EPRA RESEARCH
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Are listed real estate stocks managed as part of the real estate allocation?

The survey report

Content table

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Summary

There has been a significant amount of research in recent years, produced by both academics and practitioners, which has focussed in particular on two areas. First, much attention has been paid to the investment merits of listed real estate as part of a mixed-asset portfolio; second, academics and investment firms have explored the relationship between the performance of the listed sector and both direct real estate and unlisted real estate funds.

The conclusions are broadly consistent, as follows.

First, REITs can act as both a return enhancer and diversifier in a mixed asset portfolio (*Lee, 2012*), and adding listed real estate to an unlisted portfolio can enhance returns as well as liquidity (*NAREIT, 2011*).

Second, while listed real estate returns do not reflect direct or unlisted real estate returns in the short run (one to two years), listed real estate and direct real estate are more correlated or co-integrated over the medium to longer term (three and more: see, for example, *Hoesli and Oikarinen, 2012*).

Third, listed real estate performance appears to lead direct market indicators by around six months (*Cohen and Steers 2009*), although whether this lag is capable of being exploited to deliver abnormal or excess returns is questionable (*Baum and Hartzell, 2012*).

The first and second of these findings suggests that listed real estate should be attractive to investors, especially pension funds interested in the longer term. The global financial crisis of 2007-9 and the associated price and liquidity collapse of illiquid real estate assets over that period should arguably have led to an increase in listed real estate allocations at the expense of privately held assets. However, no significant change in behaviour has been observed. There may be many reasons for this, some of which are likely to be behavioural, or institutional, rather than purely based on rational economics.

Until now, however, there has been little work published regarding done the behavioural or institutional aspects of incorporating listed real estate into an investment strategy. To rectify this gap we have undertaken two pieces of research for EPRA. The first, published in March 2013 (The use of listed real estate securities in asset management), examined both the different strategies and the various fund types available to investors who are prepared to use listed real estate, citing a number of examples, and how listed real estate is or may be combined with other types of real estate and real assets. These other assets include internal and external unlisted funds (the product of the investor or a third party asset manager), derivatives, property debt, direct property, and real assets such as infrastructure and commodities in their various forms.

This second piece of work is a logical extension of the first paper, and concentrates on survey evidence examining whether or not listed real estate is managed as part of the overall institutional real estate allocation. Our starting point is as follows. If there is a strong rational case for including more listed real estate in multi-asset or real estate portfolios, and if there is little evidence that this is happening, then there may be an explanation which is to do with the organisational structures or investment processes employed by investors or sub-contracting asset managers. Hence, while we might recognise the apparent benefits of listed real estate noted above, it is important to understand and capture the organisational processes that determine whether European investors do include listed real estate in their real estate portfolios - and, if not, we would like to know why not. To the extent to which investors do utilise listed real estate, we would like to understand what (if anything) limits the weight they place on listed real estate.

1. Research objectives and method

As a precursor to this study, the EPRA Research Committee designed a pilot survey with the following objectives: (i) to identify potential organisational issues limiting the exposure of European institutions to listed forms of real estate; (ii) to support the development of some hypotheses that can be properly tested; and (iii) to generally support the design of a comprehensive research study of this issue.

The research was designed, and semi-structured interviews were undertaken, by Alex Moss, Andrew Baum, Fraser Hughes and Karen Sieracki on behalf of the EPRA research committee.

Following on from this pilot study, which was undertaken in Autumn 2012, a further, more extensive study was undertaken in Spring 2013. This increased the number of respondents from 20 to 56, and also took care to distinguish three categories of respondent: investor, asset manager, and investment consultant. The rationale for dividing the respondents in this way was to determine if there was a significant difference in approach and strategy between performance-driven investors and consultants on the one hand and fee or profit-driven asset managers on the other. To this end, different questionnaires were designed for the three different categories (see Appendices 2, 3 and 4).

2. Limitations

While discussions with over 50 investors, managers, and consultants have been held as part of this study, no attempt has been made to structure the sample of interviewees in such a way as to be fully representative of the entire European market. We cannot suggest that these results are statistically significant, merely indicative and suggestive of hypotheses that could be more formally tested. The use of semi-structured interviews involving a small team of researchers and two survey phases introduces the possibility of some inconsistency across the interviews.

3. Interviewees

We held interviews with individuals representing 56 organisations. 16 of these were pure investors self-managed pension funds, sovereign wealth funds and endowments, not apparently motivated by fees or profit) or consultants, while 40 were asset managers. A list of all the institutions who participated in this survey is provided in Appendix 1. We are grateful to these institutions for their time and participation in this survey.

4. The questions

We designed separate, but related, questionnaires for investors, managers and consultants. Sample surveys are shown in Appendices 2, 3, and 4. While the questionnaires used were different, the main questions we asked were common to all three groups. These were as follows.

> *Are listed real estate stocks managed as part of the real estate allocation?*
>
> *If the answer to this question was Yes, participants were asked to respond to a series of supplementary questions.*

Are they managed by: (i) an integrated team within real estate group; (ii) a separate team within the real estate group; (iii) a team outside the real estate group; (iv) an external manager; (v) your equities team

What process led to the inclusion of listed securities in the allocation? To what extent is this a product of history, or of a conscious review?

Is this part likely to grow or shrink in future as a proportion of the allocation?

What difficulties does the inclusion of listed securities create?

Do you use ETF trackers, or REIT fund, or pursue an active policy?

If the respondents' answer was No, they were asked to answer the following supplementary questions, which seek to understand why listed real estate securities did not form part of the real estate allocation.

Would using listed securities be a problem for you?

To what extent is this a product of history, or of a conscious review?

Is this decision driven by investors, the manager or by consultants?

Do you believe that future mandates are more likely to include listed real estate securities, and if so why?

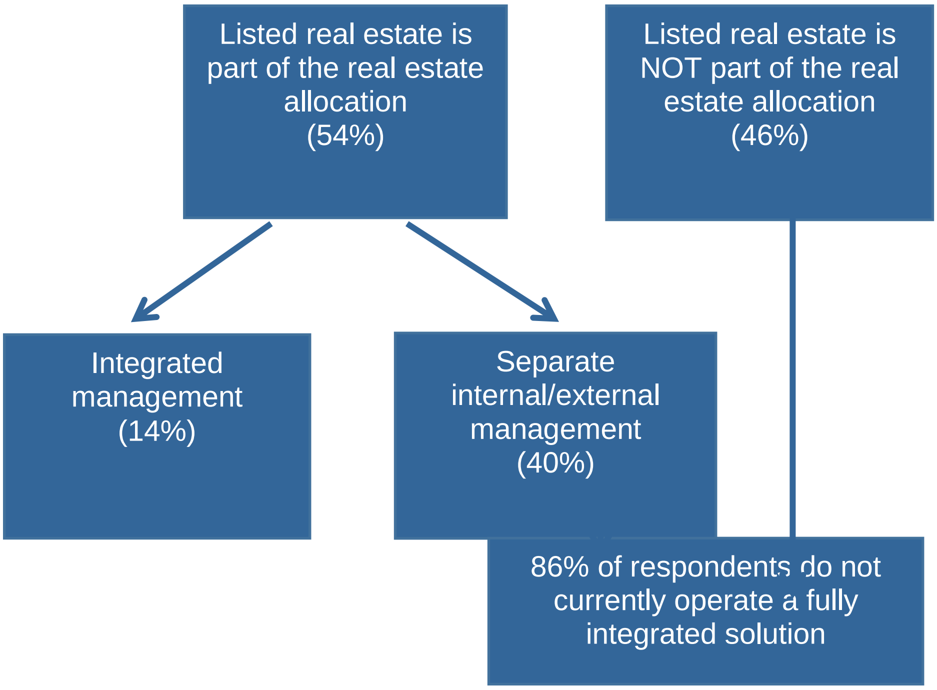
5. Headline results

For the investors and asset managers we interviewed, we were told simply whether listed real estate stocks are managed as part of the real estate allocation. Consultants were asked whether this was an approach they recommended. Combining all three interviewee types, we found that only eight of 56 interviewees, or 14% of our sample, claimed to have an internally integrated approach to the management of listed and direct/unlisted real estate. It is profoundly disappointing that 86% of our sample has failed to develop or recommend the integration that the performance evidence we summarise in the introduction and background seems to support.

Behind this headline, we find another surprising result. Only a bare majority of interviewees (30 against 26) regard listed real estate as part of their allocations to this asset class.

Within the 30 who do, only eight have an internally integrated approach. 22 either sub-contract the management of the listed real estate allocation to another manager, or use a different team within their broader organisation. Combining the 22 who sub-contract with the 26 who do not include listed real estate as part of their real estate allocation, 48 or 86% do not have an integrated approach to building a real estate portfolio including listed and unlisted or direct forms of real estate.

Figure 1: Results



We have broken down the results by respondent type. As can be seen there is a small majority who regard listed real estate as part of the real estate allocation, and this is consistent across the respondent types. However, it should be noted that this preponderance of inclusive mandates may or may not be representative of the European investor universe.

Question 1.	Are listed real estate stocks managed as part of the real estate allocation? Yes/No

Table 1: Are listed real estate stocks managed as part of the real estate allocation?

	Yes	No
Asset manager	20	19
Consultant/investor	10	7
Grand total	30	26

As can be seen above, a small majority of respondents managed listed real estate stocks as part of their real estate allocation. For those that do manage listed as part of their real estate allocation it is clear that, liquidity, access to overseas markets, and real estate returns are key attractions.

“We have been investing in listed real estate securities as part of a property allocation for around 7 years. Key drivers are the need for liquidity for our clients; access to foreign markets where it’s not possible to gain exposure to unlisted property; a view that, over sensible time horizons, listed real estate's performance exhibits more of the characteristics of unlisted property whilst correlations with wider equities diminishes. "

A common view expressed by those investors that do not manage listed real estate as part of the real estate allocation was to the effect that property companies and REITs are securities. They do not come within the real estate team's remit, and sit very firmly within the equity team. Listed property analysts may be close to the direct real estate team, exchanging notes on markets, but the investments are fundamentally different.

"(Listed) is currently not within the mandate or IMA (investment management agreement). The client deals with real estate equities within the equity allocation. Real estate equities are not part of the real estate allocation. The client's view is that they are more 'equities' than 'real estate'."

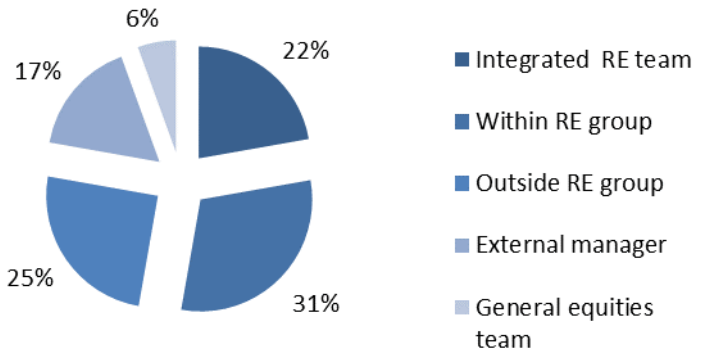
6. Detailed findings: those that do use listed real estate

We now look at the responses to the individual questions.

Question 2.	**Is your listed real estate managed by:** a) an integrated team/person sitting within the real estate group who also deal(s) with other real estate assets? b) a separate team/person sitting within the real estate group? c) dedicated team sitting outside the real estate group? d) an external manager? e) as part of your general equities allocation?

As can be seen in figure 1, only 22% of those who do regard listed real estate as part of the real estate allocation (14% of total respondents) have developed an integrated solution. The most significant percentage (31%) do, however manage listed securities with a team that is within the real estate group as a whole.

Figure 1: Who manages the listed real estate?



The majority of investors and managers interviewed used a dedicated REIT team sitting outside the real estate group, sharing research only to a limited extent (with one exception, where regular meetings are held with the listed real estate team to share information/advice). One investor/manager suggested that as the allocation grows they may outsource to an external manager.

Table 2: Who manages your listed real estate?

	Integrated	Within RE group	Outside RE group	External manager	Equities team
Asset manager	4	9	6	2	2
Consultant / investor	4	2	3	4	
Grand total	**8**	**11**	**9**	**6**	**2**

A minority employ a fully integrated solution but only for specific products (a defined contribution pension fund and a retail property fund). In one pension fund interviewed, one person runs the listed and unlisted fund investments.

In one instance of an integrated solution the REIT manager also manages unlisted funds and secondaries. One pension fund currently manages the REIT allocation on an integrated basis, but is likely to change this as the allocation grows.

One influential consultant interviewed believed that real estate stocks should be part of the investor's allocation to real estate, but should be managed either by a dedicated team sitting outside the real estate group or by an external manager, not as part of the general equities allocation but equally not on a fully integrated basis.

Interestingly, none of the respondents explicitly mentioned compliance issues as being a determining factor at this stage, although regulatory constraints did occur as answers to other questions.

Question 3.	**What process led to the inclusion of listed securities in the allocation? Is this a function of history or conscious review?**

Table 3: What process led to the inclusion of listed securities in the portfolio?

	History	Conscious review
Asset manager	4	5
Consultant	n/a	n/a
Investor		2
Grand total	**4**	**7**

For some Dutch pension funds, listed real estate securities are a large part – as much as 50% - of the real estate allocation, for historic reasons. For one, all real estate investments were originally bricks and mortar; listed securities were added 20 years ago, before unlisted funds came along. Up to 50% of the allocation was in listed securities at one point, but performance issues and the growth of the unlisted market led to a severe reduction to the current 5% allocation. For another, the exchange in 1994 of an entire direct portfolio to shares in a single listed company led to a large overweight position, now sold down to create a diversified REIT and property company portfolio currently comprising 50% of real estate assets. This holding is now being reduced.

One UK pension fund adopted a more integrated approach to portfolio management under a previous Chief Investment Officer, which meant that property securities were treated as part of the real estate allocation. In this case, a recently agreed strategic review of objectives and constraints re-affirmed this approach.

Some managers specifically suggested that listed securities were added only as the result of specific new product development, defined contribution and retail property funds being the prime examples where daily pricing and/or some liquidity is needed, or in response to a particular client's interest.

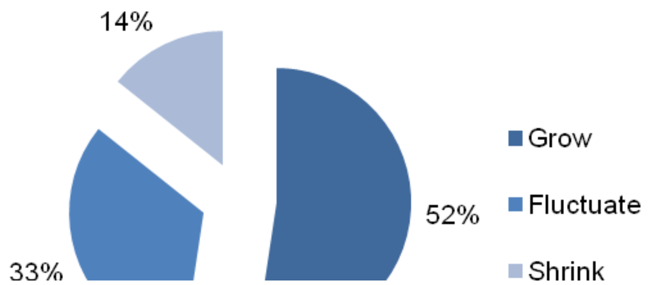
Others invested in listed in a quest for further diversification within the sector, as well as for liquidity. One included 20% listed as part of an indirect (largely unlisted) portfolio in response to consultant's advice to a pension fund client to gain liquidity and to exploit pricing anomalies. Another made a specific decision post-2007 to add liquidity to an open-ended fund that had been in difficulties. Another motivation was that REITs offer a means of getting exposure to markets/segments that are difficult to access directly.

A wide variety of reasons given for incorporating listed real estate within the real estate strategy. We list some of the more relevant below.

> *"Liquidity and an easier way to access quality real estate."*
>
> *"Motivation varies across funds. Need for liquidity a key driver for some funds, while for others they offer a means of getting exposure to markets/segments that are difficult to access directly."*
>
> *"We believe that real estate securities are an important part of the real estate offering."*
>
> *"Research, including academic, led to the inclusion of listed."*
>
> *"Consultant advised pension fund client to use 20% listed for liquidity and to exploit pricing anomalies."*
>
> *"Forms part of the liquidity strategy in an open-ended authorised fund."*
>
> *"Leveraging knowledge and experience in direct real estate and being able to offer a liquid real estate product to institutional clients."*
>
> *"Post financial crash, saw that REITs were grossly undervalued based on long-run trend earnings."*
>
> *"Investors look at real estate securities as either thematic equities or as property. This view will directly impact how real estate securities are included within a portfolio. In both cases, real estate securities are considered a diversifier. When including them as property they may be used as a way to get globally diversified real estate exposure without having to invest a large amount of capital."*
>
> *"We have been investing in listed real estate securities as part of a property allocation for around seven years. Key drivers are the need for liquidity for our clients; access to foreign markets where it's not possible to gain exposure to unlisted property; a view that, over sensible time horizons, listed real estate's performance exhibits more of the characteristics of unlisted property whilst correlations with wider equities diminishes."*

Question 4.	Do you believe listed securities should continue to form part of your real estate allocation? Is this likely to grow or shrink in future?

Figure 3: What will happen to your listed real estate allocation?



Significantly, 52% of respondents expected their allocation to grow, whilst only 14% of respondents expected their listed real estate allocation to reduce. Asset managers were more bullish than consultants and investors.

Table 4: What will happen to your listed real estate allocation?

	Grow	Fluctuate	Shrink
Asset manager	10	2	2
Consultant/investor	1	5	1
Grand total	**11**	**7**	**3**

One manager that uses listed securities believes that the listed sector should not form part of the real estate portfolio in future. All of the others believe that it should, one for liquidity purposes only. Several of the rest believe the allocation will probably stay stable in the future, while another believes it will grow significantly, with the growth of defined contribution schemes being seen as a driver. One investor specifically stated that he would like to develop more integrated products using listed and private real estate together.

Reasons given for managers expecting an increase in the listed real estate allocation within the real estate strategy include the following.

> *"We are seeing increasing interest in real estate securities as an asset class, particularly from the retail channel. Retail clients see this asset class as a way to get globally diversified real estate exposure without having to invest a large amount of capital. We are also seeing interest from institutional clients who are looking to diversify their property allocation."*

Question 5.	What difficulties does the inclusion of listed securities create?

A number of interviewees mentioned the volatility of the listed sector as causing them a significant problem. Another said this was more about perception than reality, and this issue required education for users and clients. High correlation with general equities was quoted as an issue for a few investors, expressed more fashionably by one as “the standard issue of real estate beta being different from equity market beta”. This could also be expressed as a focus on relative performance objectives and benchmarking by many European investors, especially in the UK and Netherlands, with special attention being paid to year-end valuations of private real estate and their consequent impact on returns, solvency and funding models. When NAV (net asset value) estimates are taken very seriously, REITs cause problems.

There is a perceived problem of comparison with the underlying real estate market. Several mentioned the operational difficulties involved in exploiting the arbitrage opportunities that should exist between public and private real estate. There is a clear failure to separate the active tactical decisions commonly used in managing REITs from the decision to use REITs as part of a strategic real estate allocation. Hence listed real estate is “seen by as clients as equities rather than real estate, used as a cash pot, and holdings are tactical rather than strategic”. Also:

“The REIT allocation is actively managed against an EPRA benchmark, comprising 7.5% of the fund, but it is there to create a real estate linked liquidity buffer, so why trade it? This is a problem to do with the culture of equity managers. In addition, the fund is a UK product, but our REIT team uses European REITs because that gives them more tactical choice and liquidity!”

and:

“There is no way of reducing our unlisted allocation when listed is cheap, so the allocations remain separate; and short term volatility has affected the returns badly. Our REIT manager aims to out-perform his REIT benchmark on a 6-12 month basis but this has little to do with our overall objective.”

There is also a culture/training issue. One manager referred to the problems of constantly monitoring news flow and the consequent impact on REIT prices, which is not a skill required in the private real estate team. Another mentioned the problem of recruiting a specialist manager, not a real estate professional, to manage equities within the real estate team.

Finally, another manager mentioned potential conflicts of interest, for example when the direct real estate team works on a deal with a listed property company, one of the reasons why the listed real estate team is separated from the real estate group.

Selected comments include the following:

"Some investors perceive that adding real estate securities adds volatility to a direct real estate portfolio (which is not always the case). There is an education process to pursue..."

"Compliance and cost of regulation inhibit us."

"Listed real estate securities are more highly correlated with the equity market compared to direct real estate investments and offer therefore less diversification benefit."

"They are seen by as clients as equites rather than real estate. In addition they use it as a cash pot and holdings are tactical rather than strategic."

Question 6.	Do you use ETF trackers, or REIT fund, or an active desk?

The vast majority of those questioned use a separate REIT team which employs an active strategy or an in-house REIT fund, despite the fact that one consultant urges the use of a passive policy (ETF trackers, for example) to capture long term value.

Most used global REITs to match a global property allocation, European real estate equities to match a European allocation and domestic securities to match a domestic real estate allocation, but a glaring exception to this is referred to above. One investor is now limited by size to European real estate securities, formerly using global when the listed real estate allocation was bigger.

7. Detailed findings: those that do not invest in or manage real estate stocks as part of the real estate allocation

Question 7.	Would holding listed RE securities be a problem for you?

In a number of cases the reasons given for not holding listed real estate was the result of a long history rather than a recent strategic review, and, although the case for accessing liquidity is strong, the issue of volatility as well as the timing differences of equity and direct property valuations is seen as a problem limiting the appetite for change.

Table 5: Would holding listed RE securities be a problem for you?

	No	Yes
Asset manager	6	5
Consultant/investor	3	
Grand total	**9**	**5**

One interviewee said: ...

> *" we are a specialist real estate company investing in direct property, so (listed) would sit uneasily within the framework of our business. Our philosophy is to drive performance through superior asset selection and management (and)...ceding control to another company would be inconsistent with this approach".*

Another:

> "*this was a long-standing client decision. The existing real estate team does not have the skills or expertise to manage real estate equities (or regulatory approval?) and have not sought to take responsibility for real estate equities. If this were to change the real estate team would need to recruit appropriate staff. This is unlikely as at present real estate equities are too small a part of the portfolio to justify this."*

> "*There is a lot research showing the link between real estate and listed securities. However, the use of listed securities involves creating a new team with previous experience with this type of product. Specifically, you need to mix the top-down view (economics and knowledge of the fundamentals of both property and capital markets) with the bottom-up approach (people who know well the tradable companies)."*

> *"We do not have the skill-set, so yes; we would see it as a problem to be focussed on the listed sector."*

"With our management regulation, yes."

"It is currently not within the mandate or IMA (investment management agreement). The client deals with real estate equities within the equity allocation. Real estate equities are not part of the real estate allocation. The client's view is that they are more 'equities' than 'real estate'."

"No, it wouldn't. They could be managed by our integrated team who already deal with listed real estate for the management of some retail mutual funds (OPCI)."

"No. They are useful for liquidity purposes over holding cash in a low interest rate environment."

"No. For multi-manager allocations, listed property could be useful by (1) providing liquidity and (2) a means to obtain quick exposure to the market."

Question 8a.	***To what extent is this a product of history or of a conscious review?***

The vast majority of respondents cited history as the main reason for excluding listed real estate rather than a conscious review, although in one instance there was evidence that both had played a part.

"Both. We do have the expertise to deal with listed real estate. However we have always believed that although their fundamental value is definitely linked to the real estate market, their short to medium term behaviour is very much linked to the equity market."

Question 8b.	**Is this decision driven by investors, the manager or by consultants?**

Table 6: Is this decision driven by investors, the manager or by consultants?

	Consultant	Investors	Manager/internal
Asset manager	2	4	6
Investor	1	1	2
Grand total	3	5	8

Replies were split equally between internal decisions on the one hand and external decisions (consultants and investors). At present there appears to be little or no perceived pressure from client investors for change, although new product development may lead to some demand to include listed real estate in the property portfolio, and one non-investor feels strongly that consultants and pension trustees need educating about listed real estate companies. One manager saw a likely increase in demand for indirect accounts, but this is unlikely for direct separate accounts.

"Most real estate investment management houses would struggle to fulfil such a mixed mandate and would probably need to build relationships with specialist listed managers and sub-contract the listed part".

"Investors have seen the failures of direct and non-listed real estate very clearly over the last three years – including a lack of liquidity, poor diversification, and exposure to weaker assets and markets. They have recognised the strengths that listed companies have to offer, including access to the best markets and assets, well established asset management teams and improved capital markets access. In addition, they believe, the sector's liquidity and relatively low cost base will become more attractive for investors".

"We believe that this is still a nascent asset class in the UK which investors are only just beginning to take notice of. We think that there is considerable work to be done to educate investors about the benefits of investing in real estate securities, particularly in the UK where investors may have a poor perception of the asset class. Looking at the success of the asset class in the US, for example, we believe there is significant scope for asset gathering in the future amongst UK and European clients."

Question 9.	Do you believe that future mandates are more likely to include listed real estate securities, and if so why?

The majority of respondents felt that future mandates may include listed real estate for a number of different reasons.

"Possibly, as it is increasingly included in real estate allocations. It will to an extent depend though on legislation and risk regulation."

"Investors have seen the main failures of direct and non-listed real estate very clearly over the last 3 years – lack of liquidity and diversification, and exposure to weaker assets and markets."

"We believe future mandates are more likely to include listed real estate securities as investors look for more diversification within a portfolio. Fund managers will also be more likely to consider listed real estate securities as part of a portfolio in future, where they are seeking exposure to specialist asset classes they may not have sufficient experience in – for example, data centres, student housing etc."

Some respondents, however, felt that future mandates may not include listed real estate.

"Less – investors want proper exposure to real estate so to provide an asset class that performs differently. The only advantage listed has is liquidity, but as other forms of real estate vehicles gain liquidity this will lessen interest from professional investors in this sector."

"Real estate investment funds will invest more in direct real estate to avoid share price volatility. Funds of funds and mutual funds will invest more in listed real estate securities, because the actual and the future compliance rules will be very strong concerning diversification."

"The (perceived) link between listed real estate and equities could mean listed could lose out as the focus on alternatives (included non-listed real estate) increases."

"Probably for indirect accounts but unlikely for direct separate accounts. Most real estate investment management houses house would struggle to fulfil such a mixed mandate and would probably build relationships with specialist listed managers and 'sub contract' the listed part."

8. Conclusions and further work

For some European investors and managers, listed real estate is clearly part of the equity allocation. For others, there is some evidence that pension funds and consultants regard (or would like to regard) listed real estate as part of the real estate allocation. However, there is strong evidence to suggest that asset managers (with their greater experience of execution as well as a propensity for business unit separation) may not have developed a satisfactory integrated investment process.

We found that only eight of 56 interviewees, or 14% of our sample, claimed to have an internally integrated approach to the management of listed and direct/unlisted real estate. Behind this headline, we find another surprising result. Only a bare majority of interviewees (30 against 26) regard listed real estate as part of their allocations to this asset class.

It is profoundly disappointing that 86% of our sample has failed to develop or recommend an integrated approach. As asset managers adjust and develop their product ranges to meet what might be a gently rising demand, they also need to solve the investment process problems of integrating listed and private real estate within one business and one portfolio, a facility which currently seems either elusive or absent. They also need to be able to show that the listed portfolio is being managed with an eye on the strategic objectives of the real estate allocation, and not on a standard solution that suits the objectives of the listed real estate team.

We need to know more about the relative weight and distribution of these positions among the pure investor community (pension funds) and the consultants, as managers are generally in business to respond to their needs. Unfortunately, we could not find strong evidence that investors want to use listed securities but are being disappointed by the industry response. We cannot estimate how much money would be allocated to the listed sector if managers had the appropriate investment solutions in place, but this could be a substantial amount.

Change is in the air. The key drivers of sentiment that we uncovered appear to be as follows.

Compliance and risk regulation currently inhibit access to listed real estate. Issues primarily connected with insider trading can limit the appeal of a private real estate manager to the securities markets. Changes to solvency and other investment management regulations could have positive or negative effects on the attractiveness of listed real estate as the relative importance of volatility risk and liquidity play out.

Globalisation is an apparently irreversible trend. While we may see more investors confining themselves to domestic (and private) real estate, the majority are likely to continue to seek exposure to global markets. While the lack of control afforded by a listed exposure is a real problem for many larger investors, access to global markets is probably a bigger factor. Coupling this factor with the much smaller lot sizes available through listed markets suggests a strong positive drive towards the listed sector.

Education and skills (or a lack thereof) currently inhibit the use of listed real estate. Traditional real estate teams are not familiar with the different performance characteristics of listed companies and how to use real estate market research to choose between listed securities and private assets.

There is clear confusion regarding the importance of volatility and the relevance of the investor's investment horizon. In theory, most institutional investors have a long term investing horizon, so the annual volatility of listed real estate securities (and their short term correlation with other equities) should not matter - but it does, because performance is reported annually. It is by no means clear that this problem will go away.

Finally, **liquidity** is another positive for listed real estate. The trend toward defined contribution pension funds form defined benefit schemes requires more liquid and daily priced assets, promoting listed real estate over its private equivalent.

On balance, the wind is behind the increased popularity and use of listed real estate as part of an investor's real estate allocation. Despite this support, one hill needs to be scaled and a second vague shape in the distance need to be clarified. First, education and skill development are badly needed. Second, a close eye needs to be kept on the continually unfolding regulatory environment and its somewhat subtle impact on this issue.

Appendix 1 Institutions participating in the survey

Phase	Institution	Classification
1	BNP	Asset Manager
1	Canada Life	Investor
1	CBRE Global Investors	Asset Manager
1	Durham	Investor
1	Fidelity	Asset Manager
1	Hermes	Asset Manager
1	HSBC Global Asset Management	Asset Manager
1	JP Morgan	Asset Manager
1	Legal and General	Asset Manager
1	M&G	Asset Manager
1	Mercer	Consultant
1	MN	Investor
1	Partners Group	Consultant
1	PGGM	Investor
1	Scottish Widows Investment Partnership	Asset Manager
1	SPF Veheer	Investor
1	Standard Life	Asset Manager
1	Thames River Capital	Asset Manager
1	TIAA	Asset Manager
1	Townsend	Consultant
2	Aberdeen	Asset Manager
2	ADIA	Investor
2	Aegon	Asset Manager
2	AEW Europe	Asset Manager
2	Allianz	Investor
2	AMP	Asset Manager
2	Aviva	Asset Manager
2	Blackrock	Asset Manager
2	BNP (Paris)	Asset Manager
2	BNY Mellon	Asset Manager
2	BP Pension Fund	Investor
2	Cardano	Consultant
2	Church Commissioners	Investor
2	Clavis waldon	Asset Manager
2	composition capital	Asset Manager
2	Cordea Savills	Asset Manager
2	Cornerstone	Asset Manager
2	F&C	Asset Manager
2	Forum	Asset Manager
2	Frogmore	Asset Manager
2	Fundbox	Asset Manager
2	GMPF	Investor
2	Grosvenor	Asset Manager
2	Heitman	Asset Manager
2	INFRARED	Asset Manager
2	Invesco	Asset Manager

Phase	Institution	Classification
2	Kames Capital	Asset Manager
2	La Francaise	Asset Manager
2	LIM	Asset Manager
2	QIC	Investor
2	Rynda	Asset Manager
2	Schroder Property Investment Management	Asset Manager
2	Swisscanto	Asset Manager
2	Tesco PF	Investor
2	Towers Watson	Consultant
2	UBS Global Asset Management	Asset Manager

Appendix 2. Investor survey

Organisation	
Contact name	

1	Are listed real estate stocks managed as part of the real estate allocation?	
Yes		If "yes" answer questions 2 -6
No		If "no" answer questions 7 -9

2	Are they managed by:	
(i)	an integrated team/person sitting within the real estate group who also deal(s) with other real estate assets?	
(ii)	a separate team/person sitting within the real estate group?	
(iii) a	dedicated team sitting outside the real estate group?	
	to what extent does this team ask for advice/do you share research etc.	
(iv)	an external manager?	
(v)	as part of your general equities allocation?	

3	What process led to the inclusion of listed securities in the allocation?
3i	To what extent is this a product of history or of a conscious review?

4	Do you believe listed securities should continue to form part of your real estate allocation?
4i	Is this part likely to grow or shrink in future as a proportion of the allocation?

5	5. Do you use ETF trackers, or REIT fund, or pursue an active policy?
Yes	No

6	Is using listed securities a problem for you?
6i	What difficulties does the inclusion of listed securities create?

6ii	Do you believe listed securities should continue to form part of your real estate allocation?

Only complete questions 7-9 if listed real estate is NOT part of your real estate allocation

7	Why do you think listed real estate securities do not form part of the real estate allocation?

8	To what extent is this a product of history or of a conscious review?
8i	Is this decision driven by investors, the manager or by consultants?

9	Do you believe that future mandates are more likely to include listed real estate securities, and if so why?

Appendix 3. Manager survey

Organisation	
Contact name	

1	Will listed real estate stocks be managed as part of the real estate allocation?	
Yes		If “yes” answer questions 2 -6
No		If “no” answer questions 7 -9

2	Will they be managed by:	
(i)	an integrated team/person sitting within the real estate group who also deal(s) with other real estate assets?	
(ii)	a separate team/person sitting within the real estate group?	
(iii) a	a dedicated team sitting outside the real estate group?	
	to what extent does this team ask for advice/do you share research etc.	
(iv)	an external manager?	
(v)	as part of your general equities allocation?	

3	What process led to the inclusion of listed securities in the allocation?
3i	To what extent is this a product of history or of a conscious review?

4	Do you believe listed securities are likely to grow or shrink in future as a proportion of your standard allocation?

Are listed real estate stocks managed as part of the real estate allocation?

5	What difficulties does the inclusion of listed securities create?

6	5. Do you use ETF trackers, or REIT fund, or pursue an active policy?
Yes	No

Only complete questions 7-9 if listed real estate is NOT part of your real estate allocation

7	Why do you think listed real estate securities do not form part of the real estate allocation?
7i	Would using listed securities be a problem for you?

8	To what extent is this a product of history or of a conscious review?
8i	Is this decision driven by investors, by consultants or by your own views?

9	Do you believe that future mandates are more or less likely to include listed real estate securities, and if so why?

Appendix 4. Consultant survey

Organisation	
Contact name	

1	Do you recommend that listed real estate stocks should be included in the real estate allocation?
Yes	
No	

2	How should they be managed? Please rank in order of preference in the table below, with 1 meaning the preferred option and 5 being the least preferred
	Rank
an integrated team/person sitting within the real estate group who also deal with other real estate assets	
a separate team/person sitting within the real estate group	
a dedicated team sitting outside the real estate group	
an external manager	
as part of the general equities allocation	

3	Do you believe allocations to listed securities are likely to grow or shrink as part of real estate allocations in the future?

4	What difficulties do you think the inclusion of listed securities creates?

5	Do you recommend the use of ETF trackers, or REIT fund, or an active policy?

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About the authors

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