Q2 2015 Fundraising Update

Pension fund commitments to managed real estate vehicles

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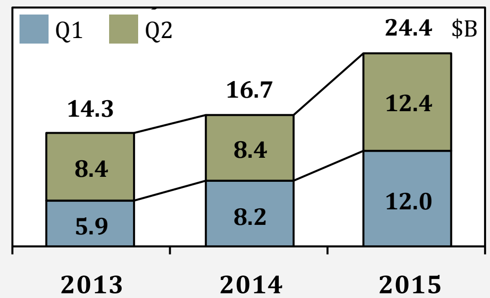
Strong commitment activity continues in 2015

Domestic public pensions have committed $24.4 billion to managed real estate vehicles thus far in 2015, a 46 percent increase over 2014

Commitments to real estate managers by U.S.-based public pensions through the first half of 2015 are up significantly over the same period in 2014, demonstrating institutional investors' continued search for yield in this low interest rate environment. Per FPL Consulting's proprietary database, pensions committed $24.4 billion to managed real estate vehicles through Q2, compared to $16.7 billion over the same period last year and $14.3 billion in H1 2013. The degree of the increase over 2014 is partially attributable to recent closes by several large opportunity funds, most notably Blackstone's ~$15B BREP VIII which closed earlier this year.

Commitments to real estate managers (thru Q2)



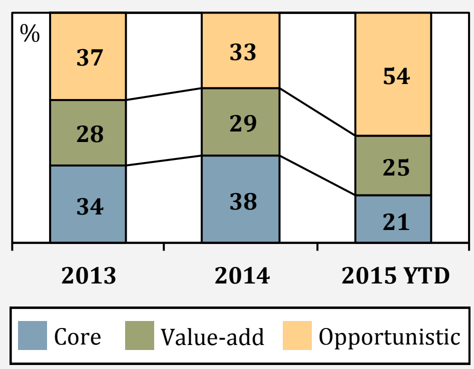
Investment Strategy and Vehicle Structure

High-yield (i.e. value-add and opportunistic) strategies continue to be in favor with investors in 2015, making up 79 percent of commitment volume YTD. This emphasis on higher yielding strategies is at least partially driven by the fact that rising asset prices and competition for deals have made it more challenging for investors to meet target returns with core strategies. Instead, many are showing a greater willingness to take on higher levels of risk for the potential of higher returns. That said, it's important to note that the degree of the weighting toward opportunistic strategies is partially driven by BREP VIII, as is the weighting to closed-end funds (see below).

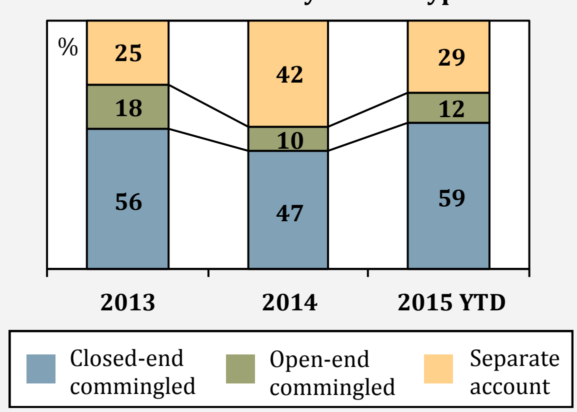
As with investment strategy, the landscape of commitments by vehicle type shifted in the first half. While closed-end commingled funds were popular in 2014, they have been even more so thus far in 2015, representing 59 percent of commitment dollars YTD in 2015, versus 47 percent in 2014.

Dedicated debt vehicles have accounted for 9 percent of commitment volume YTD, while 5 percent has gone to "other" funds (e.g. REIT securities, fund of funds, etc.).

Commitments by investment strategy



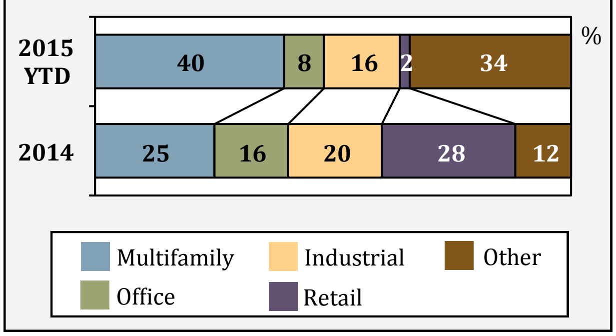
Commitments by vehicle type



Property Type

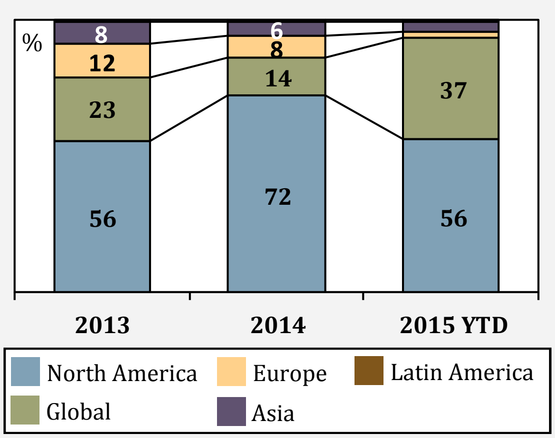
Vehicles dedicated to a single property type have attracted 22 percent of commitment dollars so far in 2015, down from 41 percent in 2014 but in line with 2013. Multifamily has been the most common among these property-specific vehicles, driven by large separate account commitments to TGM and Camden, as well as actively marketed funds sponsored by Waterton, Covenant, Abacus, and others. "Other" (i.e. niche) property types including senior housing, student housing, storage facilities, medical offices, and others also garnered attention from investors.

Breakdown of commitments by property type (among property-specific vehicles)



Geography

Breakdown of commitments by geography

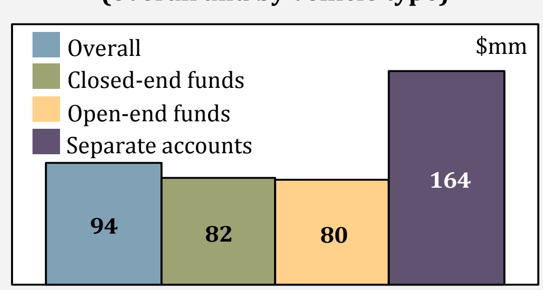


The majority of commitment capital (56%) continues to flow to vehicles focused on North America. That said, broad mandated global strategies have attracted a much greater proportion of commitments in 2015—37 percent versus just 14 percent in full year 2014. This finding is again influenced by the recent closing of several large opportunity funds, but it will be interesting to see how investors' preferences with respect to geography progresses through the remainder of the year. It is also worth noting that commitments to Europe and Asia focused vehicles have dropped materially over the past two years, from 20 percent (combined) in 2013 to just 8 percent YTD.

Average Commitment Size

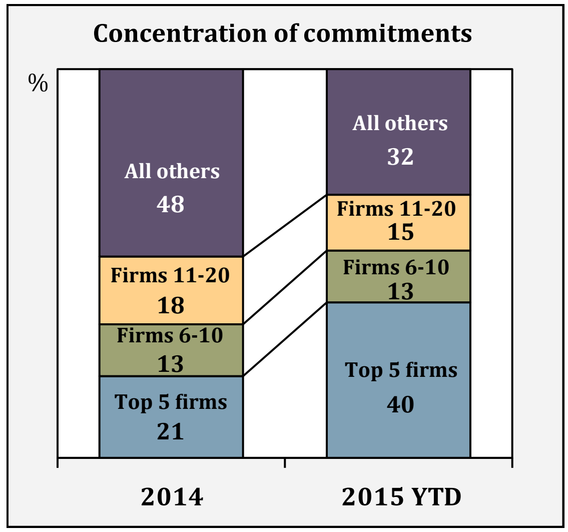
The average commitment size thus far in 2015 is $94 million, highly consistent with that of 2014. As one would expect, the average commitment to separate accounts is considerably higher at $164 million. It's important to note that this metric includes both newly formed separate accounts (which tend to be larger commitments), as well as follow-on commitments to existing separate account vehicles (which are often smaller).

Average commitment size (overall and by vehicle type)

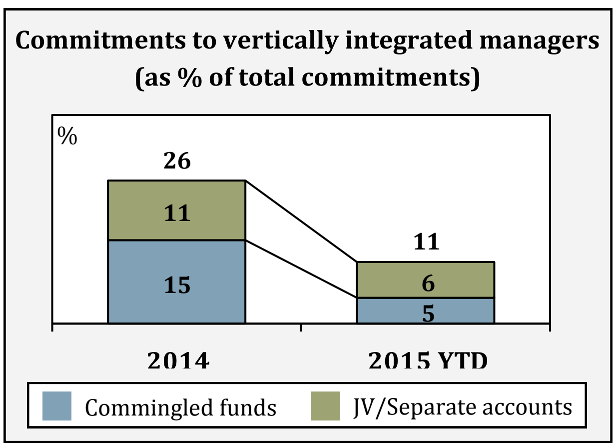


Manager Concentration

The commercial real estate industry's prominent players continue to attract a disproportionate share of commitment volume, underscoring the bifurcation between 'haves' and 'have nots'. The top 5 firms (by aggregate fundraising dollars over the period) represent 40 percent of volume YTD, while the top 20 represent 68 percent. That said, it is important to keep in mind that these concentration metrics tend to decline over the course of the year. For reference, in Q1 of this year, the top 5 firms accounted for 48 percent of commitment dollars and the top 20 firms made up 81 percent of total commitments.



Vertical Integration



Vertically integrated managers have received 11 percent of commitment dollars in 2015, compared to 26 percent through full-year 2014. It is worth noting, however, that this figure is considerably higher when limited to value-add strategies—23 percent of capital committed to vehicles employing value-add strategies went to vertically integrated managers. This is more in line with full-year 2014, where 30% of value-add commitment dollars went to vehicles sponsored by vertically integrated managers.

Contact

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