



2021

**PREQIN GLOBAL
REAL ESTATE
REPORT**

Future-Proofing Core Real Estate

The pandemic has highlighted the rising importance of anticipating socioeconomic megatrends for fund managers to stay ahead

The abundance of risks to the world economy has underpinned the importance of future-proofing real estate portfolios. Even for relatively stable core assets, investment philosophies must look to the future rather than simply relying on what has worked in the past. Moreover, the COVID-19 pandemic has re-emphasized this need for an outlook that anticipates long-term socioeconomic trends.

Megatrends Are Here to Stay

While the pandemic has had short-term implications for most asset classes, it is unlikely to derail long-term strategies and may even accelerate some of the megatrends impacting society. For real estate in particular, demographic evolution, urbanization, and technology disruption will continue to have the most pronounced effects on the asset class.

The demographic evolution has reached a tipping point: by 2025, millennials will comprise 75% of all European employees. This cohort has a very different concept of living and workspaces, and a strong consciousness about sustainability issues such as the sharing economy, scarcity of resources, and climate change.

Although urban areas have been disproportionately impacted by the pandemic, the longer-term case for urbanization remains robust. By 2050, the urban share of population in Europe is expected to reach 82% – the same as in the US. Europe's cities have been incredible engines of economic growth, expanding considerably faster than non-urban areas in terms of GDP, employment, population, and the adoption of new technology. However, city authorities are generally unable to satisfy the needs of millennials and, increasingly, Generations Y and Z, who want most aspects of their lives to be contained within a single urban setting – that is sleeping, working, socializing, and shopping within a defined area.



Christina Ofschonka
Senior Fund Manager

AEW

www.im.natixis.com/aew

AEW is one of the largest real estate investment managers in the world with over €70bn of assets under management. Since 1981, AEW has led the way in creating and executing real estate investment strategies on behalf of the world's foremost institutional investors. AEW provides access to the real estate asset class through a broad platform of separately managed accounts and open- and closed-end funds, implementing core, value-add, and opportunistic strategies in North America, Europe, and Asia-Pacific. AEW is a member of the UN PRI and submits to GRESB.

AEW is an affiliate of Natixis Investment Managers.

Part of this desire for convenience will be delivered through disruptive technology. Demand is rising for more flexible and adaptable buildings with smart technology such as air-quality sensors, energy tracking, and voice technology.

The Office Is Dead, Long Live the Office

These megatrends are likely to benefit certain real estate sectors – office, residential, and logistics – more than others.

Despite a retrenchment by workers from offices in 2020 and much speculation about working from home becoming the norm, the core office sector should not suffer long-term damage. The office environment will stay relevant and our base case is that many people will eventually go back to the office more often than not. Working from home can be efficient, but proximity to colleagues has its own efficiencies and important elements of teamwork, innovation, collaboration, and learning by example are lost.

However, office spaces will have to adapt. If employees are working from home for part of the week, larger commuting distances will be tolerated. More spacious common areas will be required for collaborative activities and hygiene-friendly, green environments will be at a premium.

Workspaces will remain an important part of the war for talent, increasingly aligning with workers' self-image and enhancing their sense of belonging – with design, layout, and location all reflecting their identity, as well as the brand and values of their employers. Proven micro-locations popular with workers and close to transport hubs will remain in high demand. As will up-and-coming locations, such as those close to the Crossrail project in London and those that have been developed to create new 'live, work, play' communities.

Demand Will Rise for Commercial Residential and Logistics

We have seen increasing demand for residential properties that offer outside space and room to accommodate home office working as a result of COVID-19. However, we believe the demand for small residential spaces will rebound, perhaps even stronger, as it is already being shaped by new lifestyles, including weekly or part-time commuters living far from cities and urban regeneration.

Micro and serviced living, adapted to the needs of targeted groups – such as students, young professionals, business travelers, and seniors – should provide stable income and support valuation growth. The increasing number of professionally managed micro apartments has already created a liquid and robust asset class.

Meanwhile, growing cities with high population densities are driving e-commerce growth, and the pandemic has only enhanced this trend. This dynamic in the logistics sector has created a need for more central urban logistics locations to reduce the costs of last-mile delivery. Similarly, there is rising demand for localized manufacturing to reduce dependence on long-distance imports, which requires greater diversification of manufacturing locations. Innovative logistics buildings such as multi-level warehouses are likely to proliferate as demand for urban industrial space grows.

ESG Is Key for Real Estate Investing

Overlaying these three real estate megatrends is a shift to ESG-aware investing. This applies to all asset classes and most institutional investors demand that asset managers both understand and can execute ESG integration.

For many occupiers, a building that does not meet certain standards will not even make it to the shortlist, thereby limiting its ability to generate revenues. Buildings with high ESG (and technological) credentials are more efficient, and therefore cheaper to run, which enhances returns. A building needs to meet all of the above criteria to make it an attractive investment for many institutions.

Stability and Liquidity

Taken all together, what can investors expect in terms of performance from a core real estate strategy based on the philosophy and processes described above? We think a target IRR, based on an allocation to offices, commercial residential, and logistics with a modest LTV, is around 5-7% a year. A stable income stream should be accompanied by targeting assets that also offer sufficient liquidity.

We believe this strong level of return is available to fund managers who are willing to hold an asset for the longer term and take a hands-on approach to managing both the asset and its tenant. Through open-ended funds with quarterly subscriptions, the strategy can be made available to a wider pool of institutions, providing them with both diversification and quality.

By investing in intrinsically high-quality investments in multifunctional locations it is possible to combine liquidity with attractive returns.

Disclaimer: For Professional Investors only. All investing involves risk, including the risk of capital loss. AEW is an entity of Natixis Investment Managers, the holding company of a diverse line-up of specialized investment management and distribution entities worldwide. Services and products managed by AEW are not available to all investors in all jurisdictions. Provided by Natixis Investment Managers UK Limited, authorised and regulated by the Financial Conduct Authority (register no. 190258). Registered Office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. ADINT195-1019.



ACTIVELY CONNECTING INVESTORS TO ALTERNATIVE OPPORTUNITIES

Real Estate | Infrastructure | Private Equity | Private Debt | Natural Capital

im.natixis.com/en-institutional



This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors.

In the E.U. (outside of the UK and France): Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. **In Switzerland:** Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: **in the United Kingdom:** this material is intended to be communicated to and/or directed at investment professionals and professional investors only; **in Ireland:** this material is intended to be communicated to and/or directed at professional investors only; **in Guernsey:** this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; **in Jersey:** this material is intended to be communicated to and/or directed at professional investors only; **in the Isle of Man:** this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008. **In Japan:** Provided by Natixis Investment Managers Japan Co., Ltd., Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No. 425. Content of Business: The Company conducts discretionary asset management business and investment advisory and agency business as a Financial Instruments Business Operator. Registered address: 1-4-5, Roppongi, Minato-ku, Tokyo. **In Taiwan:** Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F, No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788. **In Singapore:** Provided by Natixis Investment Managers Singapore Limited (company registration no. 199801044D) to distributors and institutional investors for informational purposes only. **In Hong Kong:** Provided by Natixis Investment Managers Hong Kong Limited to institutional/ corporate professional investors only. ADINTZ76-1120

End-User License Agreement (EULA) for Single Users

END-USER LICENSE AGREEMENT FOR **Preqin Digital Publications** Single-User License.

IMPORTANT - PLEASE READ THE TERMS AND CONDITIONS OF THIS LICENSE AGREEMENT CAREFULLY BEFORE CONTINUING: Preqin Ltd's End-User License Agreement ("EULA") is a legal agreement between you (either an individual or a single entity) and Preqin Ltd. for the Preqin Ltd product(s) identified above, which may include associated media, information, artwork, text, or pictures (collectively, "Content"). By downloading and otherwise using the Content, you agree to be bound by the terms of this EULA. This license agreement represents the entire agreement concerning the Content between you and Preqin Ltd, (referred to as "licenser"), and it supersedes any prior proposal, representation, or understanding between the parties. If you do not agree to the terms of this EULA, do not complete the download of the Content.

The Content is protected by copyright laws and international copyright treaties, as well as other intellectual property laws and treaties. The Content is licensed, not sold.

1. GRANT OF LICENSE

The Content is licensed as follows:

(a) Download and Use

Preqin Ltd grants you the right to download and use the Content on a personal computer and/or e-book reader running validly licensed software for which the Content was designed.

(b) Reproduction/Copying

The terms of this license permit the creation of copies of the Content for backup and archival purposes only. Any other form of reproduction of the Content is strictly prohibited.

2. DESCRIPTION OF OTHER RIGHTS AND LIMITATIONS

(a) Maintenance of Copyright Notices

You must not remove or alter any copyright notices on any and all copies of the Content.

(b) Distribution

This license is for the sole Authorized User only. You may not distribute copies of the Content to any third party, either partially or fully, without the express written consent of Preqin Ltd.

(c) Prohibition on Reverse Engineering, Decompilation, and Disassembly

You may not reverse engineer, decompile, or disassemble the Content, except and only to the extent that such activity is expressly permitted by applicable law notwithstanding this limitation.

(d) Rental

You may not rent, lease, or lend the Content.

(e) Compliance with Applicable Laws

You must comply with all applicable laws regarding use of the Content.

3. TERMINATION

Without prejudice to any other rights, Preqin Ltd may terminate this EULA if you fail to comply with the terms and conditions of this EULA. In such event, you must destroy all copies of the Content in your possession.

4. COPYRIGHT

All title, including but not limited to copyrights, in and to the Content and any copies thereof are owned by Preqin Ltd. All title and intellectual property rights of the Content are the property of the owner and may be protected by applicable copyright or other intellectual property laws and treaties. This EULA grants you no rights to use such material. All rights not expressly granted are reserved by Preqin Ltd.

5. NO WARRANTY AND LIMITATION OF LIABILITY

Preqin Ltd expressly disclaims any warranty for the Content. The Content is provided 'As Is' without any express or implied warranty of any kind, including but not limited to any warranties of merchantability, non-infringement, or fitness of a particular purpose. The information presented in the Content is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the Authorized User seeks advice rather than information then he/she should seek an independent financial advisor and hereby agrees that he/she will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following its use of the Content.

While reasonable efforts have been made to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. does not make any representation or warranty that the information or opinions contained in the Content are accurate, reliable, up-to-date or complete.

Although every reasonable effort has been made to ensure accuracy, Preqin Ltd. does not accept any responsibility for any errors or omissions within the Content or for any expense or other loss alleged to have arisen in any way from use of the Content.

2021 Preqin Global Real Estate Report

Published by:

Preqin Ltd.

ISBN:

978-1-912116-31-7

Sub-Editors:

Justin Bartzsch

Cat Hall

Ee Fai Kam

Nicole Lee

Rahmin Maali

Lauren Mason

Milly Rochow

Sara Rothman

Michelle Stern

Executive Editors:

Kainoa Blaisdell

Dave Lowery

Production Editors:

Logan Scales

Tim Short

Managing Editor:

Charlotte Mullen

Research Coordinator:

Clara Bleda Martínez

Client Contributions Manager:

Kainoa Blaisdell

External Contributors:

Joel Baxley, *RSM US*

Ben Gibbons, *RSM Canada*

Hee-seok Kim, *Hana Alternative Asset Management (HAAM)*

Ryan McAndrew, *RSM US*

Christina Ofschonka, *AEW an affiliate of Natixis*

Jose Pellicer, *M&G Investments*

Melissa Reagen, *Nuveen Real Estate*

In-House Contributors:

Farnod Afsharnejad

Maricel Cheng

Meaghan Conlon

Connie Dayina

Thea Diaz

Darren Fernandes

Vivian Goh

Milan Hirani

Yokaze Ito

Yoshiko Kubo

Brian Lee

Si Jia Li

Vincent Li

Rahmin Maali

Samuel Malec

Lauren Mason

Maxine Nhin

Bahnu Nithiananthan

Dhara Patel

Sandra Peña

Marian Rajanathan

Ethan Siegman

Kamarl Simpson

Martina Ventura

Megan Wood

Important Notice, Please Read

This publication is not included in the CLA License so you must not copy any portion of it without the permission of the publisher.

All rights reserved. The entire contents of 2021 Preqin Global Real Estate Report are the Copyright of Preqin Ltd. No part of this publication or any information contained in it may be copied, transmitted by any electronic means, or stored in any electronic or other data storage medium, or printed or published in any document, report or publication, unless expressly agreed with Preqin Ltd.

The information presented in 2021 Preqin Global Real Estate Report is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the reader seeks advice rather than information then the reader should seek an independent financial advisor and hereby agrees that he/she will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following his/her use of 2021 Preqin Global Real Estate Report.

While reasonable efforts have been made to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. does not make any representation or warranty that the information or opinions contained in 2021 Preqin Global Real Estate Report are accurate, reliable, up to date, or complete.

Although every reasonable effort has been made to ensure the accuracy of this publication Preqin Ltd does not accept any responsibility for any errors or omissions within 2021 Preqin Global Real Estate Report or for any expense or other loss alleged to have arisen in any way with a reader's use of this publication.

Data contained within the 2021 Preqin Global Real Estate Report was sourced from Preqin Pro, unless otherwise stated, as of January 2021 and represents the most up-to-date data as of that date.

Additional Notes

This material has been provided for information purposes only to investment service providers or other Professional Clients or Qualified Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors. In the E.U. (outside of the UK and France): Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. **Italy:** Natixis Investment Managers S.A., Succursale Italiana (Bank of Italy Register of Italian Asset Management Companies no 23458.3). Registered office: Via San Clemente 1, 20122 Milan, Italy. **Germany:** Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Im Trutz Frankfurt 55, Westend Carrée, 7. Floor, Frankfurt am Main 60322, Germany. **Netherlands:** Natixis Investment Managers, Netherlands (Registration number 50774670). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. **Sweden:** Natixis Investment Managers, Nordics Filial (Registration number 516405-9601 - Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. **Spain:** Natixis Investment Managers, Sucursal en España, Serrano n°90, 6th Floor, 28006 Madrid, Spain. **Belgium:** Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium. ● In France: Provided by Natixis Investment Managers International – a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. ● In Switzerland: Provided by Natixis Investment Managers, Switzerland Sarl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich. ● In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) - registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008. ● In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10 ,ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates. ● In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788. ● In Singapore: Provided by Natixis Investment Managers Singapore Limited (company registration no. 199801044D) to distributors and institutional investors only. ● In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to institutional/ corporate professional investors only. ● In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only. ● In New Zealand: This document is intended for the general information of New Zealand wholesale investors only. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand. ● In Latin America: Provided by Natixis Investment Managers S.A. ● In Chile: Esta oferta privada se inicia el día de la fecha de la presente comunicación. La presente oferta se acoge a la Norma de Carácter General N° 336 de la Superintendencia de Valores y Seguros de Chile. La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Superintendencia de Valores y Seguros, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización. Que por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente. ● In Colombia: Provided by Natixis Investment Managers S.A. Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors. ● In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority. ● In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. ● The above referenced entities are business development units of Natixis Investment Managers the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorised. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. May not be redistributed, published, or reproduced, in whole or in part. Amounts shown are expressed in USD unless otherwise indicated.