

Asset Values Take a Hit

Managers Take Write-Downs, Investors Tighten Purse Strings

Real estate investment managers took a broadside hit from the recent global financial markets implosion — a result of the U.S. subprime mortgage crisis — and its subsequent adverse economic fallout. Now, managers are knee-deep in the wreckage, battling a host of challenges including liquidity issues due to the frozen credit markets, softening property fundamentals fueled by global recession, investor redemption requests in some cases, and significant portfolio write-downs in most cases. The damage is evident in the assets under management figures reported in a survey of real estate investment managers conducted by Property Funds Research, a research and information firm and the U.K. branch of Feri EuroRating Services AG, and Institutional Real Estate, Inc., a U.S.-based publishing and consulting firm.

Executive Summary

- ◆ **Turmoil in the global financial markets has caused real estate fund redemptions and significant write-downs of asset values.**
- ◆ **Real estate managers' AUM shrunk by an average of 13 percent during 2008.**
- ◆ **European properties represented more than 50 percent of managers' aggregate AUM, while North America accounted for 35 percent.**

Responses from 113 firms, including many of the largest real estate investment managers around the globe, revealed that portfolio values were down, in some cases by more than 40 percent to 50 percent. Combined, the firms' year-end 2008 assets totaled more than €873.6 billion (US\$TK billion). A similar survey for 2007 tracked 107 real estate managers with total assets of €1,030 billion (US\$TK billion). Of the 81 firms that supplied AUM figures for both 2007 and 2008, nearly 70 percent reported a decline, with the average change registering -13 percent. It is more than likely that 26 fund managers who completed the 2007 survey but declined to take part in 2008 were influenced by the desire not to publish significant declines in assets under management.

GLOBAL REAL ESTATE ASSETS UNDER MANAGEMENT (€M, as of 31 December 2008)

Rank	Fund Manager	Total	Europe	North America	Latin America	Australasia	Asia	Middle East	Africa	Global
1	ING Real Estate Investment Management	66,458.00	27,317.00	30,636.00	—	5,579.00	2,925.00	—	—	—
2	RREEF Limited	41,051.00	17,501.00	21,243.00	—	—	2,306.00	—	—	—
3	AXA Real Estate Investment Managers*	40,246.00	40,026.00	—	—	—	220.00	—	—	—
4	Tishman Speyer	34,932.79	4,026.45	30,266.99	316.80	—	322.55	—	—	—
5	UBS Global Asset Management	32,458.73	14,652.71	11,767.86	—	222.06	5,816.11	—	—	—
6	AEW Capital Management*	31,105.33	17,528.18	10,200.82	—	—	130.74	—	—	—
7	Hines*	30,310.10	4,012.80	24,589.01	964.05	—	744.23	—	—	—
8	LaSalle Investment Management*	29,524.92	9,769.80	12,858.79	431.02	—	6,465.30	—	—	—
9	Aberdeen Property Investors Holding AB*	27,880.00	26,900.00	350.00	—	30.00	600.00	—	—	—
10	CB Richard Ellis Investors*	27,657.16	6,608.98	15,804.09	—	—	1,939.59	—	—	3,304.49
11	Aviva Investors	26,408.50	25,165.40	46.20	—	82.94	1,113.96	—	—	—
12	Brookfield Asset Management*	25,629.21	958.30	16,530.36	2,873.47	5,232.59	—	34.48	—	—
13	Commerz Real	21,700.00	19,460.00	1,130.00	—	—	1,110.00	—	—	—
14	Pramerica Real Estate Investors	21,072.50	3,450.40	14,910.00	709.50	—	2,002.60	—	—	—
15	Invesco Real Estate*	18,802.20	5,661.82	12,660.73	—	108.69	370.97	—	—	—
16	AIG Global Real Estate*	18,677.57	—	—	—	—	—	—	—	—
17	BlackRock	18,656.01	2,821.03	15,487.29	—	346.97	—	—	—	—
18	PRUPIM**	16,601.25	15,310.90	949.12	—	—	340.17	—	—	—
19	IVG Funds GmbH	15,295.00	14,119.00	1,021.00	—	—	155.00	—	—	—
20	Heitman International*	14,077.14	3,071.02	10,988.16	—	—	17.96	—	—	—
21	Beacon Capital Partners	13,433.48	4,382.04	9,051.44	—	—	—	—	—	—

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Rank	Fund Manager	Total	Europe	North America	Latin America	Australasia	Asia	Middle East	Africa	Global
22	Centro Properties Group	12,835.92	—	8,724.41	—	4,111.50	—	—	—	—
23	Walton Street Capital***	11,493.89	—	—	—	—	—	—	—	—
24	Rockpoint Group (Q3)	11,144.76	1,725.52	6,574.50	—	—	2,844.74	—	—	—
25	Standard Life Investments	10,431.95	10,140.07	9.45	—	110.24	172.19	—	1.00	—
26	Bentall*	10,401.47	—	10,401.47	—	—	—	—	—	—
27	AMP Capital Investors Limited	10,379.04	—	—	—	10,379.04	—	—	—	—
28	Henderson Global Investors*	10,347.00	8,269.00	1,795.00	—	—	283.00	—	—	—
29	Syntrus Achmea Vastgoed	10,000.00	9,600.00	300.00	—	—	100.00	—	—	—
30	Starwood Capital Group Global	9,195.11	3,735.51	4,741.23	143.67	—	215.51	—	—	359.18
31	Legal & General Property	8,979.92	8,979.92	—	—	—	—	—	—	—
32	Hermes Real Estate Investment Management Ltd.	8,800.00	—	—	—	—	—	—	—	8,800.00
33	Schroder Property Investment Management Ltd.	8,358.37	8,295.37	—	—	—	62.99	—	—	—
34	Macquarie Global Property Advisors*	7,948.74	1,150.83	—	—	6,797.92	—	—	—	—
35	BNP Paribas Real Estate Investment Management	7,928.50	7,928.50	—	—	—	—	—	—	—
36	F&C REIT Asset Management	7,874.36	7,653.88	—	—	—	8.40	212.08	—	—
37	Cohen & Steers Capital Management	7,821.02	1,042.53	5,154.95	—	576.89	1,046.65	—	—	—
38	Bouwfonds Real Estate Investment Management	6,849.00	5,693.00	1,156.00	—	—	—	—	—	—
39	Invista Real Estate Investment Management*	6,637.56	6,575.61	—	—	52.50	—	—	—	9.45
40	Mn Services	6,434.00	4,921.00	883.00	—	—	630.00	—	—	—
41	Valad Property Group	6,164.00	4,904.00	—	—	1,260.00	—	—	—	—
42	Patron Capital	5,830.00	5,830.00	—	—	—	—	—	—	—
43	Mirvac Investment Management	5,766.00	41.82	422.28	—	5,301.84	—	—	—	—
44	Lend Lease Investment Management	5,615.71	902.53	—	—	3,860.80	752.10	100.28	—	—
45	Scottish Widows Investment Partnership	5,249.57	5,176.08	73.49	—	—	—	—	—	—
46	Threadneedle Property Investments Limited	5,008.62	5,008.62	—	—	—	—	—	—	—
47	Rockspring Property Investment Managers*	5,000.00	5,000.00	—	—	—	—	—	—	—
48	iii Investments	4,810.30	4,810.30	—	—	—	—	—	—	—
49	Grosvenor Fund Management	4,412.47	2,651.56	1,116.06	—	—	644.86	—	—	—
50	Russell Real Estate Advisors	4,302.40	317.10	3,258.10	—	—	677.70	—	—	49.80

*AUM includes advisory account mandates and/or non-fund assets

** Prudential Property Investment Managers Limited (PRUPIM) is an indirect subsidiary of Prudential Plc, incorporated in the United Kingdom and not affiliated in any manner with Prudential Financial Inc., whose principal place of business is in the United States of America

*** GAV is calculated by equity + debt + committed capital

Date for currency conversion was 31 December 2008.

Sources: Property Funds Research (U.K. branch of Feri EuroRating Services AG); Institutional Real Estate, Inc.

“Turmoil in the global financial markets and the subsequent deleveraging process saw the real estate investment market environment transition from a go-go offensive approach to a dig-in defensive mentality,” states Geoffrey Dohrmann, president and CEO of Institutional Real Estate, Inc. “Institutional investors are less concerned with new deals and more concerned with managing their existing portfolios. Many fund managers are in the process of calling

down capital to recapitalize deals while they work with lenders to extend maturities and restructure obligations. The bad news is that investors will continue to feel the pain in 2009 as property values get repriced. The good news is that billions of dollars committed to funds raised in 2007 and 2008 have yet to be called and are still available to take advantage of the anticipated buying extravaganza.”

The “Global Real Estate Assets Under Management” table

on pages 17 and 18 ranks the top real estate investment managers and shows the geographic distribution of their assets. ING Real Estate Investment Management tops the list with more than €66.4 billion (US\$TK billion) and also manages the most assets in North America, with a total in excess of €30.6 billion (US\$TK billion). AXA Real Estate Investment Managers controls the largest pool of European assets, with more than €40.0 billion (US\$TK billion), and

LaSalle Investment Management oversees the largest Asia portfolio, valued at approximately €6.5 billion (US\$TK billion).

GEOGRAPHIC BREAKDOWN

Similar to past survey results, European property assets

represented the largest slice of the pie, 48.8 percent of the total asset value. Assets in North America posted a 34.2 percent share, while investments in Australasia and Asia registered 5.8 percent and 5.2 percent, respectively. Domiciles of the responding fund

managers somewhat mirrored the asset geographic distribution; 54 percent of the managers surveyed are based in Europe, while 29 percent are headquartered in North America, 12 percent in Australia and 5 percent are centered in Asia. Analyzing the discretionary

DISCRETIONARY SEGREGATED MANDATES UNDER MANAGEMENT (€M)										
Rank	Fund Manager	Total	Europe	North America	Latin America	Australasia	Asia	Middle East	Global	Number of Mandates
1	AEW Capital Management	20,114.30	12,284.09	7,830.21	—	—	—	—	—	n/a
2	AXA Real Estate Investment Managers	19,180.00	19,180.00	—	—	—	—	—	—	10
3	LaSalle Investment Management	17,355.77	6,393.47	8,692.25	—	660.90	423.84	1,185.31	—	103
4	CB Richard Ellis Investors	15,739.44	5,384.89	6,742.60	—	232.03	442.51	2,937.41	—	98
5	ING Real Estate Investment Management	15,220.00	4,653.00	10,156.00	—	—	411.00	—	—	63
6	Aviva Investors	12,266.15	12,162.21	25.20	—	78.74	—	—	—	61
7	Aberdeen Property Investors Holding AB	11,598.00	11,549.00	—	—	—	—	—	49.00	51
8	PRUPIM	11,474.51	11,474.51	—	—	—	—	—	—	8
9	RREEF Limited	9,861.00	318.00	9,109.00	—	—	434.00	—	—	28
10	Syntrus Achmea Vastgoed	7,700.00	7,700.00	—	—	—	—	—	—	25
11	Hermes Real Estate Investment Management Ltd.	7,200.00	—	—	—	—	—	—	—	2
12	Mn Services	6,408.00	6,408.00	—	—	—	—	—	—	6
13	BlackRock	6,169.34	25.86	6,143.48	—	—	—	—	—	15
14	Invesco Real Estate	5,824.53	44.47	5,412.40	—	200.28	167.38	—	—	49
15	F&C REIT Asset Management	5,709.43	5,488.95	—	—	—	8.40	212.08	—	44
16	Scottish Widows Investment Partnership	5,018.59	5,018.59	—	—	—	—	—	—	4
17	Legal & General Property	4,702.57	4,702.57	—	—	—	—	—	—	4
18	Threadneedle Property Investments Ltd.	4,208.37	4,208.37	—	—	—	—	—	—	6
19	Cohen & Steers Capital Management	4,140.74	364.64	2,004.30	—	112.40	1,659.40	—	—	69
20	Invista Real Estate Investment Management	3,963.43	3,963.43	—	—	—	—	—	—	11
21	Cushman & Wakefield Investors	3,462.00	3,462.00	—	—	—	—	—	—	16
22	Hines	2,766.43	158.76	1,898.65	529.44	—	179.59	—	—	8
23	European Investors	2,102.66	1,075.40	1,009.31	—	17.96	0.00	—	—	82
24	Royal London Asset Management	2,100.23	2,100.23	—	—	—	—	—	—	4
25	Mirvac Investment Management	2,017.14	—	1,895.30	—	121.84	—	—	—	7
26	UBS Global Asset Management	1,919.45	146.97	1,772.49	—	—	—	—	—	8
27	Franklin Templeton Real Estate Advisors	1,780.19	175.14	107.76	—	1,490.18	7.11	—	—	11
28	Pramerica Real Estate Investors	1,270.90	303.60	967.30	—	—	—	—	—	6
29	Heitman International	1,551.67	245.68	1,305.99	—	—	—	—	—	41
30	Urdang	1,354.84	—	1,354.84	—	—	—	—	—	49
31	Secured Capital Japan Co. Ltd.	1,255.71	—	—	—	—	1,255.71	—	—	10
32	AMP Capital Investors Limited	1,253.51	—	—	—	1,253.51	—	—	—	4
33	Sentinel Real Estate Corporation	1,196.08	—	1,196.08	—	—	—	—	—	8
34	Schroder Property Investment Management Ltd.	1,139.16	1,139.16	—	—	—	—	—	—	22
35	Henderson Global Investors	1,075.00	627.00	448.00	—	—	—	—	—	20
36	Russell Real Estate Advisors	979.49	31.18	911.75	—	—	36.56	—	—	8
37	BNP Paribas Real Estate Investment Management	777.00	777.00	—	—	—	—	—	—	2
38	DTZ Investment Management	756.99	756.99	—	—	—	—	—	—	8
39	Standard Life Investments	756.99	756.99	—	—	—	—	—	—	3
40	Grosvenor Fund Management	751.74	—	751.74	—	—	—	—	—	8

Date for currency conversion was 31 December 2008.

Sources: Property Funds Research (U.K. branch of Feri EuroRating Services AG); Institutional Real Estate, Inc.

INDIRECT REAL ESTATE INVESTMENT VEHICLES UNDER MANAGEMENT (€M)		
Rank	Fund Manager	Total (€M)
1	ING Real Estate Investment Management	48,889.00
2	UBS Global Asset Management	32,458.89
3	RREEF*	31,189.00
4	Tishman Speyer	26,192.70
5	Commerz Real	21,700.00
6	Pramerica Real Estate Investors	19,801.60
7	IVG Funds GmbH	15,295.00
8	Aviva Investors	14,142.35
9	Aberdeen Property Investors Holding AB	14,136.00
10	Beacon Capital Partners	13,433.48
11	AXA Real Estate Investment Managers	12,864.00
12	Centro Properties Group	12,835.92
13	BlackRock	12,487.39
14	LaSalle Investment Management	12,212.25
15	CB Richard Ellis Investors	11,911.26
16	Walton Street Capital	11,493.89
17	Rockpoint Group (Q3)	11,144.76
18	Brookfield Asset Management	10,918.47
19	AEW Capital Management	10,906.26
20	Standard Life Investments	9,674.96
21	Starwood Capital Group Global	9,195.11
22	AMP Capital Investors Limited	9,125.54
23	Hines	8,413.52
24	Schroder Property Investment Management Ltd.	7,617.13
25	Invesco Real Estate	7,485.18
26	Henderson Global Investors	7,335.10
27	BNP Paribas Real Estate Investment Management	7,151.00
28	Bouwfonds Real Estate Investment Management	6,520.00
29	Patron Capital	5,830.00
30	Macquarie Global Property Advisors	5,795.07
31	Mirvac Investment Management	5,766.13
32	Lend Lease Investment Management	5,515.43
33	Valad Property Group	5,038.60
34	iii Investments	4,810.30
35	Rockspring Property Investment Managers	4,526.00
36	Legal & General Property	4,258.45
37	PRUPIM	4,140.86
38	Transwestern Investment Company	3,735.51
39	Cohen & Steers Capital Management, Inc.	3,680.28
40	Grosvenor Fund Management	3,660.53
41	Russell Real Estate Advisors	3,337.32
42	Sierra Asset Management	2,930.00
43	GPT Funds Management Limited	2,663.45
44	Secured Capital Japan Co. Ltd.	2,395.76
45	Charter Hall Funds Management Ltd.	2,362.61
46	Syntrus Achmea Vastgoed	2,300.00
47	Cordea Savills	2,258.37
48	Heitman International	2,203.38
49	F&C REIT Asset Management	2,164.92
50	Warburg-Henderson Kapitalanlagegesellschaft	2,074.00

* excludes securities funds; Date for currency conversion was 31 December 2008.

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account mandates, 61.6 percent of the total assets represent European investments, while 32.0 percent were North American investments and only 2.3 percent of the total was in Asia.

“It appears that the managers who have suffered the most in the rankings have been those that have had to deal with redemptions, and many of these closed their funds for a period at the end of last year to prevent the need to make firesales.”

*– Jane Fear,
managing director,
Property Funds Research*

“We are extremely pleased with the outcome of this year’s Global Real Estate Fund Manager survey and very grateful to everyone who took the time to complete the survey and answer our questions,” notes Jane Fear, managing director of Property Funds Research. “It appears that the managers who have suffered the most in the rankings have been those that have had to deal with redemptions, and many of these closed their funds for a period at the end of last year to prevent the need to make firesales. The effect of weakening currencies has further compounded the dramatic falls in assets under management — hitting some managers particularly hard.” ❖

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