INREV RESEARCH & MARKET INFORMATION

REVIEW OF REPORTING BEST PRACTICE

NOVEMBER 2012

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INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate funds for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

As a pan European body, INREV represents an excellent platform for the sharing and dissemination of knowledge on the non-listed real estate funds market.

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EXECUTIVE SUMMARY

This year's Review of Reporting Best Practice shows that the industry has settled into a strong standard level of adoption of the INREV Guidelines but has slowed in terms of the incremental improvements at the top end of best practice.

The general use of the INREV Guidelines is demonstrated by the fact that 46% of funds reporting to investors make some reference to topics within the Guidelines, of which 59% of these discuss more than one subject such as INREV Net Asset Value, INREV Fee Metrics, INREV compliance or the INREV fund style classifications.

For annual reporting, the 2011 results show that after years of growth, adoption levels have stabilised or, in some cases, fallen slightly. For this reporting year, 94% of the funds complied with 50% or more of the annual reporting guidelines compared with 97% last year, while adoption levels for compliance of 75% or more was at 46% compared with 59%.

This pattern of strong levels of adoption for 50% or more of the annual reporting guidelines but falling levels for 75% or more is repeated in other aspects of annual reporting such as General Information, the Property Report, Management Report and Financial Report. This trend can be attributed to a number of different factors.

The sample for the 2011 report was larger than for 2010 and included a number of reports from fund managers new to the survey who may be less familiar with the Guidelines. In addition, the sample contained many more quarterly reports, which are more difficult to analyse for compliance, as well as a high incidence of reports that provided only the legally required for investors. The composition of the sample may then have contributed to lower levels of compliance.

In addition, the slowing levels of compliance at the higher end may be reflective of the natural levels of adoption under this version of the Guidelines. INREV has started a review of the Guidelines, which will result in a new version of the industry standards early 2014. This will see weaker areas improved which should pave the way for stronger adoption levels in the future.

One of these areas of improvement continues to be Fee Metrics, which showed no significant change in the review from last year. Across the results of the last five years, fund managers have been critical about the expense ratios. Only 20% of funds disclose a total expense ratio (TER) or other fee metric-related items, which is slightly higher compared with the 18% in the 2010 review.

A second area of improvement is property valuations, which are a major driver of fund performance and NAV. The results of the review show that the current disclosures in the funds' reporting is not always sufficient to determine whether fund managers have acted in accordance with the valuation guidelines.

Information on the valuation of properties is often spread throughout the documents and not compiled in one disclosure note. There could also be improvements for disclosures relating to the valuation method used for properties under construction, and for investment and ground leases, as well as applicable input and market assumptions.

There has been consistency for the use and disclosure of INREV NAV in this reporting year. The number of references made to INREV NAV was in line with the results of the 2010 review. Nevertheless, a variety of ways is still used to disclose the economic value of a fund covered by IFRS or local accounting standards. This diversity has not yet resulted in wide-spread comparability and transparency in reporting adjusted NAV.

Fund managers are still not always fully aware of the disclosure requirements for INREV NAV. However, compared with last year, progress has been made in the levels of disclosure on specific adjustments with more fund managers increasing the level of explanation and background.

1 INTRODUCTION

An important component of implementing the INREV Guidelines in the non-listed property funds industry is to review and understand current levels of adoption. This fifth Review of Reporting Best Practice continues to provide that analysis for the reporting aspects of the Guidelines.

The INREV Guidelines are the industry standard for reporting, corporate governance and information disclosure and consequently are well used in the industry. Despite this, it is still important to review current adoption levels as the results can confirm that consistent high quality is being achieved by established industry players, and that this best practice is being taken up by new entrants in the market.

Feedback from members has shown that investors and other players in the market find it useful to know which funds have adopted the INREV Guidelines. Fund managers also confirm that the adoption of the INREV Guidelines assists in the marketability of a fund. The compliance framework exists to support both these requirements.

This review will also be the last before INREV embarks on a revision of the INREV Guidelines to ensure they remain fit for purpose. It was always envisaged that such a re-examination would take place after three years of the publication and this has been reinforced by the significant changes the industry has seen following the financial crisis.

This revision is not expected to be wholesale. The bulk of the Guidelines has endured in the changing market conditions but some topics such as INREV Total Expense Ratio (TER) and INREV Net Asset Value (NAV) that have raised issues for members when implementing them will be reviewed. There are also likely to be some additions such as the inclusion of other products such as funds of funds and relevant topic areas such as sustainability. As such, this year's Review of Reporting Best Practice serves a dual purpose.

Committees and relevant working groups will work on a series of projects related to the revision, which will result in a White paper to be published in the summer of 2013 with the aim of producing a new version of the INREV Guidelines early 2014.

Purpose of this research

The main objective of this review is to provide insights into current market practice for non-listed real estate fund reporting and how this compares to the INREV Guidelines. In addition, this year's review will provide valuable input for the revision of the INREV Guidelines.

The results help us to support the promotion of best practice in two ways:

- They give INREV and its membership an insight into the level of adoption of the INREV Guidelines by the industry for 2011 and how funds report on their compliance.

- The information gathered and outcomes of the research can be used as input for the current revision of the INREV Guidelines.

Overview of the research

This review concentrates on two elements of the INREV Guidelines for the 2011 reporting year. These are any statements the funds include on their compliance levels with the INREV Guidelines and the financial reporting in the operations phase of the fund.

1. INREV COMPLIANCE STATEMENTS

The INREV compliance framework is designed to support adoption of best practice for non-listed real estate funds for institutional investors. It reflects the fact that as the underlying strategy, size and complexity of funds can differ considerably, the INREV Guidelines do not differentiate between fund styles for its Principles and Best Practice Requirements.

To support these variations, the compliance framework allows investors and fund managers the flexibility to agree on a clear scope for compliance. INREV does not prescribe compliance with the INREV Guidelines, nor does it check whether funds comply with them.

Feedback from investors and fund managers has clearly indicated that the implementation of, and compliance with, the INREV Guidelines are matters to be discussed as part of the negotiation process at fund launch or subsequent investment.

INREV recommends that fund managers and investors discuss the issue of compliance with the INREV Guidelines during the fund launch negotiation process. As part of their reporting, INREV encourages fund managers to include statements on compliance with the Guidelines as part of the annual reporting process. It is these statements and references to aspects of the INREV Guidelines that this part of the report focuses on.

2. FINANCIAL REPORTING

To review financial reporting in the operations phase of the funds, the following elements were analysed (see Appendix 3):

- Property Valuations
- Net Asset Value (NAV)
- Fee Metrics
- Annual Reporting

The review takes into account the fact that best practice may differ on the basis of fund type, style and the launch year of the fund.

2 STUDY FRAMEWORK AND SAMPLE

Approach

The review is set up as a quantitative research study in which the degree of compliance is determined based on scores for each of the guidelines. Where possible, the review takes into account qualitative factors to help distinguish between different degrees of compliance for certain guidelines. This approach is intended to assure a high level of consistency and fairness among the annual reports participating in the review.

Some of the recommendations concern specific topics or issues that may not be relevant for all participating funds. For example, not all funds have any assets under development or hold an interest in jointly controlled entities. Therefore, the recommended disclosures on these subjects are not applicable or not significant for these funds. In the scoring, a "not applicable" or "not significant" item was considered complied with so as not to skew the final score.

The research was carried out in two phases during the period July to October 2012 by Deloitte. In the first phase fund managers delivered their funds' annual reports to Deloitte. They reviewed the individual reports and completed the compliance score for the reporting guidelines for each fund using the reporting self-assessment tool on the INREV website (*www.inrev.org*).

In the second phase, fund managers were given individual feedback for their funds. This comprised scores for the review of their funds, along with a request to compare these with their own understanding of their level of compliance. This fund manager feedback was reviewed and adjustments were made where necessary.

Fund managers who contributed their annual reports to INREV, and which were included in the sample, receive individual feedback on the general conclusions on the level of compliance and recommendations. This feedback focuses on areas of improvement for specific parts of the INREV Guidelines with reference to best practice examples from the non-listed property funds market.

Furthermore, if an adjusted NAV or INREV NAV is provided, participating funds receive recommendations to enhance the level of detail in the disclosure note. Where possible, feedback on specific adjustments is provided, if it is not fully clear that the adjustments have been followed. This year fund managers were asked for permission by INREV to further review their NAV compliance as part of the wider INREV Guidelines revision. The result of this analysis is not part of the report and feedback will be given separately.

Individual feedback from the review will be provided to fund managers in December 2012. This timing allows for feedback to be taken into account during the preparation of 2012 annual reports.

Sample and Universe

INREV has 348 members, which comprises institutional investors, fund managers, investment banks, advisers and others. For the review, INREV asked all 195 fund manager member to provide the 2011 annual reports of their non-listed real estate funds.

INREV received information on 123 funds from 66 fund managers. This is an increase on 2010 levels when 107 funds were received from 60 managers. These documents included annual reports, quarterly reports and reports to investors.

Of the 123 funds which submitted information, 70 were included in the 2011 review. No more than two reports from the same fund manager were included. This restriction was put in place as practice for fund reporting is likely to be standard across a manager's range of funds.

This year's sample included relatively more submissions from fund managers who have not participated in this study before. Half of the fund managers in the 2011 sample, were also part of the 2010 sample but nearly 60% of the funds reviewed in this year's study were not included previously.

Reports from funds of funds were also excluded as these disclosures are not comparable to direct funds. INREV will look at how the INREV Guidelines should specifically address funds of funds as part of its wider review. A due diligence questionnaire for funds of funds was also launched in May.

It is important to understand how representative the sample of funds is compared with the universe. This is done by comparing the sample to the INREV Vehicles Database, which currently covers 465 funds. At the end of September 2012, these funds had a total gross asset value (GAV) of €237 billion.

The review sample represents 15% of the funds universe and 23% of the number of managers that contribute funds to the database. This is similar to the representation in the 2010 review, which had 14.6% by number of funds and 24% by manager.

In understanding how representative the sample is, INREV focused on the following three fund classifications:

- Fund style
- Fund strategy
- Year of incorporation

FUND STYLE

FIGURE 01 / FUND STYLE BY NUMBER OF FUNDS

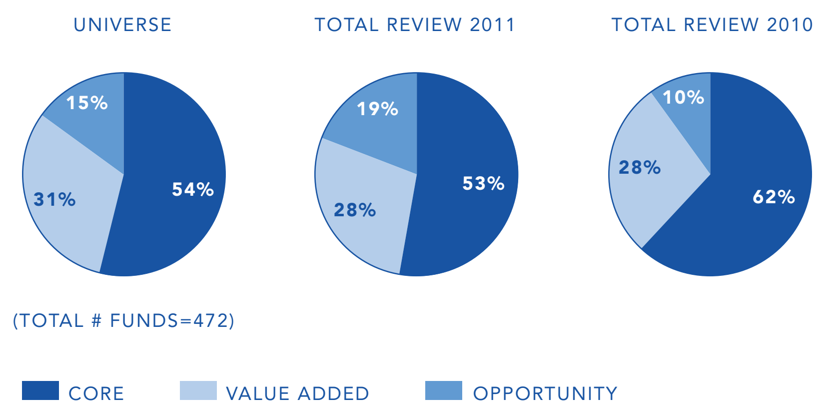


Figure 01 shows that the sample for the 2011 review contains slightly more opportunity funds than the INREV Universe and fewer value added funds, but in general can be seen as a good representation. In comparison to the 2010 review, the sample includes significantly more opportunity funds.

FUND STRATEGY

The review distinguishes between single and multi-country funds. Here, the 2011 review shows a sample which is comparable to the INREV Universe (Table 01). Compared with 2010, the number of single country funds increased in the sample while at the same time dropped in the universe resulting in an increase in share of single country funds in the sample compared to previous years.

TABLE 01 / TARGET LOCATION

	UNIVERSE		TOTAL REVIEW 2011		TOTAL REVIEW 2010		TOTAL REVIEW 2009	
STRATEGY	COUNT	%	COUNT	%	COUNT	%	COUNT	%
SINGLE COUNTRY	249	54	36	51	31	46	20	38
MULTI-COUNTRY	216	46	34	49	37	54	32	62
TOTAL	**465**	**100**	**70**	**100**	**68**	**100**	**52**	**100**

YEAR OF INCORPORATION

FIGURE 02 / YEAR OF INCORPORATION

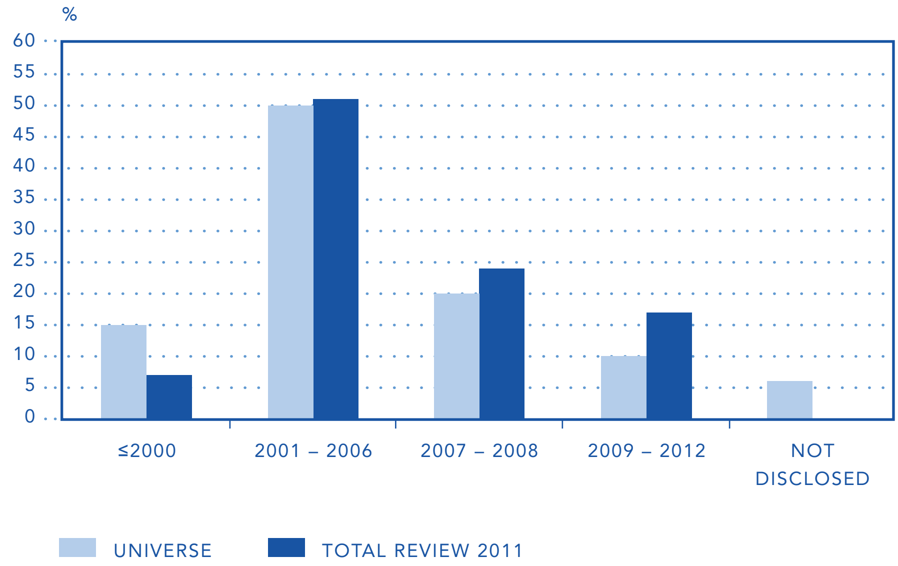


Figure 02 shows that the 2011 review has a relatively larger proportion of funds incorporated after 2007 compared with the INREV Universe. The majority of the funds in the sample were launched before the integrated INREV Guidelines were introduced at the end of 2008, which is similar to last year's sample.

3 GENERAL FINDINGS

In recent years investors have started to require more detailed and more frequent information from fund managers. As a result, fund managers not only provide their investors with annual reports but also with quarterly and investor reports. For this review all types of information provided have been accepted. However, there is no guarantee that the review was supplied with all fund information that has been sent to investors. This could have had a negative impact on the compliance scores.

The 70 funds reviewed in this year's study provided 84 reports. Of the 70 funds, 56 provided one report which was either the annual report (financial statement) or a quarterly report. The other 14 funds submitted two reports such as the annual report and the quarterly report. Other reports were also submitted which contained INREV NAV calculations or portfolio reports. Compared with last year's review, significantly more annual reports which included only the legally required information were received. This is important to bear in mind when looking at the levels of compliance.

TABLE 02 / REPORTS

	SAMPLE 2011	
REPORTS	**COUNT**	**%**
FINANCIAL STATEMENTS INCLUDING EXTENSIVE MANAGEMENT REPORT	53	63
STATUTORY FINANCIAL STATEMENTS (ONLY LEGALLY REQUIRED INFORMATION)	14	17
QUARTERLY REPORTS	12	14
OTHER	5	6
TOTAL	**84**	**100**

The following section outlines some general findings on the 70 funds included in the 2011 review. This focuses on funds' location, size, and accounting principles applied.

Country

TABLE 03 / VEHICLE DOMICILE

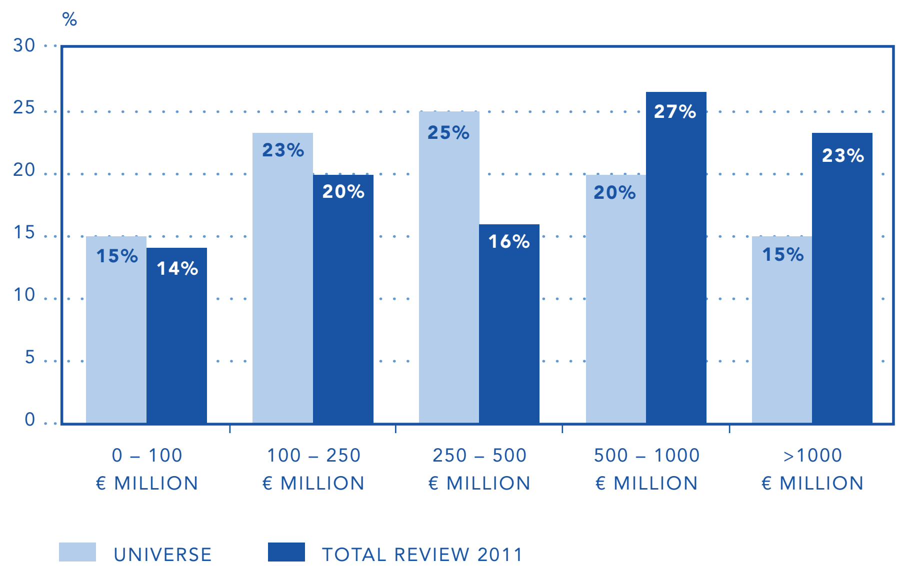
	UNIVERSE		TOTAL REVIEW 2011	
	COUNT	**%**	**COUNT**	**%**
GERMANY	61	13	2	3
LUXEMBOURG	100	22	18	26
NETHERLANDS	50	11	12	17
UK	94	20	10	14
JERSEY	35	8	3	4
OTHER	125	27	25	36
TOTAL	**465**	**100**	**70**	**100**

In the 2011 review, funds based in Luxembourg are more heavily represented in the sample compared with the INREV Universe. This is despite the proportion of reports from Luxembourg decreasing from 35% to 26% this year. The number of funds from the Netherlands increased from 10% in the 2010 review to 17% while the universe of Dutch funds increased from 10% to 11%. Germany, as in previous years, is underrepresented.

Portfolio size

The current portfolio size of funds in the review ranges between smaller ones of up to €100 million and up to €4 billion at the larger end (Figure 03). The single largest category consists of funds with portfolios of between €500 million and €1000 million, which account for 27% of the sample by number and 20% of the universe. This is followed by funds with portfolios of €1000+ million, which represent 23% of the sample and 15% of the universe. Funds with portfolios of less than €100 million are the smallest group and account for only 14%, although they represent 15% of the universe. In comparison with last year's review the sample has a larger representation of larger size funds greater than €500 million, which this year represent 50% of the sample compared with 35% in the 2010 review. Overall the sample is slightly underrepresented for the medium-size funds (€250 – €500 million) and over-weighted to the larger size funds (€500 million+).

FIGURE 03 / PORTFOLIO SIZES



Accounting principles applied

Table 04 shows that 47% of the sample applied IFRS accounting principles while 28% applied Luxembourg GAAP, Dutch GAAP or UK GAAP. For IFRS accounting, this is an increase of nine percentage points compared with the 2010 sample. In some reports, a fund GAAP was used in addition to the IFRS report.

TABLE 04 / ACCOUNTING PRINCIPLES

	TOTAL REVIEW 2011		CORE		VALUE ADDED		OPPORTUNITY		SINGLE COUNTRY		MULTI-COUNTRY	
GAAP	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%
IFRS	33	47	20	54	9	45	4	31	14	39	19	56
DUTCH GAAP	2	3	2	5	0	0	0	0	2	6	0	0
US GAAP	10	14	4	11	2	10	4	31	4	11	6	18
UK GAAP	11	16	5	14	4	20	2	15	10	28	1	3
GERMAN GAAP	1	1	1	3	0	0	0	0	0	0	1	3
LUXEMBOURG GAAP	6	9	3	8	3	15	0	0	1	3	5	15
OTHER	7	10	2	5	2	10	3	23	5	14	2	6
TOTAL	**70**	**100**	**37**	**100**	**20**	**100**	**13**	**100**	**36**	**100**	**34**	**100**

The proportion of IFRS reports in the sample is larger than the number in the INREV Universe. In general, based on the sample, multi-country funds are more likely to adopt IFRS or Luxembourg GAAP.

4 REPORTING ON INREV COMPLIANCE

This section provides the results of the review of compliance statements provided by the fund managers when reporting to investors. It is important to bear in mind the approach of the compliance framework of the INREV Guidelines when examining these results.

More information on the compliance framework can be found in Appendix 2.

In 32 of the 70 funds, or 46%, some reference is made to the INREV Guidelines such as INREV NAV, fee metrics, or compliance. This result is in line with the 2010 review. Of these 32 funds, 19 refer to one INREV Guideline topic such as INREV NAV, fee metrics, INREV compliance, INREV sustainability performance measures or the INREV fund style classifications, while 13 funds discuss more than one topic.

In line with last year, two of the reports that mention compliance with the INREV Guidelines, an appendix with "guidelines and regulations" is included. This gives a clear statement that the fund complies with, or an explanation as to why it does not comply with, guidelines on corporate governance, annual reporting, INREV NAV and fee metrics. The focus of the other reports is on the INREV Guidelines for reporting rather than on all modules.

5 FINANCIAL REPORTING

Transparent, consistent and relevant information in the financial reports for non-listed real estate funds is essential. This review analysed the funds' annual reports for the elements outlined below, which are part of the range of Best Practice Recommendations on financial reporting in the INREV Guidelines:

– how annual property valuations should be performed;
– recommendations on how fund NAVs should be calculated using INREV's property valuation principles;
– how different expense ratios should be calculated to enable comparable performance to be assessed across the sector; and
– the contents of best practice annual reporting to investors.

5.1 Property Valuations

Property valuations are a major driver of fund performance and NAV. In addition, management and performance fees are also often directly or indirectly linked to property valuations.

For investors, it is therefore important to receive information from a fund that is based on a consistent and transparent determination of underlying property valuations. Other stakeholders including market analysts and lending banks may also have an interest in valuations being prepared on this basis.

The aim of the INREV Guidelines for property valuations is to define a common approach that can be used for performance measurement, fund valuation and reporting. For investors, these guidelines should be a minimum requirement.

Fund managers are generally expected to act in accordance with the standards in the INREV Guidelines for valuation but the current disclosures in the funds' reporting is not always sufficient to determine whether this is the case. Therefore, fund managers need to be aware that the property valuation standards in the INREV Guidelines are a disclosure requirement and not just guidance for property valuation.

Information on the valuation of properties in the sample of reports is spread throughout the documents and not compiled in one disclosure note. This includes information on critical judgements and estimates, accounting principles for investment property, disclosure notes with respect to investment property, valuers' statements and management board reports.

As the valuation of investment properties is increasingly important in today's market, disclosures in relation to property valuation principles are also becoming more critical for investors given that they enable them to compare valuations across their portfolios.

The reports reviewed disclose the market value of investment properties and in line with last year there continues to be room for improvement in disclosures relating to the valuation method used for properties under construction, and for investment and ground leases, as well as applicable input and market assumptions. There continues to be more information needed about the independence of appraisers, the re-appointment period and the basis for appraisers' fees.

Over the last four years, it has been the case that not all necessary information relating to property valuations is disclosed in the funds' reporting. This means no conclusion can be drawn on whether the funds act according to the property valuation standards. IFRS changes (IFRS 13) on fair value disclosure levels for assumptions and uncertainties might have a positive impact on the level of disclosure in the coming years.

5.2 Net Asset Value

GENERAL CONCLUSIONS

The objective of the INREV NAV is:

To provide fund managers with guidance on how to calculate and disclose adjusted NAV in the financial statements of their European non-listed real estate funds. This should lead to transparency and comparability of the performance of different types of funds with different lives and enable investors to understand the information provided.

To ensure that investors are comparing the same adjusted NAVs based on the same calculation methodology, funds can only be compliant to INREV NAV if all adjustments are included.

To support fund managers, INREV has prepared an INREV NAV example report with clear guidance on the level of disclosure on each of the suggested adjustments. This is available on the INREV website (*www.inrev.org*).

In the 2011 review the number of references made to INREV NAV was in line with the results of the 2010 review. A variety of ways is still used to disclose the economic value of a fund covered by IFRS or local accounting standards. This diversity has not yet resulted in widespread comparability and transparency in reporting adjusted NAV.

In 2011, 44% of the reports reviewed disclosed an adjusted NAV compared with 46% in 2010. Of that 44%, 87% referred to INREV NAV as the basis used or that was fully complied with. This is a rise of seven percentage points on 2010.

Therefore, 38% of the sample complied with INREV NAV, a higher figure than in the INREV Universe at 32.5% but similar to the annual INREV Index sample, at 37.9% or the quarterly INREV Index sample of 38.3%.

Despite the higher scores for INREV NAV, fund managers are not always fully aware of the disclosure requirements for INREV NAV. For example, they do not always disclose all the information necessary about the adjustments made, or why adjustments have not been made.

However, progress has been made since last year in the levels of disclosure on specific adjustments with more fund managers increasing the level of explanation and background.

This improvement can be a point of focus for these funds in their 2012 reports. This can be accomplished by using the INREV NAV calculation and for each line disclosing why an adjustment was or was not made.

This review focused not only on adjusted NAV, but also on alternative disclosed GAAPs (in addition to IFRS or any local GAAP) as well as pricing NAV, which includes an adjustment for the equalisation of certain costs. In this area, the only reports that were not included were those with a specific fund GAAP.

INREV is currently undertaking a comprehensive review of INREV NAV as part of its wider revision of the Guidelines. In addition to being analysed for this report, the INREV NAV calculations were reviewed using a questionnaire that was put together by a sub-committee from the INREV Reporting Committee. In addition, interviews are being held with the fund managers to better understand any difficulties with implementing INREV NAV. Interviews will also be held with investors and consultants. The outcome of these interviews will be used by the sub-committee to draft a re-visited INREV NAV.

ADJUSTED NAV REPORTING

TABLE 05 / ADJUSTED NAV

	TOTAL REVIEW 2011		TOTAL REVIEW 2010		TOTAL REVIEW 2009	
REPORT TYPE	COUNT	%	COUNT	%	COUNT	%
INREV NAV	27	39	25	37	17	32
ADJUSTED NAV	4	6	6	9	5	10
NON-ADJUSTED NAV	39	56	37	54	30	58
TOTAL	**70**	**61**	**68**	**100**	**52**	**100**

INREV NAV

Table 05 shows the different ways the adjusted NAV was disclosed. The results show that 27 funds, or 39%, calculated an INREV NAV and included reconciliation tables in their annual accounts. This compares with 25, or 37%, in 2010.

These reconciliation tables show the NAV from the financial statement and the adjustments made to come to the INREV NAV. Two funds disclosed a bridge table for the effect on the balance sheet and profit and loss account.

There has also been a positive step forward in funds providing additional disclosure alongside the INREV NAV overview table. This year in more than 80% of cases, additional disclosure/background is given about the adjustments made. This increases the levels of transparency on the background and rationale of the adjustments.

Although there is still room for improvement for the level of disclosure, some steps have been made to get a more comparable understanding of the INREV NAV calculation. This is especially the case for the calculation and interpretation of fair value assumptions of deferred taxes, tax effects, and the reason for not adjusting some items as required by INREV NAV.

However, with the information provided by the funds in this review and the level of disclosure of INREV NAV calculations, it is not always possible to conclude whether or not NAV calculations actually comprised all the necessary elements. This is due to the different ways in which adjusted NAV was disclosed in the reports and the lack of explanation for some adjustments and calculation methods.

If a fund report states that the INREV NAV is calculated, the recommended reconciliation table and detailed disclosure of each adjustment as set out in the INREV Guidelines should be included in the report. The INREV NAV example report can be used as reference. In applying this, further progress could be made toward more transparent and comparable NAV reporting in the sector.

ANALYSES OF SPECIFIC ADJUSTMENTS

This section includes a short analysis for each adjustment, which needs to be included to be compliant to INREV NAV.

REVALUATION TO FAIR VALUE OF INVESTMENT PROPERTY

In almost all of the reviewed reports that disclose an INREV NAV, the investment properties are already valued at fair market value in their financial report. One report has the investment property valued at cost price and makes an adjustment to fair value, which is fully described in the management report. Two funds make an adjustment to fair value because the properties are valued on the basis of a realisation through an asset sale. The purchaser's costs have been adjusted to reflect their estimated value. A further two funds make an adjustment to fair value for the property intended for sale, but for many other funds this is not applicable because they do not have any properties held for sale. One fund made an adjustment for anticipated disposal costs.

TRANSFER TAXES AND PURCHASER'S COSTS

The recommended adjustment for the possible reduction in transfer taxes and purchaser's costs at the time of sale was clearly disclosed in four reports. This could mean that for the majority of the funds, no additional value was expected to be achieved based on the current structure or that the fund manager did not wish to follow INREV NAV.

Due to the lack of disclosure of the rationale, it is in general difficult to analyse the potential impact of such an adjustment on the value of a fund. The main reason for funds to adjust their fund NAV for transfer taxes and purchaser's costs is if the properties were held in a structure then the fund could sell the real estate via a share deal, in other words the special purpose vehicle (SPV) would be sold. It can be argued that additional value could be achieved at the time of disposal through an SPV due to the cost reduction for the buyer. On average, the expected transfer tax and purchaser's costs savings were calculated at 50%.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Under IFRS, financial instruments such as derivatives should already be valued at fair market value. Where local accounting principles allow the recording of derivatives at cost price, an adjustment to the fair value of the derivatives in the fund was noted in some reports. Some funds explicitly excluded the fair value changes on derivatives from their adjusted NAV, as they were of the opinion that these did not have any cash flow implications and they use hedge accounting.

Of the funds that disclose an INREV NAV, 55% make an adjustment for fair value of financial instruments.

Four funds also disclose the INREV NAV for property performance measurement for closed end funds where the debt is almost certainly held until maturity and valued at amortised cost to avoid the impact of unrealised changes in the fair value of the instrument on the NAV during the life of the fund.

Only four funds disclose the fair value adjustments related to fixed rate debt in the calculations. The reason for this might be that most of the funds included in the review use loans with floating debt, and as a result, they may have assumed that nominal value could be assessed as fair value. Furthermore, some funds, when adjusting their NAV to fair value, did not take into account capitalised loan fees, but separately amortised them over the life of the loan.

In order to have an understanding of the rationale behind adjusting or not adjusting fund NAV for fair value of fixed rate debt, an explanatory note should be included as a basic step.

DEFERRED TAX

Under IFRS, deferred tax (assets and liabilities) is measured at the nominal statutory tax rate. The manner in which the fund expects to settle deferred tax is generally not taken into consideration. The adjustment represents the impact on NAV of the deferred tax for properties or derivative financial instruments based on the expected manner of settlement. Therefore, when tax structures have been applied to reduce tax on capital gains or allowances, this should be taken into consideration.

Of the funds that disclosed an INREV NAV, 45% make an adjustment for deferred tax compared to 60% in the 2010 review. A possible explanation for this significant drop is the fact that there is no deferred tax liability any more due to the market circumstances with the fair value of the investment property below the tax value of the investment property.

Based upon these disclosures and the financial statements, the adjustment made is between 30% and 100% of the deferred tax. The details show that the funds make a split between the expected share deals and the expected property deals. For most of the share deals a discount is calculated of 50%.

SET-UP COSTS

Almost 58% of the funds include an adjustment for set-up costs in the adjusted NAV calculations and disclosures compared with 52% for the 2010 review. Depending on the lifetime of the fund and the date of incorporation, these costs were amortised over five years, or the lifetime of the fund. Around 39% used a five-year period, 22% used the fund lifetime or another period of seven to 10 years while 39% did not disclose which period was used.

Improvements can be made by disclosing why no adjustment is being made for set-up costs and, if an adjustment is made, by including the length of the amortisation period. Some fund managers that deviated from the five-year amortisation period did include what the adjustment should have been if that five-year period had been taken into account. This is in accordance with the INREV Guidelines and should allow investors to recalculate the adjusted fund NAV to INREV NAV.

ACQUISITION EXPENSES

The results show that 71% of funds included a clear statement on whether an adjustment for acquisition expenses is included or not. This is in line with the results for the 2010 review. In ten, or 45%, of the reports, the expenses were amortised over a five year horizon. For one report, a longer amortisation period was taken into account. For the remaining 50% of the reports, it was not clear what amortisation period was used, which is an increase compared with last year.

Unfortunately, when the fund amortises the acquisition expenses over its lifetime and shows the effect on the adjusted NAV, they tend not to include the effect if the five year amortisation period is followed. This is recommended by the INREV NAV Best Practice Recommendations.

TAX EFFECT OF ADJUSTMENTS

In 10 reports the tax effects on the adjustments to NAV were separately disclosed, which is in line with the results of the 2010 review. For some funds tax might not have any impact, either because they are tax transparent or because accumulated losses are not recorded as taxed assets and all adjustments can be offset against the non-activated losses.

5.3 Fee Metrics

In this review, an analysis of funds' best practice in relation to the INREV Fee Metrics was also included.

> The objective of the INREV Fee Metrics is:
>
> *To provide guidelines on the calculation and disclosure of selected fee metrics, including both a return reduction metric and total expense ratios, in order to assist the non-listed real estate funds industry – both institutional investors and fund managers – in comparing fees and cost structures between non-listed real estate funds.*

For the 2011 review, no significant improvement was noticed for INREV Fee Metrics. There is still ample room, and need, for improvement in this area. Across the results of the last five years, fund managers have been critical about the expense ratios.

In line with INREV NAV, INREV Fee Metrics are being reviewed to support better comparability between funds as part of the wider review of the INREV Guidelines. INREV has already conducted a series of interviews with members which will provide input for a proposed revision of INREV Total Expense Ratio (TER).

Only 20% of funds disclose a TER or other fee metric-related items, which is marginally higher compared with the 18% in the 2010 review. Of those 14 funds, 12 included a reference to the INREV Fee Metrics disclosure module. Of the 14 funds, nine disclosed the TER based on both NAV and GAV (in line with the INREV Guidelines) while the other funds used only GAV or NAV. In addition to the TER, nine funds reported the Real Estate Expense Ratio (REER).

5.4 Annual Reporting

In this section, the results of the analysis of reporting best practice are compared with the annual reporting sections of the INREV Guidelines. These are part of the financial reporting guidelines section in the operations phase of the fund (see Appendix 3).

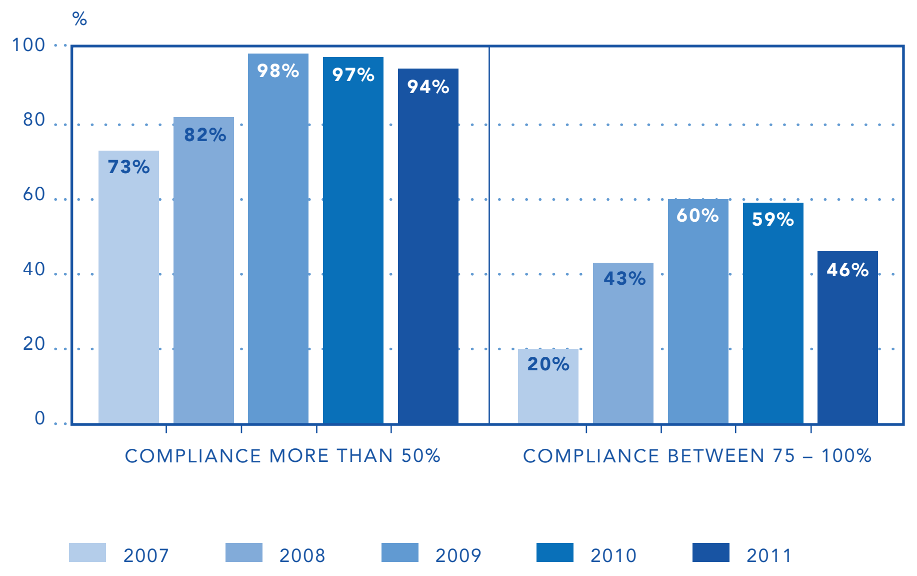
The guidelines for annual reporting were designed to be applied to annual financial statements and not to other forms of reporting. Some fund managers noted that many disclosures, predominantly those exceeding the GAAP applicable to their annual reporting, were presented within other investor communications, for example quarterly reports and distribution notices.

The INREV Guidelines for annual reporting have been split into:

1. General Information;
2. Manager's Report;
3. Property Report;
4. Financial Report;
5. Valuers' Statement;
6. Corporate Governance;
7. Financial Statement.

These guidelines are not intended to prescribe where in the annual report the information should be disclosed, merely that such information is disclosed at some point. In this review, valuers' statements are covered in the findings focused on Property Valuations, while corporate governance is the subject of a separate INREV Corporate Governance Best Practice Review.

FIGURE 04 / ADOPTION OF BEST PRACTICE REPORTING GUIDELINES



The 2011 results show that after years of growth adoption levels have fallen. This year's review shows that a similar share of funds (94% compared with 97%) comply with 50% of the annual reporting guidelines. However, the number of funds that have a high level of compliance with the guidelines of between 75% and 100% has come down significantly from 59% to 46% this year.

Based on the data received it was not possible to identify a clear explanation for the significant decline in the 75% and more compliance category. However, compliance levels could have been affected by a number of reasons. In comparison with last year's review, this year's sample contains more funds and fund managers who submitted information for the first time.

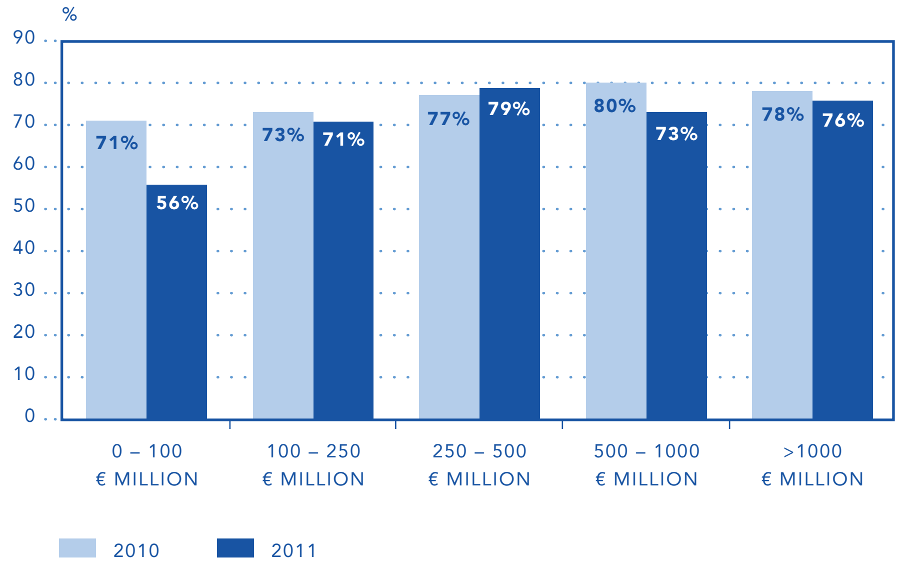
Furthermore, this year's sample contained more opportunity funds than in previous reviews which is likely to have an affect to the overall compliance score. The INREV Guidelines, and in particular the detailed disclosure requirements, will be most relevant to those funds that are closest to a core strategy. These funds are therefore most likely to fully implement the Guidelines compared with, for example, opportunity funds, which may prefer partial implementation.

The third possible reason is that there is a trend of fund managers delivering information to investors in a wider variety of formats such as financial statements, quarterly reports and other types of reports. For this review, it was not possible to guarantee that we received all the relevant reports for each fund and therefore to ensure that we had a complete picture of funds' compliance. This could have affected overall scores.

SCORES BY FUND SIZE

The review also looked to see if the size of the fund has some influence on adoption. This year's results show a large difference between the funds smaller than €100 million and those larger than €100 million. The adoption level of funds below €100 million is on average 56% while the categories of larger funds all have an average score of at least 70% with the €250 million – €500 million funds closer to 80%.

FIGURE 05 / SCORES BY FUND SIZE



SCORES BY FUND STYLE

The results show that the adoption level of opportunity funds is lower with an average of 61% in comparison to 72% for value added funds and 75% for core funds. As the sample for the 2011 review has more opportunity funds, the overall adoption level is lower than previous years.

SCORES BY FUND REPORT

INREV received a variety of reports and the review showed that the adoption levels for funds that only provided the statutory required financial statement differs significantly from those providing more extensive reports. The average adoption level of funds providing statutory required financial statements is 63% compared with 73% for those that provided more extensive reports. The reason for this difference is clear as the INREV Best Practice Guidelines require voluntary disclosure of details which tend not to be legally required under any accounting standard.

There are some subjects in the INREV Guidelines which are also required under, for example, IFRS such as details on loans, financial instruments and valuation. This review highlights that there could have been a trend for fund managers to prepare a legally required annual report (financial statement) and a more extensive report for the investors instead of only one document. This could also explain the slight decline in the overall adoption levels as, based on the feedback of fund managers, more information is sent to investors than just the financial statements. Therefore, the sample reviewed may not be a complete picture of reporting to investors.

GENERAL INFORMATION

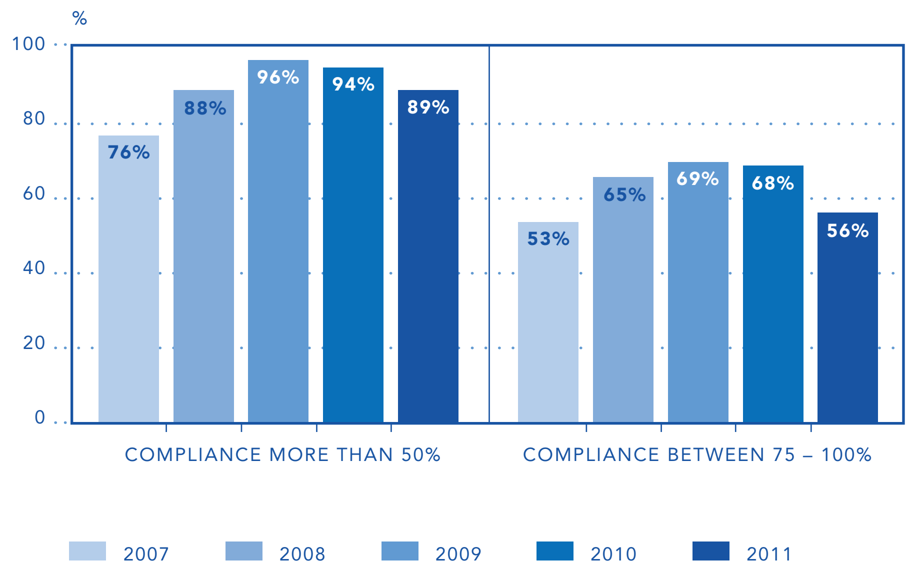
The core principles in the General Information section cover disclosure on:

- Governance, management and administration;
- Domicile, legal form and structure of the fund;
- Investment stage of the fund by geography and/or segment;
- Current monetary commitment of the investors to the fund;
- Key milestone dates.

Funds adopting more than 50% of the General Information principles decreased slightly at 89% for this review compared with 94% in 2010 (Figure 06). Around 56% of funds demonstrated a compliance level of 75% or more of the principles, which again was a drop from 2010 when the level was 68%.

The decrease in adoption levels does not relate to one specific item but rather to all subjects in this section. Almost all funds disclose information about the management, structure and domicile of the fund. However, improvement can be made in disclosing the details about the fund's corporate governance and supervisory board. These improvements are similar to the areas identified in the 2009 and 2010 review.

FIGURE 06 / GENERAL INFORMATION



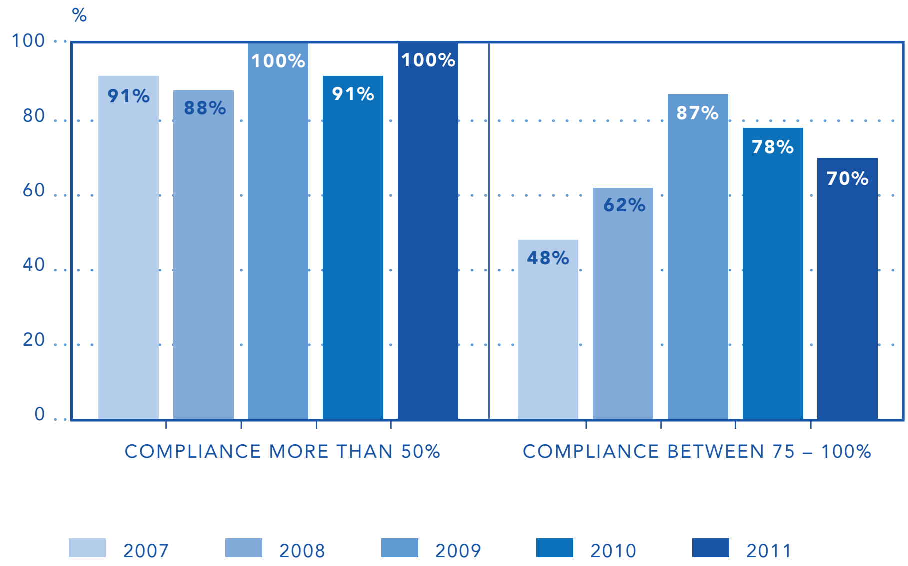
MANAGER'S REPORT

IFRS or local accounting standards do not address the requirements for information to be included in a director's report or financial review. These are generally determined by local laws and regulations and are therefore not included in the INREV Guidelines. However, the INREV Guidelines for annual reporting recommend that the Manager's Report should contain information relevant to gaining an understanding of the overall performance of the fund and factors that may affect performance in the future.

The core principles related to the Manager's Report consist of the disclosure of:

- Principal activities and review of business;
- Future developments;
- Macro-economic factors;
- Risks and opportunities;
- Post balance sheet events.

FIGURE 07 / MANAGEMENT REPORT



In this area 100% of the reports in the sample have adopted more than 50% of the guidelines compared with 91% in 2010, while 70% has adopted more than 75% (Figure 07). This second figure is a decrease compared with the 2010 review which was 78% but there does not appear to be any consistent reason for this drop.

With the current challenging market circumstances fund managers are aware of risks and disclose information on these extensively in the manager's report, which results in relatively high compliance scores even though they are slightly lower than in previous years.

However, improvements can still be made through further guidance on environmental matters and more details about property yields by sector and geography.

Improvements for environmental reporting will be supported through the INREV Sustainability Reporting Recommendations, which were published by INREV in January. These recommendations are designed to guide fund managers in determining the data they should be collecting in the area of sustainability and focus on four main categories: energy consumption, greenhouse gas emissions, water usage and waste disposal.

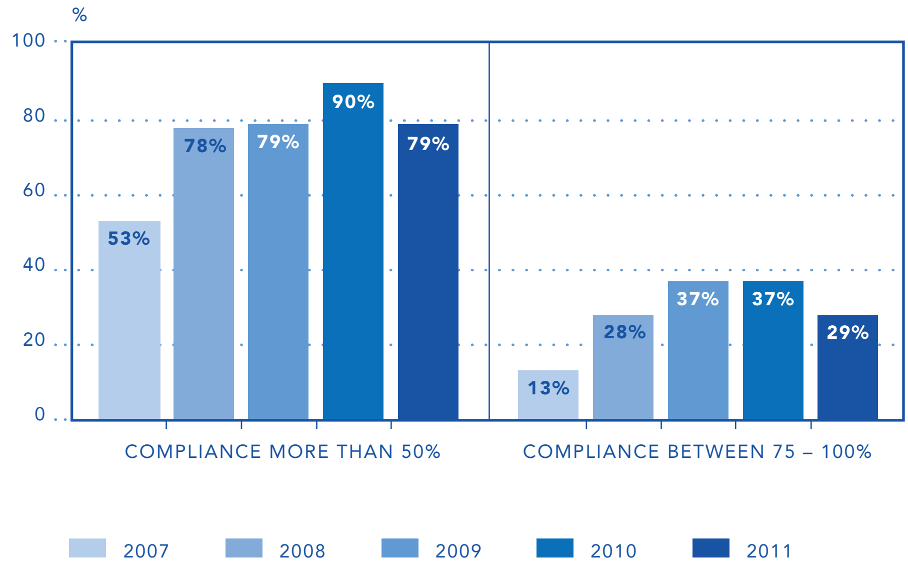
PROPERTY REPORT

This section concentrates on reporting performance at the asset level. The core principles of best practice focus on investment properties and development properties, and comparable information from the previous year should be provided where relevant.

The key items for investment properties are disclosures relating to market value, valuation changes, investments and divestments, rental growth and voids. The key items in relation to development properties are development strategy, development activities, changes in the development portfolio and committed expenditures for the development properties.

For the property report, 79% of the reports complied with more than 50% of the guidelines (Figure 08) compared with 90% in the 2010 review. The funds with compliance levels of 75% or more fell to 29%, just above the 2008 level. Compared with the General Information and the Manager's Report, the percentage of reports attaining the highest standards in property reporting was relatively low.

FIGURE 08 / PROPERTY REPORT



The table on page 24 shows the improvement areas for funds with compliance of less than 75% based on the reviews from 2010 and 2011.

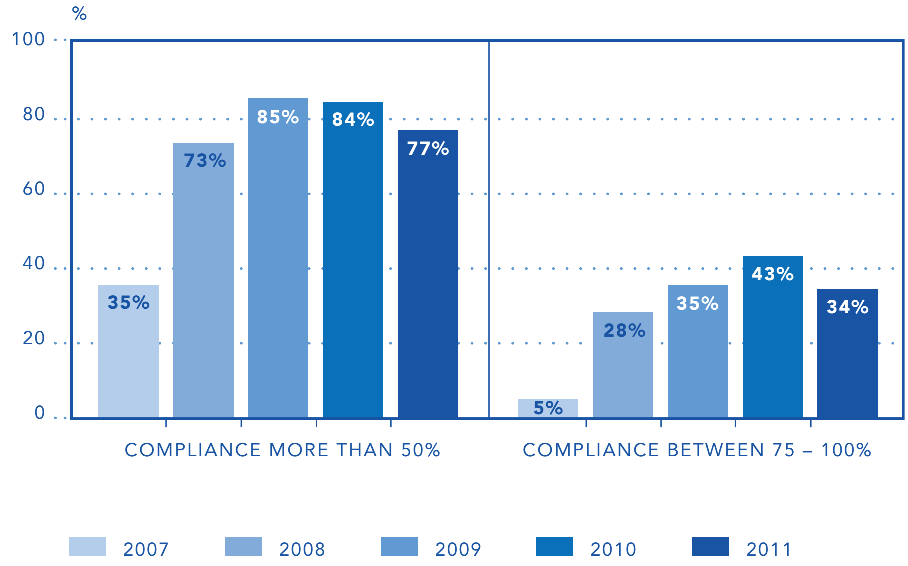
	REF	BEST PRACTICE RECOMMENDATIONS	% REVIEW 2011	% REVIEW 2010
	33	Disclose the total property revaluation amount and the significant properties separately.	**70**	**81**
	34	Provide an analysis of like for like movements of the valuation and by rental income on property held in current and comparative year. – Valuation. – Rental income.	 **41** **30**	 **40** **24**
	36	Provide commentary on rental growth	**56**	**69**
	37	Disclose the lease renewal profile, and include details of contracted rental increases. – Lease renewal profile. – Contracted rental increases.	 **39** **31**	 **46** **35**
	38	Provide commentary on new leases, and incentives offered. – Provide commentary on new leases – Incentives offered.	 **67** **51**	 **68** **51**
	39	A summary of the voids within the portfolios should be disclosed and the basis on which the void has been calculated. – A summary of the voids within the portfolios should be disclosed. – The basis on which the void has been calculated.	 **73** **46**	 **85** **60**
	46	Disclose tenant concentration, by either theoretical (ERV) or actual rental.	**54**	**62**
	47	Provide an analysis of rental income by type/industry etc of occupier in order to identify concentration risk.	**43**	**49**
	48	Provide an analysis of (gross and net) rental income by sector and/or location.	**50**	**56**
	49	Disclose average yields achieved, broken down to relevant segments.	**40**	**47**
	51	Provide an analysis of like for like movements of the valuation by systematic and market yield movement to distinguish value movement between general cap rate movements and that derived by the manager.	**4**	**9**

The review shows that fund managers need to disclose more information on contracted rental increases, new lease contracts and lease incentives offered. For example, some fund managers use a table with the ten most significant new contracts, while others describe the new rental agreements in the text. Fund managers do not always disclose the incentives offered for these contracts. About 73% discloses the voids in the portfolio but only 46% discloses the calculation method for the voids. In this year's review, there is a decrease in the disclosure for the revaluation for each property from 81% to 70%.

FINANCIAL REPORT

The INREV Best Practice Recommendations for financial statements encourage funds to include a management review that describes and explains the main features of the fund's financial performance and position. This covers the NAV of the fund and its debt structure, together with a risk analysis that relates to interest rate risks, foreign exchange exposures, and financial instruments.

FIGURE 09 / FINANCIAL REPORT



As with previous sections, reporting levels have once again slightly decreased, with 77% of the sample complying with at least half of the financial report guidelines, compared with 84% in 2010.

The table on page 26 shows the areas of improvement for those with compliance of less than 75% from the 2010 and 2011 reviews

	REF	BEST PRACTICE RECOMMENDATIONS	% REVIEW 2011	% REVIEW 2010
	53	Distributions per ownership interest.	66	74
	54	INREV NAV showing adjustments made.	39	37
	55	Details of the asset split (by sector/geography etc) as relevant to the Fund's assets.	41	46
	58	Explain the Fund's gearing policy.	44	65
	61	Discuss Fund financial ratios, for example, interest cover, debt to asset ratios and the Fund's general compliance with these. – Interest coverage.	56	69
	66	Details of actual gearing together with target gearing if relevant.	60	59
	67	Five year track record of the Fund.	39	53
	69	Comparison of the Fund's performance against relevant index.	19	25
	70	INREV Fee Metrics	13	9
	71	Disclose changes in net interest expense due to changes in interest rates and level of debt.	49	28

Compared with 2010, there are no significant changes other than a slight increase in INREV NAV disclosures, as discussed earlier in this report. There is however a significant decrease in the explanation of the gearing policy and an increase in disclosures for the movement in interest expenses and levels of debt. The increase in the disclosure of interest expenses and level of debt could be the result of a high number of IFRS reports in the sample, as IFRS 7 requires these disclosures. The decrease in gearing policy explanation is surprising in the current market with no obvious explanation.

FINANCIAL STATEMENTS

The INREV Guidelines recommend the provision of full GAAP financial statements to investors, as opposed to either a summary or simplified financial statements.

These should contain:

- Balance sheet;
- Income statement;
- Statement of changes in equity;
- Cash flow statement, and
- Notes to the financial statements.

The results show that 95% of the reports disclosed a full GAAP financial statement compared with 97% in the 2010 review.

6 CONCLUSION AND NEXT STEPS

This year's review has shown a stabilisation in the general levels of adoption of the INREV Guidelines but a slowing in the proportion of funds maintaining the higher adoption levels of 75% or more.

This demonstrates that overall high standards are being maintained but that the industry may have found its natural level in terms of adoption with this version of the INREV Guidelines.

Overall, 94% of funds have an adoption level of 50% or more of the reporting guidelines, although levels for those adopting 75% or more have fallen to 46% from 59%.

With an increase in the number of funds submitting information to the review for the first time, it may also be that the change in composition of the sample from the previous review is a factor in this decline. In addition, more of the documents submitted were quarterly reports or documents designed to meet only the funds' legal reporting requirements, which again may have influenced this year's compliance levels.

The requirements from the industry for a compliance framework that reflects adoption levels continues to be confirmed with 46% of funds now using INREV terms in their reports.

Fee metrics continues to be the low point for compliance with no significant improvement in the 2011 review. Feedback from fund managers points to changes being required for the expense ratios.

There is improvement in the level and quality of INREV NAV disclosures. In addition to tables with INREV overviews, more fund managers have improved transparency around the adjustments by providing additional disclosure and background.

However, there is room for improvement for funds disclosing the calculations behind INREV NAV. Different approaches continue to lead to divergence within the calculations that hinders widespread comparability and transparency.

Further progress could also be made in the Property Report. It has high levels of adoption for compliance of 50% or more of the principles, at 79%, but this falls to 29% when looking at compliance levels of 75% or more. There is a similar story for the Financial Report, where there are good levels of adoption for compliance with 50% or more of these principles, but when looking at compliance levels of 75% or more of the principles.

A final area where improvement could be made is on disclosures concerning valuation. This is becoming more important as investors want to ensure there are comparable valuation methods and is particularly the case for disclosures relating to valuation methods for properties under construction, and for investment and ground leases, as well as applicable input and market assumptions.

Next steps

INREV will spend the next 15 months reviewing the INREV Guidelines to ensure they are fit for purpose for an evolving industry. The work of the Review of Reporting Best Practice for this year and the trends across all five reports will provide input into this process.

This revision of the Guidelines is not expected to be wholesale but will be able to pinpoint areas of weakness to improve the applicability for the industry such as for fee metrics. In addition, new aspects such as sustainability can be brought into the document.

As part of this project, INREV will also look to provide guidance on quarterly reporting. Many of the documents put forward for this review were quarterly reports and the lower levels of compliance seen this year may be linked to the fact that there is no industry guidance on these documents for investors.

It is also worth noting the positive effect that the launch of the Standard Delivery Data Sheet (SDDS) is likely to have on the overall provision of reporting information to investors. The SDDS standardises the main quantitative contents of the quarterly reporting data which is passed from fund managers to investors. This is with the aim of streamlining the reporting process while providing more consistency and comparability. The SDDS was launched in October and more information can be found on the INREV website (*www.inrev.org*).

Fund managers can continue to assess their compliance by using the online self-assessment tool for reporting on the INREV website.

APPENDIX 1: UNIVERSE AND SAMPLE STATISTICS

TABLE A01 / TARGET LOCATION

	UNIVERSE		TOTAL REVIEW 2011	
STRATEGY	**COUNT**	**%**	**COUNT**	**%**
SINGLE COUNTRY	249	54	36	51
MULTI-COUNTRY	216	46	34	49
TOTAL	**465**	**100**	**70**	**100**

TABLE A02 / YEAR OF INCORPORATION

	UNIVERSE		TOTAL REVIEW 2011	
YEAR	**COUNT**	**%**	**COUNT**	**%**
≤ 2000	68	15	5	7
2001 – 2006	232	50	36	51
2007 – 2008	91	20	17	24
2009 – 2012	48	10	12	17
NOT DISCLOSED	26	6	0	0
TOTAL	**465**	**100**	**70**	**100**

TABLE A03 / ACCOUNTING PRINCIPLES

	UNIVERSE		TOTAL REVIEW 2011	
GAAP	**COUNT**	**%**	**COUNT**	**%**
IFRS	158	34	33	47
LOCAL GAAP	172	37	14	20
US GAAP	18	4	10	14
OTHER	67	14	13	19
N/A	50	11	0	0
TOTAL	**465**	**100**	**70**	**100**

APPENDIX 2: INREV COMPLIANCE FRAMEWORK

The Guidelines acknowledge that the underlying strategy, size and complexity of funds can differ considerably. This means the compliance framework does not differentiate between fund styles but rather provides a framework whereby investors and fund managers can agree on a clear scope of compliance.

The INREV Guidelines, and in particular the detailed disclosure requirements, will be most relevant to those funds that are closest to a core strategy. These funds are therefore most likely to fully implement the Guidelines compared with, for example, opportunity funds, which may prefer partial implementation.

To support these variations, the compliance framework allows investors and fund managers the flexibility to agree on a clear scope for compliance. INREV does not prescribe compliance with the INREV Guidelines, nor does it check whether funds comply with them.

The INREV Compliance Framework consists of eight modules:

1. Fund Launch;
2. Corporate Governance;
3. Property Valuations;
4. INREV Net Asset Value (NAV);
5. Fee Metrics;
6. Annual Reporting;
7. Data Contribution to INREV;
8. Secondary Markets.

For a fund's reporting to be fully compliant with the INREV Guidelines, all Principles and Best Practice Requirements should be adopted where relevant, with any departure from the Guidelines being explicitly disclosed and explained. It is expected that such departures will generally be rare and exceptional in nature and, otherwise, partial compliance should be adopted.

If a fund manager chooses to comply with selected INREV Guidelines, for example, INREV NAV, the disclosure should be made with reference to the relevant module of the INREV Compliance Framework to show the extent of the partial compliance.

All the Principles and INREV Best Practice Requirements relevant to each of the eight modules of the compliance framework must be complied with in order to be able to claim compliance with that individual module.

From the results of the review and recent trends in the market, it is clear that compliance with INREV Guidelines is becoming more important. During the launch phase, it is increasingly becoming a part of the standard information exchange and negotiation process that the fund manager, the fund processes and the fund reporting should be compliant with the INREV Guidelines.

INREV Compliance Framework

MODULE	PRINCIPLES AND BEST PRACTICE REQUIREMENTS	REFERENCE	OPTIONAL REVIEW / CONTROL
1	Fund launching documentation is clear and precise and covers, amongst other items, the commercial design of the fund, valuation, reporting and corporate governance frameworks, as well as secondary market transaction considerations.	2.4 Documentation	Self-review by fund manager (checked by those in charge of governance).
2	The managers, non-executive officers and investors adopt and follow the INREV Corporate Governance Principles Framework consisting of codes of conduct/roles and responsibilities and the status of such compliance is disclosed in the annual report.	2.2 Corporate governance 3.2 Ongoing corporate governance	Self-review by fund manager (checked by those in charge of governance).
3	Property valuations are performed in accordance with property valuation best practice requirements.	3.7.1 Property valuations	Self-review by fund manager (checked by those in charge of governance), external appraisers and auditor assurance.
4	The fund manager provides an adjusted NAV calculation in accordance with the INREV NAV best practice requirements.	3.7.2 INREV Net Asset Value	Self-review by fund manager (checked by those in charge of governance), and auditor assurance.
5	Total Expense Ratios, Real Estate Expense Ratios, Return Reduction Metrics, and other fee metrics are calculated and disclosed in accordance with the INREV Fee Metrics best practice requirements.	2.3.3 INREV Fee Metrics 3.7.3 INREV Fee Metrics	Self-review by fund manager (checked by those in charge of governance), and auditor assurance.
6	The annual report includes all reporting 'best practice requirements' disclosures.	3.7.4 Guidelines for annual reporting	Self-review by fund manager (checked by those in charge of governance), and auditor assurance.
7	The fund contributes data, as requested by INREV for inclusion in the INREV Vehicles Database and performance data, as requested by INREV for the INREV Index.	3.8 INREV Data Delivery	Self-review by fund managers (checked by investors).
8	The fund has adopted and applies the INREV Principles and codes of conduct, relating to secondary market transactions.	2.2.2 Corporate governance framework (Secondary market) 2.2.5 Secondary market considerations 4.2 Secondary market guidelines	Self-review by fund manager (checked by those in charge of governance).

APPENDIX 3: INREV GUIDELINES

Overall structure of the INREV Guidelines

CHAPTER 2 – LAUNCH	CHAPTER 3 – OPERATIONS	CHAPTER 4 – EXIT
CORPORATE GOVERNANCE	CORPORATE GOVERNANCE	CORPORATE GOVERNANCE
– Corporate governance principles and code of conduct – Side letters – Performance fee structure – Secondary market considerations	– Code of conduct and reporting	– Secondary market/manager and investor rights and obligations and code of conduct
VALUATION AND REPORTING FRAMEWORK	FINANCIAL REPORTING	
– Property valuations – Net Asset Value – Fee metrics – Annual reporting	– Property valuations – Net Asset Value – Fee metrics – Annual disclosures – INREV Data Delivery	
DOCUMENTATION		
– General consideration – Private Placement Memorandum – Questionnaire for investment valuation		

APPENDIX 4: GENERAL FINDINGS

TABLE A04 / GENERAL INFORMATION

	TOTAL REVIEW 2011	CORE	VALUE ADDED	OPPOR-TUNITY	SINGLE COUNTRY	MULTI-COUNTRY	≤ 2000	2001 – 2006	2007 – 2012	TOTAL REVIEW 2010
GENERAL INFO	%	%	%	%	%	%	%	%	%	%
GOVERNANCE, MANAGEMENT AND ADMINISTRATION	68	72	62	52	75	56	94	59	66	68
DOMICILE, LEGAL FORM AND STRUCTURE	83	80	92	69	90	73	95	80	79	83
INVESTMENT STAGE	93	84	85	100	83	91	86	82	93	93
CURRENT MONETARY COMMITMENTS	94	89	75	92	92	79	100	76	93	94
KEY MILESTONE DATES	82	62	80	69	72	65	100	65	66	82

TABLE A05 / MANAGER'S REPORT

	TOTAL REVIEW 2011	CORE	VALUE ADDED	OPPOR-TUNITY	SINGLE COUNTRY	MULTI-COUNTRY	≤ 2000	2001 – 2006	2007 – 2012	TOTAL REVIEW 2010
MANAGER'S REPORT	%	%	%	%	%	%	%	%	%	%
PRINCIPLE ACTIVITIES AND REVIEW OF BUSINESS	85	86	88	77	85	84	89	86	83	89
FUTURE DEVELOPMENTS	68	70	70	58	78	57	93	65	66	68
MACRO-ECONOMIC FACTORS	83	84	90	69	89	76	100	82	79	87
RISKS AND OPPORTUNITIES	73	81	80	38	69	76	100	76	62	85
POST BALANCE SHEET EVENTS	84	86	90	69	89	79	100	82	83	82

APPENDIX 5: INREV NAV TABLE

INREV NET ASSET VALUE (INREV NAV) FOR OPEN ENDED FUNDS

		TOTAL	PER SHARE*
	NAV as per the financial statements	**x**	**x**
	Effect of exercise of options, convertibles and other equity interests	(x)	(x)*
	Effect of not yet distributed dividend recorded as a liability (not included in equity)**	x	x*
	Diluted NAV, after the exercise of options, convertibles and other equity interest and the effect of not yet distributed dividend	**x**	**x***
a)	Revaluation to fair value of investment properties	x/(x)	x/(x)*
b)	Revaluation to fair value of self-constructed or developed investment property	x/(x)	x/(x)*
c)	Revaluation to fair value of property intended for sale	x/(x)	x/(x)*
d)	Fair value of property that is leased to tenants under a finance lease	x/(x)	x/(x)*
e)	Transfer taxes	x	x
f)	Fair value of financial instruments (fixed rate debt)	x/(x)	x/(x)*
g)	Deferred tax	x/(x)	x/(x)*
h)	Set-up costs	x/(x)	x/(x)*
i)	Acquisition expenses	x/(x)	x/(x)*
j)	Contractual fees	x/(x)	x/(x)*
k)	Tax effect of adjustments	x/(x)	x/(x)*
l)	Minority interest effects on the above adjustments	x/(x)	x/(x)*
	Diluted INREV NAV	**x**	**x***
	Number of shares / units issued	x	
	Number of shares / units issued taken dilution effect into account	x	

* Should be based on number of shares / units issued taking dilution effect into account.

** Under certain circumstances not yet distributed dividends are recorded as a liability, for the determination of the INREV NAV these not yet distributed dividend should be included in the calculation.

INREV