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# **Diversification vs Specialisation: The importance of management competencies in real estate indirect investment**

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**Zurich, 9<sup>th</sup> January 2008**

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# Agenda

- INREV Introduction
- Why invest in non-listed real estate?
- Measuring manager performance
- Diversified vs specialised

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# INREV: Introduction

INREV is the European Association for Investors in Non-listed Real Estate Vehicles

INREV aims to create a forum for the Non-Listed Real Estate Vehicles market, and through this forum:

- to increase transparency and accessibility,
- to promote professionalism and best practice,
- to share and spread knowledge.

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# INREV's Five Focus Areas

## INREV's mission statement:

to increase transparency and accessibility,  
to promote professionalism and best  
practice,  
to share and spread knowledge.

Research and  
market information

Professional standards

Communication and events

Training and education

Public affairs

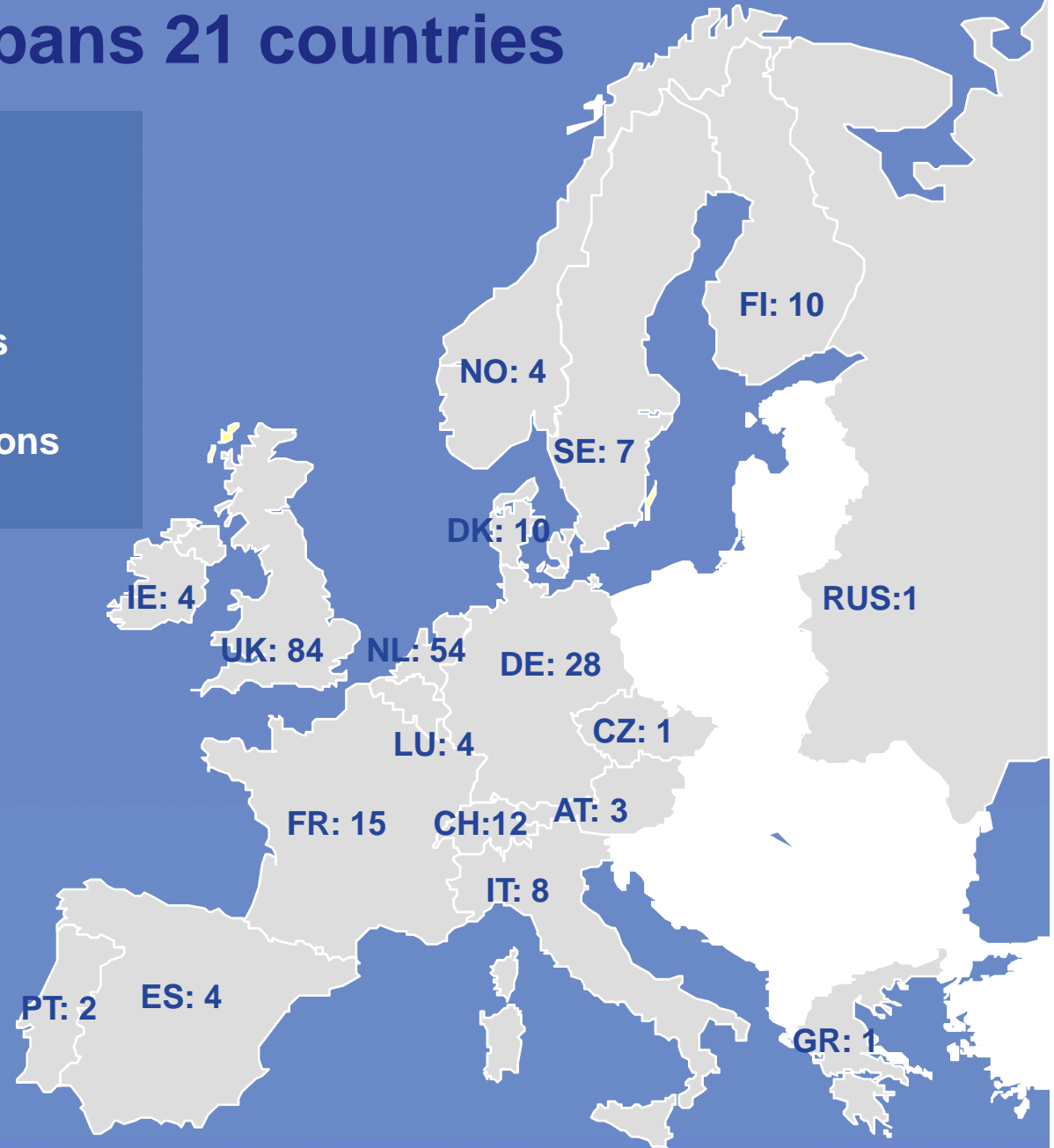
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# INREV membership spans 21 countries

*November 2007:*

267 members

- 65 investors
- 124 fund managers
- 17 investment banks
- 43 advisors
- 18 research institutions



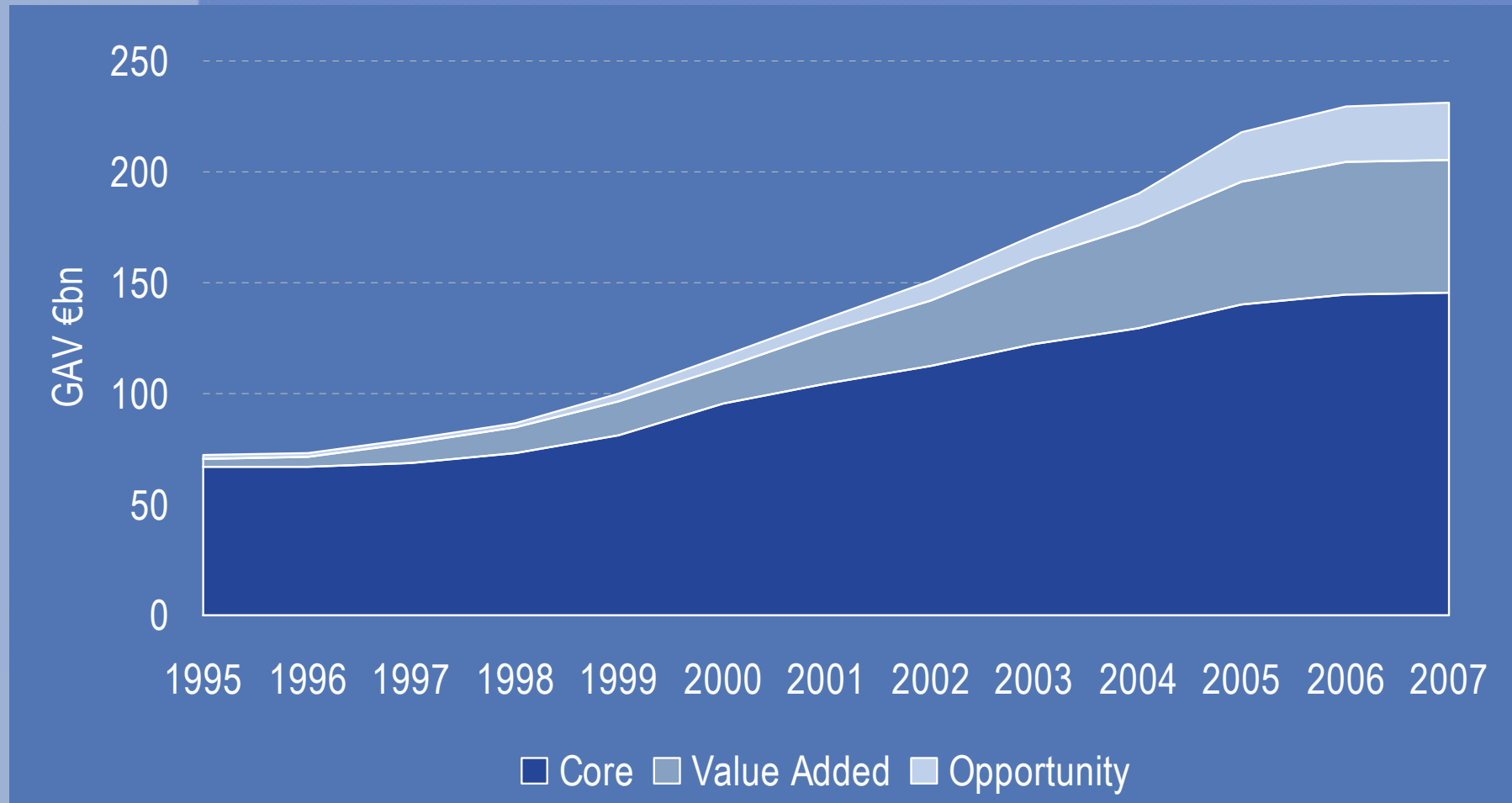
ISR: 1

US: 13

JP: 1

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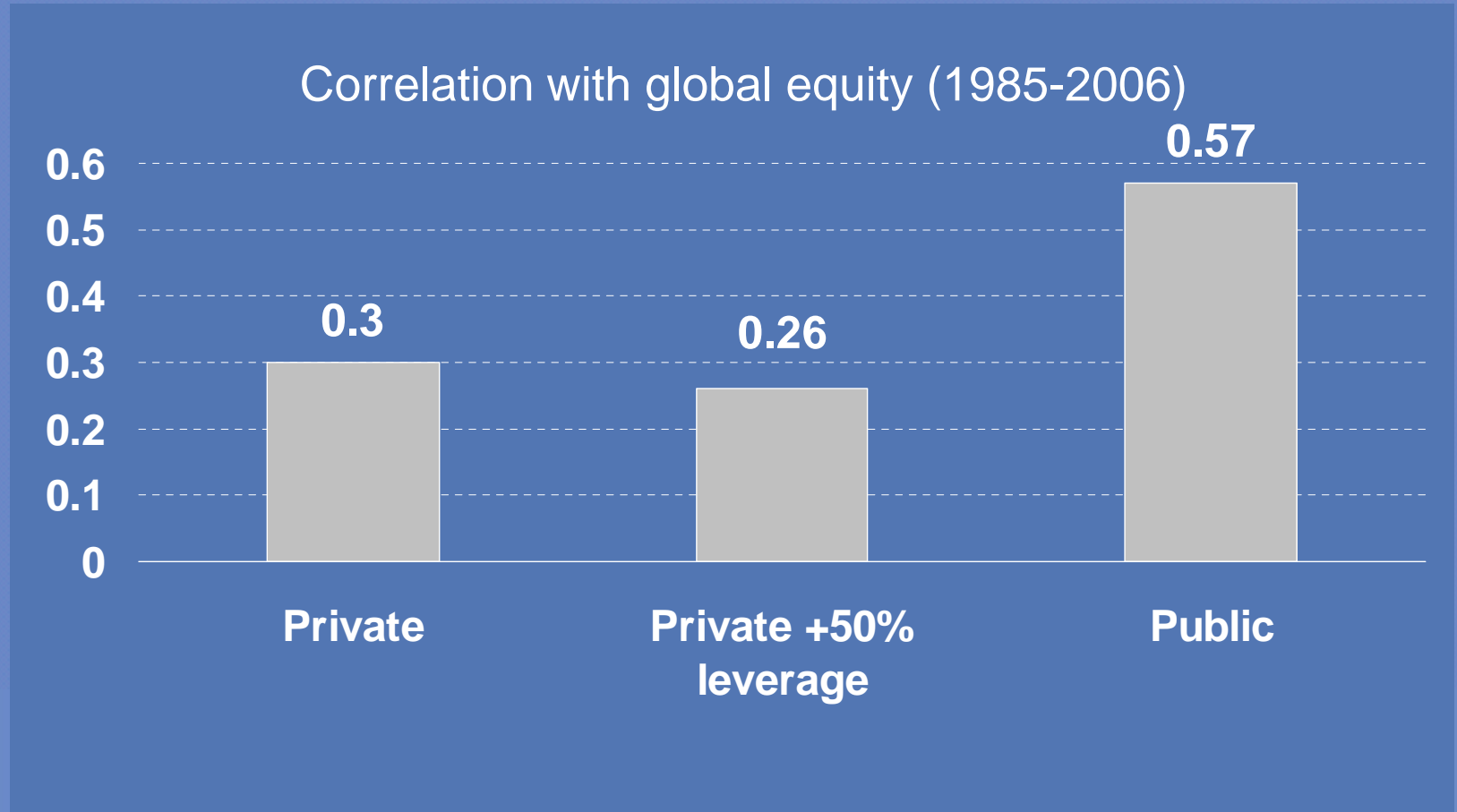
# Non-listed Market Growth



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Source: INREV, IPD, October 2007

# Listed versus non-listed real estate: diversification

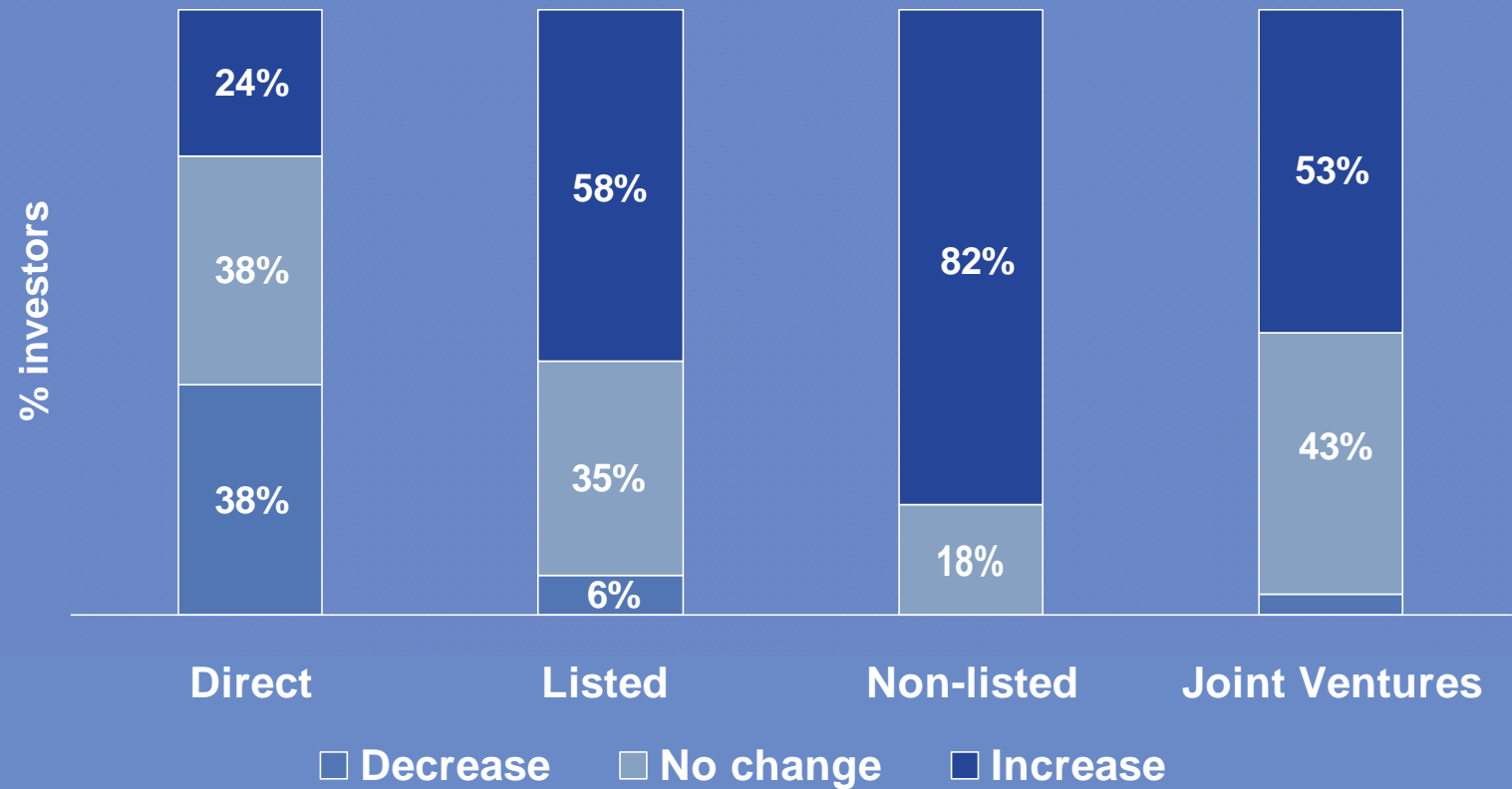


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Private real estate is uncorrelated with equity

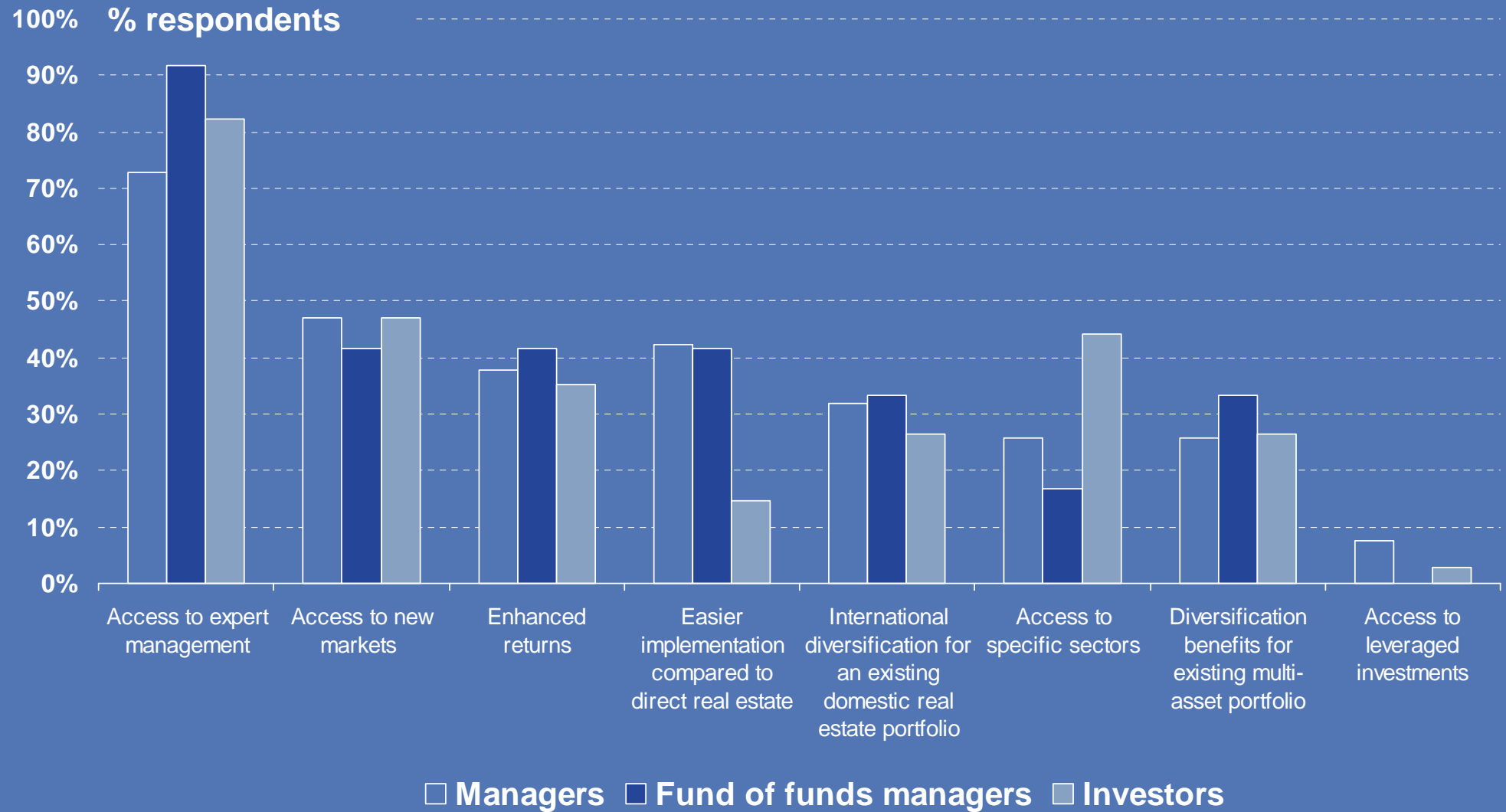


# Expected change in real estate allocation in next 2 years

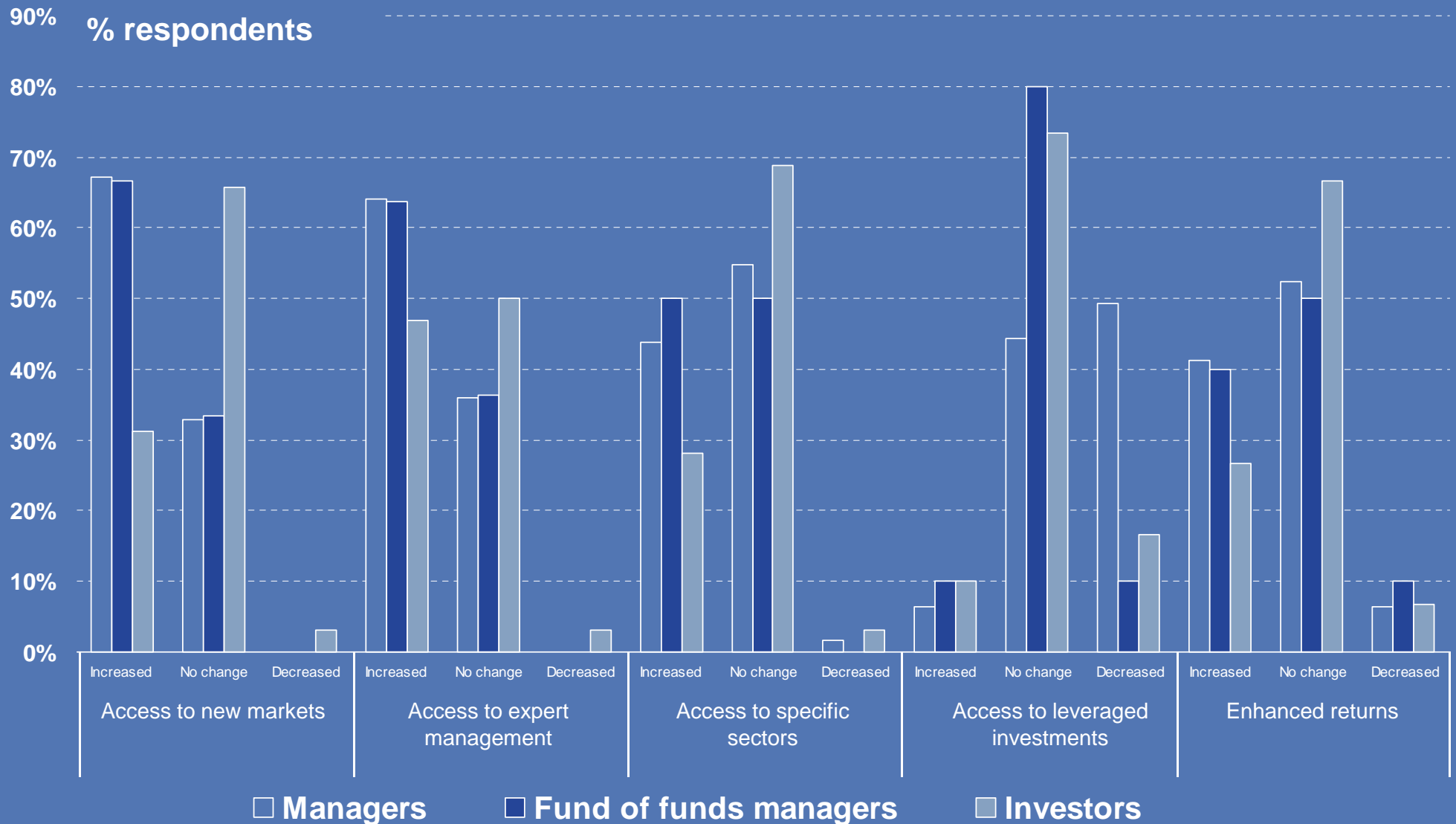


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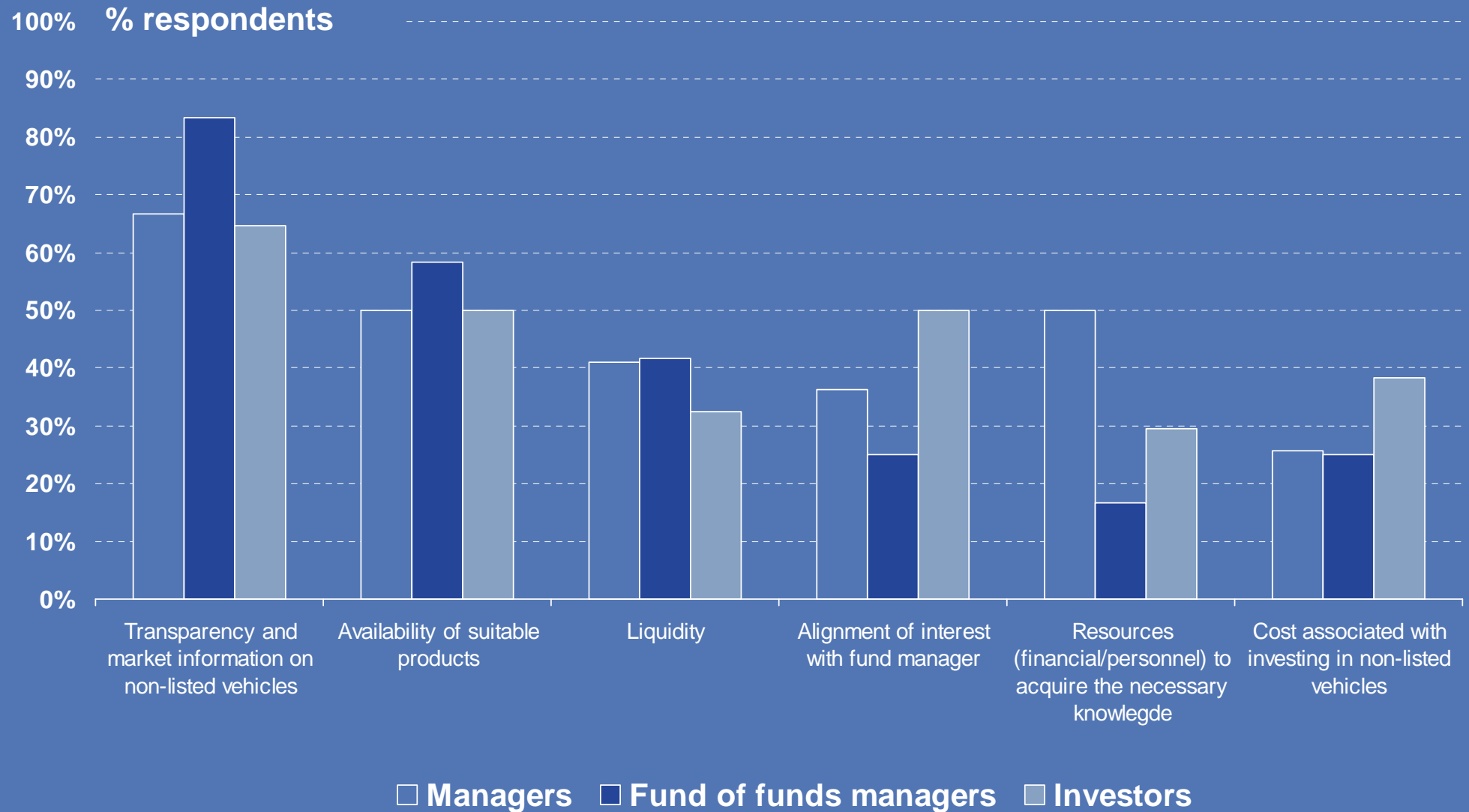
# Why invest in non-listed real estate vehicles



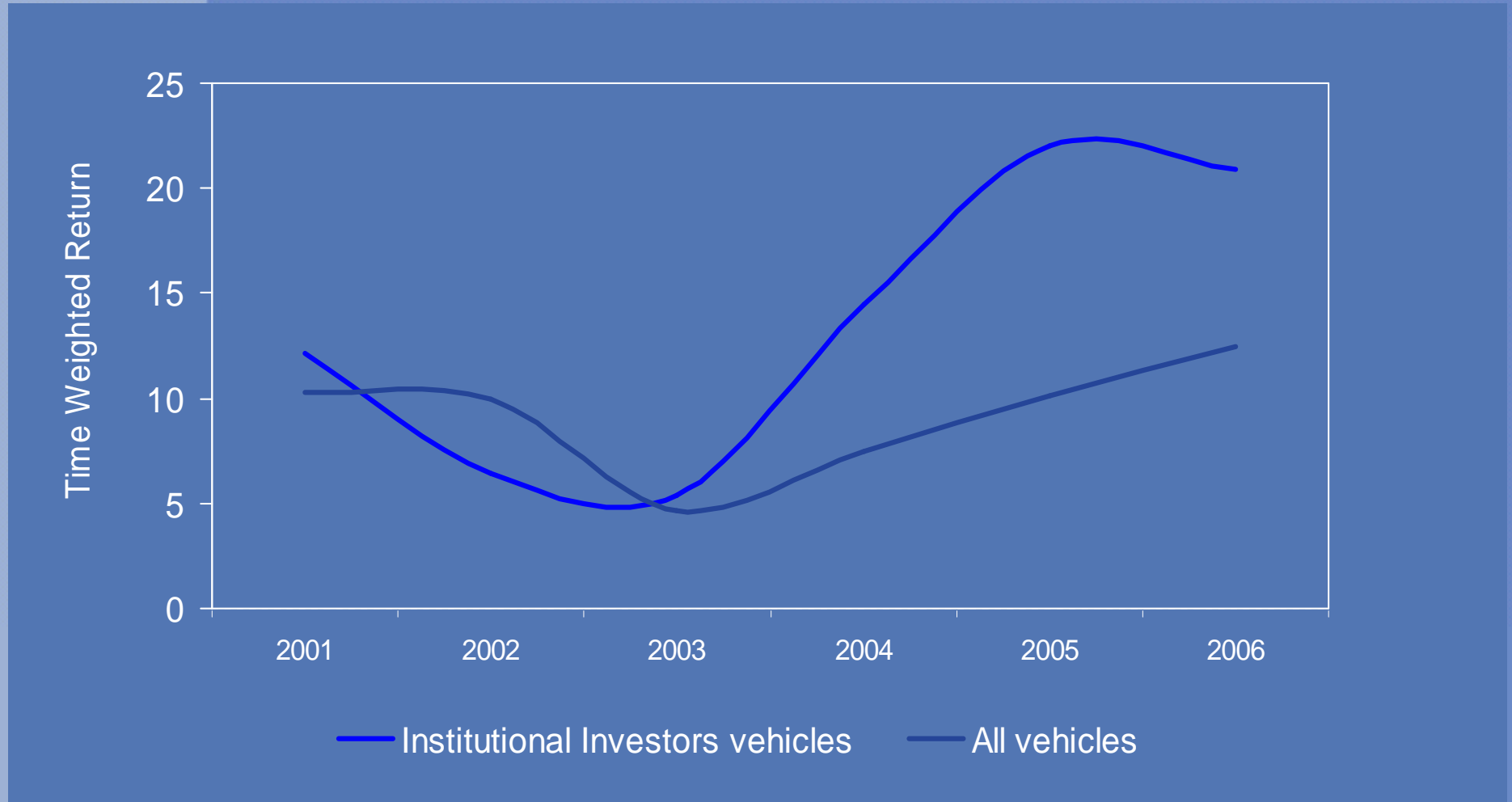
# Relative change in importance of reasons for investing in non-listed real estate



# Why NOT invest in non-listed real estate vehicles



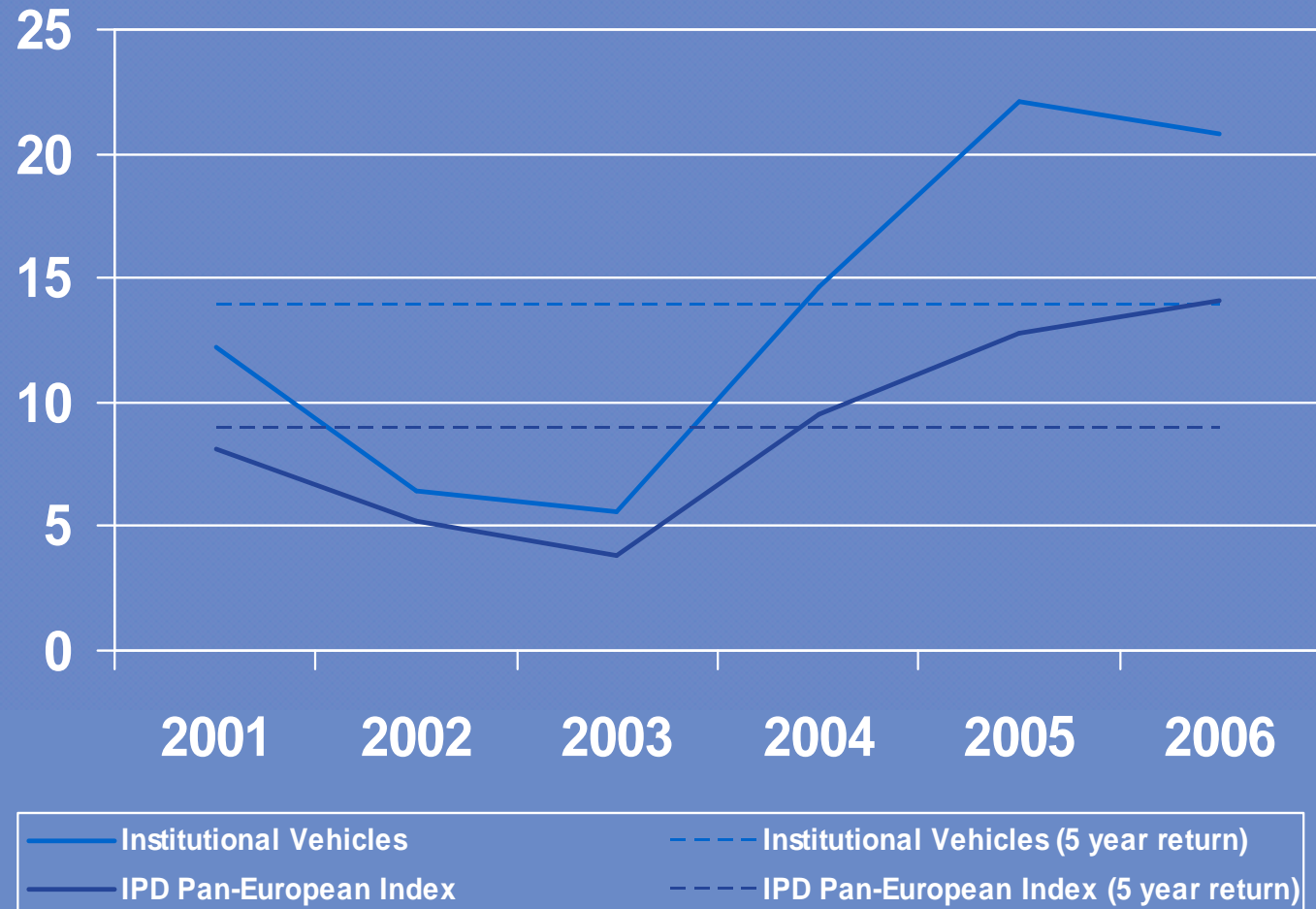
# Can we measure manager performance?



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Source: INREV Index, April 2007

# INREV Index vs IPD



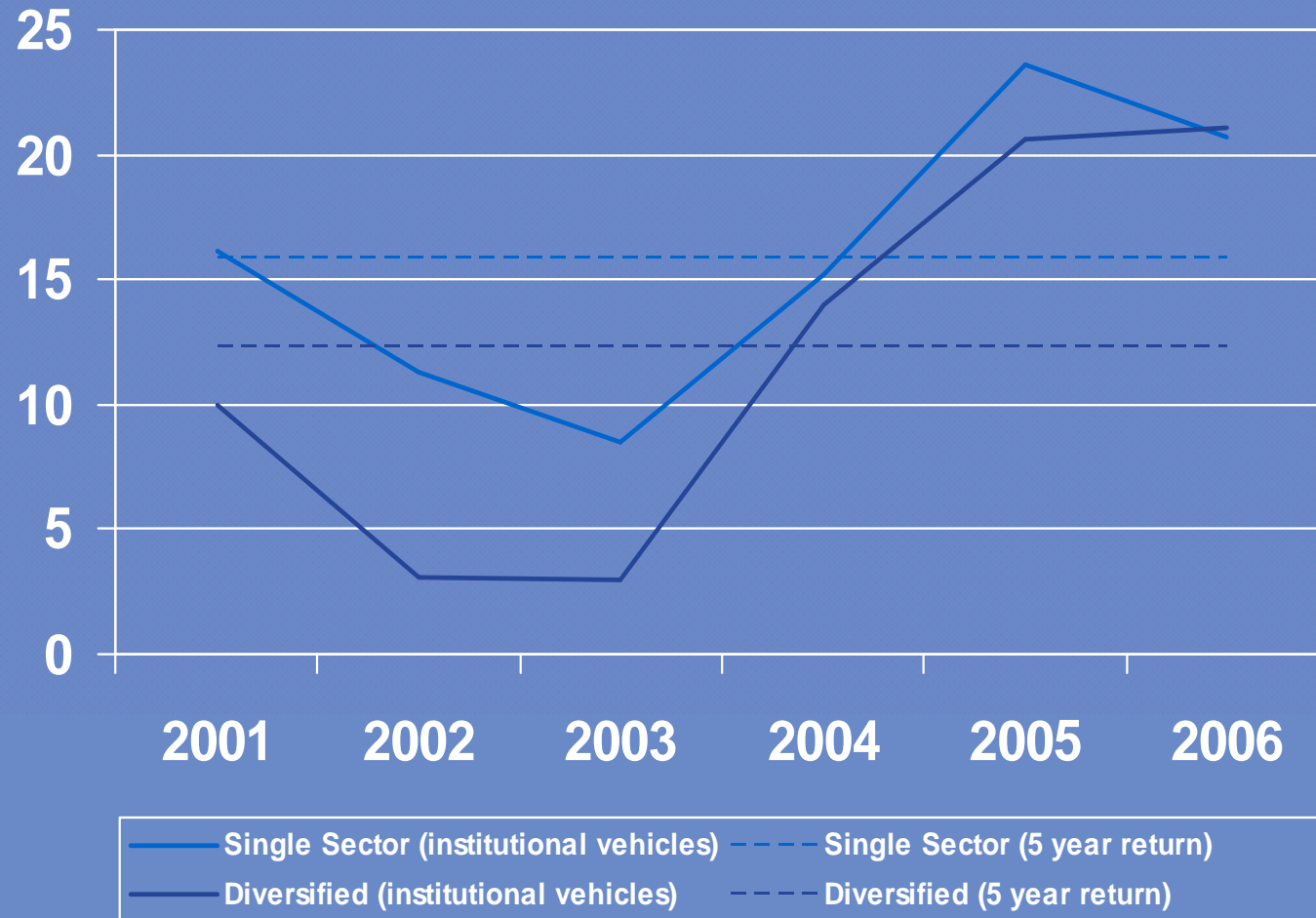
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# Drivers of performance: a multi-dimensional problem

- Property type
- Geography
- Investment style
- Leverage
- Fund vintage
- Investor base
  
- Manager competencies

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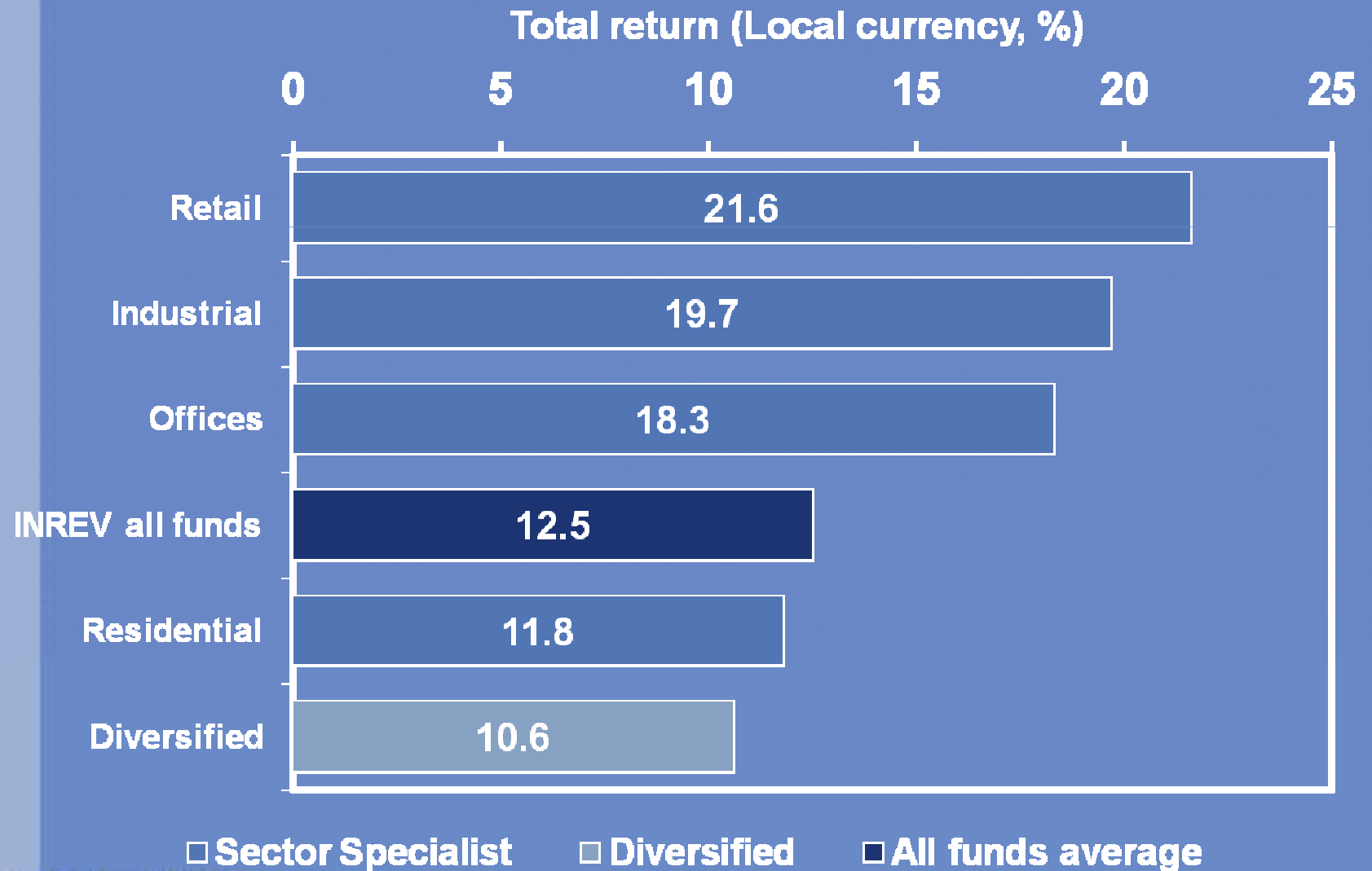
# Index Performance by Sector



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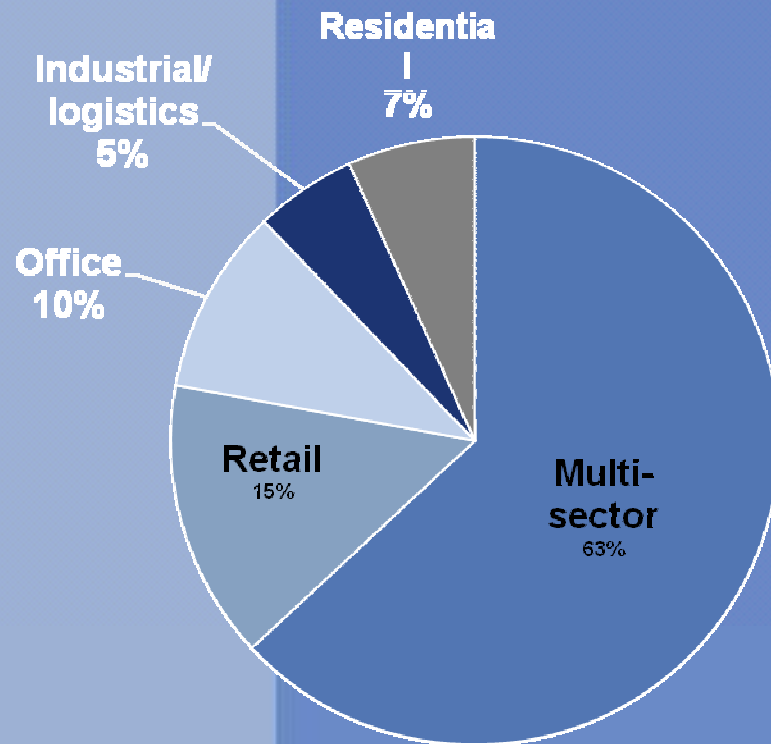
# Sector performance breakdown



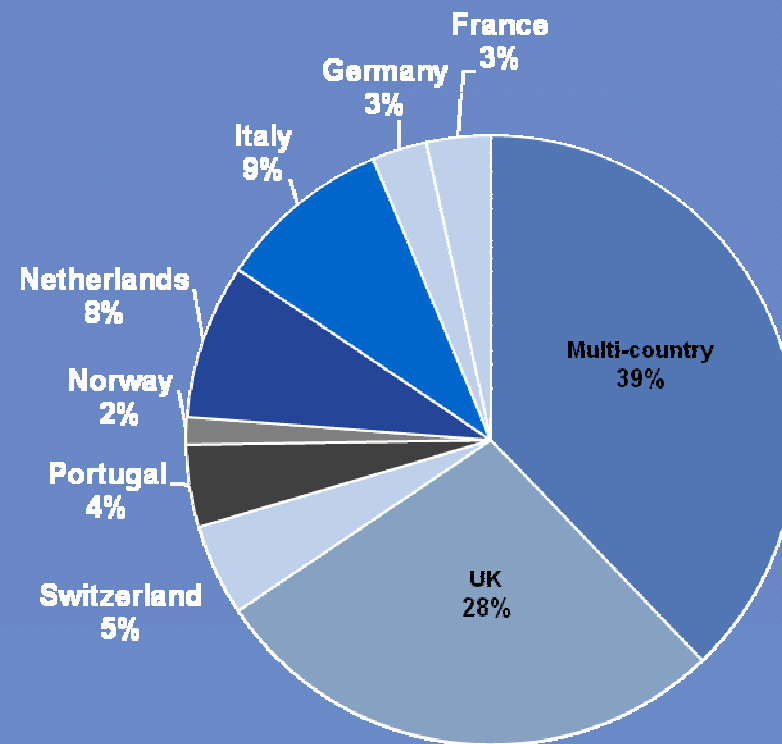
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# Index breakdown 2006

## Property type

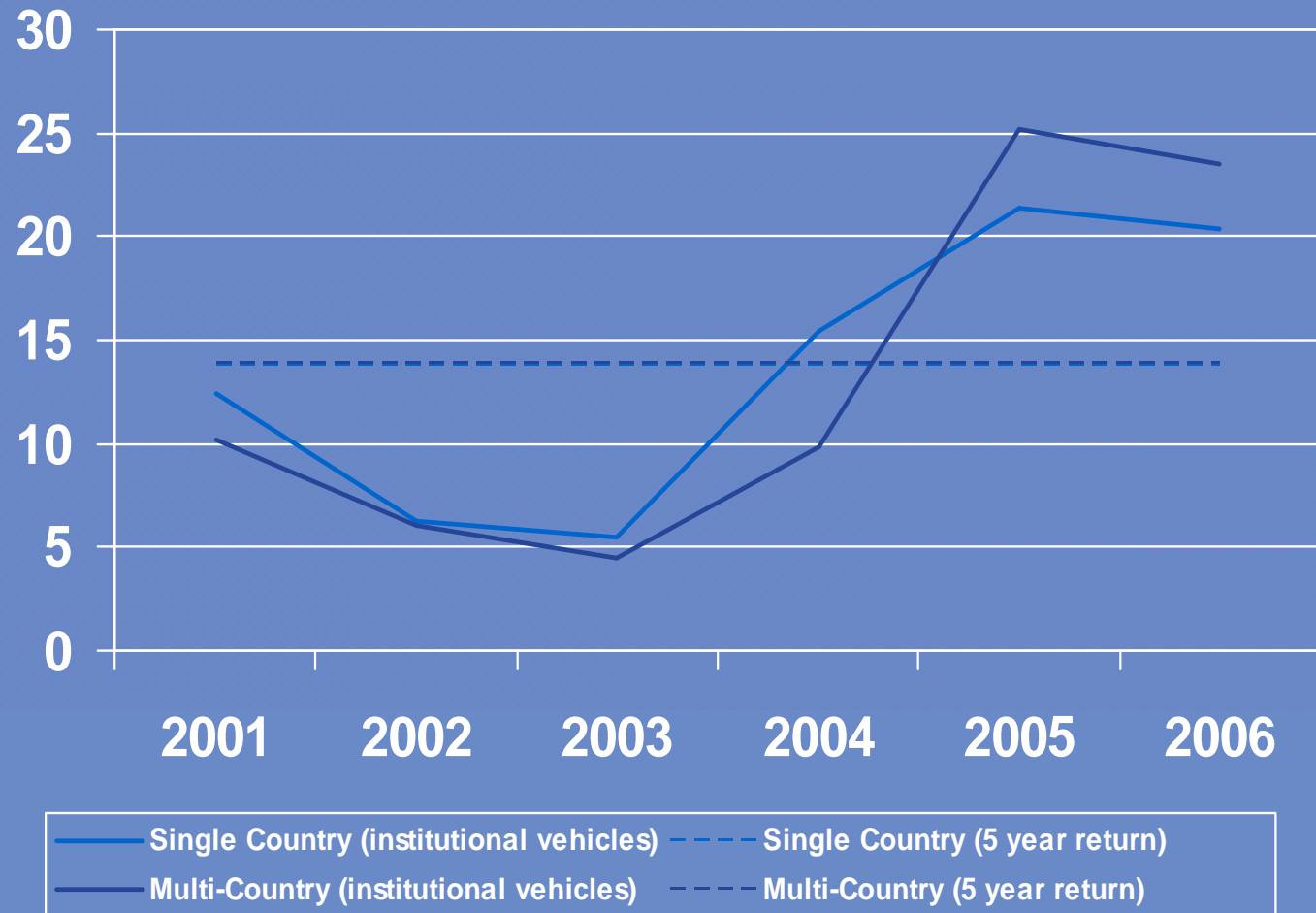


## Geography



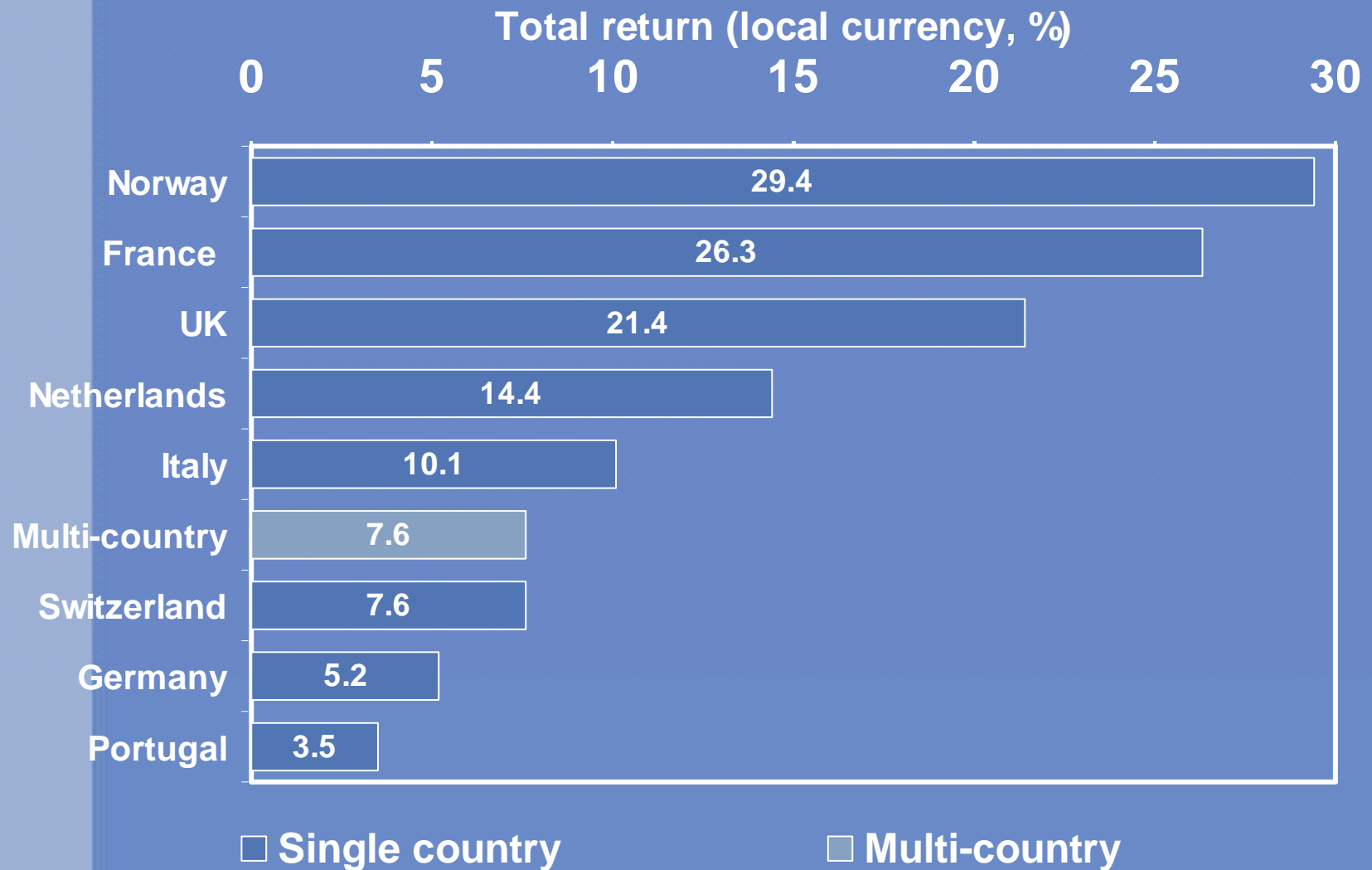
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# Index Performance by country



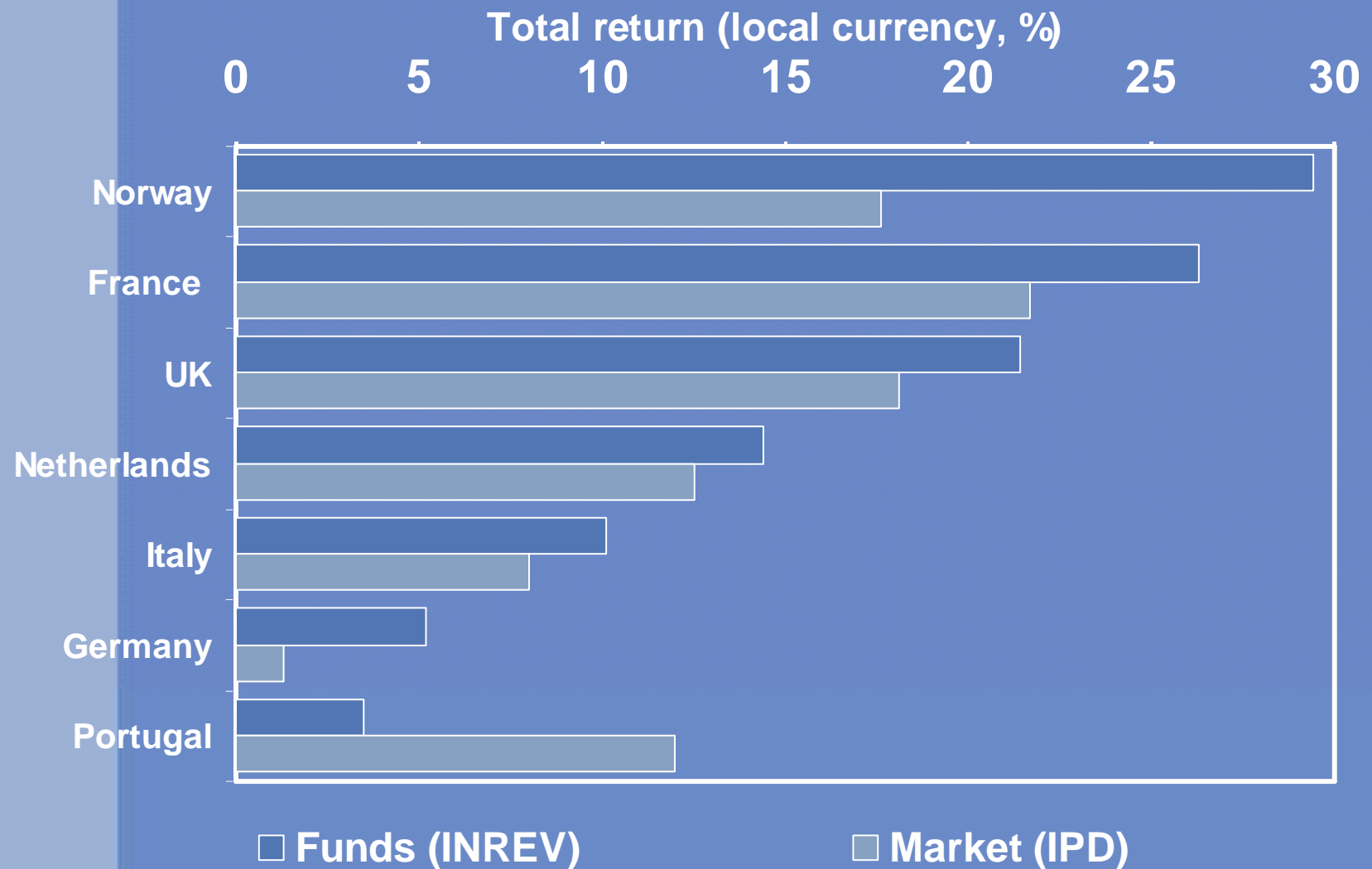
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# Country performance breakdown



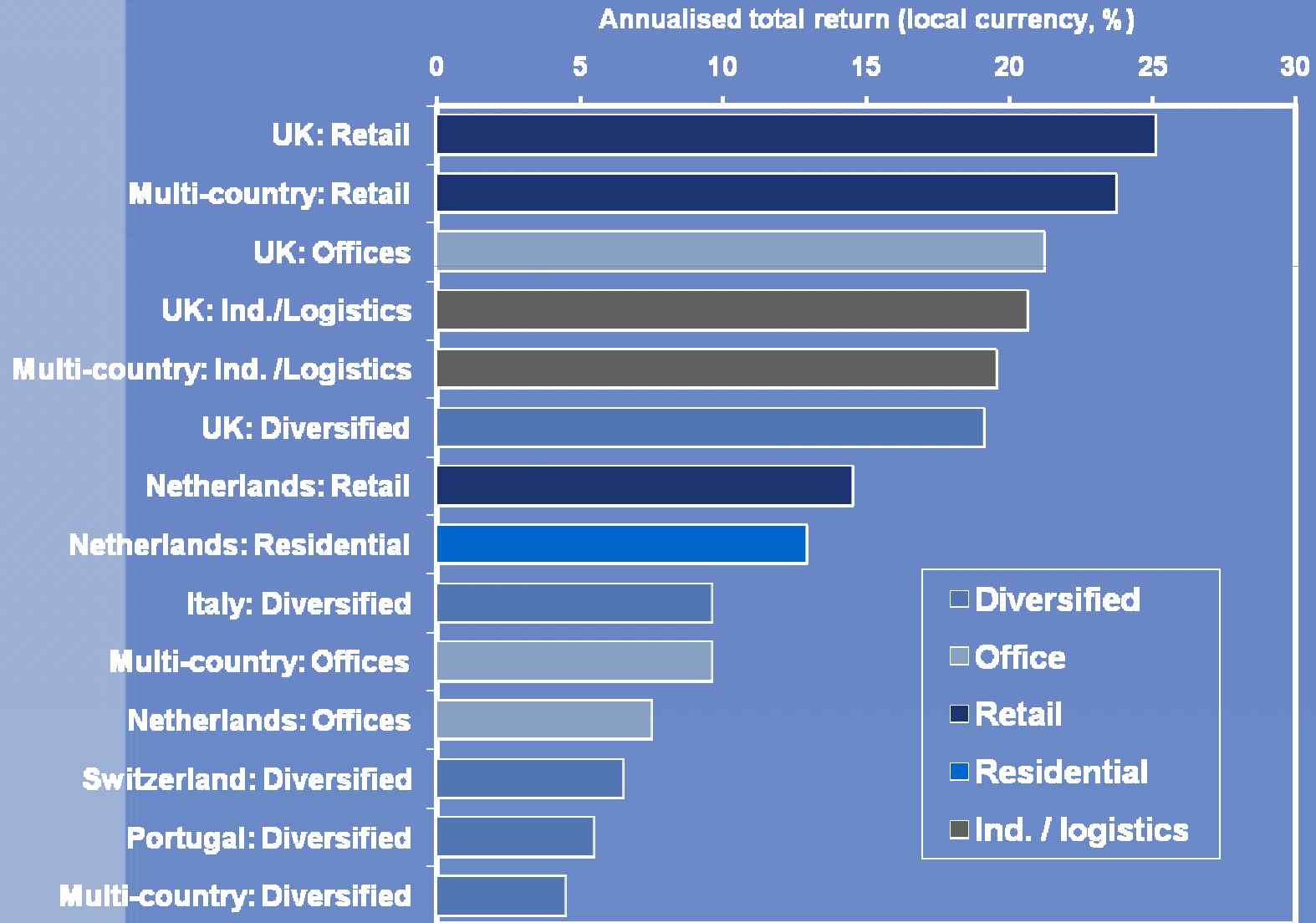
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# Country performance vs IPD



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# Three year performance league



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# Fund of Funds Managers

- INREV Funds of Funds Directory – 36 vehicles with a target equity of EUR10.9bn
- Growth from first vehicle in 2003
- Mitigating manager risk?

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## Conclusions

- Single sectors but multi country – more work on style?
- Always comparing a basket of drivers, one of which is manager performance
- Manager skill sets – very different for core, value added and opportunity
- Investors more focused on management performance in 2008

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