

The Pension Real Estate Association (PREA) is a nonprofit organization with over 1,400 individual members representing over 420 member firms including corporate and public retirement plans, endowments, foundations, Taft-Hartley plans, real estate asset managers, advisors, consultants, investment bankers, real estate investment trusts and others. PREA recently compiled data from several sources in an effort to develop a clearer picture of real estate investments in which all these groups play a role.

Some data presented in this report was obtained from a PREA survey of its corporate and public retirement plans, endowments, foundations and other funds. Participants in this survey held over \$1 trillion in assets and \$90 billion in real estate related investments. Most of the information included in this report is current as of the second half of 2002. Results from this survey are found on pages 2 to 7 in this report. In addition, to develop a better understanding of asset allocations by the broader pension fund, endowment and foundation market, the PREA results were supplemented with data from Standard & Poor's Money Market Directories and Thomson Financial Nelson as well as other public sources of data. These results can be found below on Table 1 and on pages 7 through 10 in this report.

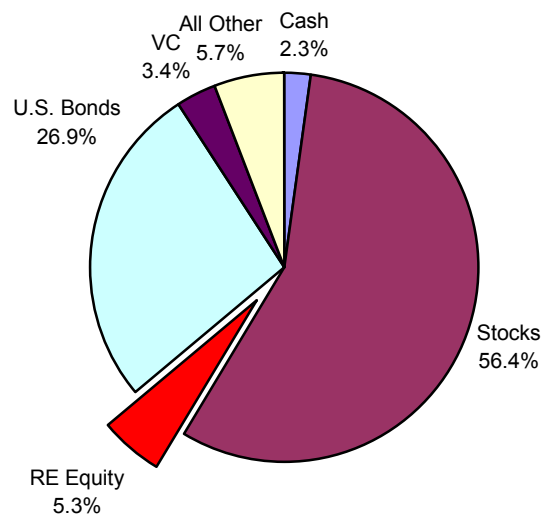
Highlights

- ▶ For the universe of pension plans, endowments, foundations and other funds investing in real estate, real estate equity accounts for 5.3 percent of total assets.
- ▶ Two-thirds of the real estate properties held by PREA fund members were core strategy investments. Nearly 16 percent were value-added and 17 percent were opportunistic.
- ▶ 64% of PREA members reported that their target equity real estate allocation was greater than or equal to 8 percent of assets.

Table 1 - Distribution by Asset Class - Funds Reporting Real Estate Equity Holdings

(All retirement funds, endowments, foundations and other funds with more than \$10 million in assets that were able to provide asset allocation details.)

	\$ Millions	
Cash	70,776	2.3%
U.S. Common Stocks	1,345,137	43.2%
Foreign Common Stocks	412,227	13.2%
Real Estate Equity	166,587	5.3%
Own Common Stock	7,852	0.3%
U.S. Bonds	839,803	26.9%
Foreign Bonds	48,399	1.6%
U.S. Balanced	6,054	0.2%
Insurance Accounts	7,009	0.2%
Real Estate Mortgages	12,939	0.4%
Venture Capital	105,256	3.4%
Other	94,192	3.0%
Total	3,116,230	100.0%



Source: Pension Real Estate Association (PREA);
Thomson Financial Nelson; Standard & Poor's Money Market Directories

In the past several months, PREA has surveyed its member public and corporate pension funds, endowments, foundations, Taft-Hartley and other funds to capture detailed information on real estate investments not available from public sources. A total of 46 PREA members participated and those members held over \$1 trillion in asset and \$90 billion in real estate related investments.

Since PREA members have a special interest in real estate investments, the funds that participated in the survey do not necessarily reflect all pension funds, endowments, and foundations in their asset allocations in general and their real estate investments specifically. For example, over three-quarters of the funds participating in the PREA report had assets over \$25 billion but for the universe of funds with real estate investments (as described in Table 1 above), just 53 percent of the contributors had assets of over \$25 billion. This shift is simply due to sheer number of plan sponsors. The industry data analyzed figures from nearly 19,000 funds, the bulk of which have no real estate allocations.

In addition, PREA members include several foreign funds that are active in Canada, Western Europe and the Pacific Rim and thus foreign allocations by the PREA membership can be expected to be higher than would be the case within the pension fund universe.

Table 2 - PREA Reporting Group Profile

	<u>Assets (\$ Millions)</u>	<u>Allocation</u>
Total Assets Reported	1,064,984	
Asset Breakdown by Fund Size (by assets)		
> \$25B in assets	817,152	76.7%
< \$25B in assets	247,833	23.3%
Breakdown by Fund Type		
State or Municipal	799,798	75.1%
Corporate	200,607	18.8%
Other	64,580	6.1%
Total	<u>1,064,984</u>	<u>100.0%</u>
Holdings in Real Estate Related Investments		8.4%
Holdings in Real Estate Equity		7.0%
Reporting Period		
June 30, 2002 and after		56.1%
January 1, 2002 to June 29, 2002		14.7%
December 31, 2001		29.2%

Public retirement systems also accounted for a higher participation in the PREA survey than is seen within the retirement plan, endowment and foundation universe (all funds regardless of their real estate holdings). In the PREA survey, public plans reported 75 percent of the assets where in the retirement fund universe, about 36 percent of assets are held by public funds and 43 percent are from corporate funds based on the data available. Corporate assets accounted for 18.8 percent of PREA's survey assets and the remaining 6.1 percent was held by endowments, foundations and union plans.

Data was reported by the real estate departments of PREA member retirement funds, endowments and foundations or by real estate advisors hired by those funds. Firms allocated their holdings based on the definitions provided them (see definitions on pages 11 and 12).

The PREA survey took a straightforward approach to real estate investments breaking the category down into private and public sectors. Private holdings were in turn allocated by property type and geographic

region, both U.S. and international. Due to the lack of conformity in reporting standards, several funds were unable to provide detailed asset breakdowns.

On average, those reporting on the PREA survey held 8.4 percent of their assets in real estate related investments which includes CMBS and other debt instruments. Holdings in real estate equity as reported by the survey participants came to 7.0 percent of reported assets. The bulk of the real estate assets, 90.1 percent, are held in private vehicles, while just under 10 percent are public, primarily REIT holdings.

Table 3 - Target Real Estate Equity Allocations as Reported by PREA Members

	By Number of funds	By Total Reported Assets
Greater than or equal to 10.0%	34.1%	22.7%
Greater than or equal to 8.0% and less than 10.0%	29.5%	35.6%
Less than 8.0%	36.4%	41.7%

Source: Pension Real Estate Association

PREA members were also asked to report their target real estate allocation. As shown on Table 3, nearly 64 percent of PREA members by number and 58 percent by asset dollars, have a target real estate equity allocation of over 8 percent of assets.

Table 4 - PREA Members: Real Estate Investment Structure

	Reporting Group		By Fund Size as Percent of Total Real Estate	
	% of Private Real Estate	% of Total Real Estate	>\$25B	<\$25B
Private				
Commingled Funds	16.4	14.7	6.6	40.6
Separate Account	41.2	36.8	35.4	41.1
Operating Company	7.4	6.6	8.1	1.7
Co-investment/Joint Venture	24.4	21.8	26.6	6.4
Mortgage	8.6	7.7	9.4	2.0
REIT	0.6	0.5	0.5	0.6
Other	1.4	1.2	1.6	0
Total Private	100.0	90.1	89.4	92.5
	% of Public Real Estate	% of Total Real Estate	>\$25B	<\$25B
Public				
REIT	85.4	9.2	10.0	6.4
REOC	5.5	0.6	0.6	0.4
CMBS	7.3	0.8	0.9	0.6
Other	1.8	0.2	0.3	0
Total Public	100.0	9.9	10.6	7.5

Since some funds were unable to provide asset class details, subtotals may not add to totals shown.

Source: Pension Real Estate Association

As Table 4 above indicates, the bulk of real estate holdings are through separate account investments regardless of the fund size. Joint ventures and commingled funds are also major investment vehicles although smaller and larger funds participated in these with significantly different allocations. Not surprisingly, smaller funds make far greater use of commingled funds investing than do larger funds.

While considerable work has been done over the years by PREA and other real estate organizations on industry definitions, there is still some debate as to what investments should be reported where. In addition, certain investments, such as commercial mortgage backed securities, are often handled by the fixed-income departments of investors and thus they may slip under the radar screen of real estate investors. This may result in their underreporting on this survey. These issues can also be simply incorrectly classified. An example of this was seen on surveys tracking CMBS holdings of the life insurance industry where an analysis of the holdings showed billions of dollars of these bonds classified as residential backed securities.

Funds reported 7.7 percent of private mortgage debt within their total real estate allocation (properties, debt, REITs) but these holdings were concentrated within a handful of funds. Only one of every eight funds participating in the survey reported mortgage holdings and all of the funds reporting mortgages were public retirement plans.

REIT investments dominated the public real estate holdings accounting for 85 percent of all public real estate investments reported. Nearly 90 percent of the funds with public real estate holdings reported a REIT allocation. CMBS investment amounted to only 0.8 percent of total real estate related assets with only a handful of funds reporting interest in the asset class.

Table 5 - PREA Members: Real Estate Investment Structure by Fund Type

	Percent of Total Real Estate		
	Public	Corporate	Other
Private			
Commingled Funds	9.5	16.0	59.8
Separate Account	35.5	53.8	23.4
Operating Company	7.8	3.3	0
Co-investment/Joint Venture	26.2	4.6	6.2
Mortgage	9.7	0	0
REIT	0.6	0	0
Other	1.2	2.4	0
Total Private	90.6	80.2	90.4
Public			
REIT	8.0	18.3	6.9
REOC	0.6	0.4	1.2
CMBS	0.7	1.0	0
Other	0.2	0	1.5
Total Public	9.4	19.8	9.6

Source: Pension Real Estate Association

Since there are no industry standards regarding the definition for investment strategy, reporters were asked to allocate their investments into the three styles (core, value-added, and opportunistic) based their fund's interpretation of their investments. However, generally speaking, core properties are viewed as least risky with lowest returns and opportunistic properties are seen as higher risk with correspondingly the higher returns. Value-added investments fall in the middle.

As the data in Table 6 shows, the safe road is also the popular road on average for the reporting group with two-thirds of the dollars allocated into core investments. The remaining third is split fairly evenly between value-added and opportunistic investments. By number, only 15 percent of those funds that reported did *not* hold core properties while, on the other side of the coin, nearly two out of every three funds reported opportunistic investments. Thus, while funds allocated just 17 percent of dollars into the

Table 6 - Distribution of Private Real Estate Investments by Strategy

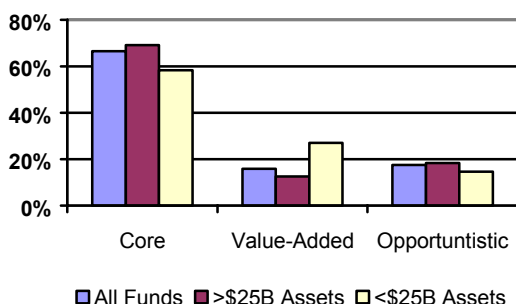
(Excludes debt and investments not readily allocable by strategy.)

	All Funds		% of Private Real Estate Equity by Size and Type				
	\$ Millions	% of Private RE Equity	Assets >\$25B	Assets <\$25B	Public Funds	Corporate Funds	Other Funds
Core	49,662	66.5	69.1	58.4	67.0	70.1	55.0
Value-Added	11,900	15.9	12.5	27.1	15.5	11.5	28.3
Opportunistic	13,086	17.5	18.4	14.6	17.4	18.5	16.7
Total	74,648	100.0	100.0	100.0	100.0	100.0	100.0

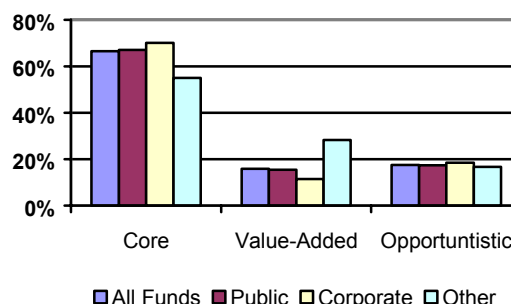
Source: Pension Real Estate Association

higher risk, higher return opportunistic category, the majority of funds have decided to dabble in that strategy to some degree. It should be emphasized again that the corporate plans, endowments, foundations and union plans reported a total of 25 percent of assets on the survey and thus their allocations are based on a smaller sample size than the public allocations.

Style Distribution by Fund Size



Style Distribution by Fund Type



Property Type

There were no surprises in the property type allocations. Office led the way with 35.3 percent of the holdings and retail, multifamily, and industrial properties followed with 19.3 percent, 17.3 percent and 15.1 percent, respectively. Hotels comprised 3.2 percent of the investments.

Diversification is a key in the property allocation strategy of the funds. All but two of the plans that reported, spread their property allocation among the four major (office, retail, industrial, and multifamily) types. Moreover, while hotel only captured 3.2 percent of the property type allocation, two of every three plans that participated in the survey reported an allocation in hotel properties.

Geographic Regions

Funds were asked to allocate their private real estate equity holdings within eight detailed U.S. regions but several larger funds were only able to provide breakdowns within four major regions (East, Midwest, South, and West). Allocations within these regions were consistent regardless of the size of the plan or the plan type. The West region capture the largest percent of funds (34.3 percent for all reporting), the East was second (28.2 percent) followed by the South (23.3 percent) and the Midwest (14.2 percent). (See definitions on page 12 for list of states by region.)

About 70 percent of the \$68 billion reported by major U.S. regions could be allocated into the more detailed eight regions. Details reveal that the bulk of the West allocation occurred in the Pacific region

(25.4 percent) while only 6.9 percent was seeded in Mountain region. Most of the investments in the East were in the Northeast region (18.2 percent) with the Mideast holding 10.1 percent.

On the international front, the plans were asked to allocate their international real estate into seven regions: Canada, Africa, Middle East, East Asia/Pacific, Western Europe, Eastern Europe, and Latin America. Of the 46 funds participating in the survey, 31 reported international holdings. For the entire reporting group, 7.4 percent of the real estate investments were foreign. Public retirement funds, the largest survey participant, reported 2.5 percent in international holdings.

Table 7 - Distribution of Private Real Estate Investments

	PREA Reporting Group	>\$25B	<\$25B	Public	Corporate	Other
By Property Type						
Office	35.3	34.6	37.4	32.9	41.0	44.5
Retail	19.3	19.6	18.3	19.0	21.5	17.5
Industrial/R&D	15.1	16.4	10.9	16.6	12.5	7.8
Multifamily	17.3	16.4	20.2	18.0	12.5	21.1
Hotel	3.2	2.9	4.2	3.4	2.7	3.1
Other	9.8	10.1	9.0	10.2	9.9	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
By Geographic Region						
U.S. Major Regions ¹						
East	28.2	28.4	27.4	27.5	29.5	34.6
Midwest	14.2	13.9	15.5	13.8	15.6	15.8
South	23.3	23.0	24.3	24.8	18.0	16.9
West	34.3	34.7	32.8	33.9	36.9	32.7
Total U.S.	100.0	100.0	100.0	100.0	100.0	100.0
Foreign ²						
Canada	2.8	0.1	12.0	1.0	0	26.7
East Asia / Pacific	0.2	0.2	0.2	0	0.2	0
Western Europe	4.2	5.0	1.5	0	18.4	0
Eastern Europe	0	0	0.1	0.2	0.1	0.1
Latin America	0.1	0.1	0.2	1.1	0.2	1.6
Total Foreign	7.4	5.4	14.0	2.5	18.9	28.6
U.S. - Detailed Regions						
Northeast	18.2	17.7	19.4	17.3	15.2	30.8
Mideast	10.1	11.0	7.8	10.9	8.3	3.7
East North Central	10.0	9.6	11.1	10.2	5.6	12.1
West North Central	3.4	3.0	4.4	3.3	4.1	4.1
Southeast	15.5	15.4	15.7	16.2	11.2	12.2
Southwest	10.5	11.2	8.6	11.2	8.6	4.3
Mountain	6.9	5.6	10.2	5.8	18.8	7.8
Pacific	25.4	26.5	22.7	25.2	28.2	25.1
Total U.S. Detailed	100.0	100.0	100.0	100.0	100.0	100.0

¹ Some funds were only able to provide geographic breakdowns within four major geographic regions rather than by the eight detailed regions. The U.S. - Detailed Region section only presents data for those funds providing details.

² There were no holdings reported in Africa or the Middle East.

Source: Pension Real Estate Association

Table 8 - International Investment Concentration

Region	Percent of All Funds Reporting Foreign Allocation		
	by Number of Funds	Fund Type	by Number of Funds
Canada	50%	Public	48%
East Asia/Pacific	55%	Corporate	26%
Western Europe	77%	Endowment	13%
Eastern Europe	32%	Other	13%
Latin America	41%		

Source: Pension Real Estate Association

Of those funds reporting international investments, 77 percent reporting holdings in Western Europe and 55 percent in East Asia/Pacific. No activity was reported in Africa or the Middle East. As stated above, since this was a survey of the PREA membership, a handful of foreign funds reported and thus the total international allocation will differ from that of U.S. only funds. Regardless, a majority of funds still reported some foreign allocation indicating an interest in using international properties as a means to diversify their portfolios.

The Big Picture - Industry Data

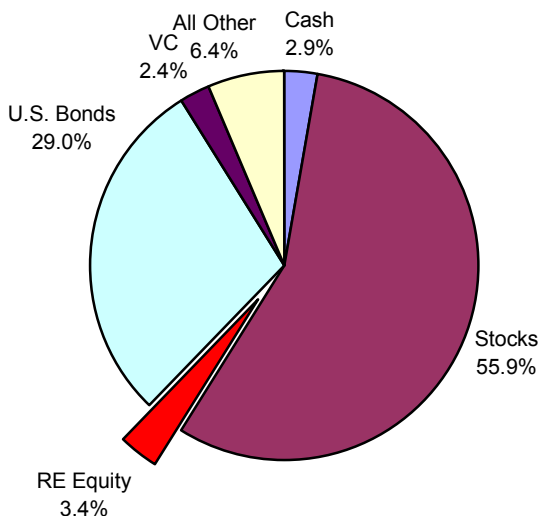
The previous pages of this report concentrated on data collected by PREA and represents the investment holdings of PREA members. Below is data on the entire industry supplemented with data from the PREA survey.

While stocks and bonds make up the main course on the investment menu for institutional investors, alternative investments such as real estate play a role in helping diversify the portfolio. Viewing only funds that reported real estate holdings that were able to report their asset allocation mix (see Table 1), holdings in U.S. and foreign common stocks accounted for 56.4 percent of their assets while U.S. and foreign bonds made up 28.5 percent of their investments. Holdings in real estate equity came to \$166 billion for this group or 5.3 percent of the portfolio. Total asset for this group came to \$3.1 trillion. Asset holdings for all U.S. retirement funds, endowments, foundations and other funds reviewed for this study came to \$7.1 trillion. Funds with less than \$10 million in assets were excluded from the data.

Table 9 - Distribution by Asset Class - All Plans

(All retirement funds, endowments, foundations and other funds with more than \$10 million in assets that were able to provide asset allocation details.)

	\$ Millions	
Cash	143,968	2.9%
U.S. Common Stocks	2,206,270	44.7%
Foreign Common Stocks	554,027	11.2%
Real Estate Equity	166,587	3.4%
Own Common Stock	20,286	0.4%
U.S. Bonds	1,431,849	29.0%
Foreign Bonds	59,087	1.2%
U.S. Balanced	23,574	0.5%
Insurance Accounts	20,036	0.4%
Real Estate Mortgages	19,008	0.4%
Venture Capital	118,919	2.4%
Other	175,502	3.6%
Total	4,939,113	100.0%



Source: Pension Real Estate Association (PREA); Thomson Financial Nelson; Standard & Poor's Money Market Directories
PREA Research

With over half their assets in stocks, the recent slide in the U.S. stock markets have had an obvious negative impact on institutional investors. Most data reported was current as of the latter half of 2002 so most of the downturn should be reflected in the figures presented.

If you expand the universe to view all funds, adding those institutions that do not invest in real estate, then real estate investments as a percent of the total portfolio drops to 3.4 percent versus the 5.3 percent for funds with real estate holdings. Having some fun with the numbers, if the larger sample group, which held \$4.9 trillion in assets, decided to "join the club" and ratchet up their real estate investments to 5.3 percent, it would translate into an additional \$95 billion in real estate activity.

Size Doesn't Matter or Does It?

A breakdown of funds with real estate holdings by asset size did not indicate a concentration of holdings by fund size. Funds with less than \$1 billion in assets held, on average, 5.9 percent of their total asset allocation in real estate equity. That allocation dropped to 5.6 percent for mid-size funds with \$1 to \$10 billion in assets and slipped down to 5.2 percent for large funds with over \$10 billion in assets.

A review of the universe of funds does indicate that the large majority of smaller funds have opted out of real estate investing. All funds with less than \$1 billion in assets held only 1.5 percent of assets in real estate while smaller funds *with* real estate allocated 5.9 percent in the asset class. This is not surprising given that smaller funds tend to place greater emphasis on what are perceived to be more main stay asset classes. While their investments in U.S. stocks are on par with larger funds, smaller retirement plans, endowments, and foundations tend to hold less in foreign stocks and more in U.S. bonds.

Table 10 - Distribution by Asset Class - Funds Reporting Real Estate Holdings

(All retirement funds, endowments, foundations and other funds with more than \$10 million in assets that were able to provide asset allocation details.)

	Over \$10 Billion		\$1 to \$10 Billion		Less than \$1 Billion	
	\$ Millions	%	\$ Millions	%	\$ Millions	%
Cash	46,257	2.1	17,762	2.3	6,758	3.7
U.S. Common Stocks	916,040	42.5	346,908	44.5	82,188	45.4
Foreign Common Stocks	308,997	14.3	89,153	11.4	14,077	7.8
Real Estate Equity	111,890	5.2	43,965	5.6	10,732	5.9
Own Common Stock	3,222	0.1	4,082	0.5	547	0.3
U.S. Bonds	576,860	26.8	209,889	26.9	53,054	29.3
Foreign Bonds	33,974	1.6	12,879	1.7	1,546	0.9
U.S. Balanced	2,047	0.1	2,269	0.3	1,738	1.0
Insurance Accounts	3,142	0.1	2,758	0.4	1,109	0.6
Real Estate Mortgages	7,942	0.4	3,651	0.5	1,347	0.7
Venture Capital	81,964	3.8	20,428	2.6	2,864	1.6
Other	63,604	3.0	25,625	3.3	4,963	2.7
Total	2,155,938	100.0	779,370	100.0	180,922	100.0

Source: Pension Real Estate Association (PREA);
Thomson Financial Nelson; Standard & Poor's Money Market Directories

Those With Versus Those Without

What are the differences between investors that have invested in real estate and those that have opted out? Table 12 compares the asset holdings of the two groups and shows the differences in allocations by asset class. As was seen above in the tables showing real estate allocations by fund size, funds without real estate holdings have a higher allocation in both U.S. common stocks and bonds but lower holdings in

foreign equity and venture capital. However, this data does not support any conclusions as to which asset classes may lose allocations due to a decision to invest in real estate.

Table 11 - Distribution by Asset Class - All Funds

(All retirement funds, endowments, foundations and other funds with more than \$10 million in assets that were able to provide asset allocation details.)

	Over \$10 Billion		\$1 to \$10 Billion		Less than \$1 Billion	
	\$ Millions	%	\$ Millions	%	\$ Millions	%
Cash	75,219	2.6	34,571	2.5	34,178	4.7
U.S. Common Stocks	1,259,252	44.1	619,154	45.5	327,864	45.4
Foreign Common Stocks	379,614	13.3	141,110	10.4	33,303	4.6
Real Estate Equity	111,890	3.9	43,965	3.2	10,732	1.5
Own Common Stock	4,082	0.1	12,079	0.9	4,126	0.6
U.S. Bonds	805,651	28.2	390,670	28.7	235,527	32.6
Foreign Bonds	40,125	1.4	15,281	1.1	3,681	0.5
U.S. Balanced	2,328	0.1	9,328	0.7	11,918	1.6
Insurance Accounts	3,142	0.1	5,625	0.4	11,269	1.6
Real Estate Mortgages	10,527	0.4	5,314	0.4	3,168	0.4
Venture Capital	86,770	3.0	27,330	2.0	4,820	0.7
Other	76,270	2.7	56,854	4.2	42,378	5.9
Total	2,854,870	100.0	1,361,280	100.0	722,964	100.0

Source: Pension Real Estate Association (PREA);
Thomson Financial Nelson; Standard & Poor's Money Market Directories

Table 12 - Distribution by Funds Reporting Real Estate vs. Funds Without Real Estate

	Funds Reporting Real Estate Holdings		Funds Not Reporting Real Estate Holdings		Allocation Differences With - Without
	\$ Millions	%	\$ Millions	%	
Cash	70,776	2.3	73,192	4.0	-1.7
U.S. Common Stocks	1,345,137	43.2	861,133	47.2	-4.0
Foreign Common Stocks	412,227	13.2	141,800	7.8	+5.4
Real Estate Equity	166,587	5.3	-	-	+5.3
Own Common Stock	7,852	0.3	12,435	0.7	-0.4
U.S. Bonds	839,803	26.9	592,046	32.5	-5.6
Foreign Bonds	48,399	1.6	10,688	0.6	+1.0
U.S. Balanced	6,054	0.2	17,520	1.0	-0.8
Insurance Accounts	7,009	0.2	13,027	0.7	-0.5
Real Estate Mortgages	12,939	0.4	6,069	0.3	+0.1
Venture Capital	105,256	3.4	13,663	0.7	+2.7
Other	94,192	3.0	81,310	4.5	-1.5
	3,116,230	100.0	1,822,884	100.0	

Source: Pension Real Estate Association (PREA);
Thomson Financial Nelson; Standard & Poor's Money Market Directories

Table 13 - Distribution by Fund Type - Funds Reporting Real Estate Holdings

	<u>Public</u>		<u>Corporate</u>		<u>Endowment</u>		<u>Foundation</u>		<u>Union</u>		<u>Other</u>	
	<u>\$ millions</u>		<u>\$ millions</u>		<u>\$ millions</u>		<u>\$ millions</u>		<u>\$ millions</u>		<u>\$ millions</u>	
Cash	38,346	2.2%	16,255	2.0%	3,776	2.4%	1,974	2.7%	9,915	4.5%	509	0.7%
<i>Variable Rate</i>												
U.S. Common Stocks	745,010	42.3%	375,529	45.1%	60,535	38.0%	41,864	57.7%	93,342	42.2%	28,856	40.5%
Foreign Common Stock	242,910	13.8%	119,654	14.4%	22,759	14.3%	6,598	9.1%	9,019	4.1%	11,286	15.8%
Real Estate Equity	97,159	5.5%	36,758	4.4%	11,454	7.2%	2,711	3.7%	14,807	6.7%	3,699	5.2%
<i>Fixed Income</i>												
U.S. Bonds	486,793	27.7%	208,095	25.0%	28,965	18.2%	12,657	17.4%	80,692	36.5%	22,601	31.7%
Foreign Bonds	30,376	1.7%	13,050	1.6%	2,284	1.4%	354	0.5%	749	0.3%	1,588	2.2%
U.S. Balanced	3,599	0.2%	1,167	0.1%	183	0.1%	117	0.2%	944	0.4%	44	0.1%
Insurance Accounts	52	0.0%	4,728	0.6%	38	0.0%	9	0.0%	2,164	1.0%	17	0.0%
Real Estate Mortgages	8,298	0.5%	89	0.0%	172	0.1%	30	0.0%	3,911	1.8%	438	0.6%
Venture Capital	65,987	3.7%	20,280	2.4%	15,481	9.7%	3,035	4.2%	348	0.2%	126	0.2%
Other	41,292	2.3%	36,551	4.4%	13,823	8.7%	3,214	4.4%	5,098	2.3%	2,065	2.9%
TOTAL	1,759,824	100.0%	832,157	100.0%	159,468	100.0%	72,564	100.0%	220,989	100.0%	71,229	100.0%
Funds Reporting Real Estate												
% of total real estate		58.3%		22.1%		6.9%		1.6%		8.9%		2.2%
% of total assets		56.5%		26.7%		5.1%		2.3%		7.1%		2.3%

Source: Pension Real Estate Association (PREA);
Thomson Financial Nelson; Standard & Poor's Money Market Directories

Methodology

Information to determine asset allocation holdings for the universe of funds was obtained from Standard & Poor's Money Market Directories, Thomson Financial Nelson and PREA's Plan Sponsor Survey. Nearly 19,000 funds were reviewed for the report. Since none of these sources of data contained complete information on all funds, the combination of all three sources were used to develop the aggregate data reported on the survey. Data from Standard & Poor's Money Market Directories was released in December 2002 while data from Thomson Financial Nelson is accessed via their web site and is reported as being updated continually. Data from the PREA survey was collected in the latter half of 2002 and in January 2003. See Table 2 for a breakdown of the reporting period for the PREA data.

Data from the PREA survey presented on pages 2 to 7 on this report was collected solely by PREA and it does not incorporate other sources of information.

For tables showing data for the universe of funds, those funds that did not supply asset details were excluded from calculations showing asset allocation details. Both Standard & Poor's Money Market Directories, Thomson Financial Nelson request data from funds by asset category including "real estate equity". Data on total assets and real estate equity holdings from the PREA survey was used instead of the public sources since it was considered more current and accurate.

Definitions

Commingled Funds - A term applied to all open-end and closed-end pooled investment vehicles designed for institutional tax-exempt investors. A commingled fund may be organized as a group trust, partnership, corporation, insurance company separate account or other multiple ownership entity. Open-End Fund: A commingled fund with no finite life, that allows continuous entry and exit of investors, and typically engages in ongoing investment purchase and sale activities. Closed-end Fund: A commingled fund with a stated maturity (termination) date, with few or no additional investors after the initial formation of the fund. Closed-end funds typically purchase a portfolio of properties to hold for the duration of the fund and, as sales occur, typically do not invest the sales proceeds. (Source: *Real Estate Information Standards*)

Separate Account - An investment advisory or investment management relationship, where an adviser is retained by a single pension plan sponsor to source real estate product under a stated investment policy exclusively for that sponsor. The advisor/manager usually will also be retained to assist the plan sponsor in underwriting, acquiring, managing and/or disposing of individual properties, in accordance with that investment policy. Separate account investment advisory contracts may be fully or partially discretionary. (Source: *Institutional Real Estate, Inc.*)

Operating Company - Report investments in privately held real estate operating companies. (Holdings in public REOC such as Starwood Hotels and Brookfield Properties should be reported as in the Public - REOC section.)

Co-Investment - 1) Co-investment occurs when two or more pension funds or groups of funds share ownership of a real estate investment. There are several ways that co-investment can occur: a) a commingled fund investing with a single investor, a group of investors, an individual fund or group of funds; or b) operating companies (such as a qualified REIT or limited partnership) investing with commingled funds, individual funds or other operating companies. 2) Also refers to an arrangement in which an investment manager or advisor co-invests its own capital alongside the investor, either on an equal (pari passu) or subordinated basis. (Source: *Institutional Real Estate, Inc.*)

Joint Venture - An investment entity formed by one or more venturers to acquire or develop and manage real property and/or other assets. (Source: *Institutional Real Estate, Inc.*)

Mortgage - Fixed or floating rates mortgages on commercial properties without provisions for yield enhancement beyond the stated loan rate.

Real Estate Investment Trust (REIT) - Report all holdings in private REITs including equity positions and holdings in secured and unsecured REIT debt. Holdings in public REITs should be reported in the public section. A REIT is a corporation or business trust that combines the capital of many investors to acquire or provide financing for all forms of income-producing real estate. A REIT generally is not required to pay corporate income tax if it distributes at least 95 percent of its taxable income to shareholders each year. (Source: *National Association of Real Estate Investment Trusts*.)

Hybrid Debt - A mortgage position with equity-like participation features in both cash flow (often in the form of a preferred return) and the appreciation of the property at the time of sale or refinance. This type of instrument can be in the form of a mortgage with an equity conversion option, a land sale-leaseback leasehold mortgage or a participating mortgage. (Source: *Institutional Real Estate, Inc.*)

Other - Report any private real estate investment that does not meet the criteria for the main categories listed above. Please explain the investment type in the comments section on page two.

Public Real Estate

Real Estate Investment Trust (REIT) - Report all holdings in REITs including equity positions and holdings in secured and unsecured REIT debt. A REIT is a corporation or business trust that combines the capital of many investors to acquire or provide financing for all forms of income-producing real estate. A REIT generally is not required to pay corporate income tax if it distributes at least 95 percent of its taxable income to shareholders each year. (Source: *National Association of Real Estate Investment Trusts*.)

Real Estate Operating Company (REOC) - Report all investments in companies whose primary business is the ownership and/or operation of commercial real estate properties, but which has not elected to be taxed as a REIT.

Mutual Fund - Report investments in all real estate related mutual funds.

Commercial Mortgage-Backed Securities (CMBS) - report holdings in securities backed by commercial mortgage loans.

Geographic Region

Northeast - Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

Mideast - Delaware, Kentucky, Maryland, North Carolina, South Carolina, Virginia, Washington, D.C. West Virginia

Southeast - Alabama, Florida, Georgia, Mississippi, Tennessee

East North Central - Illinois, Indiana, Michigan, Ohio, Wisconsin

West North Central - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Southwest - Arkansas, Louisiana, Oklahoma, Texas

Mountain - Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

Pacific - Alaska, California, Hawaii, Oregon, Washington