Pension Real Estate Association

INVESTOR REPORT

Published July 2017

The Pension Real Estate Association (PREA) is a nonprofit trade association for the global institutional real estate investment industry. PREA members include public and corporate pension funds, endowments, foundations, Taft-Hartley funds, insurance companies, investment advisory firms, REITs, developers, real estate operating companies, and industry service providers in the United States, Canada, Europe, and Asia.

PREA's mission is to serve its members engaged in institutional real estate investment through the sponsorship of objective forums for education, research initiatives, membership interaction, and the exchange of information.

The data represented in the PREA *Investor Report* are not necessarily indicative of the investment activity of the universe of US or foreign pension plans. PREA members are actively engaged in real estate investments or, if new to the asset class, are pursuing new allocations to commercial real estate; therefore, the plans that participated in the survey tend, on average, to have a considerably higher allocation to real estate than do non-PREA members.

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Overview

This PREA *Investor Report* is designed to show the real estate investment activities of PREA member institutional investors, which include public and private retirement plans, endowments, foundations, and other funds. First published in 2003, this is the 13th edition of the PREA *Investor Report*.

PREA would like to thank the investor members that took the time and made the effort to participate in the survey and thus make the *Investor Report* possible.

This PREA *Investor Report* Survey was conducted from April to June 2017 and collected data on investment strategy, property and geographic (both US and foreign) distribution, and target and actual allocations. In recent years, the survey has also included a question asking investors how satisfied they were with their real estate investments (page 5). We also include a question each year covering a subject of topical interest to the PREA membership. This year we again explored the growing importance of real assets in the portfolios of PREA members and asked about the types of investments they are making and the reasons behind those investments (page 7).

The survey collected data from both PREA's US and international member investors. Investors were asked to report holdings for their two most recent fiscal years in order to make direct comparisons between the two most recent years easier. The bulk of the data is reported as of December 31, 2015, and December 31, 2016, or later. While the large majority of investors report each year to the survey, the reporting sample for the *Investor Report* does differ slightly from year to year, and thus data published in the current *Investor Report* may not match data shown in earlier reports.

Exhibit 1: Reporting Group Profile

	Assets ($ Millions)	Allocation (%)
Total Assets (Current)	2,694,851	
Total Assets (Previous Year)	2,587,185	
Asset Breakdown by Investor Size (Current Year)		
> $75B in Assets	1,887,126	70.0
< $75B in Assets	807,725	30.0
Breakdown by Investor Type (By Number of Participants)		
State or Municipal		70.3
Other		29.7
Total		**100.0**
Holdings in All Real Estate–Related Investments		
Current Year	242,086	9.0
Previous Year	236,570	9.1

Source: Pension Real Estate Association
Reporting Period: 97% of data reported (as a percentage of assets) are current as of December 31, 2016, or later; 34% of data are current as of March 31, 2017, or later. Because of survey sample changes, data reported in this *Investor Report* are not directly comparable with those in previous reports.

Highlights

- Investors remain positive about the performance of their real estate holdings, but for the first time in the five years PREA has been surveying investors about their satisfaction, there was a slight decline in the measurement. On a 1 to 5 scale, with 1 being very dissatisfied and 5 being very satisfied, the average score among all reporting was 4.00, down slightly from 4.09 reported in 2015 (Exhibits 2, 3, and 4).

- PREA investor members are sold on the benefits of real assets outside of traditional real estate investments. Four out of five investors reported investing in real assets, and all those investors indicated that the primary benefit of real assets was as a diversification from other asset classes (Exhibits 5, 6, 7, and 8).

- For the latest reporting period, investors held 9.0% of their total assets in real estate–related investments, a slight decrease from the 9.1% at year-end 2015 (Exhibit 1). Most investors (77.1%) indicated that their organizations were not planning on making any changes in their real estate target allocations by year-end 2017, and 14.3% expected an increase in allocation. Only 8.6% of the investors reported expecting a decrease in allocation to real estate (Exhibit 9).

- Core investments continued to dominate the real estate portfolios of investors, with 62.5% of total holdings (Exhibit 15). Opportunistic was second, with a declining share of 21.4%, and value-added was third, with 16.2%.

- Office (27.1%), multifamily (21.4%), retail (20.2%), and industrial (13.2%) dominated the property-type allocations of investors, although office properties continued to show some slippage in popularity to other property types, with industrial showing particular strength (Exhibit 18).

- Nearly all reporting US investors held at least some non-US property, which, on average for the entire reporting group, accounted for 14.4% of their holdings (Exhibit 20).

- Total assets for the reporting group increased 4.2% in the most recent period versus a 1.0% decrease for last year's reporting group. The increase is presumed to be largely a result of significant recent gains in the US stock markets (Exhibits 1 and 10).

PREA *Investor Report* Survey

The PREA *Investor Report* Survey has been conducted since 2002 and was first published in March 2003, although full comparative tables are not available for all years in part because of survey sample changes. However, a core group of investors has reported in most years, and the data are considered reflective of the market of public and private pension funds, endowments, foundations, and other investors. **It should be stressed that the investors surveyed and reporting are limited to PREA member firms, which are more active in commercial real estate investing. Thus, overall, allocations to real estate by this survey group are larger as a percentage of total assets than would be seen in the universe of pension funds, endowments, foundations, and other investors.** Historically, the survey concentrated on basic real estate investment data, breaking down the category into private and public sectors. Private holdings were in turn allocated by property type and geographic region, both US and international. Because of the lack of conformity in reporting standards, several plans were unable to provide detailed asset breakdowns.

Total assets for the reporting group were $2.69 trillion for the latest reporting period, a 4.2% increase from the previous year. The increase is largely attributable to the rise in the equity markets. The Standard & Poor's 500 index posted robust gains of 9.5% in the calendar year 2016 versus a slight decrease of 0.7% in 2015 (Exhibit 10) and a 11.4% increase in 2014. In the first six months of 2017, the S&P continued to assist everyone's 401(k) with an additional 8.2% increase.

Real estate–related assets for the reporting group were $242 billion, or 9.0% of assets, basically unchanged from the 9.1% held in real estate by the reporting sample in 2015. This figure includes public and private REITs. Again, the booming stock market played a role in the real estate allocation, as growth in real estate holdings has been largely overtaken by the even greater growth in the equity markets, thus keeping the real estate holdings percentages constant for the past two years.

Investors with more than $75 billion in assets accounted for 70% of all assets as well as nearly 70% of the total private real estate equity holdings.

Data were reported by the real estate departments of PREA member retirement plans, endowments, and foundations. State or municipal plans represented 70.3% of the sample, with other investors accounting for the remainder (Exhibit 1).

Because of changes in the survey sample and the timing when the survey was conducted over the years, comparisons to past results are kept to a minimum in the report. However, this past year investors reported results for both 2016 and 2015, and comparative results are readily available for those years. Past reports are available on the PREA website at www.prea.org/research/investor-report.

Are You Happy?

For the fifth straight year, PREA asked investor members how satisfied they were with their real estate investments. The bottom line is that investors continue to be happy with their real estate investments, but some cracks may be showing in those smiles. On a scale of 1 to 5, with 5 being very satisfied and 1 being very dissatisfied, investors ranked their real estate satisfaction level as an even 4.00, on average (Exhibit 2). This marked the first year that satisfaction levels declined. In the five years the survey asked about satisfaction, the levels steadily increased from the initial 3.55 recorded in 2013, 3.88 in 2014, 4.00 in 2015, and 4.09 last year before this year's slight decline.

Hardly a frown, but given indications that real estate values have, perhaps, peaked and returns have moderated, the "happiness" level could be expected to slip. A review of data from only investors that reported in both years shows that 60.0% reported the same level of satisfaction, but 26.7% were less satisfied this year than in the previous year. Only 13.3% were more satisfied now (Exhibit 3).

However, no investor reported being very dissatisfied, and 80.0% reported a satisfaction level of 4 or 5. We did not ask chief investment officers at the various public and private plan sponsors, endowments, and foundations about their satisfaction levels of other asset classes, so how real estate stacks up with stocks, bonds, and alternatives is unknown (Exhibit 2).

We also asked investors to identify their best- and worst-performing property types in the past two years. For the first time since we began surveying satisfaction, industrial properties were tapped by investors as their best-performing asset class, unseating perennial favorite multifamily, which slipped to second. According to the PREA | IPD U.S. Property Fund Index of open-end funds, industrial returns have topped other property types in the past quarter (1Q17) and year (Exhibit 19). It has also outperformed all other property types except the smaller self-storage segment for the past three, five, and seven years.

On the flip side, retail was once again pegged as the worst-performing property type, and hotels were second (Exhibit 4). The former is a bit surprising since retail returns have been solid in the past several years. Hotels, on the other hand, actually posted negative returns in the first quarter of 2017.

Exhibit 2: Satisfaction

Overall, are you satisfied with the performance of your real estate investments?					
	(Very Dissatisfied) 1	2	3	4	(Very Satisfied) 5
	0	2.9%	17.1%	57.1%	22.9%
Average				4.00	

Source: Pension Real Estate Association

Exhibit 3: Change in Satisfaction

Current Versus Previous Year		
Reported the Same Level of Satisfaction	Reported More Satisfied Now	Reported Less Satisfied Now
60.0%	13.3%	26.7%

Source: Pension Real Estate Association
Note: Based on only those investors that reported both years.

Exhibit 4: Satisfaction

Best	Worst
In the past two years, what has been your best-performing property type?	In the past two years, what has been your worst-performing property type?
1–Industrial	1–Retail
2–Multifamily	2–Hotel
3–Retail	3–Office

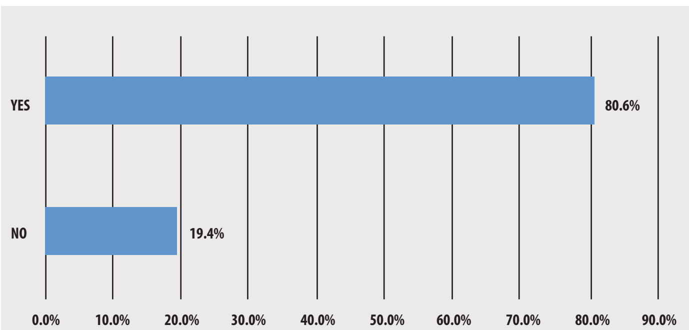
Source: Pension Real Estate Association

Real Assets

The increased interest in alternative assets among investors has been substantial. With infrastructure investments alone, the amount raised for unlisted infrastructure funds increased from $23.5 billion in 2014 to $46.3 billion in 2016, according to AXA IM—Real Assets as reported in the *PREA Quarterly Spring* 2017 issue.

To get a better feel for investor activity in real assets such as infrastructure, timberland, agriculture, and natural resources, the *Investor Report* again added questions on the asset class in this year's survey.

Exhibit 5: Investing in Real Assets: Does Your Organization Invest in Real Assets Other Than Real Estate?



Source: Pension Real Estate Association

As seen in Exhibit 5, an overwhelming number of reporting investors have real assets in their portfolios. In 2016, PREA also surveyed investor members about their real assets activity and additionally asked who in their organization handles the investments. The question was prompted by the realization that many PREA investor real estate officials were covering dual roles as both the heads of real estate as well as real assets investing. Based on last year's responses, exactly half (50%) of investors had their real estate and real asset investments handled by the same individual or department, and half separated the two responsibilities.

A limited number of organizations were able to report accurate holdings in real assets, but for those that did, several held less than 1% of their current total assets in real assets, while 38% held at least 5% in real assets other than traditional real estate. That figure alone is an indication of the importance of the asset class in the portfolios of investors.

Exhibit 6: Real Asset Investments

What are the reasons you invest in real assets outside of real estate?	
Diversification from Other Asset Classes	100.0%
Inflation Hedge	92.9%
Stable Income Flows	64.3%
Overall Higher Returns	35.7%

Source: Pension Real Estate Association

All the organizations that invest in real assets stated that diversification from other asset classes was a reason for their investment. (Investors were asked to choose all reasons for investing in real assets, not just the primary reason.) Use as an inflation hedge (92.9%) was also widely cited as a reason for investment. Stable income flows (64.3%) was third, and as was the case last year, overall higher returns of real assets was the least cited reason for investments in other alternatives (Exhibit 6).

Exhibit 7: Real Asset Investments by Type

If your organization invests in real assets other than real estate, indicate how you are currently invested by type.	
Infrastructure	71.4%
Timber	64.3%
Natural Resources	50.0%
Agriculture/Farm	32.1%
Other	14.3%

Source: Pension Real Estate Association

As indicated earlier in this section, investment in infrastructure funds more than doubled in the past two years, so it isn't a surprise that 71.4% of investors with real asset holdings are placing funds into infrastructure. It is also where the money is going in the future, as 85% of investors planning real asset investments in the next 24 months intend to tap infrastructure investments. Timber is a strong second choice for current investments but not as popular for future allocations (Exhibits 7 and 8).

Exhibit 8: Future Investing

If your organization plans to invest in real assets in the next 24 months, indicate how you plan to invest in the future.	
Infrastructure	85.0%
Natural Resources	45.0%
Agriculture/Farm	45.0%
Timber	35.0%

Source: Pension Real Estate Association

Real Estate Allocations

For the year ending 2016, reporting PREA member investors had $242 billion in real estate holdings (both private and public), or 9.0% of their total assets. This was a slight decrease from the 9.1% reported by the same group at year-end 2015. As noted earlier, the flat allocation to real estate holdings is likely because of the increased value of stocks in the portfolios of investors combined with valuations in the real estate market that perhaps peaked in the past year. Data by Green Street Advisors, Inc., (Exhibit 11) show that US commercial property prices in June 2017 stood at exactly the same level in value as they did in July 2016. The NCREIF Property Index (Exhibit 12) posted double-digit returns for the six years from 2010 through 2015, but the streak came to an end in 2016 as returns slipped to 8.0%. First-quarter 2017 returns came to 1.55%, and second quarter posted a surprising slight increase to 1.75%.

As a whole, investors' target allocations to real estate move slowly, and most plans do not make adjustments quickly. As shown in Exhibit 9, 62.5% of investors stayed pat with their allocations. However, some movement was noted in the most recent survey, with investors moving to higher allocations to the asset class and 29.4% reporting targets of greater than 10% at year-end 2016 versus just 23.5% in the previous year.

Investors were also asked if they expected an increase, a decrease, or no change in their real estate holdings as a percentage of assets at the end of 2017 versus year-end 2016. Three out of four indicated no change in allocation was expected by year-end, 14% anticipated an increase, and 9% felt a decrease was likely (Exhibit 9). For those reporting no change or a decrease in real estate holdings, the survey asked if the current high valuation levels were a factor for their forecast. Surprisingly, nearly 90% of those respondents indicated that current valuation levels were not a factor in either decreasing the real estate allocation or keeping it stable.

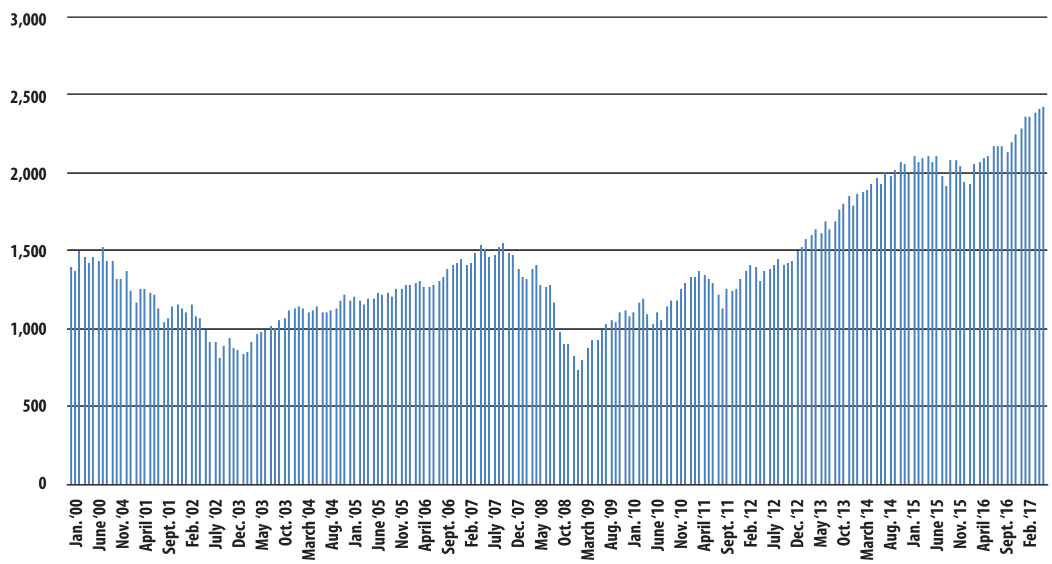
Exhibit 9: Private Real Estate Equity Allocations as Reported by PREA Members

By Number of Plans			
Target Allocations (% Distribution)			
	2016	**2015**	
Greater Than 10.0%	29.4	23.5	
Greater Than 8.0% and Less Than or Equal to 10.0%	20.6	20.6	
Less Than or Equal to 8.0%	50.0	55.9	
Actual Allocations–All Reporting (As a % of Assets)	**8.3**	**8.4**	
	No Change	**Increase**	**Decrease**
Change in Target Allocation from 2015 to 2016	62.5%	31.3%	6.3%
Expected Change in Real Estate Holdings as a Percentage of Assets: **Year-End 2017 vs. Year-End 2016**	77.1%	14.3%	8.6%

Source: Pension Real Estate Association
Note: Figures reported on Exhibit 9 exclude real estate investment trusts and thus differ from data reported on Exhibit 1, which include REIT holdings.

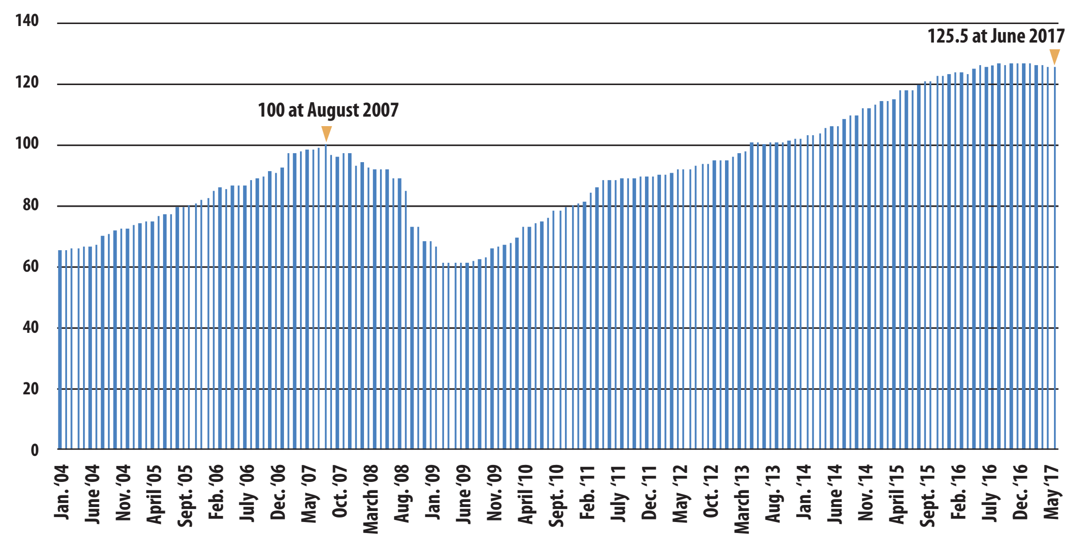
While the survey results indicate that investors are committed to real estate despite weakening returns, data from Real Capital Analytics (Exhibit 13) show that recent transaction activity continues to lag compared to recent years. In 2015, transactions reached $546 billion, just shy of the pre-recession record of $571 billion posted in 2007. Volumes slipped in 2016 to $496 billion, and through the first five months of 2017, $180 billion in transactions were posted, an indication that 2017 will be another off year.

Exhibit 10: S&P 500 Composite Stock Index



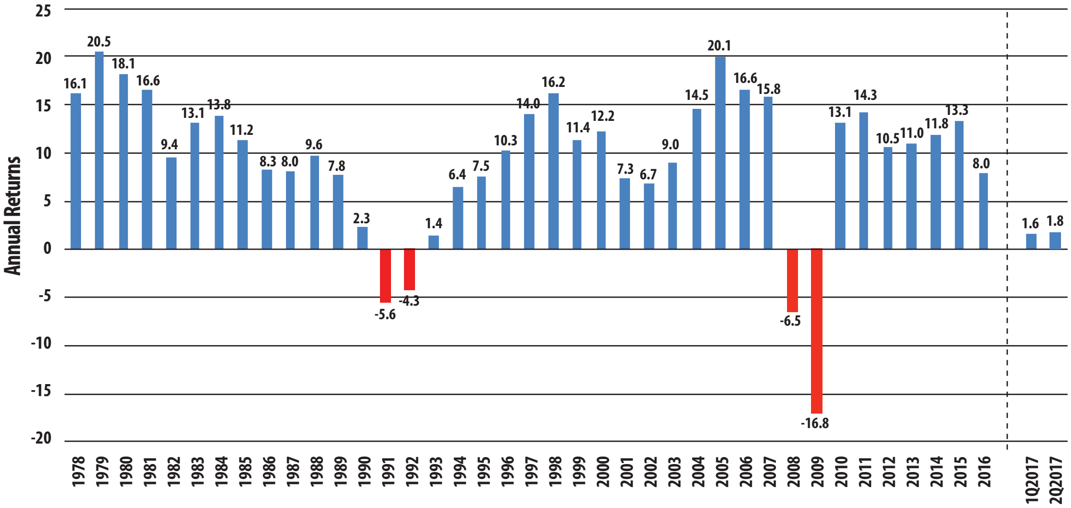
Sources: S&P, Thomson Reuters Datastream. Last observance: June 30, 2017.

Exhibit 11: Green Street Commercial Property Price Index



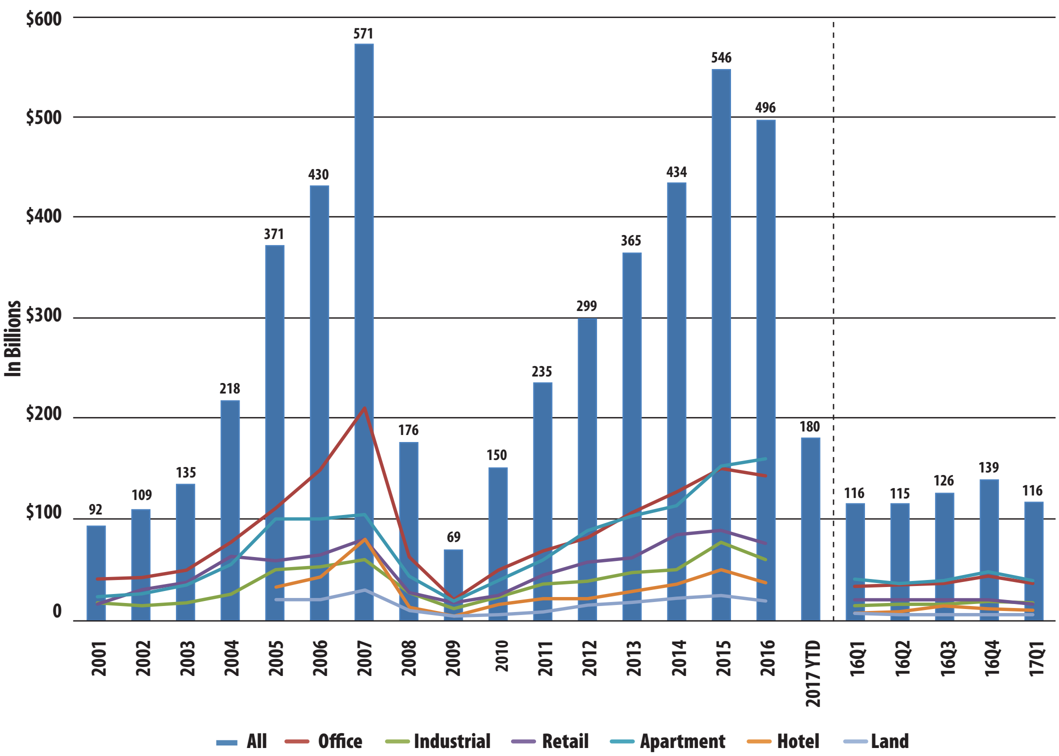
Source: Green Street Advisors, Inc.
Note: Property indices are indexed to 100 at their peaks.

Exhibit 12: US Property Returns



Sources: NCREIF

Exhibit 13: Sales of Large Commercial Properties



Source: Real Capital Analytics

Notes: Data from past periods may differ from previous reports due to updated information and methodology revisions. Limited to property transactions of $2.5 million or greater. (This exhibit is updated monthly in the PREA *Compendium of Statistics,* which can be found on the PREA website.)

Real Estate Investment Strategy and Structure

Core real estate investments continue to dominate the holdings of PREA investor members.

For the most recent reporting period, the survey found that 62.5% of real estate held by investors was classified as core. That was up from 57.2% in 2015 reported by the same group (Exhibit 15). The movement to core came from value-added, which fell to 16.2% from 19.7% in 2015, and from opportunistic, which slipped from 23.2% to 21.4% in 2016. Reviewing earlier years of the survey, core has always dominated the strategy of investors by capturing the majority of investments. Value-added and opportunistic split the remaining, with opportunistic carrying a slight edge in more recent years.

However, investors were also asked if they planned to allocate new capital in the next 12 months, and if so, how they anticipated allocating those funds by strategy: core, value-added, or opportunistic. How to invest is critical to investors as they debate whether to be more risk-averse and move toward core or voice dissatisfaction in returns in a low, although possibly increasing, interest rate environment, prompting them to seek the higher returns promised in potentially riskier real estate. Answers to this question indicate some effort by investors to rebalance, although perhaps in small steps, away from core.

Generally, investors are hedging their bets by spreading their allocations across the table to core, value-added, and opportunistic, as can be seen in Exhibit 14. But almost all those reporting planned to place allocations into value-added and opportunistic strategies, while just over three-fourths also planned to include core. The allocation is actually similar to that reported in 2015 by a slightly different sample group when 83% planned on value-added investments and 80% planned on opportunistic. Actual dollar allocations were not reported, so it is possible that while investors planned to touch all the bases, their big allocations may remain with core.

Strategy allocations broken out by type of investor, public versus corporate and endowment, are similar to those in total. In addition, no significant difference in allocation is seen when analyzing smaller versus larger plans.

Readers should note that PREA does not provide definitions of *core, value-added,* and *opportunistic* to the reporting organizations. Reporters allocated their holdings based on their own internal classifications.

Recent surveys have shown, and the current report confirms, that investors continued to move toward direct investments and away from closed commingled funds. As shown in Exhibit 17, direct investments climbed to 35.3% of holdings for US members versus 33.3% in 2015. The bulk of the increase came from commingled closed-end funds, which slipped to 27.9% from 33.7%.

Exhibit 14: Distribution of New Capital by Strategy
% Distribution by Number of Funds Planning Allocation to a Strategy

	By Number of Plans		
Investors Planning to Invest In	**Core**	**Value-Added**	**Opportunistic**
2016	76.7	93.3	90.0
2015	63.3	83.3	80.0

Source: Pension Real Estate Association
Note: Survey results for 2016 and 2015 were based on different sample groups than the current report's groups, although the majority of investors reported in all surveys.

Exhibit 15: Distribution of Private Real Estate Investments by Strategy—All Plans
Excludes Debt and Investments Not Readily Allocable by Strategy

	2016		2015		2009	2004
	$ Millions	% of Private RE Equity	$ Millions RE Equity	% of Private RE Equity	% of Private RE Equity	
Core	121,498.5	62.5	106,784.7	57.2	53.2	70.4
Value-Added	31,423.7	16.2	36,730.7	19.7	20.1	17.4
Opportunistic	41,565.5	21.4	43,269.2	23.2	26.7	12.2
Total	**194,487.7**	**100.0**	**186,784.6**	**100.0**	**100.0**	**100.0**
Breakdown by Strategy						
State or Municipal						
Core	104,573.0	61.8	90,736.6	56.0	50.2	72.2
Value-Added	26,378.3	15.6	31,507.7	19.4	20.3	17.4
Opportunistic	38,225.5	22.6	39,763.2	24.5	29.5	10.4
Total	**169,176.8**	**100.0**	**162,007.5**	**100.0**	**100.0**	**100.0**
Other						
Core	16,925.5	66.9	16,048.1	64.8	63.6	67.8
Value-Added	5,045.4	19.9	5,223.0	21.1	19.4	17.5
Opportunistic	3,340.0	13.2	3,506.0	14.2	17.1	14.7
Total	**25,310.9**	**100.0**	**24,771.1**	**100.0**	**100.0**	**100.0**

Source: Pension Real Estate Association
Note: For the full sample group, 2.4% of holdings reported in 2016 and 2.7% of holdings reported in 2015 could not be allocated by the core, value-added, and opportunistic categories and thus are excluded from the totals. Survey results for 2004 and 2009 were based on different sample groups than the current report's groups (data for 2015 and 2016), although the majority of investors reported in all surveys.

Exhibit 16: Distribution of Private Real Estate Investments by Strategy—By Plan Size
Excludes Debt and Investments Not Readily Allocable by Strategy

	% Distribution							
	2016		2015		2009		2004	
	Assets > $75B	Assets < $75B	Assets > $75B	Assets < $75B	Assets > $45B	Assets < $45B	Assets > $25B	Assets < $25B
Core	65.8	56.1	59.3	53.1	46.5	65.1	72.0	66.3
Value-Added	12.9	22.6	17.9	23.2	20.4	19.4	16.2	20.5
Opportunistic	21.4	21.3	22.9	23.7	33.0	15.5	11.8	13.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Pension Real Estate Association
Note: Survey results for 2004 and 2009 were based on different sample groups than the current report's groups (data for 2015 and 2016), although the majority of investors reported in all surveys.

Exhibit 17: PREA US Members Only—Real Estate Investment Structure

	Reporting Group		By Total Assets			
	% of Total Private		2016		2015	
Private	2016	2015	> $75B	< $75B	> $75B	< $75B
Direct Investment	35.3	33.3	42.8	17.9	39.7	17.8
Commingled Fund (Closed)	27.9	33.7	23.1	38.8	30.8	40.7
Commingled Fund (Open)	17.7	17.6	13.3	27.8	13.2	28.2
Joint Venture	15.9	13.8	17.5	12.4	14.9	11.0
Other	3.2	1.6	3.2	3.1	1.3	2.3
Total Private	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Pension Real Estate Association

Property-Type and Geographic Allocation

While single-family rental properties, senior housing, and other alternatives such as student housing have increasingly come to the attention of investors, the big four property types—office, multifamily, retail, and industrial—will for the foreseeable future remain the significant holdings in the real estate portfolios of PREA member investors. For the reporting group, office captured 27.1% of property holdings, which was a slight decline from the 27.3% of the portfolio reported in 2015. Multifamily continued to control second with 21.4% of holdings, up from 20.7% in 2015. Retail also posted a slight increase to 20.2%. Industrial showed considerable growth, now holding 13.2% of the real estate portfolio, up from 11.2% just a year earlier (Exhibit 18).

Geographically, PREA's US members reported holding 85.6% in US holdings and the remainder, 14.4%, in non-US holdings (Exhibit 20). This reflects a slow but consistent movement toward international investments by US funds. In 2013, the reporting group held 11.2% in non-US, 12.0% in 2014, and 14.2% in 2015. Most funds were unable to accurately report non-US holdings by country or region, but based on a smaller sample set, Europe, as a whole, continues to draw the bulk of non-US investments. This was followed by the United Kingdom and Canada.

Exhibit 18: Property-Type Allocation
% Distribution

	PREA Investor Survey—All Reporting		
	2016	2015	2004
Office	27.1	27.3	33.3
Multifamily	21.4	20.7	18.6
Retail	20.2	19.7	20.3
Industrial	13.2	11.2	16.2
Hotel	3.2	3.4	3.2
Single Family	0.8	0.2	NA
Other	14.2	17.5	8.4
Total	**100.0**	**100.0**	**100.0**

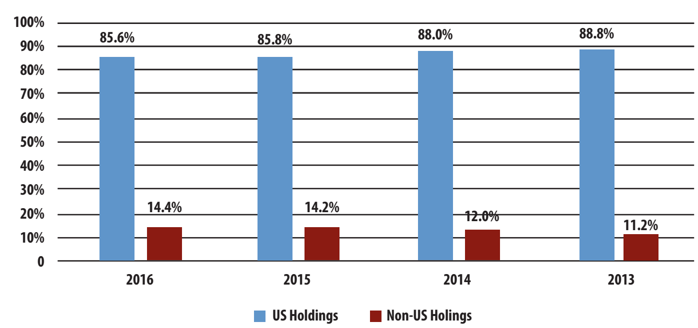
Source: Pension Real Estate Association

Exhibit 19: PREA | IPD U.S. Property Fund Index—Total Return
Core Diversified Open-End Funds

	1Q2017	1 Year	3 Year	5 Year
Retail	1.60%	7.13%	9.99%	10.59%
Office	1.62%	6.45%	10.22%	10.26%
Industrial	2.86%	12.00%	13.06%	12.51%
Apartment (Multifamily)	1.31%	6.74%	9.50%	9.84%
Self-Storage	1.84%	11.79%	15.72%	17.93%
Hotel	-1.82%	0.15%	7.44%	7.18%
Other	1.13%	6.18%	4.86%	6.13%
Total Return	**1.70%**	**7.57%**	**10.47%**	**10.62%**

Sources: Pension Real Estate Association, MSCI

Exhibit 20: Geographic Distribution
US Members Only



Source: Pension Real Estate Association
Note: Data from 2013 and 2014 are based on a slightly different sample group.

Glossary

Private Real Estate

Commingled Funds: A term applied to all open-end and closed-end pooled investment vehicles designed for institutional tax-exempt investors. A commingled fund may be organized as a group trust, a partnership, a corporation, an insurance company separate account, or another multiple ownership entity.

Open-End Fund: A commingled fund with no finite life that allows continuous entry and exit of investors and typically engages in ongoing investment purchase and sale activities.

Closed-End Fund: A commingled fund with a stated maturity (termination) date with few or no additional investors after the initial formation of the fund. Closed-end funds typically purchase a portfolio of properties to hold for the duration of the fund and, as sales occur, typically do not invest the sales proceeds. (Source: Real Estate Information Standards)

Direct Investments: Investments that involve the outright purchase of properties not done through other investment vehicles and include any co-investments. (1) Co-investment occurs when two or more pension funds or groups of funds share ownership of a real estate investment. There are several ways that co-investment can occur: (a) a commingled fund investing with a single investor, a group of investors, an individual fund, or a group of funds; or (b) operating companies (such as a qualified REIT or limited partnership) investing with commingled funds, individual funds, or other operating companies. (2) Also refers to an arrangement in which an investment manager or advisor co-invests its own capital alongside the investor, either on an equal (pari passu) or a subordinated basis. (Source: Institutional Real Estate, Inc.)

Joint Venture: A venture formed with an entity that is not an institutional investor but rather a developer or private party.

Real Estate Investment Trust (REIT): A corporation or business trust that combines the capital of many investors to acquire or provide financing for all forms of income-producing real estate. (Source: National Association of Real Estate Investment Trusts)

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