

# SAL. OPPENHEIM

Corporate Finance (Switzerland) Ltd.

## PRESS RELEASE

### Sal. Oppenheim Real Estate publishes Real Estate Investment Survey 2008

ZURICH, 29 SEPTEMBER 2008

*According to the results of a survey conducted by Sal. Oppenheim Real Estate<sup>1</sup> and 4IP Management Ltd., indirect real estate investments are already held by 89% of Swiss pension funds and 60% of Swiss insurance companies. Even though on average 93% of insurance company real estate assets and 72% of pension fund real estate assets are held directly, a clear trend toward indirect investments was confirmed. The current crisis in the financial markets has not made investment decisions easier; the allocation and investment behaviours revealed in the survey, however, demonstrate that Swiss institutional investors continue to believe in the real estate asset class.*

#### SURVEY OF INVESTMENT DIRECTORS WITH CHF 63 BILLION IN REAL ESTATE ASSETS UNDER MANAGEMENT

Sal. Oppenheim's study, based on a written survey among Swiss insurance companies and pension funds, examines asset managers' views on real estate investment trends as well as asset allocation intentions. The survey was conducted in the first half of 2008 by Sal. Oppenheim Real Estate and 4IP Management Ltd. in collaboration with the Department of Financial Management at the University of Basle. The total assets under management of investors who participated in the survey amount to CHF 658 billion, representing a substantial proportion of institutional capital in Switzerland. The CHF 63 billion in real estate assets held by participating investors allowed for meaningful conclusions to be drawn about the real estate investment market.

#### INDIRECT REAL ESTATE INVESTMENTS AND INVESTMENTS ABROAD FURTHER GAIN FAVOUR

The real estate allocation of participating investors is on average 13% for insurance companies and 18% for pension funds. 87% of the pension funds indicated that they intend to further increase their real estate allocation while insurance companies are less decided on this issue, with 50% wishing to do the same. The trend toward indirect real estate investments, already observed in the Real Estate Investment Survey 2006, was confirmed. Particularly the breadth of exposure to indirect real estate increased in the past two years for insurance companies and pension funds. 89% of participating pension funds now have

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<sup>1</sup> Sal. Oppenheim Real Estate is the real estate corporate finance team of Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd.

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indirect real estate investments.” For insurance companies, the breadth of exposure is somewhat lower at 60%, which is nevertheless 16 percentage points higher than in 2006.

## HOMELAND PREFERENCE FOR DIRECT INVESTMENTS

Swiss institutional direct real estate investments remain almost exclusively domestic. “Residential” is the most favoured investment type, with a 66% allocation of direct investments for pension funds and a 58% allocation for insurance companies. “Offices” comes in second place, at 19% and 25% for pension funds and insurance companies, respectively. The participating insurance companies indicated a desire to increase their exposure to residential properties while reducing their office and industrial property holdings over the next two years. The allocation intentions of the survey participants suggest that excess demand for residential properties in Switzerland will likely endure.

## PENSION FUNDS PLACE EMPHASIS ON LISTED REAL ESTATE ASSETS

The survey results shows that listed real estate investments are particularly prevalent among pension funds; the average 15% allocation to listed real estate by pension funds is substantially higher than the average 4% allocation by insurance companies, which face stricter regulations. The majority of survey participants plan to keep their allocation to listed real estate steady or increase it in the next two years, while Asia will be a particular area of focus for many investors.

A majority of investors cited enhanced liquidity, easily attainable diversification benefits and simpler investment execution as reasons for investment in listed real estate. The main obstacles to listed real estate investment are higher volatility as well as rich valuations.

## INTERNATIONAL DIVERSIFICATION THROUGH INDIRECT NON-LISTED INVESTMENTS

Indirect non-listed real estate investment vehicles such as non-listed funds and investment foundations are increasingly favoured particularly among Swiss pension funds. 69% of participating pension funds are invested in this asset class, it being evident that domestic asset allocation increases with diminishing pension fund size. While larger pension funds increasingly use indirect non-listed assets for international diversification, local investments prevail with smaller pension funds.

Compared with 2006, an increased acceptance for indirect non-listed real estate assets was observed. Most participating pension funds indicated that they will maintain or increase their exposure to the asset class in the next two years. An easily achievable international portfolio diversification is cited as a main reason for this, although low transparency and limited market data remain obstacles to further investment.

## SWISS INSTITUTIONAL INVESTORS PLACE THEIR TRUST IN THE REAL ESTATE ASSET CLASS

The results of the survey show that particularly indirect investments as well as foreign investments are becoming increasingly favoured among Swiss institutional investors. The multiplicity of indirect investment opportunities has increased markedly in the past years, allowing investors with suited selection competencies to build individual portfolios through the selection of focussed investments. The broadening of the investment universe has, however, also led to an increased complexity of investment decisions. Specialised investment managers, such as, for example, fund-of-funds providers, have recognised the trend and can assist institutional investors to overcome this complexity.

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The ongoing financial crisis, with related sharp stock market corrections and heightened economic uncertainty, has not made investment decisions easier. The allocation and investment behaviours revealed in the survey, however, demonstrate that Swiss institutional investors continue to believe in the real estate asset class.

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OVERVIEW OF SAL OPPENHEIM JR. & CIE. CORPORATE FINANCE (SWITZERLAND) LTD.  
Sal Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd., a subsidiary of Sal. Oppenheim jr. & Cie. KGaA, which was founded in 1789, offers the following corporate finance services: Real Estate Advisory, Mergers & Acquisitions and Equity Capital Markets. Sal Oppenheim jr. & Cie. Corporate Finance (Switzerland) Ltd. is one of the leading corporate finance houses in Switzerland and has exceptional real estate expertise.

## OVERVIEW OF 4IP MANAGEMENT LTD.

4IP Management Ltd. was founded as a real estate investment management company for the Sal. Oppenheim jr. & Cie. group. 4IP Management Ltd. advises institutional investors and high net-worth individuals on their worldwide investments in indirect real estate and is also investment adviser for the 4IP European Real Estate Fund of Funds.