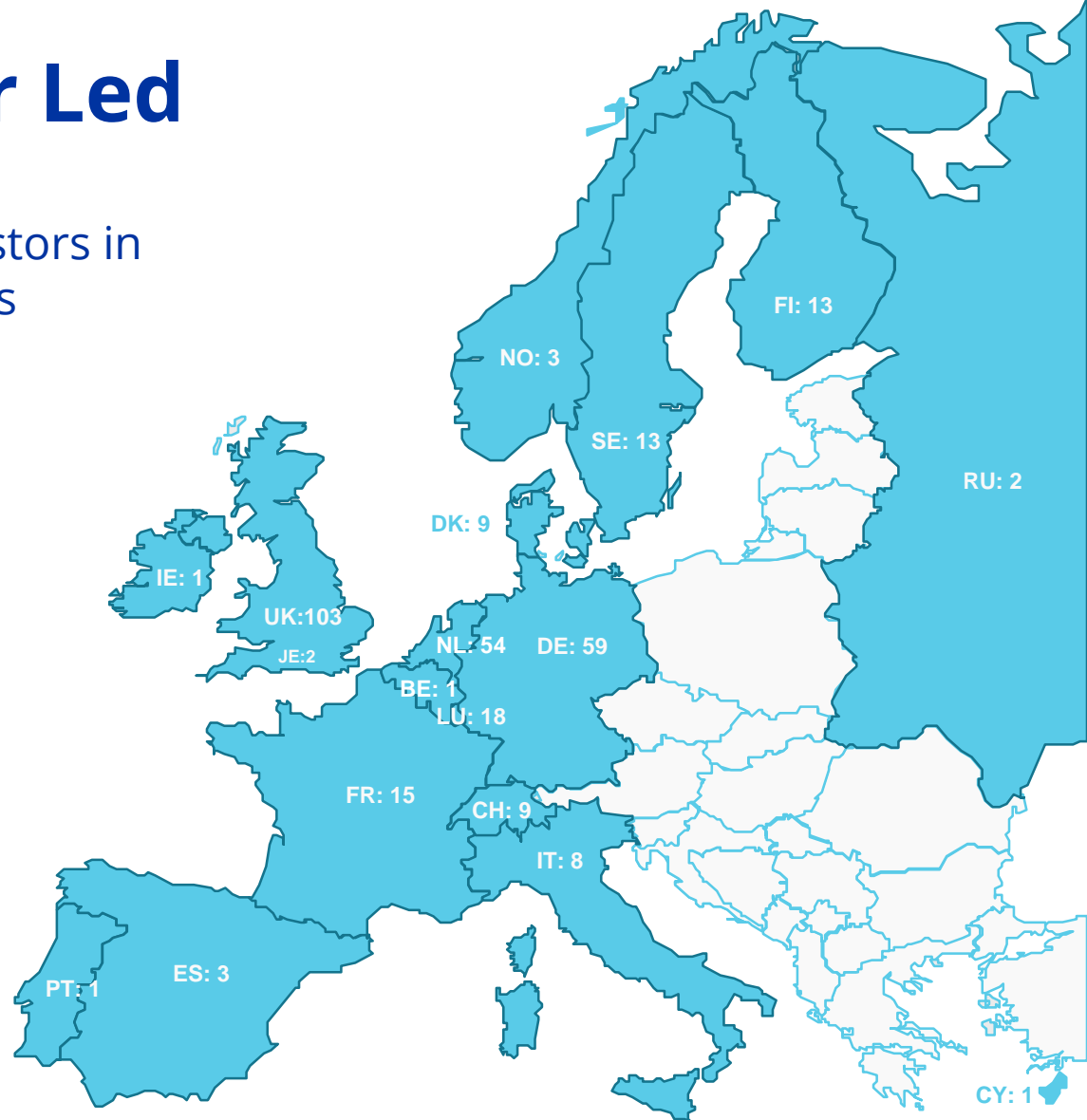
European Association for Investors in
Non-Listed Real Estate Vehicles

358 Members

- 105 United Kingdom
- 59 Germany
- 54 Netherlands
- 38 Nordics
- 33 North America
- 18 Luxemburg
- 16 France
- 13 Southern Europe
- 3 Asia
- 2 Middle East
- 17 Other

Across 26 countries

(as at March 2015)



INREV's Mission Statement



To increase
transparency
and
accessibility



To promote
professionalism
and best
practices



To share and
spread
knowledge

The Five Pillars of INREV



Research and Market Information



Professional Standards



Public Affairs



Communication and Events

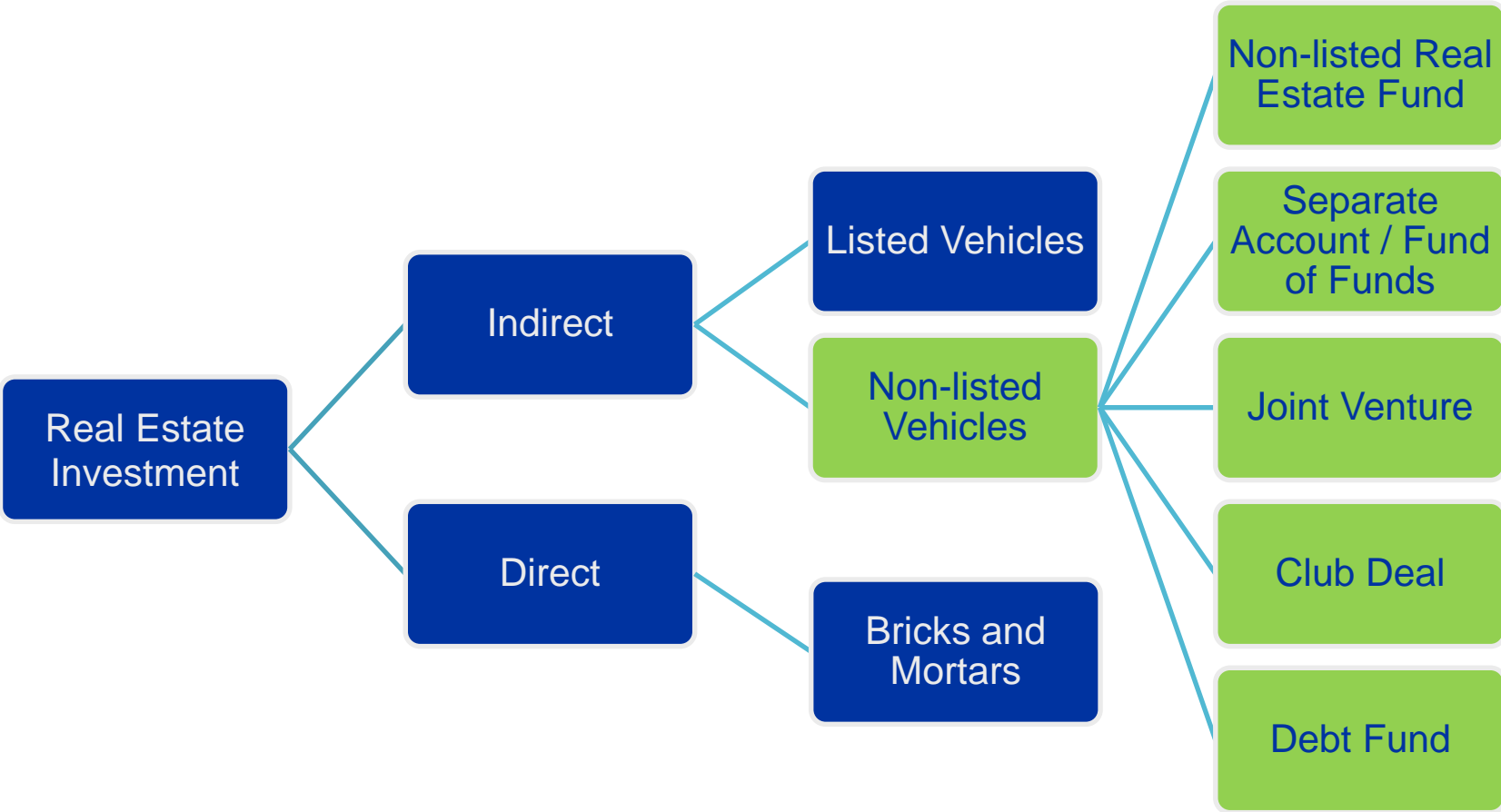


Training and Education

Non-Listed Real Estate Industry



Range of Non-Listed Real Estate Vehicles



Different Investors have Different Strategies

	Large Investor	Medium Investor	Small Investor
Type	SWF Large Pension Fund Insurer	Pension Fund Insurance Family Office	Small Pension Fund Family Office
Non-Listed Fund	✓	✓	✓
Fund of Funds	✗	✓	✓
Separate Account	✓	✓	✗
Joint Venture / Club Deal	✓	✓	✗
Direct	✓	✓	✗
Domestic	✓	✓	✓
International	✓	✓	✗

Evolution of Major Players in Industry

2007	Company	RE AUM (€ Bn)	2014	Company	RE AUM (€ Bn)
1	RREEF RE. & Infrastructure	58.398	1	The Blackstone Group	78.950
2	ING Real Estate Investment	47.070	2	Brookfield Asset Man.	78.331
3	Morgan Stanley	35.400	3	CBRE Global Investors	64.713
4	Moxley Fund Management	31.500	4	UBS Global Asset Man.	47.760
5	AXA REIM	29.000	5	AXA Real Estate	47.751
6	Prologis	28.000	6	TIAA-CREF	44.668
7	Prudential Property IM	27.199	7	Deutsche Asset & Wealth Man.	10.800
8	IXIS AEW Group	27.000	8	Pramerica REI	40.455
9	UBS Global Asset Man.	25.900	9	Invesco Real Estate	40.454
10	LaSalle Investment Man.	25.759	10	JP Morgan Asset Man.	38.710

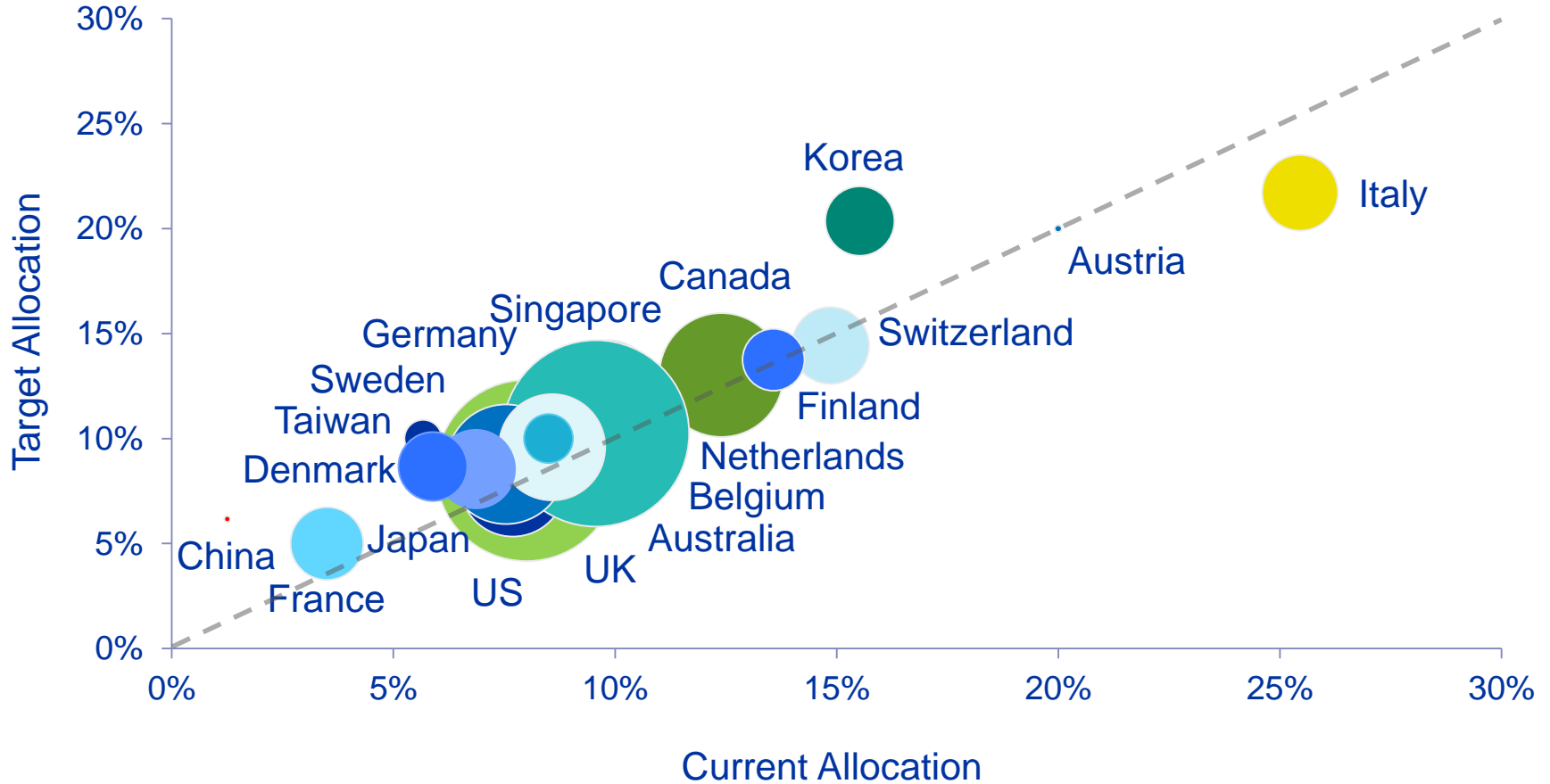
Source: INREV Investment Intentions Survey 2007 and 2014

- In 2007, managers with €30bn AUM would have ranked in the top 10
- Today, managers with less than €38bn AUM will not make the top 10

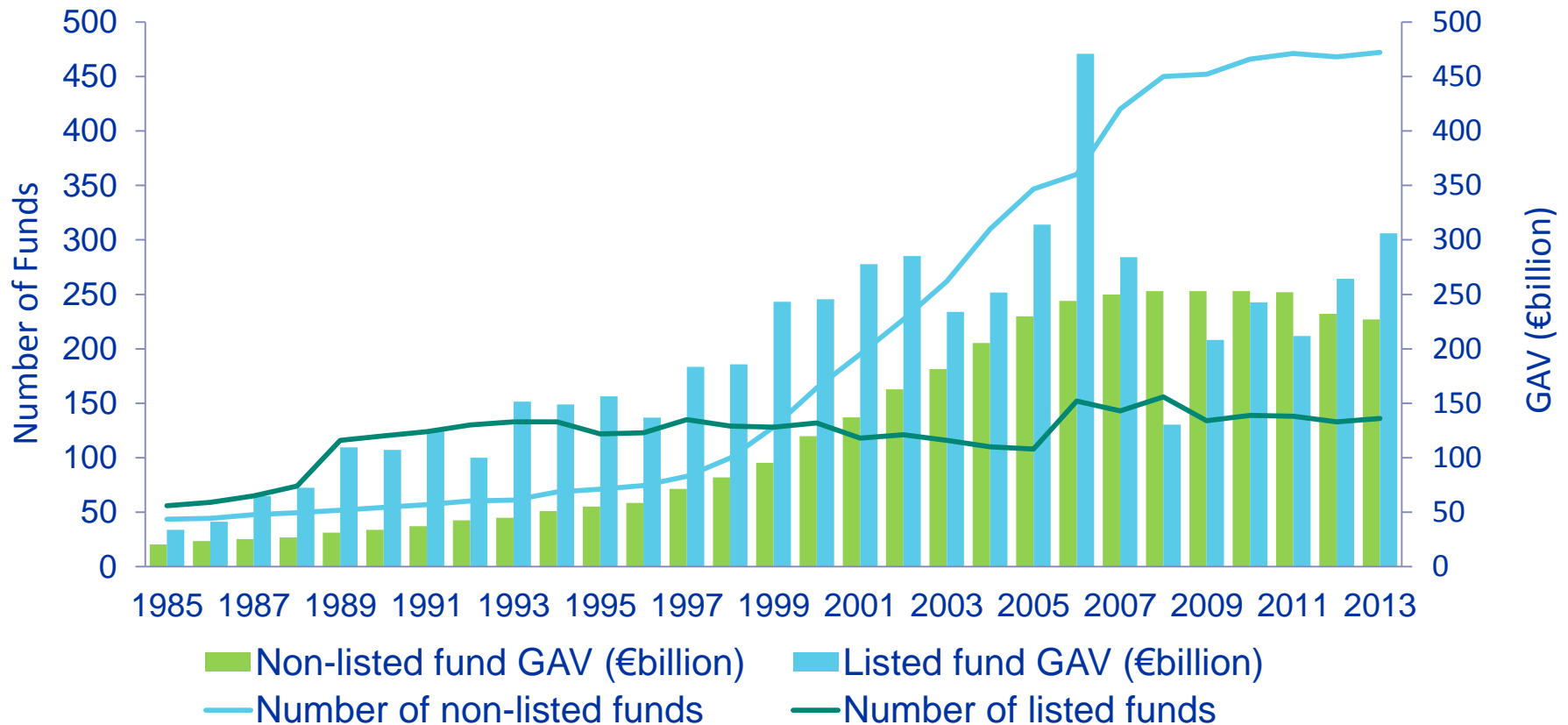
Non-Listed Real Estate Funds



Real Estate Increasingly Important

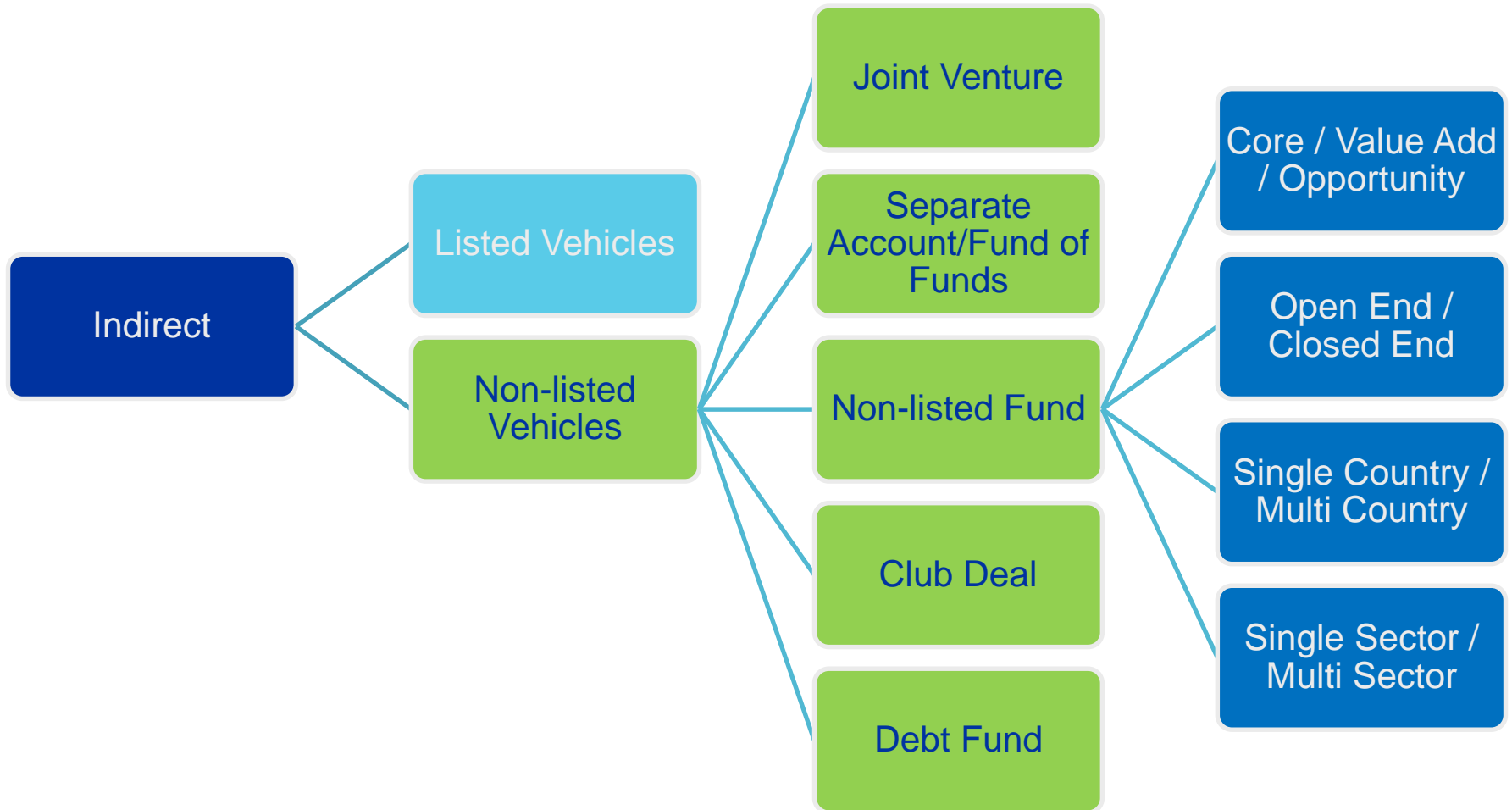


Rapid Growth of Indirect Real Estate Investing



Source: INREV Transparency Paper 2014

Diverse Choice of Funds for Investors



Specialist & Balanced Funds Available

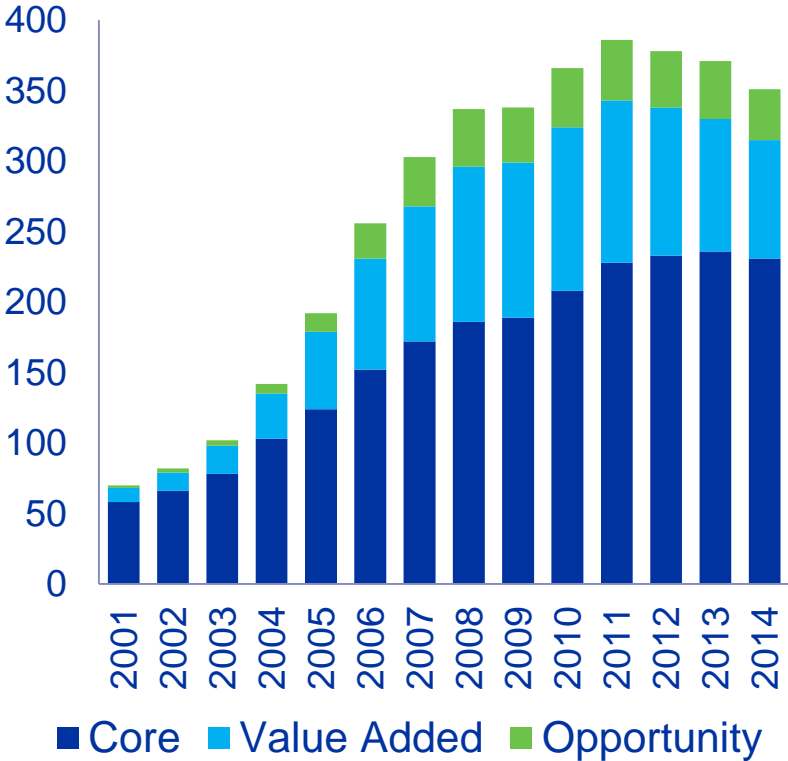
Rank	General Manager	Strategy	2009	2010	2011	2012	2013	2014	Total
1	Blackstone Group	Diversified	3.116	-	2.227	10.270	2.729	7.092	25.435
2	Lone Star Funds	Diversified	-	-	7.068	-	9.022	7.200	23.290
3	Brookfield AM	Diversified	-	3.946	-	-	3.431	-	7.376
4	PIMCO	Diversified	-	-	1.699	-	-	5.500	7.199
5	Starwood CG	Diversified	-	2.066	-	-	3.209	-	5.275
	Top 5 Total		3.116	6.012	10.994	10.270	18.391	19.792	68.575
	% of all funds raised		8.0%	15.3%	21.2%	17.5%	23.7%	28.3%	20.4%

Rank	Niche Manager	Strategy	2009	2010	2011	2012	2013	2014	Total
1	Prologis	Industrial	-	-	-	-	2.400	2.764	5.164
2	Goodman	Industrial	1.052	-	-	1.256	-	2.000	4.308
3	Shorenstein Properties	Offices	-	947	-	-	-	1.200	2.147
4	Kildare Partners	Offices	-	-	-	-	-	2.000	2.000
5	Carmel Partners	Residential	-	-	-	641	-	1.025	1.666
	Top 5 Total		1.052	947	0	1.897	2.400	8.989	15.285
	% of all funds raised		2.7%	2.4%	0.0%	3.2%	3.1%	12.9%	4.6%

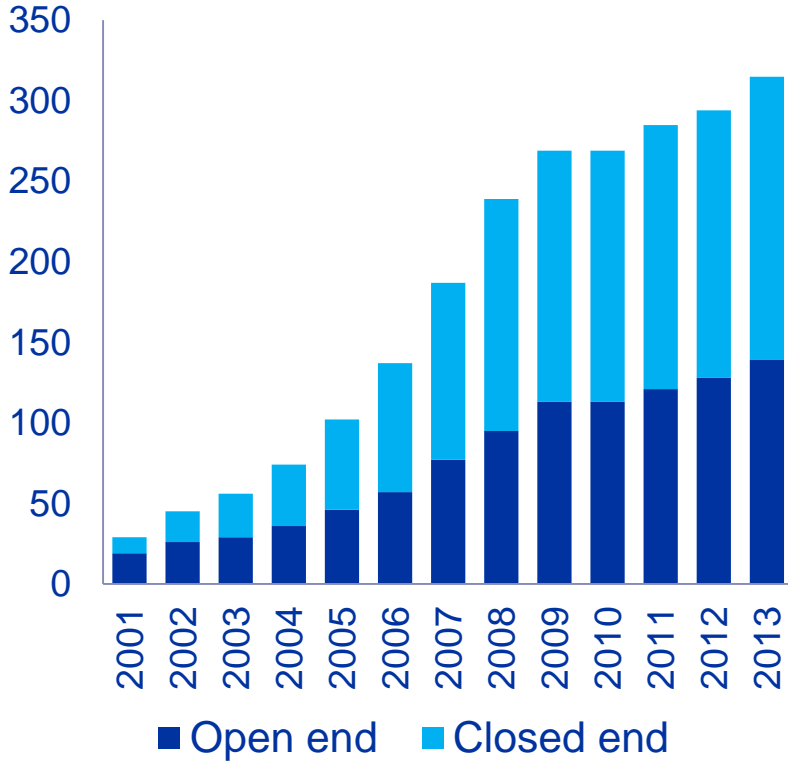
Source: Grosvenor Fund Management 2014

Core & Closed End Funds Dominate Market

Number of Funds by Style



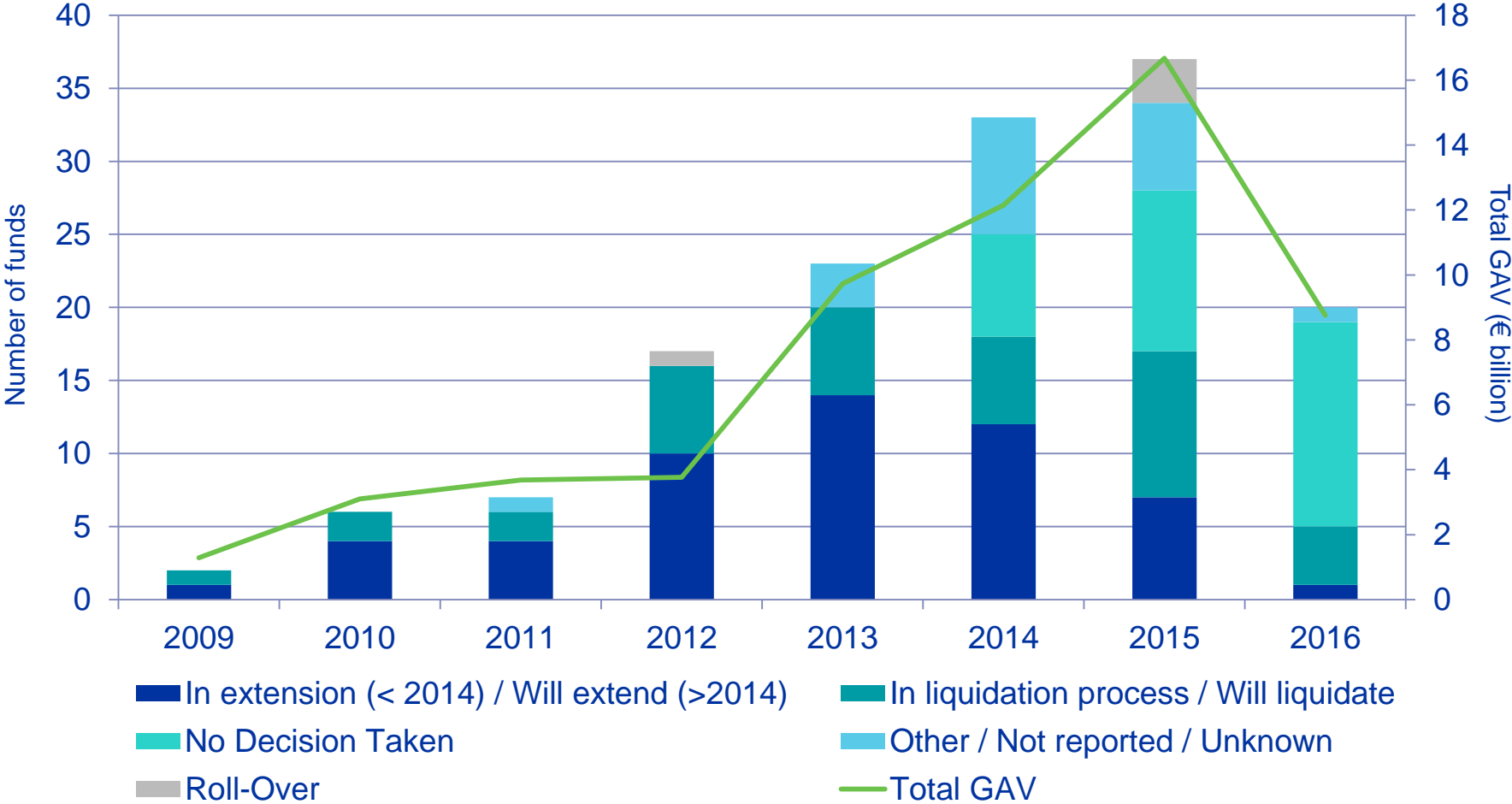
Number of Funds by Structure



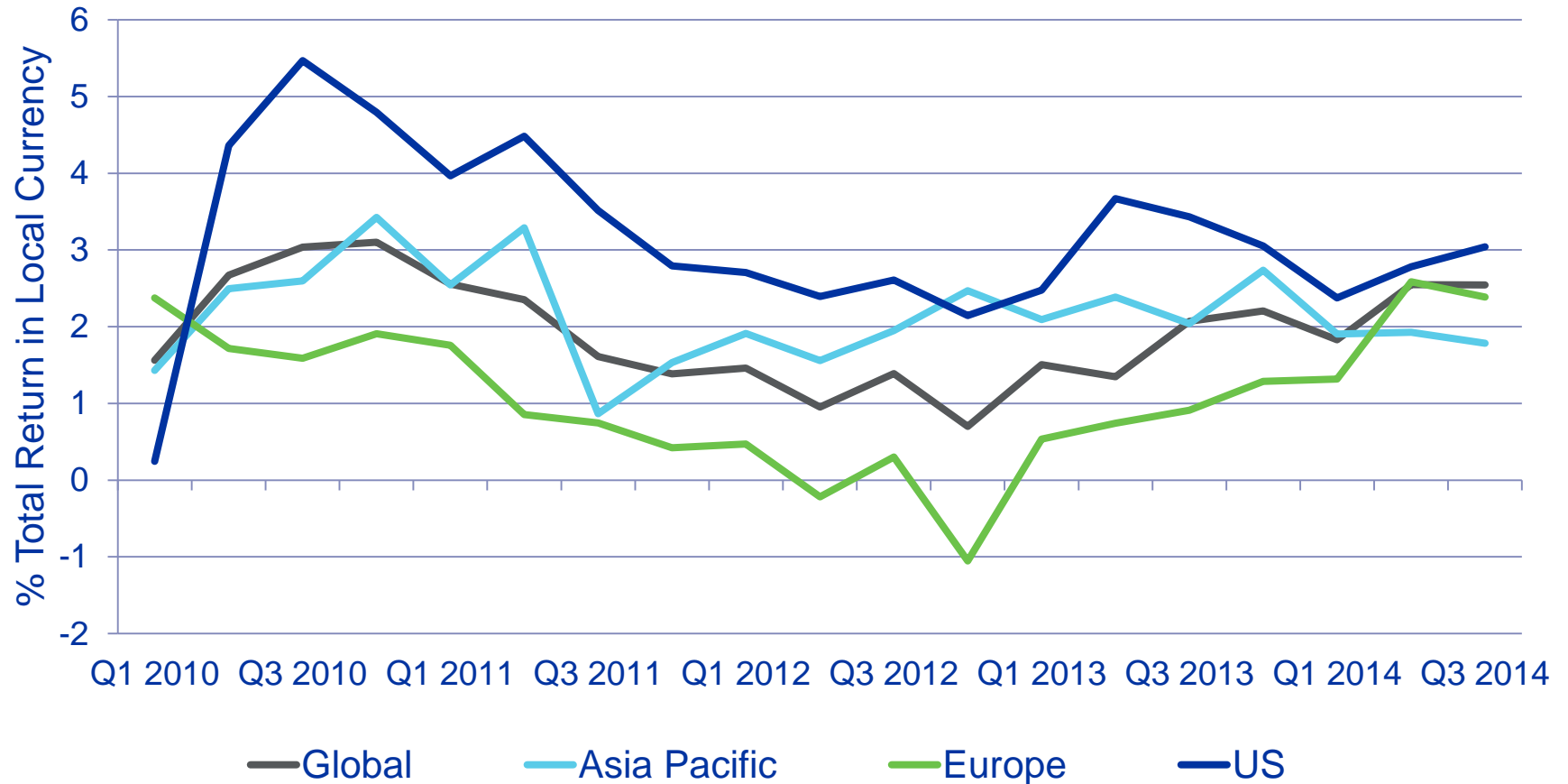
Recent Trends in Non-Listed Real Estate



Market Cycles Drive Movement in Fund Universe

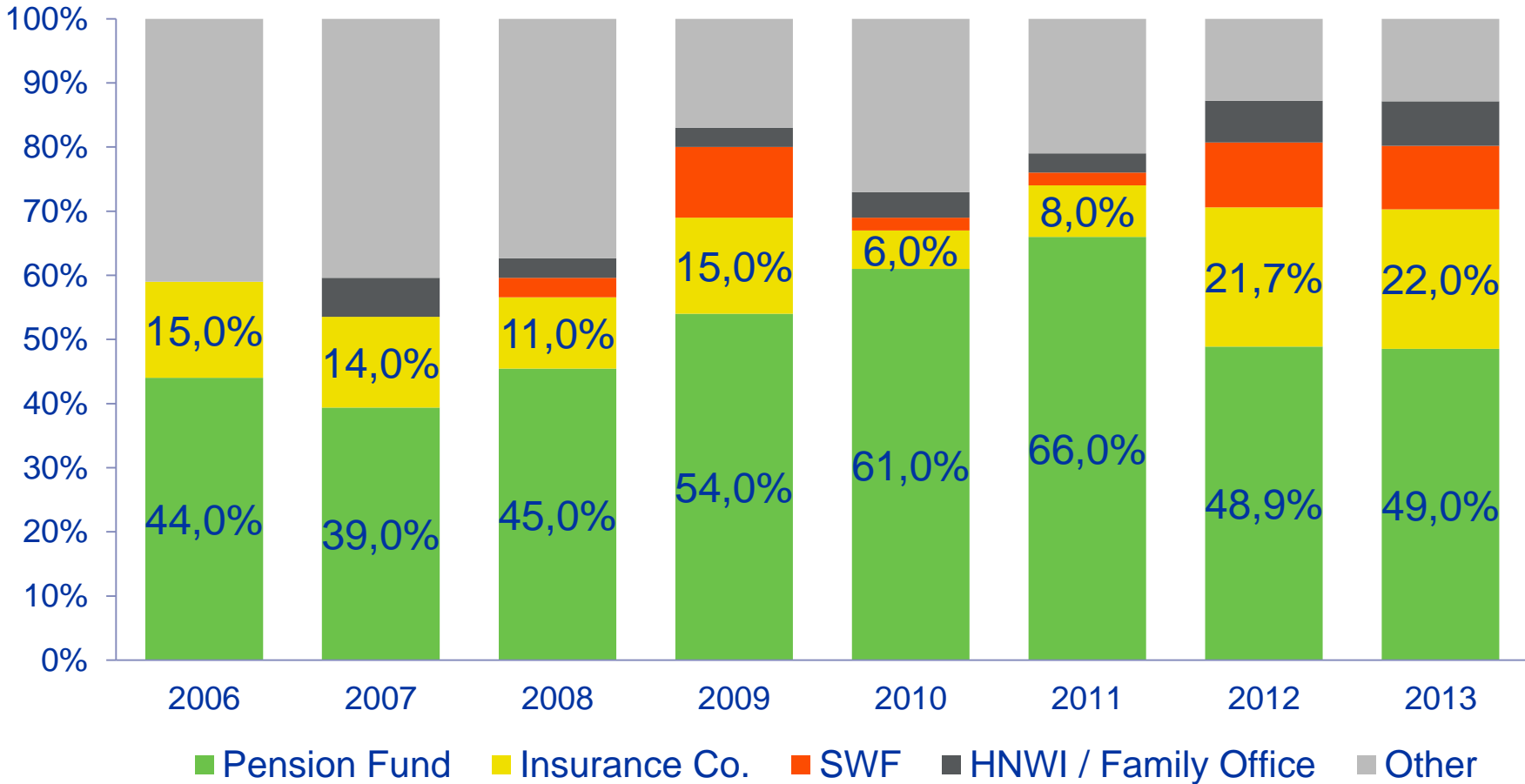


Rapid Recovery of European Funds Since 2013



Source: Global Real Estate Fund Index Q3 2014

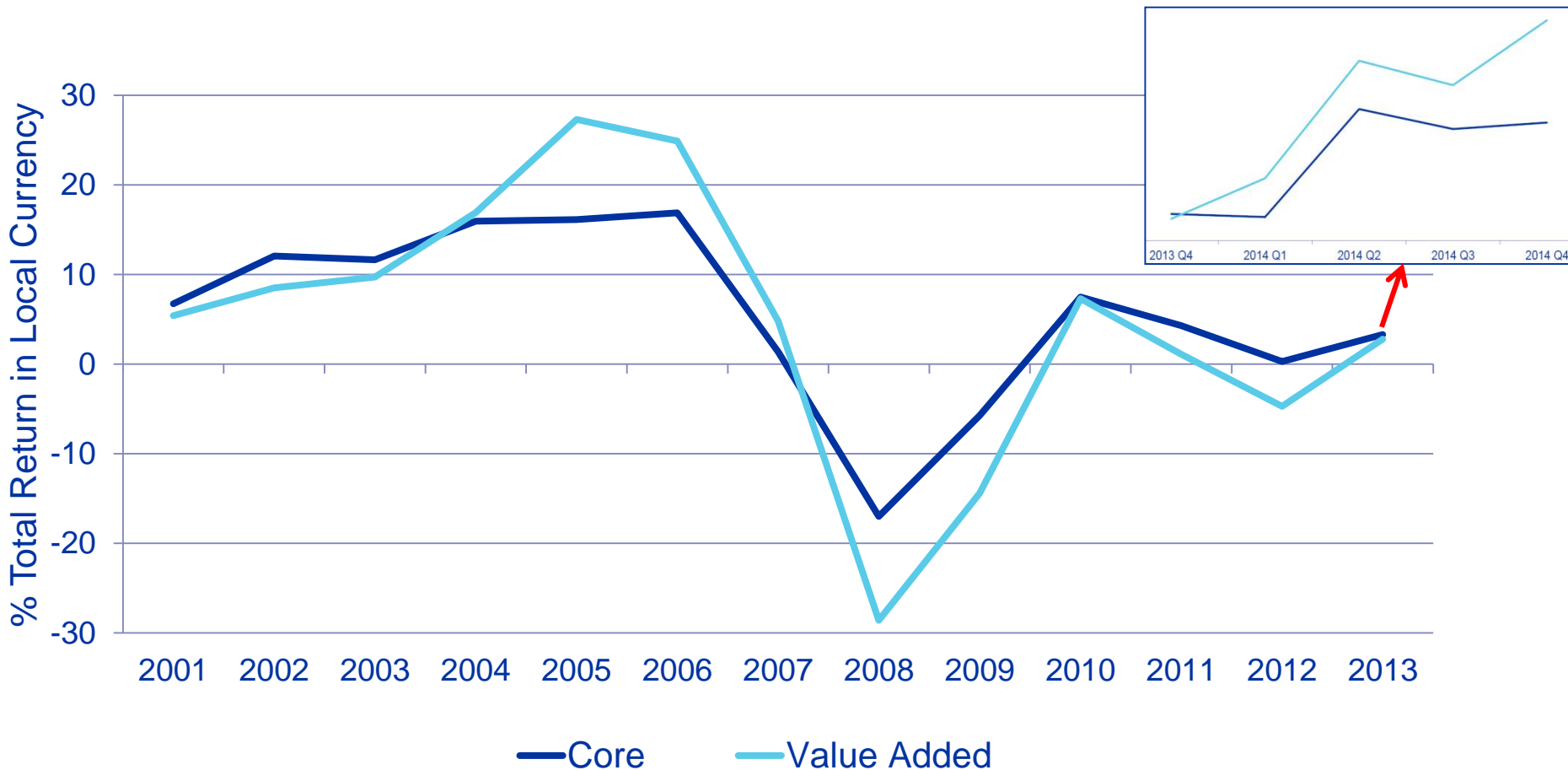
Pension Funds Continue as Main Source of Capital



Source: INREV Capital Raising Survey 2007-2014

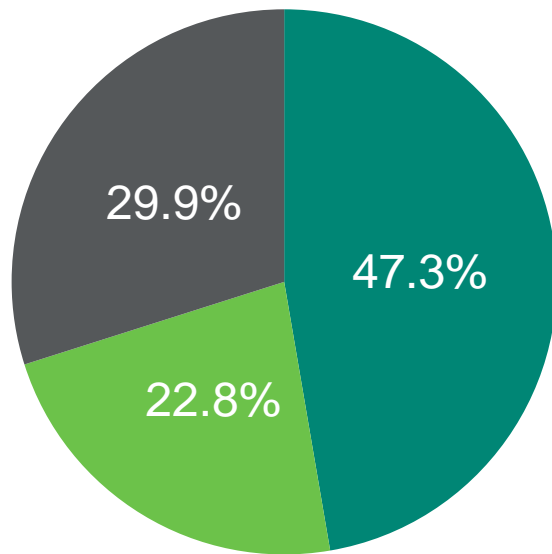


Value Added Beginning to Outperform Core



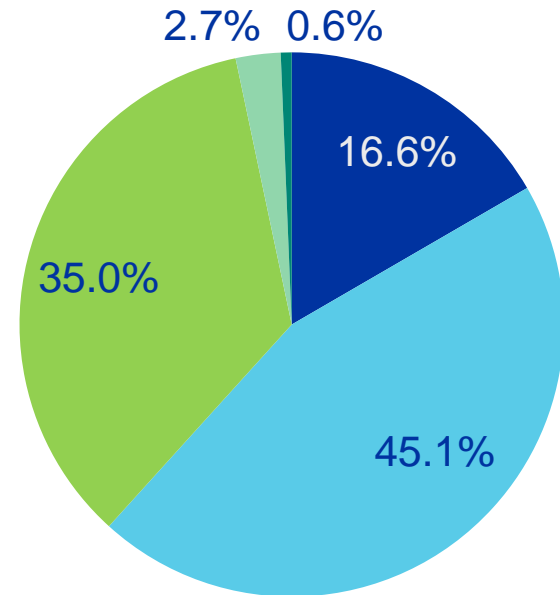
€42.5bn Heading Towards Real Estate in 2015

Sources of Capital



- European investors
- Asia Pacific Investors
- North American Investors

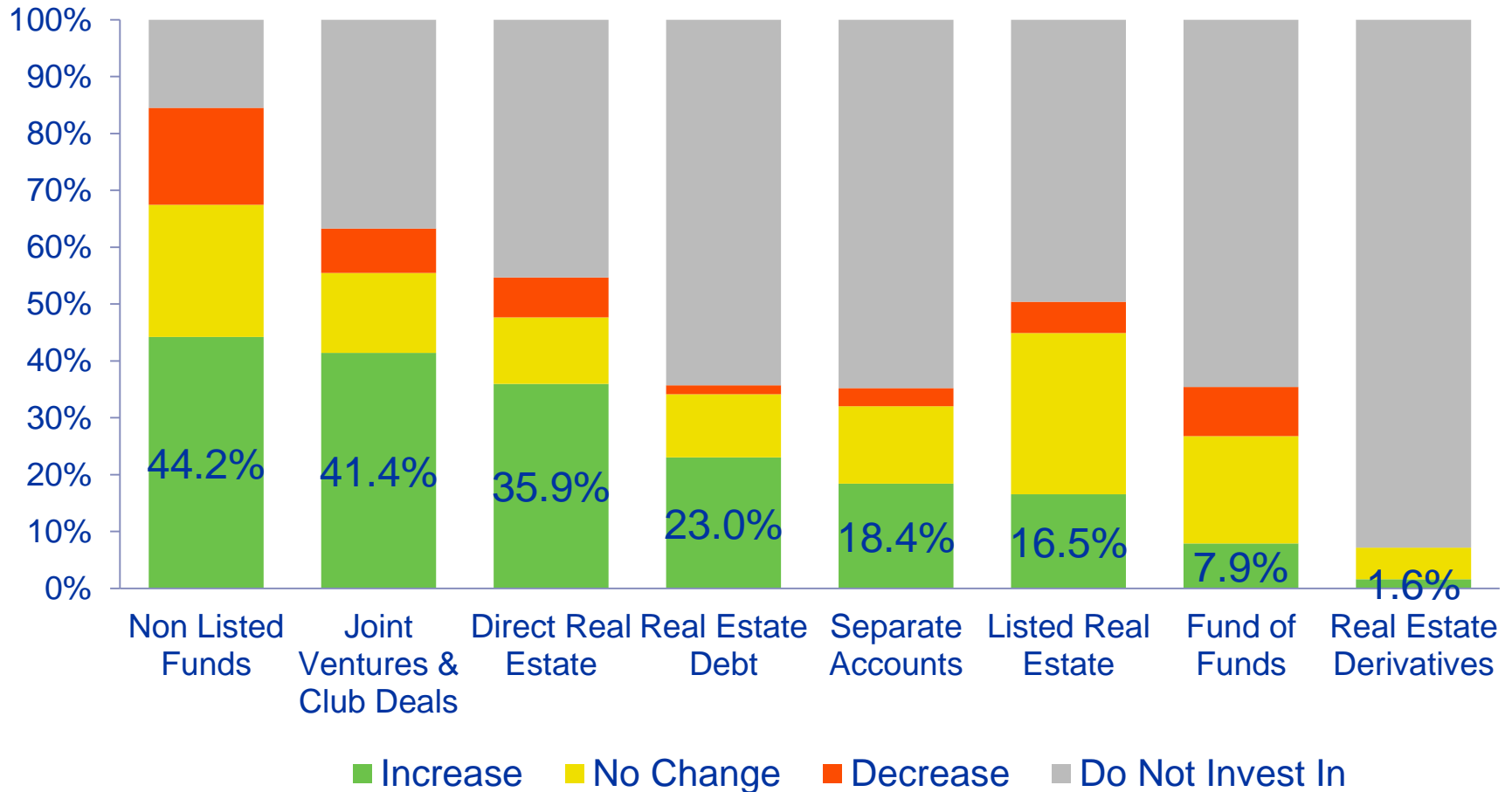
Capital Destinations



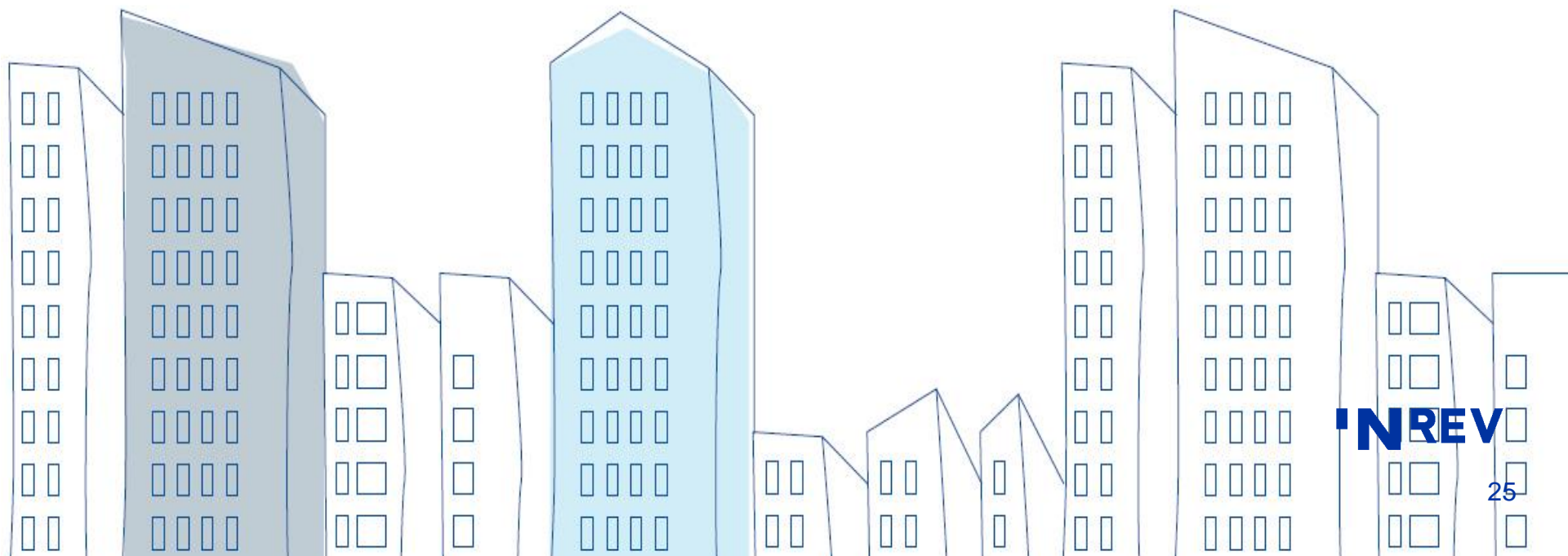
- Asia Pacific
- Europe
- US
- Americas ex US
- Other

Source: INREV Investment Intentions Survey 2015

Allocation to Non-Listed Funds Set to Increase



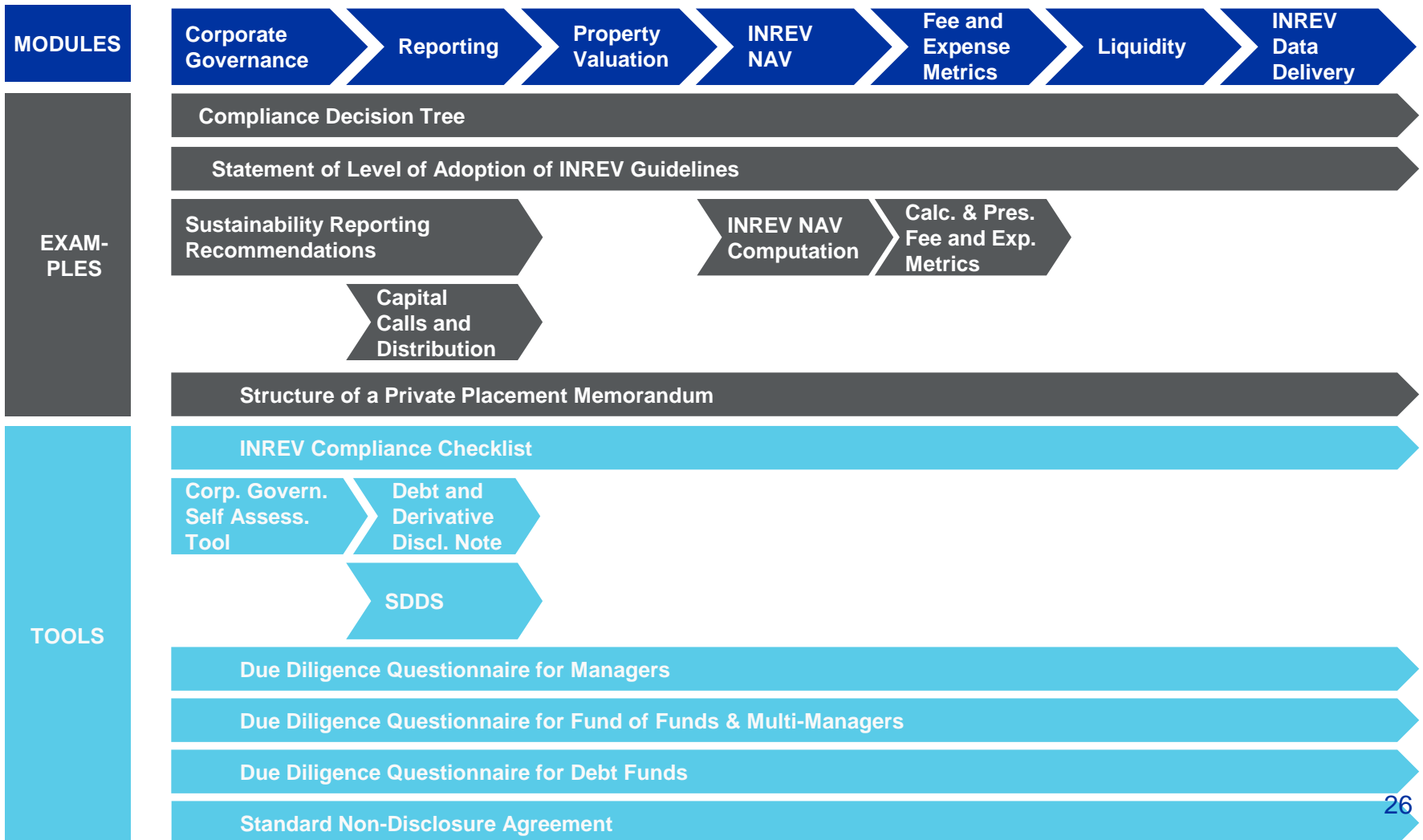
INREV Supporting Growth of Non-Listed Real Estate Industry



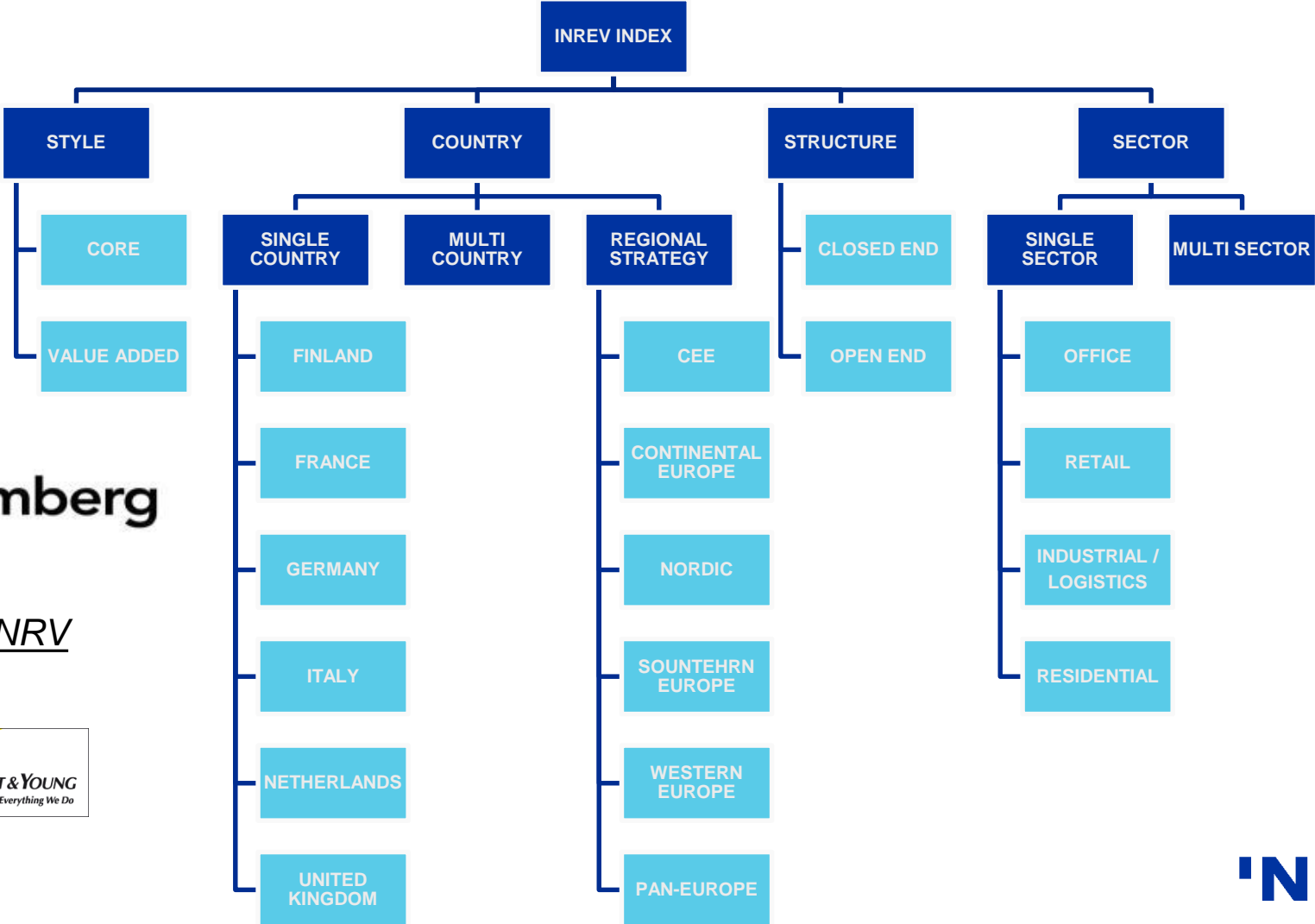
Practical Guidelines Ready to Use



7 Modules, 7 Examples, 8 Tools



Fund Index to Measure Performance



Bloomberg

Ticker: INRV



INREV

Brussels-based Public Affairs Team



To increase policy maker's awareness of non-listed real estate and to help industry better understand the impact of regulatory change

INREV PUBLIC AFFAIRS SURVEY

IMPACT OF REGULATORY COMPLIANCE ON NON-LISTED REAL ESTATE

INREV

DECEMBER 2014

INREV

AIFMD BRIEFING

Remuneration guidelines final

- Broad scope of coverage
- Focus on risk alignment
- Structure and timing of pay affected

PUBLIC AFFAIRS

In February 2013 ESMA published final Guidelines on sound remuneration policies under the AIFM Directive, which will now have to be implemented by Member States.

The Guidelines also apply to entities that are delegated portfolio or risk management activities, which have to comply with the Guidelines or adopt rules that are equally effective.

Implementation

22 July 2013

- Entry into force
- Existing AIFMs must be compliant or use best efforts to comply

22 July 2014

- All EU AIFMs must be compliant

Identified staff

'Identified staff' whose remuneration is covered are all staff that have a material impact on the AIFM's risk profile. Unless the AIFM can show that they do not have a material impact on the risk profile, identified staff includes:

- executive and non-executive members of the governing body
- senior management
- control functions
- staff heading portfolio management
- administration
- marketing
- human resources

Scope of remuneration covered

The Guidelines apply to all forms of payments or benefits paid by the AIFM or the AIF to 'identified staff', including:

- salaries
- discretionary pensions
- carried interest
- transfer of units or shares
- severance payments

Some limited exemptions apply, such as non-discretionary pensions and pro-rata return on certain forms of co-investment in the AIF.

Proportionality

AIFMs should comply with the Guidelines in a way that is proportionate to the size, internal organisation, and the nature, scope and complexity of the AIFM and AIFs it manages.

MARCH 2013

INREV

AIFMD RESOURCE

AIFMD Reference Guide

- Overview of regulatory framework
- Listing of EC, ESMA and Member States publications
- Hyperlinks to relevant documents

PUBLIC AFFAIRS

The Alternative Fund Managers Directive, officially titled *Directive 2011/61/EU of the European Parliament and of the Council of the European Union of 8 June 2011 on Alternative Investment Fund Managers*, but more commonly known as AIFMD, entered into force in the European Union in 2011. Also known as the Level 1 directive, EU Member States were required to implement it into national legislation by 22 July 2013.

Although the Directive became effective on 22 July 2013, EU Alternative Fund Managers (AIFMs) were given a one-year transition period, until 22 July 2014, to apply for authorisation. In the transition period, AIFMs have been obliged to use their best efforts to comply with the requirements of AIFMD.

The AIFM Directive seeks to regulate the managers of alternative investment funds (AIFs), making a distinction on the basis of whether the AIFM is EU or non-EU domiciled. The AIFM must comply with a set of requirements including compliance, risk, organisation and reporting.

AIFMD covers a range of non-LUCiTS collective investment vehicles including private equity, venture capital, hedge funds and real estate.

Since the adoption of Level 1 measures, the Directive has been supplemented by implementing measures issued by the European Commission, often called the *Level 2 Regulations*, which were published on 19 December 2012. These implementing measures cover:

- Calculation of assets under management (Articles 2-5)
- Methods to calculate leverage (Articles 6-11)
- Additional own funds and professional indemnity insurance (Articles 12-15)
- Operating conditions - general principles and conflicts of interest (Articles 16-38)
- Risk management (Articles 39-46)
- Liquidity management (Articles 47-49)
- Investment in securitisation positions (Articles 50-56)
- Organisational requirements (Articles 57-64)
- Valuation (Articles 67-74)
- Delegation of AIFM functions (Articles 75-82)
- Depositary (Articles 83-102)
- Transparency requirements (Articles 103-112)
- Rules related to third countries (Articles 113-115)

The European Securities and Market Authority (ESMA) has also published numerous other documents contributing to the body of guidance for interpreting and implementing the AIFMD. *Additional guidance on key aspects of the AIFMD*, was released in May 2013, which helps clarify the types of vehicles falling within the definition of "collective investment undertaking" and structures qualifying for the joint venture exemption.

ESMA issued *guidelines on remuneration*, in July 2013, which provide more detailed guidance on how the Level 1 requirements on remuneration are to be applied.

ESMA also released a standard template and *further guidelines on reporting to regulatory authorities* covering common supervisory approaches and practices in the application of the AIFMD and its implementing measures.

The European Commission has also issued several other implementing regulations related to AIFMD. In May

JULY 2014

Summary

- Non-listed real estate sector is growing
- Capital flows increasingly global
- Greater importance for consistency across the world
- Regulation will shape the industry
- Allocations to real estate set to rise

Contact info@inrev.org



Amsterdam Office

WTC Amsterdam
Tower B, 6th floor
Strawinskylaan 631
1077 XX Amsterdam
The Netherlands
tel: + 31 (0)20 799 3960
info@inrev.org

Matthias Thomas, CEO
matthias.thomas@inrev.org

Henri Vuong, Director of Research & Market Information
henri.vuong@inrev.org

Maurits Cammeraat, Director of Professional Standards
maurits.cammeraat@inrev.org

Brussels Office

Square de Meeûs 23
1000 Brussels
Belgium
tel: + 32 (0)22 138 160

Jeff Rupp, Director of Public Affairs
jeff.rupp@inrev.org