

# P R E S S   R E L E A S E

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## SOVEREIGN WEALTH FUNDS EXPECTED TO INVEST US\$725 BILLION IN COMMERCIAL REAL ESTATE GLOBALLY BY 2015

London – September 23, 2008 – Sovereign Wealth Funds (SWFs) are expected to become one of the most significant investors in the world's commercial property markets, potentially investing as much as US\$725 billion over the next seven years, according to a new global report from CB Richard Ellis Group, Inc.

Although more than half of the SWFs are believed to already hold direct commercial real estate investments, allocations to the sector are expected to rise substantially. The potential impact on the global real estate market is significant.

Ray Torto, Chief Global Economist at CB Richard Ellis, explained: "Given that the real estate sector's investment characteristics – current income combined with long-term appreciation -- closely match SWF requirements, we expect them to increase their weighting of commercial property to approximately 7% of their total assets. With nearly US\$4 trillion of total assets currently under SWF control, a 7% allocation would mean worldwide commercial real estate investments totaling US\$280 billion. To put this number in context, the entire U.S. institutional-grade property portfolio owned or managed by investment managers and plan sponsors is valued at approximately US\$330 billion<sup>1</sup> today."

Mr Torto continued: "Looking to the longer term, the SWFs' potential for future property investment is even more significant. It has been estimated that the SWFs could reach total assets of US\$12 trillion<sup>2</sup> by 2015. A 7% allocation implies SWFs would make approximately US\$725 billion<sup>3</sup> of net property investments over the next seven years."

The influence of SWFs is expected to be felt across the world. In order to achieve target allocations, SWFs will need to diversify future investment widely across geographies, sectors and investment vehicles. Thus far, SWF property investments have been largely concentrated in the U.S. and the Middle East.

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<sup>1</sup> National Council of Real Estate Investment Fiduciaries

<sup>2</sup> Morgan Stanley *How big could sovereign wealth funds be by 2015?*

<sup>3</sup> SWFs are currently estimated to control \$115 billion of real estate assets. Based on their current total assets of \$4 trillion they require an additional \$165 billion of net property investment to reach a target real estate weighting of 7%. If their total assets grow as forecast to \$12 trillion by 2015, a further \$560 billion of net property investment will be required to maintain a 7% allocation.

“Although SWFs are likely to continue to focus on core real estate product in major markets, they will have to put capital to work in new geographies and emerging sectors. Favored future destinations are expected to include Japan, the U.K. and other countries with currencies that are not held in the SWF’s foreign reserves,” said Michael Haddock, Director EMEA Research, CB Richard Ellis.

Mr Haddock continued: “However, SWFs will have to look to both the indirect investment market and the debt market to fully meet their objectives in the real estate sector. It is also very possible that we will see outright acquisitions of property companies – listed and unlisted – as a way of assembling a significant direct real estate portfolio rapidly as well as acquiring the property management infrastructure to go with it.”

Based on the SWFs’ existing approach to, and established investment profile in real estate as well as the experience of other major real estate investors, CB Richard Ellis estimates that the SWFs’ projected new investment is likely to be distributed as follows:

	Allocation	Total net investment by 2015 (US\$ billion)	Annual net investment (US\$ billion)
Direct Real Estate	40-50%	290-360	40-50
Unlisted Property Funds	20-30%	145-220	20-30
Listed Property Companies	5-10%	35-70	5-10
Debt	20-25%	145-180	20-25
Derivatives	negligible	n/a	n/a

“Direct investment is expected to continue to make up the largest portion of the SWFs’ real estate exposure, but as they venture into more locations and more sectors, they will increasingly follow alternate routes into these markets. In particular, unlisted property funds will attract a growing proportion of the SWFs’ real estate allocations,” said Mr Haddock.

The SWFs’ increased investment in real estate may help stimulate a recovery in the secondary market for real estate debt. The dislocations within the debt market may provide attractive investment opportunities for equity-rich SWFs with long-term investment horizons.

Richard Womack, Senior Director London Capital Markets, CB Richard Ellis said: “The SWFs have made a number of opportunistic real estate investments in several markets and we expect this trend to continue. However, the SWFs are patient investors who are very well advised and the expansion of their real estate portfolios and entry into certain markets will be deliberate and measured.”

Neil Brookes, Director of International Investments in Sydney, commented that Australia has not seen much direct investment from the SWF’s to date, especially in comparison to London or New York. However the SWF’s have been gaining exposure to Australian property indirectly through investments into wholesale funds or local real estate companies, such as Nakheel’s cornerstone investment in Mirvac.

“Foreign investors typically invest indirectly first in order to gain an understanding of the market, before purchasing direct assets on a larger scale,” Mr Brookes said.

"Several large SWF's have been invested in Australia for the last two years and we expect to see some of these groups purchase assets directly on an opportunistic basis when they see good value or a unique asset."

Mr Brookes said SWF's were typically chasing higher total returns than had been achievable in Australia, however with the turmoil in the US and UK markets, Australia was attractive due to the relative strength of the economy, diversification benefits, and high quality of real estate.

"They are likely to focus on core retail or office assets initially, and most probably by way of a co-investment with a local partner that can manage assets and provide a further pipeline in future," Mr Brookes said.

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#### About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2007 revenue). With over 29,000 employees, the Company serves real estate owners, investors and occupiers through more than 300 offices worldwide (excluding affiliate offices). CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis is the only commercial real estate services company named one of the 50 "best in class" companies by BusinessWeek, and was also named one of the 100 fastest growing companies by Fortune. Please visit our Web site at [www.cbre.com](http://www.cbre.com).