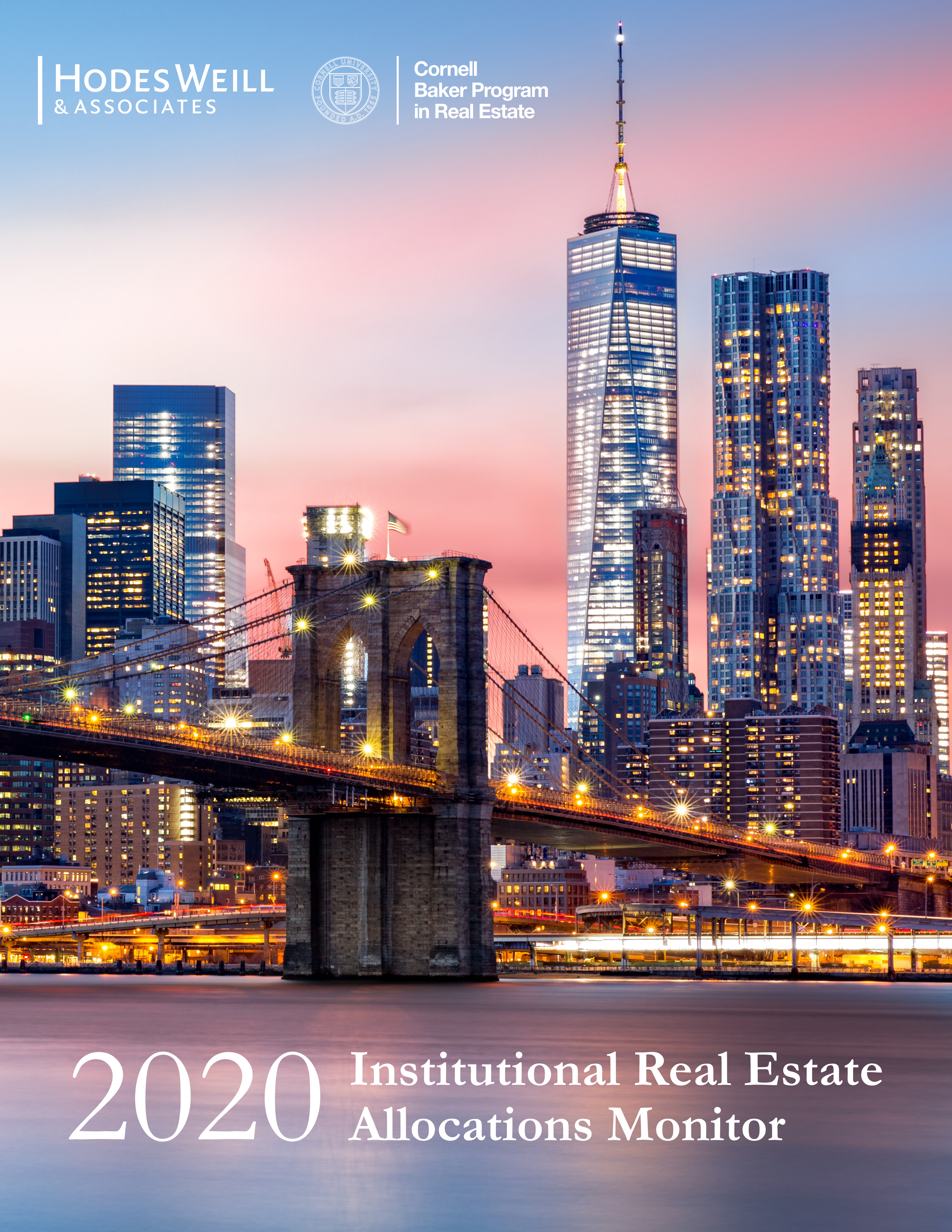

HODES WEILL & ASSOCIATES

Cornell Baker Program in Real Estate

2020 Institutional Real Estate Allocations Monitor

Dear Industry Friends,

Cornell University's Baker Program in Real Estate and Hodes Weill & Associates are pleased to present the findings of the eighth annual Institutional Real Estate Allocations Monitor (the "**2020 Allocations Monitor**"). The 2020 Allocations Monitor focuses on the role of real estate in institutional portfolios, and the impact of institutional allocation trends on the investment management industry. Launched in 2013, the Allocations Monitor is a comprehensive annual assessment of institutions' allocations to, and objectives in, real estate investments. This report analyzes trends in institutional portfolios and allocations by region, type and size of institution.

The 2020 Allocations Monitor includes research collected on a blind basis from 212 institutional investors in 29 countries. The 2020 participants hold total assets under management ("**AUM**") exceeding US$12.6 trillion and have portfolio investments in real estate totaling approximately US$1.3 trillion. Our survey consisted of 26 questions concerning portfolio allocations to the asset class, current and future investments in real estate, investor conviction, investment management trends and the role of various investment strategies and vehicles within the context of the real estate allocation (e.g., direct investments, joint ventures and private funds). We also included questions regarding historical and target returns as well as environmental, social and governance ("**ESG**") policies.

We would like to highlight that the results from the 2020 Allocations Monitor were conducted amidst the on-going COVID-19 global pandemic. While the survey is typically a review of the prior calendar year, given the survey dates (June 2020 to October 2020), investors' responses may have been influenced by the ongoing impact of COVID-19. In early 2020, we were coming off a period of moderating returns and slowing allocations perhaps due to the perceived lateness of the cycle. Anecdotally, this appears to be changing with an increased interest in allocating to opportunistic and distressed strategies, and the expectation of attractive buying opportunities over the coming years. The timing of this survey is important given this dichotomy, and we felt it was worth mentioning at the outset, so that results of the survey can be reviewed within that context.

Key Findings of the 2020 Allocations Monitor

(1) **Target allocations to real estate continue to rise globally, although the pace of year-over-year growth has moderated.** Average target allocations increased to 10.6% in 2020, up 10 bps from 2019, and up 170 bps since we began the Allocations Monitor survey in 2013. For the second straight year, there is continued moderation of rate increase as compared to the historical range of 20 bps to 40 bps between 2013 and 2018.

(2) **Real estate continues to generate favorable investment returns, relative to expectations.** Real estate continues to perform well in institutional portfolios, generating an average investment return of 8.5% in 2019 versus a return target of 8.3%. However, institutions remain cautious about potential returns in 2020, due to COVID-19 and its impact on demand for, and pricing of, real estate.

(3) **Investor sentiment has increased for the third straight year, reaching a 7-year high**. Between 2019 and 2020, our "Conviction Index", which measures institutions' view of real estate as an investment opportunity from a risk-return standpoint, increased from 5.7 to 5.9. While the impact of COVID-19 and geopolitical issues on commercial real estate remains a concern, institutions are anticipating that a potential buying opportunity is emerging as distress and dislocation becomes more prevalent.

(4) **Cross border capital flows remain resilient despite geopolitical risks; but allocations are shifting towards "home country" investments amidst the global pandemic.** While the U.S. remains a preferred destination for international capital flows, institutions' willingness to allocate to strategies outside of their domestic regions appears to be on the decline. In part, this may be attributed to travel restrictions resulting from the global pandemic, and we are seeing this effect more prevalent on cross border flows to Asia and to a lesser extent, Europe.

(5) **Despite market uncertainty, institutions remain committed to the asset class, and expect to be actively allocating to new investments over the next 12 to 24 months.** Investors remain under-allocated relative to target allocations, and rising sentiment suggests that investment pacing may increase. Furthermore, the pandemic slowed down many investment plans in 2020 and some investors may be playing "catch-up" in 2021. The expected increase in institutional allocations should continue to support asset pricing, transaction volumes and cost of capital.

(6) **Appetite for high-return strategies is growing, with investors focusing on distress.** While value add strategies remain the strongest preference for institutions globally, investors are shifting a greater allocation of their portfolios to opportunistic strategies in anticipation of market distress and dislocations. However, we continue to see investors focus on "risk-adjusted returns", balancing higher returns with strong multiples, at conservative leverage levels as compared to the last cycle.

(7) **ESG continues to be a major focus of investors and is increasingly influencing investment decisions.** The importance of ESG in institutional portfolios continues to grow, and investment managers are positioning their organizations and operating practices to accommodate their clients' objectives.

The 2020 Allocations Monitor leverages the academic resources of Cornell University and the global institutional relationships and real estate expertise of Hodes Weill & Associates. We hope this report provides unique insight into the institutional investment industry, serving as a valuable tool for institutional investors in the development of portfolio allocation strategies and peer benchmarking of returns, and for investment managers in business planning and product development. With this goal in mind, please feel free to contact us with any comments, questions or suggestions.

We look forward to sharing additional insight and our perspective on the industry with you more directly in the near future (hopefully in person!). Again, we would like to express sincere appreciation to everyone that participated in this year's survey.

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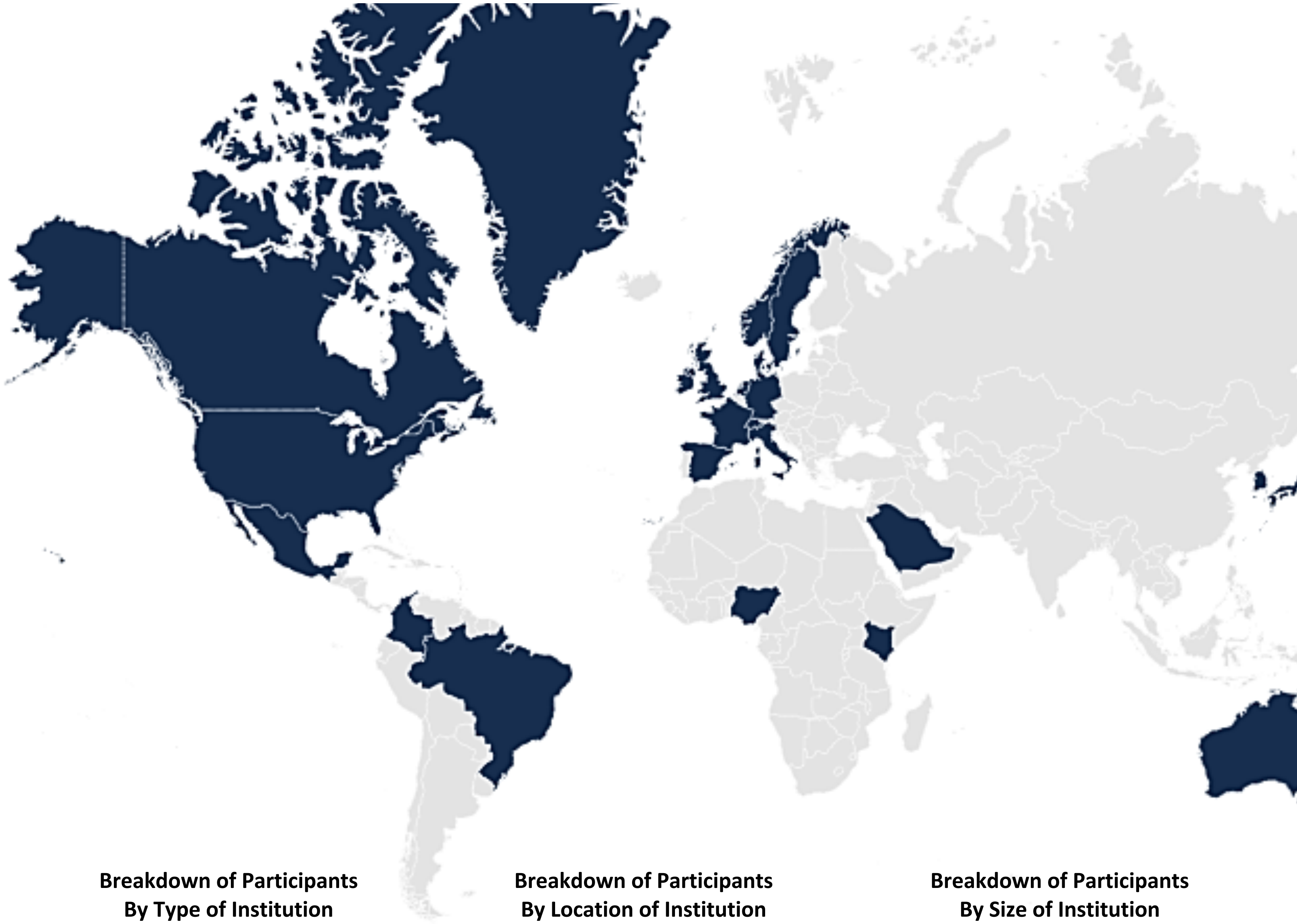
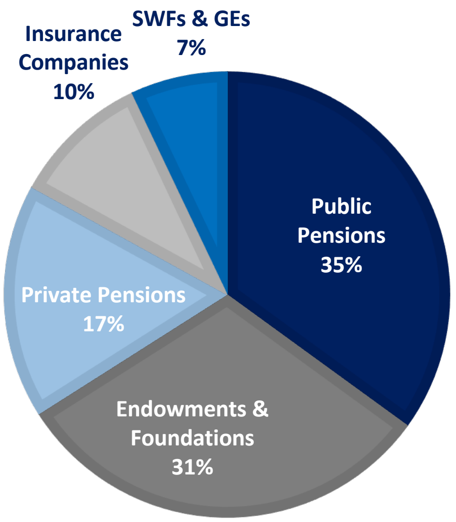
2020 Global Institutional Participants

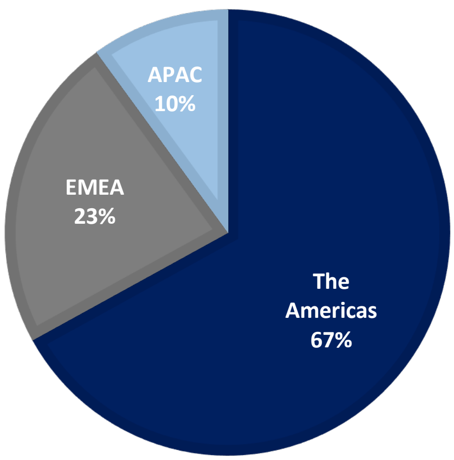
212 participants in 29 countries representing US$12.6 trillion in AUM



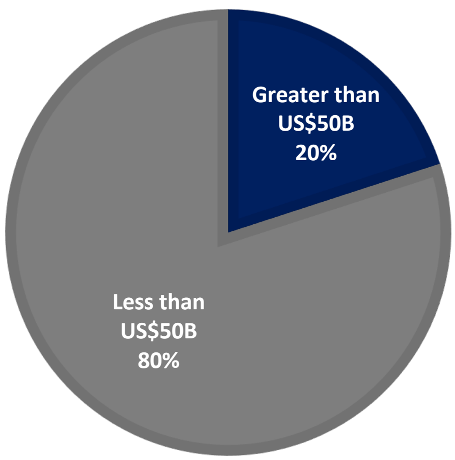
Breakdown of Participants By Type of Institution



Breakdown of Participants By Location of Institution



Breakdown of Participants By Size of Institution



Americas

Alaska Electrical Trust Funds
Alberta Teachers' Retirement Fund (ATRF)
American Baptist Home Mission Societies
Angell Foundation
Arkansas Public Employees' Retirement System
Arkansas Teacher Retirement System
Bel Air Investment Advisors
Boston Foundation
Choate Rosemary Hall Foundation
Church Pension Group
City of Phoenix Employees' Retirement System
Colorado Public Employees' Retirement Association (COPERA)
Community Foundation for Greater Atlanta
Consolidated Edison Pension Fund
CPP Investments
DUMAC
East Bay Municipal Utility District Employees Retirement System
Employees' Retirement System of Texas
Endowment Wealth Management
Freed-Hardeman University Endowment
Fresno County Employees' Retirement Association (FCERA)
Healthcare of Ontario Pension Plan (HOOPP)
HighGround Advisors
Houston Metro
HRM Pension Plan
IBM Retirement Fund in the USA
Illinois Mutual Life Insurance Company
Inspirit Foundation
Jewish Community Federation of Baltimore
Jewish Community Foundation of Greater Metrowest NJ
Kansas University Endowment Association
Los Angeles Fire & Police Pension System (LAFPP)
Maryland State Retirement and Pension System
Massachusetts Pension Reserves Investment Management Board
Medtronic Employee Pension Fund
Bricklayers and Allied Craftworkers Local #1 MN/ND/SD
National Electrical Benefit Fund
NAV Canada Pension Plan
New England Teamsters and Trucking Industry Pension Fund
New Jersey State Investment Council
North Carolina Department of State Treasurer
North Carolina State University Endowment and Foundations
Nova Scotia Pension Agency
Oklahoma Teachers Retirement System
Oklahoma Tobacco Settlement Endowment Trust
Oregon State Treasury
Oxford Properties
Paul, Hastings, Janofsky & Walker Retirement Plan
Richard King Mellon Foundation
Rockefeller Foundation
San Luis Obispo County Pension Trust
Seattle City Employees' Retirement System
Southern Company Pension Plan
Springfield Foundation
State of Hawaii Employees' Retirement System (ERS)
State of Wisconsin Investment Board (SWIB)
Teacher Retirement System of Texas (TRS)
Tennessee Consolidated Retirement System
Texas Christian University Endowment
Texas Municipal Retirement System (TMRS)
Texas Permanent School Fund (PSF)
The Endowment Board
Thrivent Financial for Lutherans
Tinker Foundation
Tucson Supplemental Retirement System
United Parcel Service (UPS) Investments
University of Alberta Endowment
University of Utah Endowment Fund
Utah Retirement Systems (URS)
Vancouver Foundation
Virginia Retirement System
Wespath Benefits and Investments
Westfield Contributory Retirement System
YMCA Retirement Fund
And 68 anonymous participants

APAC

Anglican Church, Diocese of Sydney
Australia Post Superannuation Scheme
Catholic Super
Development Bank of Japan Asset Management
Gov't of Singapore Investment Corporation (GIC)
Hanwha Life Insurance
Public Officials Benefit Association (POBA)
ReturnToWorkSA
TWUSuper
And 12 anonymous participants

EMEA

Adimmo AG
Africa Reinsurance Corporation
AG2R La Mondiale
Allianz Real Estate
ARAG Versicherungsgruppe
ASR Nederland
Bayerische Versorgungskammer
Bedfordshire Pension Fund
Bouwinvest
Church Commissioners for England
CMC Capital
Danica Pension
Direct Line Group
Första AP-Fonden
KZVK/VKPB Versorgungskassen Dortmund
Lebanese American University
Norsk Hydro Pension Plan
Norske Veritas Pension Fund
And 30 anonymous participants

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Participation & Methodology

We wish to thank the 212 institutional investors that participated in our survey this year. The survey participants are from 29 countries and represent institutions with over US$12.6 trillion in total assets and real estate assets of approximately US$1.3 trillion. **The Allocations Monitor continues to be one of the industry's most comprehensive global surveys of institutional allocations and intentions in real estate.**

We distributed the survey to over 3,000 institutional investors. Our survey includes only primary allocators to investments, such as pension plans, insurance companies, sovereign wealth funds, and endowments and foundations. Approximately 7% of institutions that were contacted completed the survey, and the participation rate was greater than 5% across a range of regions, investor types and size of institutional portfolios. We believe that this participation rate has resulted in a representative sampling of the real estate institutional investor universe from a statistical standpoint.

Notes to readers regarding methodology:

- We conducted the survey over an approximate five-month period from June 2020 to October 2020.
- Target and projected allocations, actual allocations and the margin between target and actual allocations are presented on a weighted average basis by total AUM. We believe this provides the most relevant presentation of the quantum and directional trend of investable capital.
- To calculate weightings for AUM for each investor, we utilized the midpoint of each investor's AUM range. For example, investors that indicated an AUM range of US$10 billion to US$25 billion were counted as US$17.5 billion. All investors with AUM greater than US$200 billion were weighted at their listed AUMs – there were 9 such investors in 2020.
- Unless otherwise stated, all other figures are based on straight averages by number of participants, including figures for investment activity, intentions, target returns and risk/return objectives.

212 Institutions	**29** Countries	**7%** Participation Rate
US$12.6 Trillion Total Assets	**US$1.3 Trillion** Real Estate Assets	**43** Institutions with AUM in excess of US$50bn

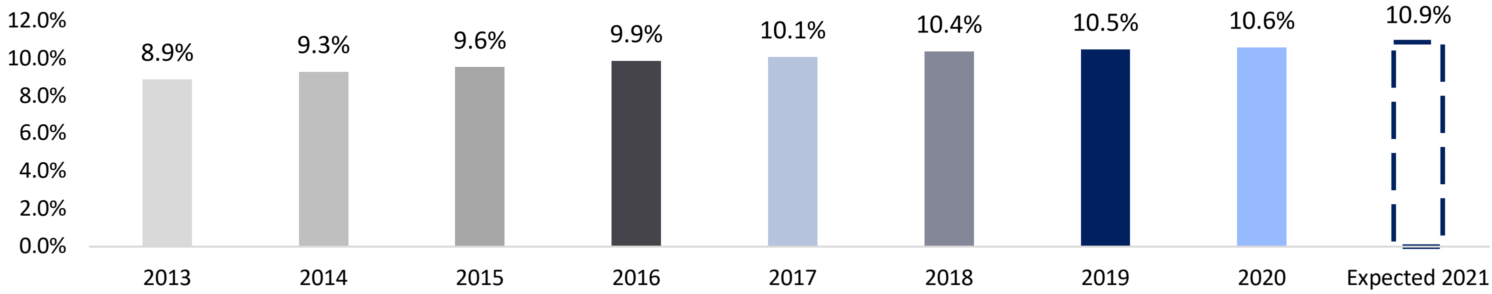
Definitions Guide

"**APAC**" refers to Asia Pacific and includes institutions located in Asia and Australia
"**EMEA**" includes institutions located in Europe, the Middle East and Africa
"**ESG**" refers to environmental, social and governance
"**SWFs & GEs**" refers to sovereign wealth funds and government-owned entities
"**The Americas**" includes institutions located in North and South America
"**Larger Institutions**" includes institutions with AUM greater than US$50 billion
"**Smaller Institutions**" includes institutions with AUM less than US$50 billion

Target Allocations to Real Estate

Target allocations to real estate continue to rise globally, although the pace of year-over-year growth has moderated

Exhibit 1: Weighted Average Target Allocation to Real Estate, All Institutions



Target Allocations to Real Estate

Institutions reported an average target allocation to real estate of 10.6% in 2020, up from 10.5% in 2019. The 10 bps increase marks the seventh straight year of rising target allocations since we began the Allocations Monitor survey in 2013. We have now seen a moderate 10 bps increase for the last two years, as compared to the historical annual range of 20 bps to 40 bps between 2013 and 2018. The 10 bps increase implies the potential for an additional $80 to $120 billion of capital allocations to real estate over the coming years.[1]

Institutions are forecasting a further increase of 30 bps over the next 12 months. This increase is expected to be led by APAC institutions, which reported a forecasted increase of 60 bps for 2021. EMEA-based institutions expect to increase target allocations by a substantial 40 bps, to 11.8% in 2021. Institutions in the Americas reported the lowest target allocations to real estate strategies at 10.1% and are forecasting a modest 10 bps increase for 2021.

Exhibit 2: Weighted Average Target Allocation, By Location of Institution

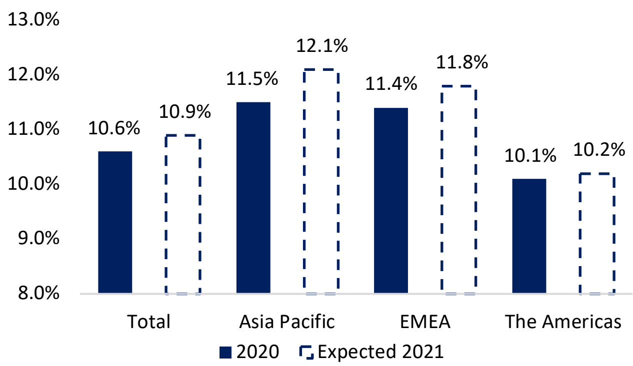
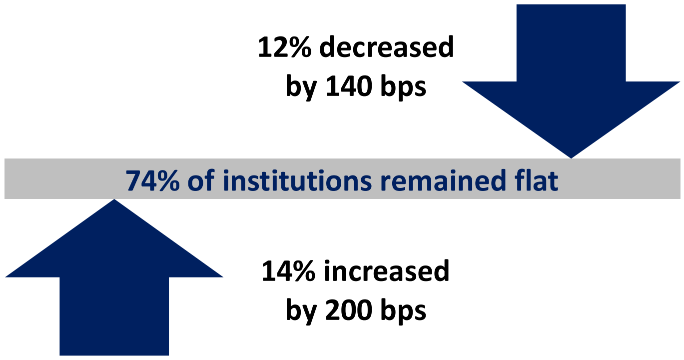


Exhibit 3: Year-Over-Year Increase/Decrease of Target Allocation, Repeat Participants



A substantial majority of institutions held their allocations flat year-over-year. Approximately 74% of institutions made no change to target allocations in 2020, as compared to 58% in 2019 and 40% in 2018. This suggests that many institutions are taking a breather, after several years of steadily increasing target allocations. While asset allocations are long-term frameworks, the significant change in economic and investment conditions over 2020 would be expected to trigger more significant changes in asset allocations in 2021 and subsequent years. With very low yields in the fixed income markets and significant volatility in public equity markets, the alternative investment universe including real estate is anticipated to continue to capture a larger portion of institutional asset allocations over the next several years. Approximately 14% of institutions raised their target allocations by an average of 200 bps, as compared to 22% and 260 bps in 2019. The percentage of institutions that decreased their target allocations declined from 20% to 12%, with the average decrease in target allocations dropping meaningfully from 180 bps to 140 bps.[2]

[1] Source: Hodes Weill estimate of ±$100 trillion of global AUM based on various public disclosures, research reports, and publications.
[2] Based on "same store" comparison for institutions that participated in the Allocations Monitor survey in both 2019 and 2020.

Target Allocations by Type of Institution

Target allocations increased moderately across all types of institutions, with the exception of Public Pensions, which reported a 110 bps decrease in 2018 and 2019. Endowments & Foundations had decreased their target allocations to the asset class in 2019, having expressed reluctance to allocate capital to real estate late in the cycle. Interestingly, this trend has reversed in 2020, with Endowments & Foundations substantially increasing 2020 target allocations to 9.5% from 8.0% last year. Commentary from US-based endowments suggests that the reversal can be attributed to a prevailing view that the next several years may be good vintages for achieving favorable, risk adjusted returns. This contrast between the Public Pension and Endowment & Foundation communities has been anecdotally observed in past cycles, and we believe it is reflective of a healthy market with different investors carrying out their investment programs with varying levels of tactical flexibility. Over the past decade, managers focused on serving one of these investor communities have been challenged by these fluctuations and have sought to diversify their investor bases by type, size and geography.

Target Allocations by Size of Institution

As in 2019, the year-over-year increase in target allocations in 2020 was led by Larger Institutions as they continue to grow their real estate portfolios across core, value add and opportunistic strategies. Larger institutions were also the first to return to the market following the outbreak of COVID-19, with many initially focused on real estate equity and debt securities. Institutions with more than $50 billion AUM reported an average target allocation of 10.4%, up 20 bps from their target allocations to the asset class in 2019 on a "same store" basis.[3] Smaller institutions decreased target allocations by 30 bps, but expect to begin increasing allocations over the next 12 months.

Exhibit 4: Weighted Average Target Allocation, By Size of Institution, Repeat Participants[4]

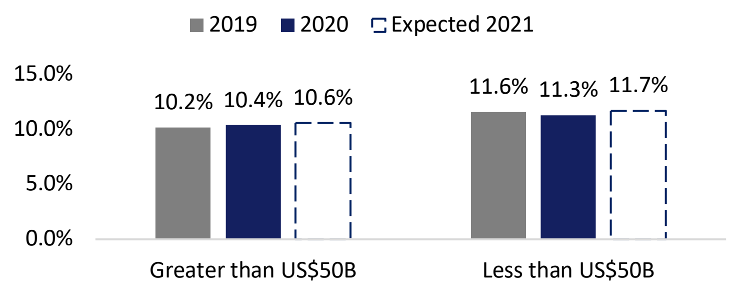


Exhibit 5: Notable Increases/Decreases to Target Real Estate Allocations[5]

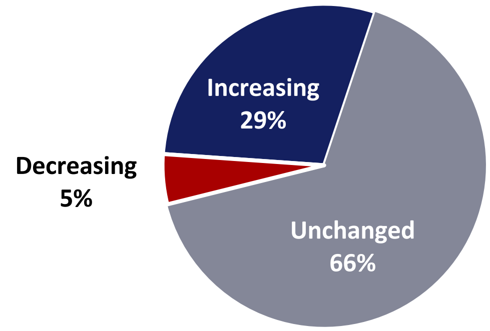
Institution	AUM ($bn)	Target Allocation		Change
		Prior	New	
Alecta (Sweden) [6]	$119.9	12.0%	20.0%	↑800 bps
Pension Fund for the Dutch Construction Industry (Netherlands)	$84.3	16.0%	19.0%	↑300 bps
Kansas Public Employees' Retirement System (USA)	$20.2	11.0%	13.0%	↑200 bps
California State Teachers' Retirement System (USA)	$262.5	13.0%	14.0%	↑100 bps
Iowa Public Employees' Retirement System (USA)[7]	$38.5	7.5%	8.5%	↑100 bps
San Diego County Employees Retirement Association (USA)	$12.9	9.0%	10.0%	↑100 bps
University of California General Endowment Pool (USA)	$14.0	7.0%	8.0%	↑100 bps
New Jersey Division of Investment (USA)	$74.1	7.5%	8.0%	↑50 bps
Yale University Endowment (USA)	$31.2	10.0%	9.5%	↓50 bps
Pennsylvania Public School Employees' Retirement System (USA)	$59.0	8.0%	7.0%	↓100 bps
Orange County Employee's Retirement System (USA)	$17.7	9.0%	7.0%	↓200 bps
Alaska Permanent Fund (USA)	$69.2	12.0%	7.0%	↓500 bps

[3] Based on "same store" comparison for institutions that participated in the Allocations Monitor survey in both 2019 and 2020
[4] Based on "same store" comparison for institutions that participated in the Allocations Monitor survey in both 2019 and 2020.
[5] Based on public disclosures.
[6] Increase includes both real estate and infrastructure
[7] Increase includes both real estate and infrastructure

Expected Change in Target Allocations

Looking to 2021, 29% of institutions report that they expect to increase target allocations over the next 12 months, up slightly from 24% in the prior year. We expect that this trend will be highly impacted by the potential opportunity to invest in distressed and dislocated assets. Approximately 66% of institutions intend to hold their allocations flat over the next 12 months, down slightly from 69% as reported in last year's report.

Exhibit 6: Expected Change in Target Allocations in 2021, All Institutions



Current Investments

In part a result of the denominator effect, institutions are closer to target allocations

Exhibit 7: Actual vs. Target Allocation, By Location of Institution

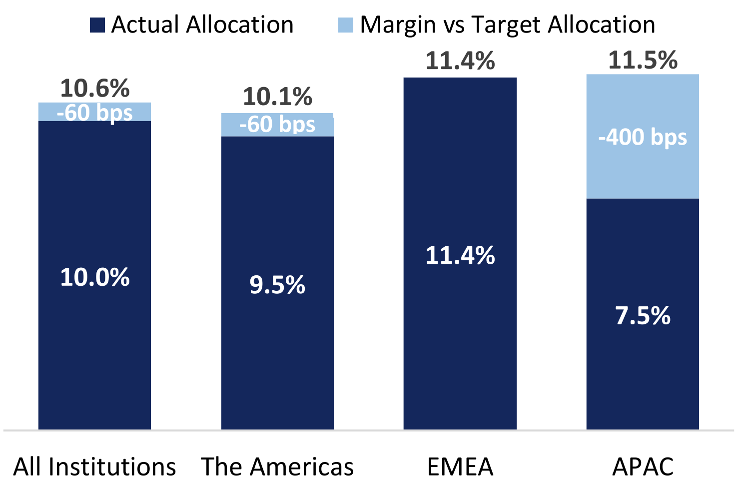
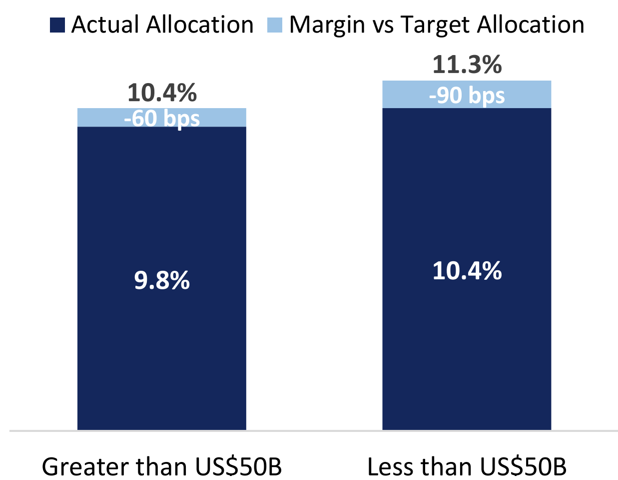


Exhibit 8: Actual vs. Target Allocation, By Size of Institution

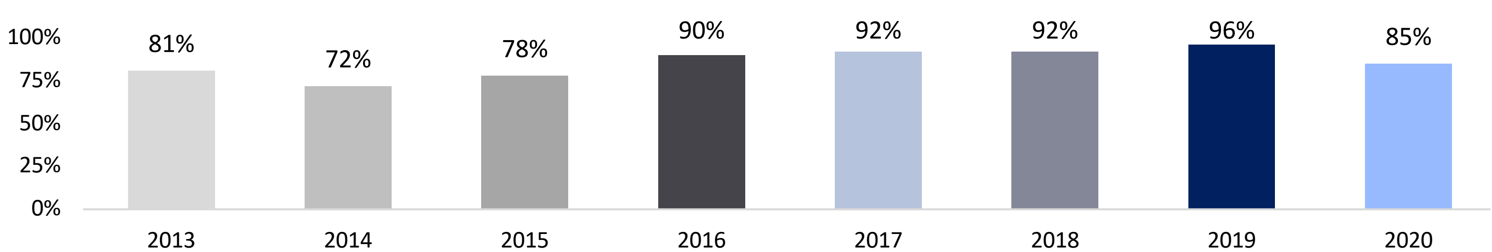


The percentage of institutional portfolios invested in real estate (i.e., actual "in the ground" allocations) increased in 2020 to 10.0%, up from 9.4% in 2019. During the time of our survey (between June and October), institutions reported being underinvested by 60 bps on average. This is meaningfully below the margin that we have reported since 2013, which has ranged from 88 bps to 110 bps. However, it is important to note that many institutions reported that this decline was attributed in part to the denominator effect. As public equities have been surging over the past several months, the gap is expected to have widened again.

Current Investments and Target Allocations by Location and Type of Institution

Institutions in the Americas and APAC reported being under-invested relative to target allocations by 60 bps and 400 bps respectively. APAC-based institutions reported the highest target allocation at 11.5%. While EMEA-based institutions reported the largest margin between actual and target allocations at 170 bps in 2019, institutions from this region reported actual allocations at target during the time of our survey. We anticipate the gap between target and actual allocations may widen further through the end of 2020, especially for APAC institutions, given the slowdown of investments as a result of the COVID-19 environment.

Exhibit 9: Actively Investing in Real Estate, All Institutions



Real Estate Investments

While the percentage of institutions actively investing in real estate increased from 2014 to 2019, the trend reversed in 2020. The percentage of institutions that reported actively allocating capital to the asset class decreased from 96% in 2019 to 85% in 2020. This has been attributed by institutions to concerns about late cycle fundamentals, valuations, and lowered expected investment returns (prior to COVID-19). More recently, the declines may be explained by travel restrictions and other pandemic-related considerations. Approximately 35% of institutions report that they are investing the same amount of capital in real estate, while 23% report an increase in investments, and 27% report a decline.

Historical & Target Returns

While actual investment returns declined moderately in 2019, results continue to outpace target returns

	2019 Target Return	*2020 Target Return*	*Actual 2015*	*Actual 2016*	*Actual 2017*	*Actual 2018*	*Actual 2019*	*Actual 3-Year Average*	*Actual 5-Year Average*
All Institutions	8.3%	8.2%	10.9%	8.7%	9.1%	8.8%	8.5%	8.8%	9.2%
By Type									
Public Pension	7.5%	7.7%	11.4%	8.8%	9.2%	8.4%	8.3%	8.7%	9.2%
Endowment & Foundation	9.7%	9.0%	11.0%	9.1%	8.9%	9.1%	8.0%	8.7%	9.2%
Private Pension	8.3%	8.7%	11.1%	8.2%	8.9%	9.0%	9.4%	9.1%	9.3%
Insurance Company	8.4%	7.6%	9.3%	9.1%	9.9%	8.7%	10.2%	9.6%	9.5%
SWFs & GEs	7.2%	7.7%	9.7%	8.1%	8.9%	9.3%	7.9%	8.7%	8.8%
By Location									
The Americas	9.0%	8.7%	11.7%	8.7%	9.3%	9.2%	8.6%	9.0%	9.5%
EMEA	6.9%	7.1%	9.3%	8.4%	8.5%	7.5%	8.3%	8.1%	8.4%
Asia Pacific	7.6%	7.9%	10.1%	9.2%	9.1%	9.1%	8.3%	8.8%	9.2%
By Size									
Greater than US$50 billion	7.9%	7.5%	11.0%	9.4%	9.6%	9.2%	8.4%	9.1%	9.5%
Less than US$50 billion	8.5%	8.5%	10.9%	8.6%	9.0%	8.7%	8.5%	8.7%	9.2%

The average long-term target return for global institutional allocations to real estate was essentially flat from 2019 to 2020, decreasing from 8.3% in 2019 to 8.2% in 2020. The year-over-year decline in target returns was largely driven by Insurance Companies, which reported an 80 bps decline in target returns, and by a 70-bps decline in target returns by Endowments & Foundations. These changing expectations may reflect different market perspectives. Insurance Companies, with significant lending portfolios, may see challenges ahead including defaults, post-COVID market changes and the low yield environment. Endowments & Foundations, on the other hand, are more equity oriented and their outlook may reflect a difficult operating environment for their assets given lower income and appreciation. Only 30% of Endowment and Foundation respondents reported an active focus on core strategies. Anecdotally though, a number of those institutions appeared to moderate their opportunistic strategies, putting greater emphasis on value add and income-oriented strategies, appropriate late-cycle modifications. Evolving market conditions generating more distress, or other opportunities arising from the current dislocation may also impact target returns. Public Pensions, Insurance Companies, and SWF & GEs all reported lower target returns ranging from 7.6% to 7.7%. All SWF & GE respondents reported an allocation to core strategies, which explains, at least in part, why SWFs and GEs have target and actual returns at the lower end of the range.

Institutional portfolios delivered an 8.5% total return in 2019, a decline of 30 bps from 8.8% in 2018. With the exception of Endowments & Foundations, all respondents achieved portfolio returns in excess of their annual target returns. Insurance Companies exceeded their target return by the widest margin of 180 bps and were the only respondents to report double digit returns in 2019 at 10.2%. Institutions continue to achieve returns well above their long-term targets, with the 5-year average return for all institutions outpacing target returns by almost 100 bps.

Institutions in the Americas experienced a 60 bps decrease in investment returns and Asia Pacific institutions experienced a 77 bps decrease. Returns for institutions in EMEA had risen to 8.3%, on par with Asia Pacific, but 30 bps less than that of investors in the Americas. Institutions in the Americas maintain the highest trailing 5-year average return at 9.5%. Investors in APAC and the Americas have outperformed investors in EMEA over the past three years with a premium of 70 bps and 90 bps, respectively, and over the past five years with a premium of 80 bps and 110 bps, respectively. These lower EMEA returns are consistent with our anecdotal views that those institutions generally take a lower-risk approach to the market, most clearly with their policies toward use of lower leverage. As the base interest rates in EMEA markets have generally been lower than APAC and the Americas in recent years, those investors may still be achieving their spread objectives.

Exhibit 10: Target vs. Historical Returns, By Type of Institution

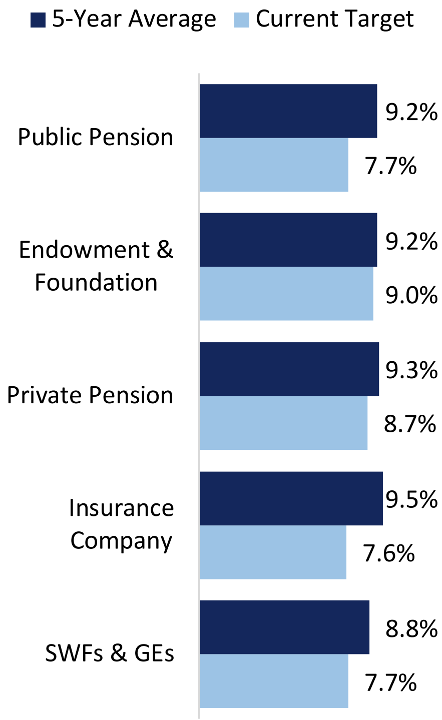


Exhibit 11: Target vs. Historical Returns, By Location of Institution

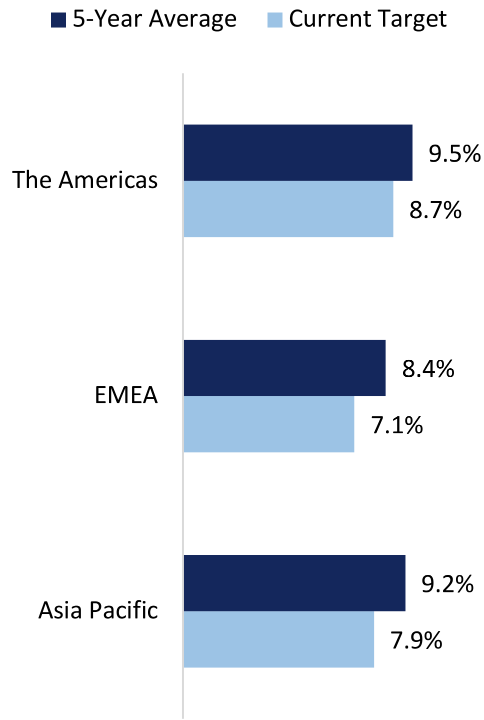
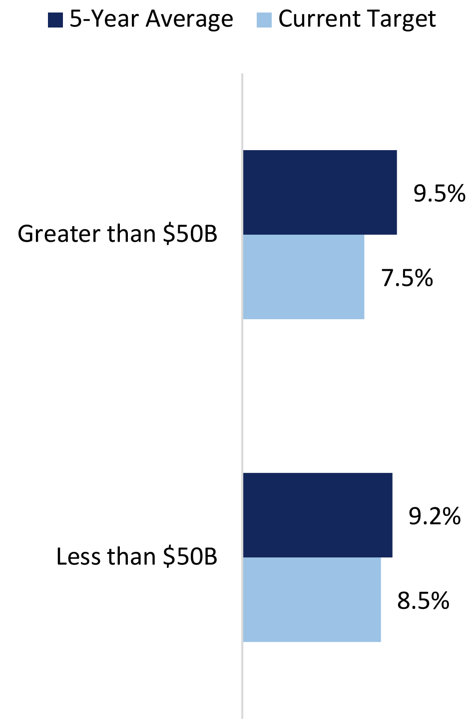


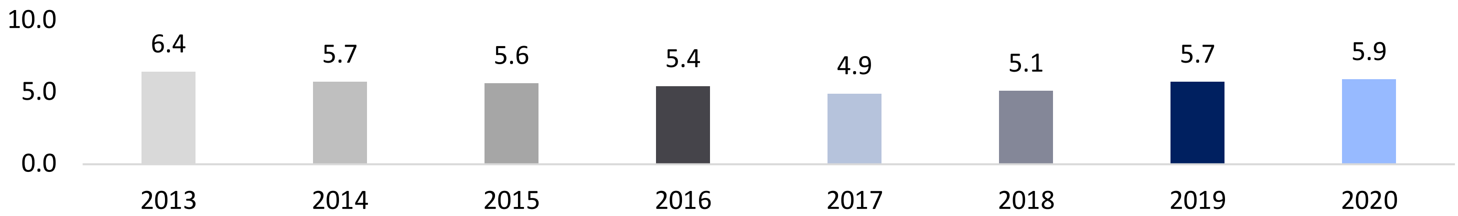
Exhibit 12: Target vs. Historical Returns, By Size of Institution



Conviction Index

Investor sentiment has increased for the third straight year, reaching a 7-year high

Exhibit 13: Conviction Index, All Institutions



The Allocations Monitor asks investors to rate on a scale of one to ten their view of the investment opportunity in real estate from a risk/return perspective (one being the least favorable, ten being the most favorable). From 2013 to 2017, the "Conviction Index" (i.e., investor sentiment) steadily declined from 6.4 to 4.9. However, this trend reversed in 2018 with a slight uptick in conviction, which continued in 2019 and 2020 with 0.6-point and 0.2-point increases, respectively. In 2019, this increase was fairly expected, as institutions continued to realize investment results well in excess of target returns. In 2020, while investors are voicing concerns about the impacts of COVID-19 and current geopolitical issues on their investment portfolios, we believe that, conviction is rising as investors have experienced general stability in their portfolios, and new opportunities are emerging in the asset class. Anecdotally, nearly all investors are seeking to add new investments to their portfolios to take advantage of the buying opportunity they anticipate over the next few years. As institutions anticipate distress and dislocation, they are shifting their focus to opportunistic strategies, and in some cases liquidating core holdings held in separate accounts and open-end funds. Further, Q1 and Q2 2020 marks-to-market on existing assets have come in more favorably than initially expected. Later responses to the survey may be reflecting a more positive outlook as more knowledge was gained on portfolio performance in Q2 and Q3. Notwithstanding the above, there is no doubt that certain sectors have been more negatively impacted than others as a result of the pandemic, and in fact some have benefited significantly, including logistics, life sciences and data centers.

Conviction rose in all geographic regions in 2020. The Conviction Index for institutions in Asia-Pacific was up by the widest margin at 0.7 points to 5.5. This is notable, as conviction in this region had decreased in 2019, thought to be the result of on-going geopolitical risk and the strengthening of the US dollar. This year's increase may be explained by APAC investors' continued rebalancing of portfolios from bonds to alternatives, in addition to relatively stable real estate performance in the region, despite COVID-19. Confidence in the asset class was the highest amongst EMEA-based institutions, which reported a Conviction Index of 6.1. Conviction in the Americas rose only moderately in 2020, from 5.8 to 5.9.

SWFs & GEs reported a Conviction Index of 5.8, a significant increase over last year at 4.3. At the same time, SWFs & GEs reported being the first investors to return to the market post-COVID. In discussion with these investors, many hold a view that their liquidity, experience and resources serve as competitive advantages in today's complex market conditions. Conviction rose by 0.3 for Endowments & Foundations and by 0.4 for Insurance Companies. Insurance Companies have the highest confidence in the asset class, reporting a Conviction Index of 6.3. This may be attributed to the strong performance of their portfolios over the past several years, in particular relative to target returns.

Exhibit 14: Conviction Index, By Location of Institution

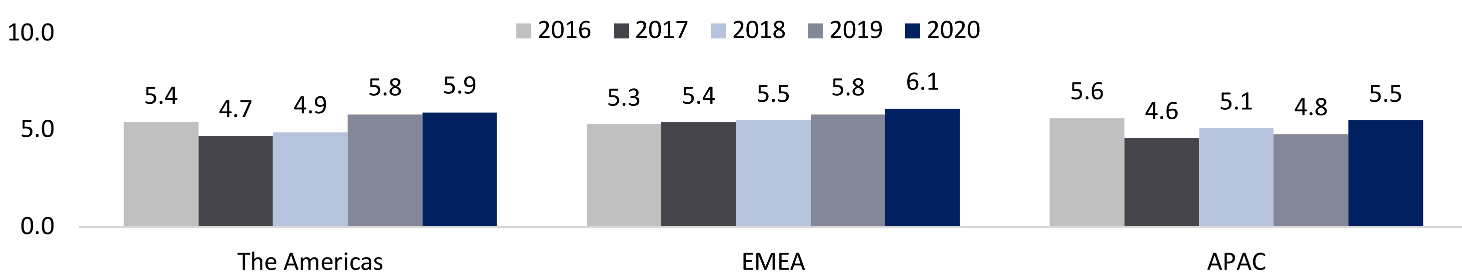
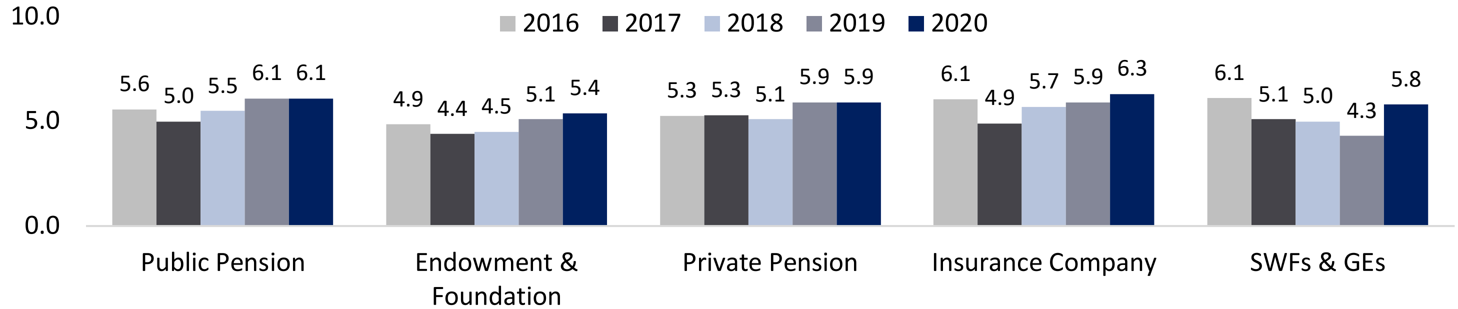


Exhibit 15: Conviction Index, By Type of Institution



"The real estate market is bifurcated between the 'haves and have nots.' Industrial, data centers, and life science sectors are experiencing strong demand from debt and equity and will likely benefit from cap rate compression due to a low interest rate environment and an increased demand from capital. Hotel, retail, and office will continue to face liquidity challenges until we get through COVID-19 and the economy recovers."

– Insurance Company, The Americas, US$50.0 to US$100.0 billion

"As a long-term investor, we continue to look for investments that will provide long-term stable cash flows for our investors. Therefore, we distinguish between short-term disruptions and long-term trends."

– Insurance Company, EMEA, US$50.0 to US$100.0 billion

"While I don't believe that COVID-19 means the death of downtown office space and retail, I think it is too soon to tell if more people will permanently work and shop from home. Moving towards opportunistic real estate over core for the next few years."

– Endowment / Foundation, The Americas, US $1.0 to $5.0 billion

"High capex real estate sectors are challenging investments in a low return environment. COVID's impact will be material in short- to medium-term with issues such as affordability, sharing economy and ESG evermore at the forefront."

– Public Pension, The Americas, US$100.0 to US$200.0 billion

"Given the uncertainty around COVID-19 and what the 'new normal' looks like, investing today is tricky. Interest in industrial real estate seems to have continued unabashed, likewise distain for retail continues. Multifamily and office are somewhere in between. There continues to be a bid-ask gap as many folks seem to have a 'wait and see' approach."

– Public Pension, The Americas, US$50.0 to US$100.0 billion

"Better than average performance when compared to other investment products/asset types."

– Public Pension, The Americas, US$50.0 to US$100.0 billion

Exhibit 16: Range of Conviction Index, All Institutions

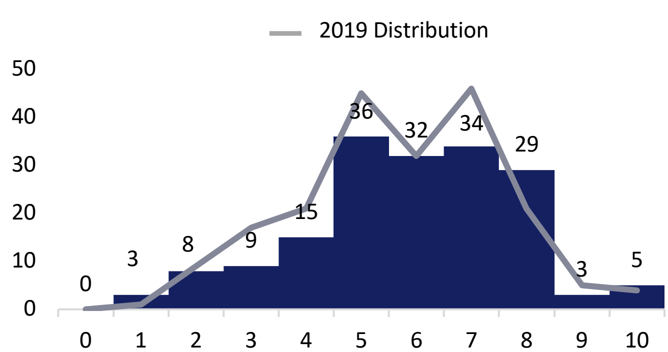
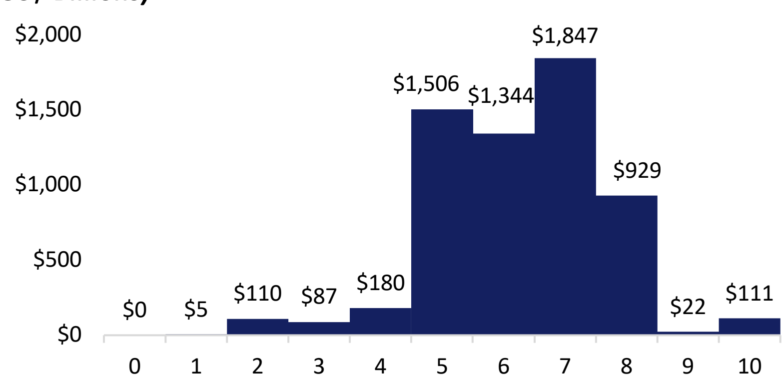


Exhibit 17: Range of Conviction Index, By AUM Midpoint (US$ Billions)



Third Party Management

Investment managers continue to see "double digit" growth in AUM, despite the ongoing trend of institutions internalizing the management of their portfolio investments

Existing Investments

The percentage of institutions that outsource their entire real estate portfolio to third party managers now stands at approximately 63%, a 7% decrease from last year. Overall, 91% of institutions report outsourcing all or a portion of their portfolio to third-party managers, while 9% manage their entire real estate allocation in-house (up from 6% last year). As we have seen in the past, a significantly larger proportion of Smaller Institutions outsource management of their investment portfolios at 69%, as compared to Larger Institutions at 39%. This can be largely attributed to Smaller Institution's lack of scale, internal staffing and other resources necessary to manage investments in-house.

Future Allocations

It is expected that 85% of new investments over the next 12 months will be allocated to third-party managers. Institutions continue to favor allocating capital to existing manager relationships, with 62% of 2020 investments earmarked for groups with which the institution has a pre-existing relationship. With the impact of the COVID-19 pandemic on the due diligence process, we expect the final number to be significantly higher. Appetite for new manager relationships increased marginally, with institutions expecting to allocate 24% of 2020 investments to new relationships, as compared to 23% last year. Notably, this still represents a significant decline from 2013 when 69% of participants were expanding their portfolios with allocations to new manager relationships in the wake of the 2008 financial crisis. Additionally, 32% of participants indicate that they intend to increase their number of manager relationships over the next 12 months, while 10% of participants indicated an intention to decrease the number of manager relationships. As the current market environment may give rise to new real estate opportunities, this may trigger a resurgence in new manager relationships as investors seek to execute specialized strategies. While the shift to new managers following the 2008 financial crisis was largely performance driven, changing investor views on future property sector focus and performance may be a catalyst over the next several years.

Institutions' willingness to invest with emerging managers has dropped to 12% among all respondents, as investors prefer to allocate capital to established managers. This trend is likely to continue, especially in the face of dislocation resulting from COVID-19, as institutions look to allocate capital to "cycle tested" managers.

Exhibit 18: Percentage of Portfolio Outsourced to Third-Party Managers, All Institutions

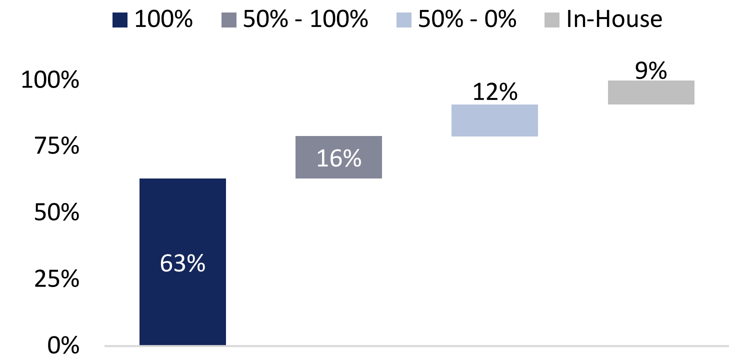


Exhibit 19: Allocations to Managers in 2020, All Institutions

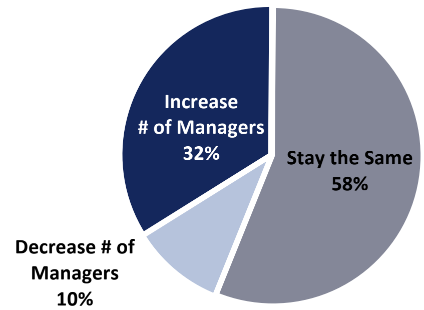
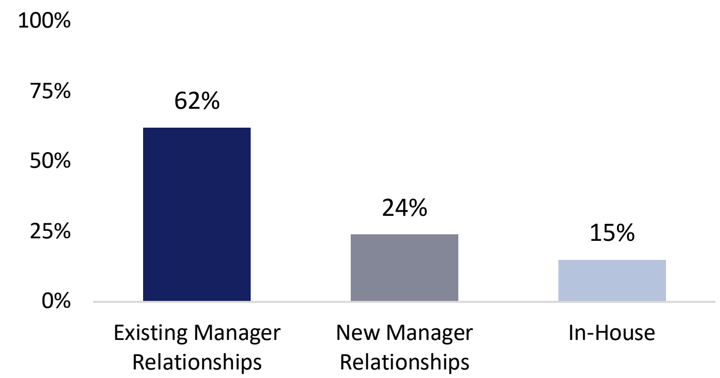


Exhibit 20: Estimated Breakdown of 2020 Investments, All Institutions



Rise in Industry Consolidation and Manager M&A Activity

During the first of half of 2020, the market continued to see momentum in real estate fund manager M&A activity. Based on announced transactions, this trend appears to have continued, if not accelerated, following the onset of COVID-19. As reported in Hodes Weill's 2020 Mid-Year M&A Market Review, eleven manager transactions were announced in the first half of 2020, which was slightly ahead of pacing in 2019, which saw 19 transactions reported for the full year. In addition to control sales, the industry has seen an increase in minority sale transactions. Further, as capital allocations continue to weigh towards larger managers, creating a "have and have not" dynamic, boutique and mid-cap managers are increasingly pursuing strategic transactions to align with larger, global platforms that provide operational support as well as access to a broader set of relationships with institutional clients. Finally, as many fund management platforms are now 20+ years in existence, some are beginning to look at transactions that facilitate succession planning.

Risk Preferences

Appetite for high-return strategies is growing, as institutions shift their focus to distress

Exhibit 21: Risk Preference, All Institutions

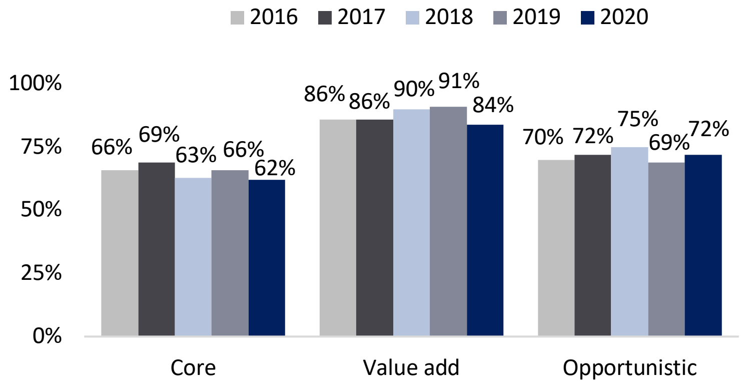


Exhibit 22: Risk Preference, By Location of Institution

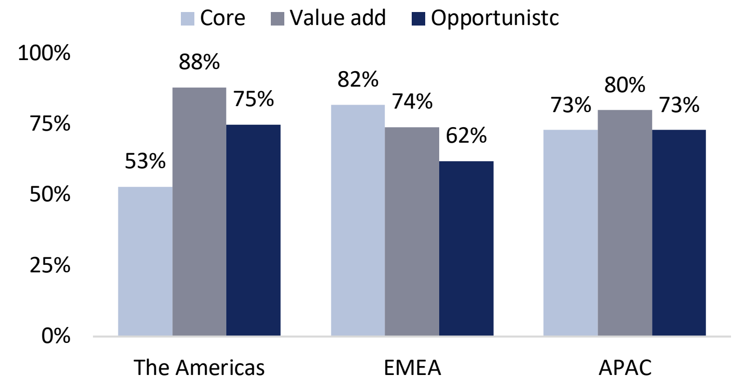
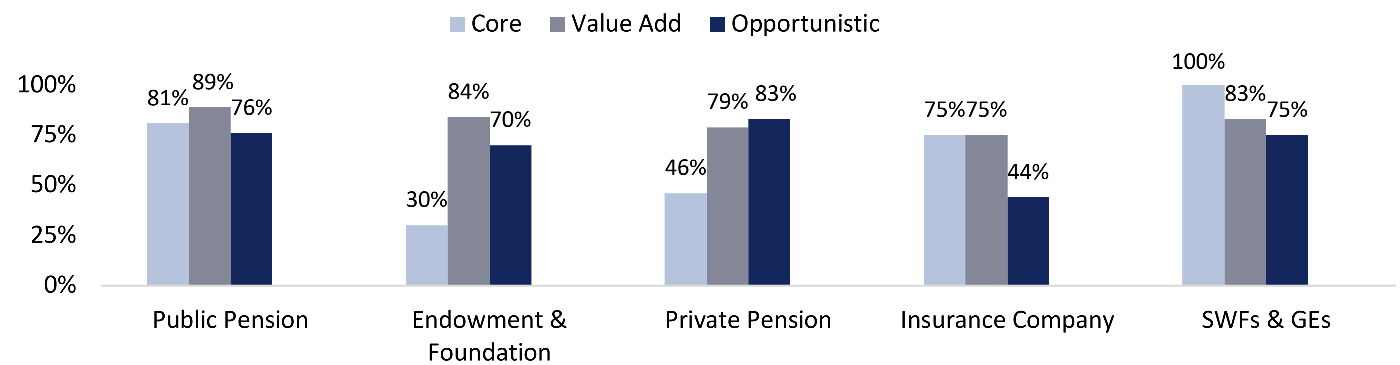


Exhibit 23: Risk Preference, By Type of Institution



In 2020, investor's appetite for high-return strategies increased, as institutions shifted their focus towards distress. Value add strategies continue to be the most favorable investment strategy, with 84% of institutions reporting that they are actively allocating to value add investments. However, value add strategies declined in popularity, as investors anticipate re-directing capital to invest in higher-yielding, opportunistic real estate, including distressed strategies. Similarly, 62% of institutions reported allocating capital to core strategies, down from 66% in 2019.

Investor preferences vary by region and by type of institution. While there was a global shift towards opportunistic strategies, the year-over-year increase was largely driven by APAC-based institutions. 73% of institutions from the region reported they are actively allocating to opportunistic strategies, up from 40% in 2019. Institutions from all regions reported a decrease in capital allocated towards core and value add strategies, making room in their portfolios to adjust to shifting economic conditions as a result of the global pandemic. EMEA-based institutions were the only investor region to report an increase in their preference for core real estate increasing a nominal two percentage points.

When comparing risk preferences by type of institutions, Public and Private Pensions were the market leaders in the shift towards opportunistic strategies, reporting increases of 18% and 11% respectively. Endowments & Foundations were the least likely to invest in core strategies, at 30%. Core strategies remain in favor with SWFs & GEs, with all institutions in this investor group reporting investing in core real estate.

Geographic Preferences

Cross border capital flows remain resilient despite geopolitical risks; but allocations are shifting towards "home country" investments amidst the global pandemic

Exhibit 24: Geographic Focus, All Institutions

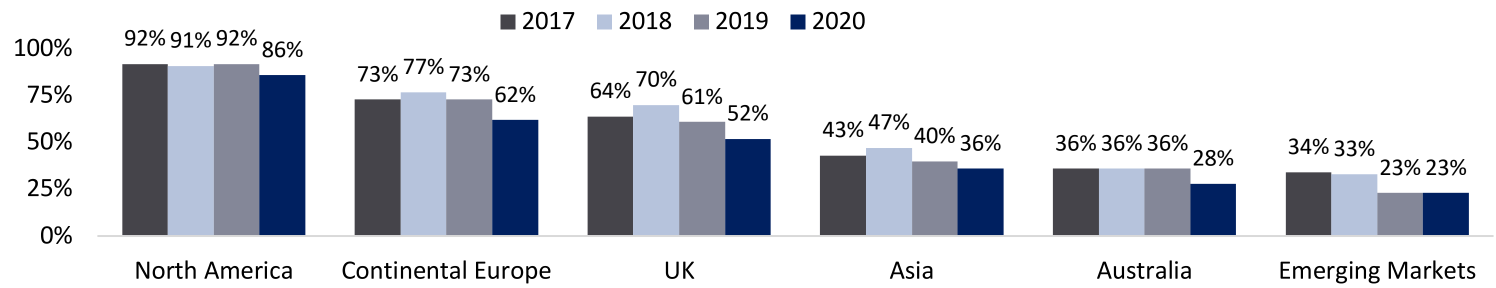
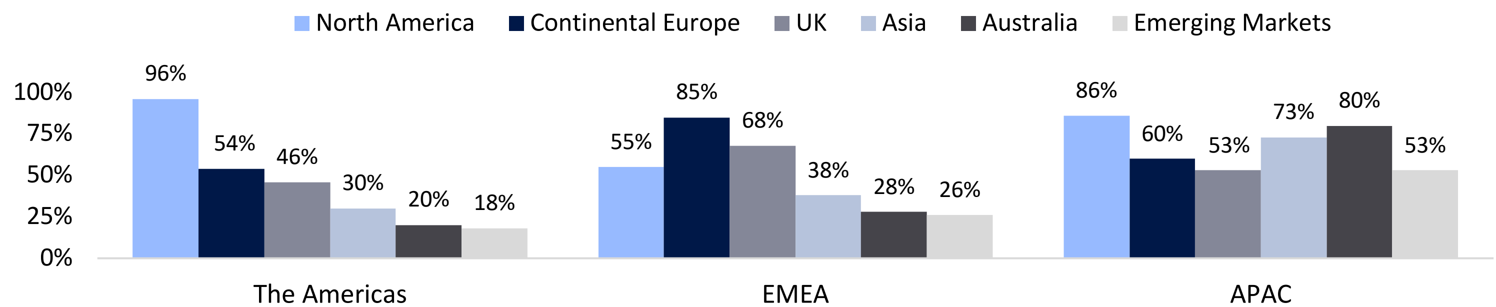
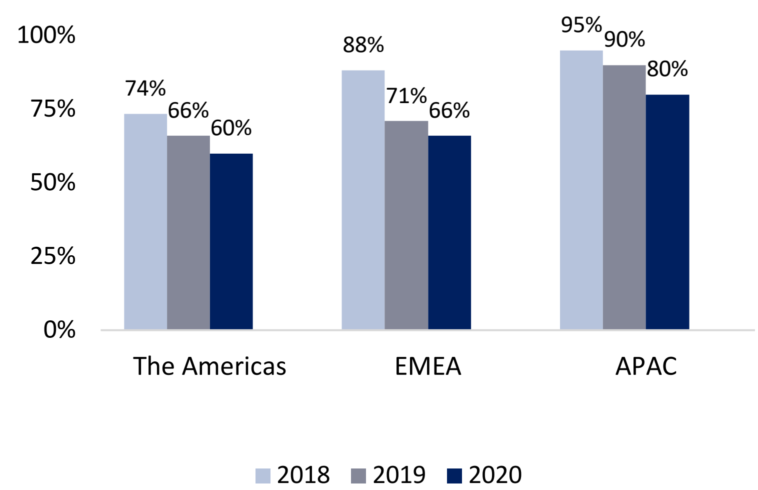


Exhibit 25: Geographic Focus, By Location of Institution



North America continues to be the largest recipient of capital allocations, followed by Continental Europe. Investor demand remained largely consistent year-over-year, but each region saw a slight decrease in the amount of capital allocations. This is likely explained by the decrease in the amount of institutions actively investing outside of their domestic region. While willing to bet on higher-return strategies, investors often hedge against risk by investing in the regions they know best. In addition, while some managers have adapted their due diligence processes, travel bans have made it more challenging for institutions that typically require on-site diligence and property tours as part of their investment process. Many North American investors facing travel restrictions and attractive home-market returns are expecting return premiums in exchange for venturing offshore.

Exhibit 26: Institutions Investing Outside of their Domestic Region, By Location of Institution

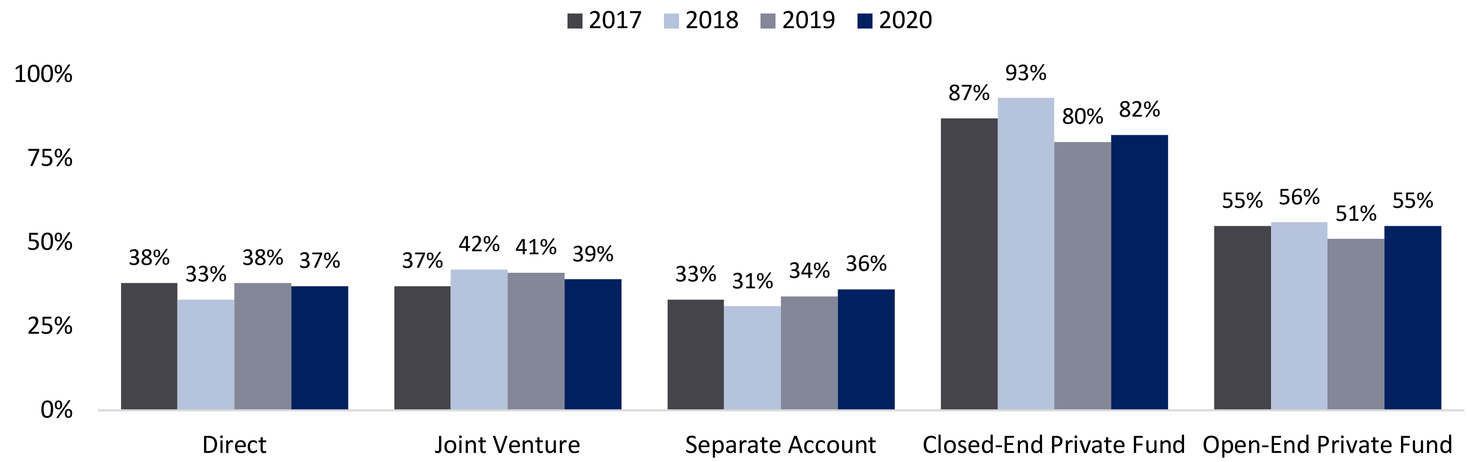


Institutions in the Americas continue to be the least likely to make intra-regional investments, while APAC-based institutions remain the group mostly likely to deploy capital globally given the need to diversify beyond domestic markets into deeper, mature markets. This is consistent with results in prior years. While only 18% of institutions in the Americas and 26% of EMEA-based institutions are investing in Emerging Markets, more than half of APAC-based institutions are allocating capital to real estate in those regions.

Investment Product Trends

Closed- and open-end private funds remain the preferred investment products for institutions

Exhibit 27: Investment Product Preferences, All Institutions

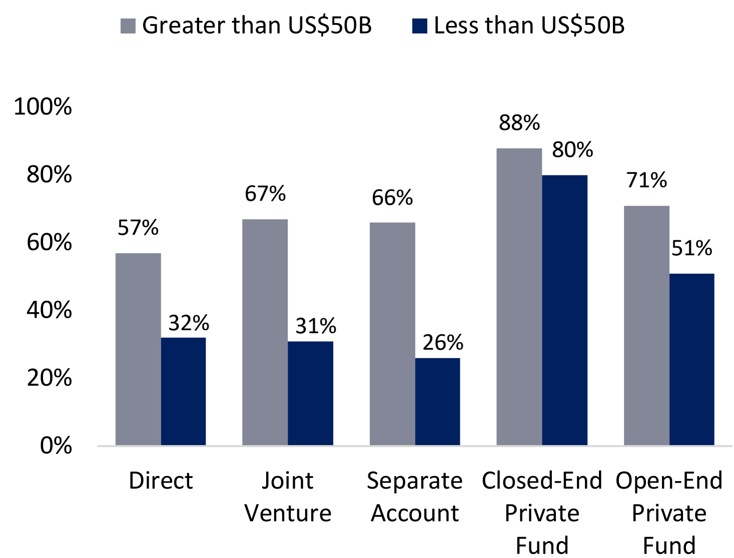


Closed-end funds continue to be the most popular investment product for institutions. The percentage of institutions investing in both closed-end and open-end funds, and to separate accounts, increased slightly, while appetite for direct investments and joint ventures decreased slightly.

Institutions from the Americas were the least likely to make direct investments in 2020, with only 19% indicating interest. Consistent with last year's results, the product type remains quite popular outside of the Americas. Approximately 79% of EMEA-based investors and 60% of APAC-based investors have plans to make direct real estate investments.

While Larger Institutions with AUM over $50B continue to favor closed- and open-end vehicles, they remain active allocating capital to direct investments, joint ventures, and separate accounts. The increased interest in managed funds may reflect a greater need for external managers to execute value add and opportunistic strategies.

Exhibit 28: Investment Product Preferences By Size of Institution



In the past, allocations to private funds by Smaller Institutions have been at the higher end of the range. This year, a greater percentage of Larger Institutions are investing in both closed- and open-end vehicles when compared to Smaller Institutions. This increase may be explained by the broader shift towards distressed strategies, which are more typically pursued through a fund format. While this is a reversal from the recent trend, it is important to note that Smaller Institutions have maintained their preference for closed- and open-end funds over other types of investment vehicles.

Endowments & Foundations show a strong preference for closed-end private vehicles, with over a 70% margin between closed-end vehicles and any other investment product.

Environmental, Social & Governance (ESG)

ESG continues to be a major focus of investors and is increasingly influencing investment decisions

ESG Considerations

It comes as no surprise that the focus on ESG policies has continued to trend upwards in 2020. Institutions are increasingly seeking investments that not only meet their return expectations, but also satisfy their objectives for environmental sustainability, social responsibility, and governance. This year, 47% of institutions reported that they have a formal ESG policy, up from 46% in 2019, and 33% in 2015 when we began surveying institutions regarding ESG.

Responses to ESG considerations varied greatly by the type, size and regional location of institutions. Historically, institutions in the Americas have adopted the fewest ESG directives. This year was no different, with only 36% of institutions from this region reporting a formal ESG policy. APAC institutions remained the most active on the ESG front, with 78% stating they have formal policies in place. In part, this reflects the high representation of Australian survey participants in APAC, who have been at the forefront of ESG adoption.

However, these policies are not always turned into practice. Responses varied widely to the question of whether ESG policies influence investment decisions. Interestingly, while the APAC region reports the highest adoption of ESG policies, only 50% of APAC-based institutions are influenced by their ESG policies. As we have seen in the past, EMEA-based institutions lead the industry in terms of putting ESG policies into practice, with 63% of institutions reporting that their investment decisions are influenced by their ESG policies. Institutions from the Americas are least likely to be influenced by ESG policies at 22%.

We expect the focus on ESG principles to grow across all three objectives. Environmental issues have become increasingly prevalent as the focus on climate change intensifies. This year is on course to be the warmest year on record, resulting in catastrophic storms, wildfires, and rising sea levels.[8] Blackstone's Real Estate Asset Management Group recently reacted to such environmental concerns. In addition to creating a new position for a global head of Real Estate ESG, the firm also announced a commitment to reduce carbon emissions by 15% across all investments where they control energy usage. We believe the firm's status as an industry leader will set an example for others to follow.[9] The Black Lives Matter movement in the United States and the management discussions it provoked have led a number of firms to create or enhance their DEI (Diversity, Equity and Inclusion) policies. Also unsurprisingly, COVID-19 has also played a role in this category, as organizational needs for transparency, risk management, and care for employees have become heightened throughout the pandemic. [10] According to the Callan Institute's eighth annual *ESG Survey*, 14% of institutions reported that the pandemic would cause them to increase their rate of ESG adoption.[11] We will continue to watch these trends carefully.

Exhibit 29: Formal ESG Polices, by Location of Institution

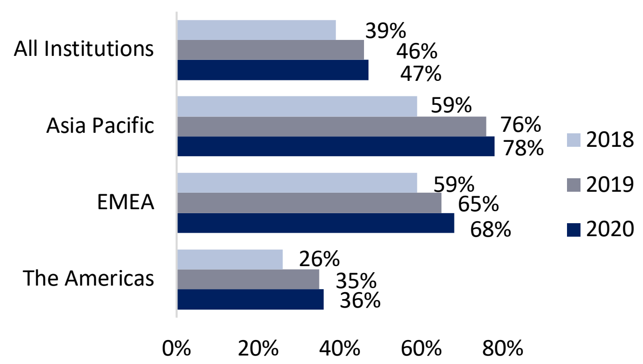
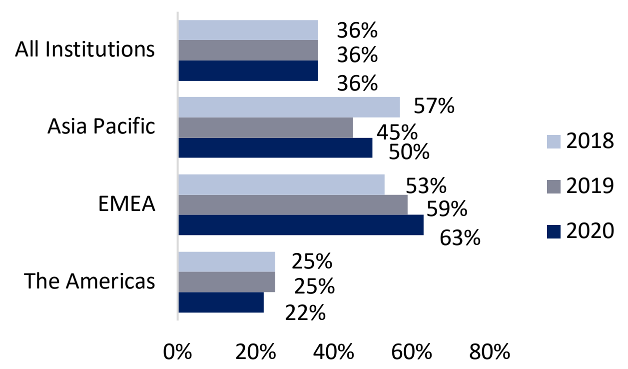


Exhibit 30: Investment Process Influenced by ESG Policies by Location of Institution



[8] Hausfather, Zeke. "2020 Is on Course to Be the Warmest Year on Record." World Economic Forum, 26 Oct. 2020, www.weforum.org/agenda/2020/10/climate-change-environment-earth-temperature-global-warming-heat/.
[9] Asara, Virna. "Blackstone Hires Global Head of Real Estate E..." PropertyEU News, 6 Nov. 2020, propertyeu.info/Nieuws/Blackstone-hires-global-head-of-real-estate-ESG/fffc9039-3a50-4d3b-9879-22de463df8b7.
[10] Beckum, Carley. "The Growing Importance of ESG Practices for Real Estate Investment." GlobeSt, 20 Aug. 2020
[11] Blanton, Shane, et al. "Callan 2020 ESG Survey." Callan Institute, 2020.

Cornell Baker Program in Real Estate

HODES WEILL & ASSOCIATES

Cornell's Baker Program in Real Estate, in the SC Johnson College of Business, is a unique 2-year Masters of Professional Studies in Real Estate degree, which boasts a comprehensive, graduate-level curriculum that educates the next generation of real estate industry leaders. Cornell is also home to the Cornell Real Estate Council, a non-profit, volunteer-led organization dedicated to serving the needs of Cornell alumni and students who share a common interest in real estate. CREC is proud to represent the many voices of 'real estate at Cornell,' including current and former members of Cornell's world-renowned graduate and undergraduate schools of business, real estate, hotel administration, architecture, art, and planning, engineering, law, industrial and labor relations, and more.

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