

Fund managers survey

Analysis

Global diversification and fewer European fund launches are main trends, writes *Paul Norman*

ING retains top spot as focus shifts to emerging markets

Dutch investment house ING's Real Estate Investment Management subsidiary has cemented its position as the leading fund manager in terms of assets under management, according to the second annual *Global Property Fund Management Survey*.

Carried out by Property Funds Research and *The Banker* magazine, the survey collates data from 107 global fund managers on assets under management at the end of December 2007. The figure comprises €1.7trn of assets, with the top 20 players dominating the market, accounting for around 61%, or €657bn.

ING REIM had €72bn of assets under management at the end of 2007, €10bn more than its nearest rival, Deutsche Bank subsidiary RREEF Alternative Investments, with €61.605bn. The figure represents a 9% aggregate rise on ING REIM's €65.578bn under management in 2006.

ING REIM CEO David Blight says: "It is flattering to be ranked number one in terms of assets under management. But the

business is more importantly about investment performance, which has to be better than the benchmark, and the quality of service provided to our clients. In the current market I would not be upset if we did not grow at all as long as we outperformed our benchmarks investment-wise."

Not surprisingly there has been a reduction in exposure to UK and European markets in response to falling values, and a preference by many fund managers for emerging markets, in particular Asia.

Morley slashes European presence

A significant example is Morley Fund Management, which 12 months ago had the greatest exposure to Europe, with €48bn of assets under management, but in the latest survey swaps places with Pramerica (US-based Prudential Financial's investment arm) to slip to fourth spot globally, after cutting back its European presence.

Morley still leads the way by European assets under management, with €41.43bn,

ahead of AXA REIM, which has €41.3bn. Globally, Morley now has €42.103bn of assets, after lifting assets under management in Asia from €1m to €671.8m.

Nick Mansley, director of strategy and indirect investment at Morley, says: "The movement represents sales in response to falling values in Europe and the UK, where the bulk of our exposure is. But there has been a lot of demand for access to emerging markets, particularly in Asia.

"We have big plans to extend our global capability and create a multi-strategy appeal, and expect international diversification to continue in the coming months. Markets will also become more competitive in the UK and the US as values come back up."

One of the most active funds in 2007 was AXA Real Estate Investment Managers, which increased its assets under management from €32bn to €41bn, moving from seventh spot to fifth in the ranking.

Europe accounted for the majority of this rise, assets there rising from €32bn to

Data source

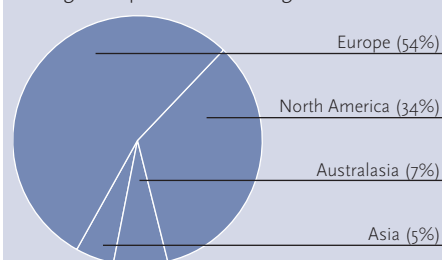
The survey was carried out in the first quarter of 2008 by Property Funds Research. All data is to 31 December 2007, unless otherwise stated.

This is PFR's second Global Managers Survey and 107 managers took part, representing assets under management of €1.07 trillion. About half of all assets under management are invested in Europe.

More information about the survey is available from Jane Fear at PFR: jf@propertyfundsresearch.com

Total real estate assets under management by region

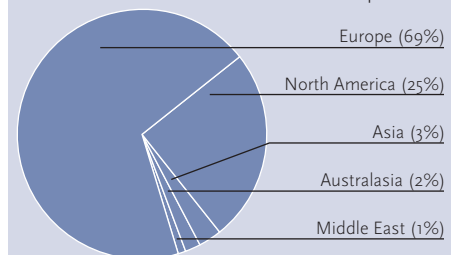
Europe and North America still dominate but managers' exposure is reducing here



SOURCE: PROPERTY FUNDS RESEARCH

Total separate accounts mandates by investor domicile

The vast majority of mandates are managed for investors in North America and Europe



SOURCE: PROPERTY FUNDS RESEARCH

Top 50 fund managers by global real estate assets under management €m

ING REIM remains on top, having raised its total assets under management from €65.578bn in 2006 to €72bn in the latest survey

Rank	Company	Total	Europe	North America	Latin America	Australasia	Asia	Africa
1	ING Real Estate Investment Management ¹	72,000	27,591.0	34,953.0	0.0	6,987.0	2,538.0	0.0
2	RREEF Alternative Investments	61,605.0	22,750.0	28,862.0	5.0	7,796.0	2,192.0	0.0
3	Pramerica Real Estate Investors ²	50,389.7	4,063.5	42,377.9	767.2	58.3	3,122.8	0.0
4	Morley Fund Management	42,103.4	41,431.5	0.0	0.0	0.0	671.8	0.0
5	AXA REIM	41,450.0	41,300.0	0.0	0.0	0.0	150.0	0.0
6	LaSalle Investment Management	34,556.5	13,107.8	14,465.3	332.9	0.0	6,650.5	0.0
7	UBS Global Asset Management ²	33,085.2	16,041.3	12,174.2	0.0	0.0	4,869.7	0.0
8	Commerz Real ³	33,000.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9	AEW Capital Management/AEW Europe	29,675.7	15,000.0	14,200.0	0.0	0.0	475.7	0.0
10	Hines	27,576.5	2,957.3	22,928.8	1,272.3	0.0	417.5	0.0
11	Brookfield Asset Management	27,280.7	545.2	19,097.4	2,158.0	5,480.0	0.0	0.0
12	PRUPIM	26,552.9	23,823.9	1,105.5	0.0	727.9	895.7	0.0
13	CB Richard Ellis Investors	25,920.4	11,545.5	12,775.6	0.0	0.0	1,559.3	0.0
14	Tishman Speyer	25,317.7	4,991.6	20,372.7	293.8	0.0	159.6	0.0
15	Credit Suisse	21,968.0	20,205.2	446.7	36.3	525.3	754.4	0.0
16	Invesco Real Estate ⁴	21,400.0	7,700.0	13,700.0	0.0	0.0	0.0	0.0
17	BlackRock	21,138.4	4,236.2	16,065.3	0.0	837.0	0.0	0.0
18	Standard Life Investments	18,990.6	17,491.9	620.1	38.1	57.1	771.1	12.2
19	Legal & General Property	16,183.7	16,183.7	0.0	0.0	0.0	0.0	0.0
20	Hermes Real Estate Investment Man.	16,036.0	15,680.0	63.9	17.7	104.7	102.0	68.0
21	Cohen & Steers Capital Management	15,000.9	2,741.0	8,966.9	0.0	1,079.4	2,213.6	0.0
22	Aberdeen Property Investors	14,500.0	14,200.0	0.0	0.0	0.0	300.0	0.0
23	Macquarie Real Estate	13,536.5	634.1	5,635.8	0.0	4,448.1	2,818.5	0.0
24	Henderson Global Investors	13,370.0	11,500.0	1,700.0	0.0	0.0	170.0	0.0
25	AMP Capital Investors	12,983.5	0.0	0.0	0.0	12,983.5	0.0	0.0
26	Beacon Capital Partners	12,731.1	4,278.6	8,452.5	0.0	0.0	0.0	0.0
27	Schroder Property Investment Man.	12,552.5	11,778.7	0.0	0.0	703.1	70.7	0.0
28	Bentall Capital	11,701.8	0.0	11,701.8	0.0	0.0	0.0	0.0
29	Invista Real Estate Investment Man.	11,200.0	11,200.0	0.0	0.0	0.0	0.0	0.0
30	Colonial First State Global Asset Man.	11,151.4	0.0	0.0	0.0	11,151.4	0.0	0.0
31	Syntrus Achmea Real Estate	10,280.0	9,800.0	330.0	0.0	0.0	150.0	0.0
32	Scottish Widows Investment Partnership	9,791.8	9,439.8	352.0	0.0	0.0	0.0	0.0
33	Goodman Property Investors	9,778.2	9,778.2	0.0	0.0	0.0	0.0	0.0
34	Rockpoint Group ⁵	9,295.3	1,327.8	5,905.6	15.5	0.0	2,046.5	0.0
35	Threadneedle Property Investments	8,165.3	8,165.3	0.0	0.0	0.0	0.0	0.0
36	Mn Services	7,794.0	5,159.0	1,693.0	0.0	0.0	942.0	0.0
37	JER Partners	7,671.0	1,986.0	5,684.8	0.0	0.0	0.0	0.0
38	BNP Paribas REIM/BNL Fondi Immobiliari	7,580.0	7,580.0	n.a.	n.a.	n.a.	n.a.	n.a.
39	Valad Property Group	7,362.7	5,439.3	0.0	0.0	1,923.5	0.0	0.0
40	F&C Property Asset Management	7,207.8	7,207.8	0.0	0.0	0.0	0.0	0.0
41	Capmark Investments	7,054.6	123.8	6,917.6	0.0	0.0	9.5	0.0
42	Macquarie Global Property Advisers	6,946.3	1,569.3	0.0	0.0	0.0	5,376.7	0.0
43	The Carlyle Group	6,602.3	2,592.2	3,688.1	0.0	0.0	322.0	0.0
44	SEB Asset Management ⁶	9,051.7	28.8	1.0	0.0	16.2	212.8	0.0
45	Cornerstone Advisors	6,560.1	10.1	6,525.1	0.0	7.3	17.7	0.0
46	DEGI ²	6,399.7	6,217.0	143.9	0.0	0.0	38.8	0.0
47	Rockspring Property Investment Man.	6,200.0	6,200.0	0.0	0.0	0.0	0.0	0.0
48	Cushman & Wakefield Investors	6,082.0	6,082.0	0.0	0.0	0.0	0.0	0.0
49	Patron Capital	6,000.0	6,000.0	0.0	0.0	0.0	0.0	0.0
50	Mirvac Funds Management	5,990.0	36.1	1,863.4	0.0	3,666.6	0.0	0.0

SOURCE: PROPERTY FUNDS RESEARCH 1. Would be 107,000 if real estate loan portfolio was included 2. As at 30.09.07 3. Includes real estate assets in structured investments 4. Includes real estate securities not split by region 5. Assets measured by net not gross asset value, figures as at 30.09.07 6. Total figure includes global assets

Top 50 Fund managers by discretionary mandates €m

Morley has slipped down the rankings to fourth while AXA moves to the top with €29.25bn of mandates from 21 clients

Rank	Company	Total	Number	Europe	N. America	L. America	Australasia	Asia	Mid. East
1	AXA REIM	29,250.0	21	27,300.0	0.0	0.0	150.0	0.0	1,800.0
2	LaSalle Investment Management ¹	23,673.3	108	10,982.5	9,509.3	0.0	0.0	1,899.3	1,282.2
3	ING Real Estate	20,595.0	116	6,797.0	12,326.0	0.0	0.0	1,472.0	0.0
4	Morley Fund Management	20,022.9	38	20,022.9	0.0	0.0	0.0	0.0	0.0
5	PRUPIM	19,861.8	7	19,043.4	0.0	0.0	0.0	0.0	0.0
6	AEW Capital Management/AEW Europe	15,900.0	n.a.	8,100.0	7,800.0	0.0	0.0	0.0	0.0
7	RREEF Alternative Investments	14,627.0	88	293.0	10,779.0	0.0	2,232.0	1,323.0	0.0
8	Hermes REIM	12,375.7	2	12,375.7	0.0	0.0	0.0	0.0	0.0
9	Legal & General Property	10,014.8	5	10,014.8	0.0	0.0	0.0	0.0	0.0
10	CB Richard Ellis Investors	8,864.8	64	6,860.1	973.9	0.0	436.3	594.5	0.0
11	Scottish Widows Investment Partnership	8,322.3	2	7,970.3	352.0	0.0	0.0	0.0	0.0
12	Mn Services	7,770.0	4	7,770.0	0.0	0.0	0.0	0.0	0.0
13	Syntrus Achmea Real Estate	7,700.0	25	7,700.0	0.0	0.0	0.0	0.0	0.0
14	Aberdeen Property Investors	7,500.0	24	7,500.0	0.0	0.0	0.0	0.0	0.0
15	Cohen & Steers Capital Management	6,887.5	71	487.7	3,322.5	0.0	152.7	2,924.6	0.0
16	Threadneedle	6,848.8	6	6,848.8	0.0	0.0	0.0	0.0	0.0
17	Bentall Capital	6,806.0	10	0.0	6,806.0	0.0	0.0	0.0	0.0
18	Goodman Property Investors	4,923.1	12	4,923.1	0.0	0.0	0.0	0.0	0.0
19	BlackRock	4,538.2	8	0.0	4,538.2	0.0	0.0	0.0	0.0
20	F&C Property Asset Management	4,003.8	21	4,003.8	0.0	0.0	0.0	0.0	0.0
21	Royal London Asset Management	3,682.1	3	3,682.1	0.0	0.0	0.0	0.0	0.0
22	Highcross Strategic Advisers	2,447.9	2	2,447.9	0.0	0.0	0.0	0.0	0.0
23	Europolis Real Estate Asset Management	2,400.0	4	2,400.0	0.0	0.0	0.0	0.0	0.0
24	Henderson Global Investors	2,350.0	10	850.0	1,500.0	0.0	0.0	0.0	0.0
25	Hines ²	2,258.2	6	151.4	1,250.6	684.9	0.0	171.2	0.0
26	UBS Global Asset Management	2,142.5	21	580.7	1,505.6	0.0	56.2	0.0	0.0
27	Pramerica Real Estate Investors ³	1,935.5	6	445.4	1,440.2	0.0	0.0	49.9	0.0
28	Schroder Property Investment Management	1,850.9	21	1,850.9	0.0	0.0	0.0	0.0	0.0
29	AMP Capital Investors	1,562.8	4	0.0	0.0	n.a.	1,562.8	0.0	0.0
30	Urdang Securities Management	1,560.9	54	0.0	1,467.1	0.0	0.0	93.8	0.0
31	AMB Capital Partners	1,520.3	6	139.9	782.0	0.0	0.0	598.4	0.0
32	Capri Capital Partners	1,481.5	3	0.0	1,481.5	0.0	0.0	0.0	0.0
33	BNP Paribas REIM/BNL Fondi Immobiliari	1,470	3	1,470	0.0	0.0	0.0	0.0	0.0
34	Sentinel Real Estate Corporation	1,354.8	10	0.0	1,354.8	0.0	0.0	0.0	0.0
35	Credit Suisse	1,287.6	11	1,124.4	0.0	0.0	163.2	0.0	0.0
36	Blue Sky Group	1,250.0	12	625.0	625.0	0.0	0.0	0.0	0.0
37	Standard Life Investments	1,161.4	3	1,161.4	0.0	0.0	0.0	0.0	0.0
38	DTZ Investment Management	1,108.4	8	1,108.4	0.0	0.0	0.0	0.0	0.0
39	Cornerstone Advisors	1,033.7	11	0.0	1,033.7	0.0	0.0	0.0	0.0
40	Liquid Realty Partners	1,027.4	4	513.7	513.7	0.0	0.0	0.0	0.0
41	Niam AB	1,000.0	49	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
42	LV Asset Management	986.0	3	986.0	0.0	0.0	0.0	0.0	0.0
43	Presima	934.9	6	0.0	934.9	0.0	0.0	0.0	0.0
44	Stam Europe SAS	900.0	4	900.0	0.0	0.0	0.0	0.0	0.0
45	KBC Asset Management (UK)	886.0	49	886.0	0.0	0.0	0.0	0.0	0.0
46	Patron Capital	867.0	94	867.0	0.0	0.0	0.0	0.0	0.0
47	Cushman & Wakefield Investors	856.0	6	856.0	0.0	0.0	0.0	0.0	0.0
48	Colonial First State Global Asset Man.	834.9	2	0.0	0.0	0.0	834.9	0.0	0.0
49	Protego Real Estate Investors	811.9	4	811.9	0.0	0.0	0.0	0.0	0.0
50	Grosvenor Fund Management	726.2	8	0.0	726.2	0.0	0.0	0.0	0.0

SOURCE: PROPERTY FUNDS RESEARCH 1. Includes securities mandates 2. Figures are equity not gross asset values 3. Figures at 30.9.07

€41.3bn. AXA also made a first foray into Asia, where it now has €150m of assets.

AXA replaced Morley Fund Management at the top of the table for funds under management in terms of discretionary mandates, managing €29.25bn of cash for 21 different clients (see table, p14).

AXA's nearest rival here was LaSalle Investment Management, with €23.673bn of assets managed for 108 separate clients (including property securities mandates), followed by ING Real Estate, with €20.595bn managed for 116 investors.

Both RREEF and ING manage more than 70 separate funds each, with RREEF in the top spot for total value of different vehicles managed (see table below).

Falling values hit fund launches

Falling values are already hitting the number of planned launches, with fund managers estimating that they will launch 92 funds in 2008 with a total sum target of €62.539bn, compared with 134 launches in 2007 with a total sum target of €84.489bn. This is a drop of nearly a third by number (-31%) and 26% in terms of the amount of money attracted in.

"It will prove difficult for fund managers to launch new funds in the current situation unless they focus on emerging markets"

Justin O'Connor,
Cordea Savills

Not surprisingly, planned European and North American launches have been scaled back most drastically, from 77 to 48 or 38% less in Europe, and from 12 to four in North America. Asia remains a popular destination for fund launches, with 16 planned in 2008, as opposed to 22 last year.

Cordea Savills launched the most funds last year, at eight, closely followed by ING REIM and LaSalle Investment Management, with seven new funds each.

All of these managers have cut their planned 2008 launches, with Cordea Savills proposing just two: its already launched Turkish Property Ventures development fund and another unnamed opportunity.

Cordea Savills CEO Justin O'Connor says its strong activity in 2007 was a response to the "tremendous amount" of equity then available from investors. He adds that the decision to scale back 2008 launches was partly because the company has set up plenty of funds in 2007 so did not need to launch more, and partly because it wanted to focus on distinct strategies for its funds.

"For instance, last year we looked at how, with a Nordic or German retail fund, we could create a very specific strategy to generate the returns required by investors," he says. "In this sense we are targeting more sophisticated investors – pension funds or funds of funds – for indirect investment.

"The philosophy has been to launch funds relatively modestly and then choose to pursue smaller equity raisings once we have bought assets and see there is more stock. That way investors have to wait less time to draw down on their investment."

O'Connor adds: "It will prove difficult for fund managers to launch new funds in the current situation unless they focus on emerging markets."

Consolidation ahead

Most predict further consolidation, following the recent £97.4m acquisition of Goodman Property Investors by Aberdeen Asset Management. If the deal had happened before the survey was collated, Aberdeen Property Investors would have leapt from having €14.5bn of assets under management to €24.28bn, or from 22nd in the pecking order to 15th.

O'Connor said: "There will be more consolidation, not just because groups want more to create critical mass, but also because they want to provide a platform for investors to gain access to global markets."

Morley's acquisition in April of US fund-of-funds business Madison Harbor, which has access both to North America and the emerging markets of Brazil and India, is predicted to be one of a series of such deals by managers seeking to diversify globally.

Morley's Mansley says: "The priority is to create the right exposure. A lot of managers have expanded rapidly in the bull market of the past five years, but the much weaker conditions ought to lead to some consolidation. We will watch the market with interest."

Aside from this trend, next year's survey is likely to show more evidence of fund managers battenning down the hatches. As O'Connor points out: "The challenge this year will be to invest money wisely and concentrate on the investment performance."

Top 25 fund managers by total value/number of funds managed

RREEF and ING, in the top two positions, are well ahead of the rest of the market

Rank	Company	Value €m	Number
1	RREEF Alternative Investments	46,978.0	72
2	ING Real Estate	45,784.0	70
3	Pramerica Real Estate Investors	28,587.8	45
4	Morley Fund Management	22,081.9	40
5	Commerz Real AG	21,193.0	145
6	Credit Suisse	20,659.2	29
7	Standard Life Investments	17,829.2	19
8	BlackRock Inc.	15,333.1	12
9	Tishman Speyer	14,628.3	11
10	Macquarie Real Estate	13,536.5	16
11	Beacon Capital Partners	12,731.1	2
12	AXA REIM	12,200.0	57
13	Colonial First State Global Asset Management	11,151.4	16
14	Schroder Property Investment Management	10,901.5	21
15	LaSalle Investment Management	10,883.0	26
16	UBS Global Asset Management	10,507.1	13
17	Henderson Global Investors	10,385.0	22
18	AMP Capital Investors	9,471.4	13
19	SEB Asset Management	9,310.5	11
20	Rockpoint Group	9,295.3	5
21	AEW Capital Management/AEW Europe	8,526.0	21
22	CB Richard Ellis Investors	8,442.2	16
23	Cohen & Steers Capital Man.	8,113.5	20
24	JER Partners	7,671.0	9
25	Aberdeen Property Investors	6,989.0	18

SOURCE: PROPERTY FUNDS RESEARCH