

INREV RESEARCH & MARKET INFORMATION

MANAGEMENT FEES AND TERMS STUDY 2014



INREV
STRAWINSKYLAAN 631
1077 XX AMSTERDAM
THE NETHERLANDS

T +31 (0)20 799 39 60
INFO@INREV.ORG
WWW.INREV.ORG

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1 INTRODUCTION

Welcome to INREV Management Fees and Terms Study 2014. This publication is the tenth edition of the study and analyses and compares the fee structures and fee levels of European non-listed real estate funds in 2013.

The INREV Fee Metrics guidelines, which are part of the INREV Guidelines, provide a methodology for the disclosure of fees and expenses of non-listed real estate funds. The aim of these guidelines is to allow for the comparison of fees and other fund costs. The Fees and expenses module has been updated as of April 2014 but as the fees questionnaire for this study was filled in prior to the update, not all parts are in accordance with the new guidelines. The Total Expense Ratio (TER) calculation methodology has also been updated in the INREV Guidelines. The calculation methodology and components of TER have changed but the end TER result calculated in this document is broadly comparable to the methodology in Guidelines. More information on the INREV Guidelines can be found in Appendix 2 or at www.inrev.org.

For the first time, the study collected actual costs on management fees, fund expenses and performance fees. This allowed INREV to calculate the TER for the funds instead of requesting TERs, as with previous studies. INREV then applies the same calculation methodology, resulting in comparable TER figures.

The report has also been brought into line with calendar year reporting with data for 2013 collected between February and April 2014. The publication is brought in line with other data products from INREV.

Chapter 2 of this report presents a short summary of the key findings of the analysis on the TER. Chapters 3 to 8 include tables with detailed information on various fund management fees, fund expenses, performance fees and property-specific costs.

To ensure data confidentiality, the average fee levels or other statistical indicators are only reported when data is available on at least three funds managed by a minimum of three fund managers. The cases where this is not possible are marked with a dash (-).

In some cases, average fee rates of groups with more than four funds and three fund managers have not been reported as it would have been possible to cross-calculate average fee levels for other smaller sample groups with less coverage. These cases are marked with an asterisk (*). Where a fund manager has reported a range of possible fee levels, for example 0.5 – 1.0% of gross asset value (GAV), the average of the range of values (0.75%) has been used in the calculation of average fee levels.

The INREV sample universe for this study consists of the 461 non-listed real estate funds listed in the INREV Vehicles Universe as of December 2013. In total, 305 funds participated in the study with 176 of those choosing to update their information. The remainder of the sample was updated in 2011 and 2012. Detailed description of the sample can be found in Appendix 1.

This is the first time that INREV collected this data by using the online INREV Vehicle Data Input tool. In the previous editions, data was collected through Excel questionnaires.

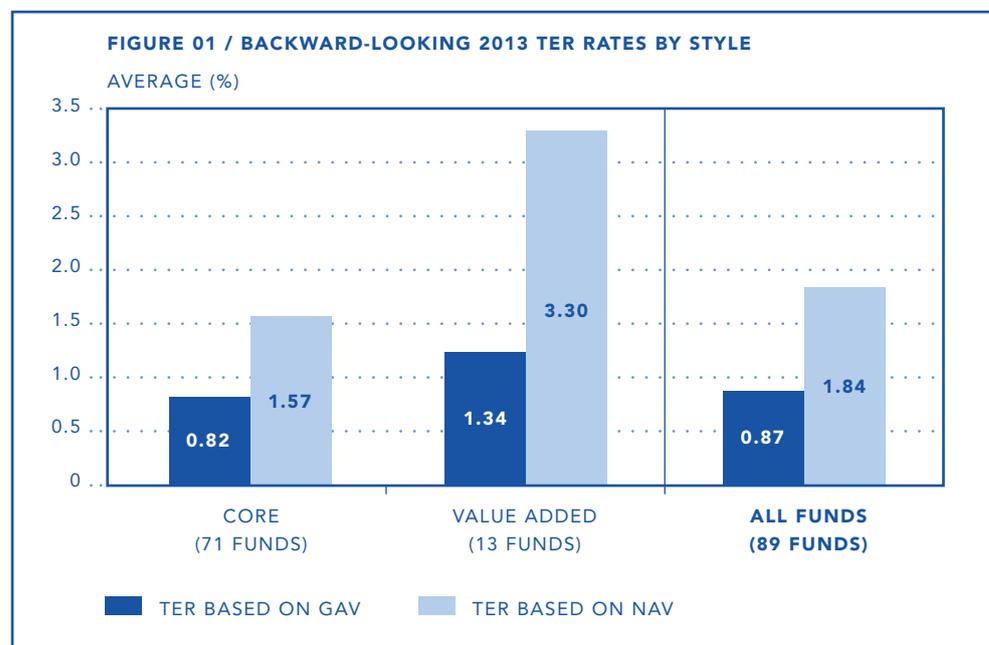
2 2013 OVERVIEW

Total Expense Ratio (TER)

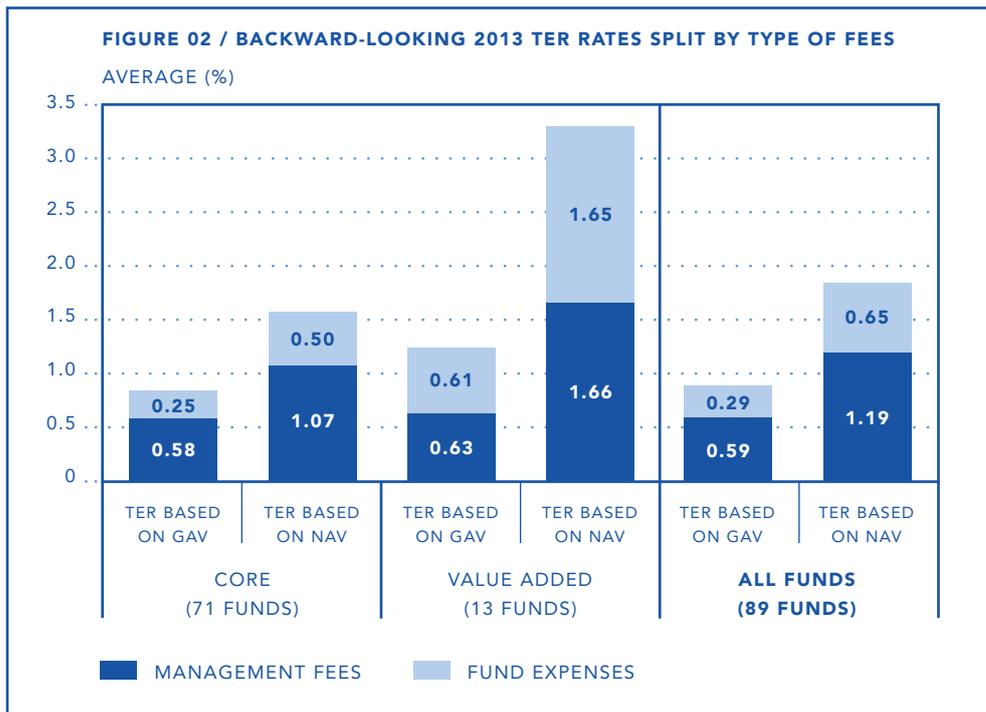
In this year's study, 89 funds delivered information on their management fees, fund expenses, performance fees, gross asset value (GAV) and net asset value (NAV), which allowed INREV to calculate the fund TERs. At 71 funds, the majority providing information were core with 13 value added funds and five opportunity funds.

Only the TERs based on GAV and NAV before performance fees were calculated as the majority of these funds did not charge any performance fees in 2013.

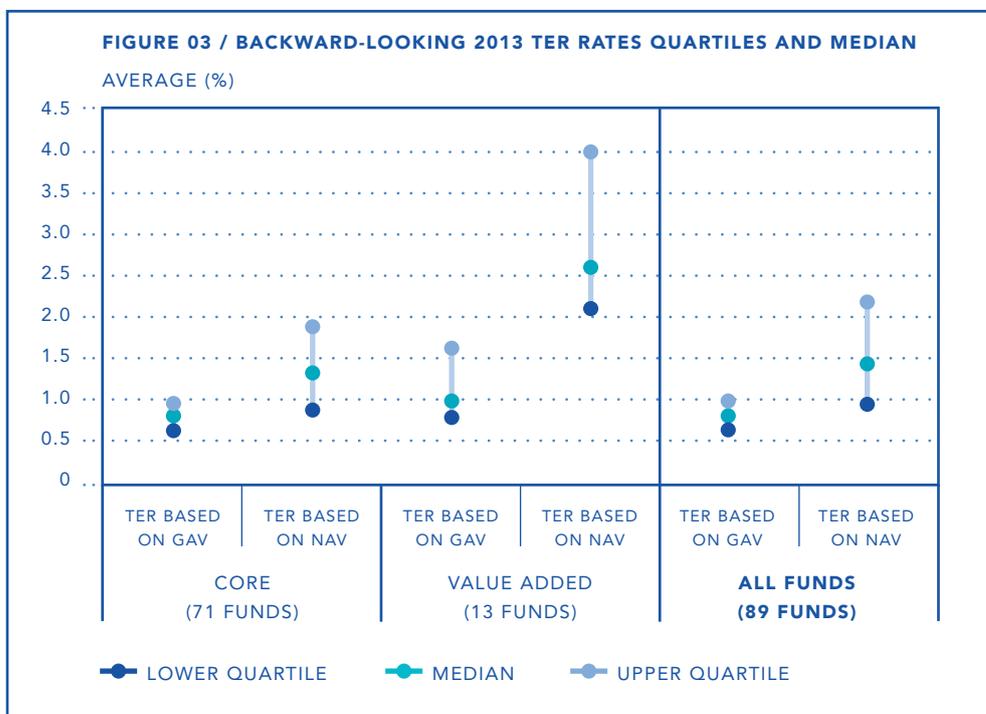
Figure 01 shows that non-listed real estate funds had a 0.87% TER based on GAV for 2013. It comes as no surprise that value added funds have a higher TER than core at 1.24% and 0.82% respectively. The sample for opportunity funds was too low to calculate a TER by style.



Based on NAV, core funds have a TER of 1.57% while value added funds were higher at 3.3%, which is a reflection of the greater leverage levels applied. The TER spread is higher for value added funds compared with core funds with the interquartile (the upper quartile minus the lower quartile) at 0.33% for core and 0.84% for value added (Figure 01).



When the TER based on GAV is split by management fees and fund expenses as in Figure 02, it can be seen that majority comes from the management fees. On average, non-listed property funds charged a 0.59% management fee and 0.29% for fund expenses. For core funds the split is 0.58% and 0.25% respectively and 0.63% and 0.61% for value added funds.



By structure, the TER based on GAV is lower for open end funds at 0.80% compared with 0.96% for closed end funds (Figure 04). These results can be linked to the style as all value added and opportunity funds are closed end while the majority of the core funds open end.

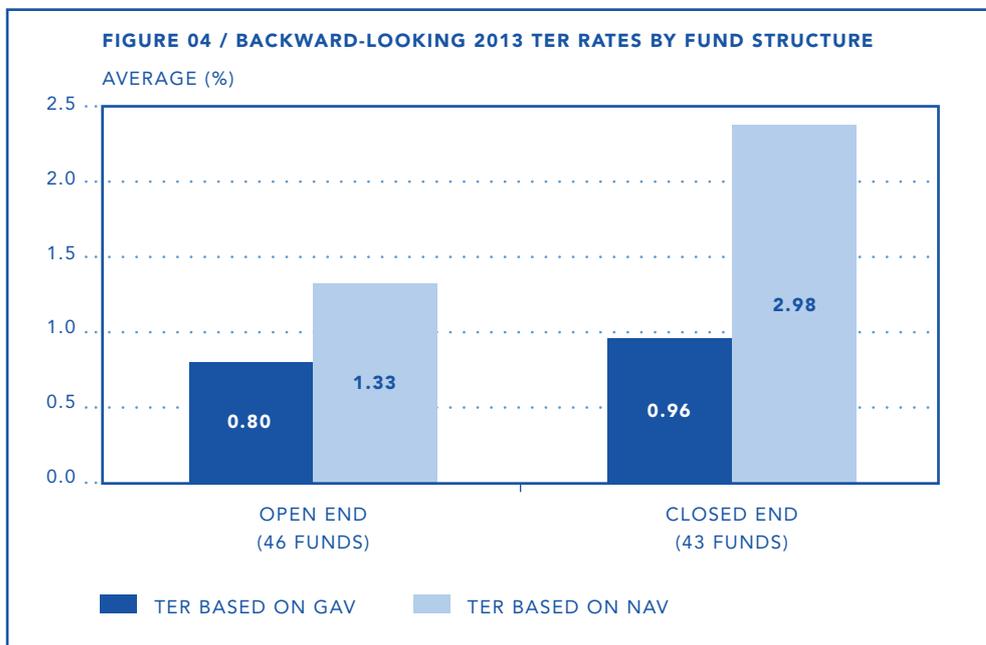
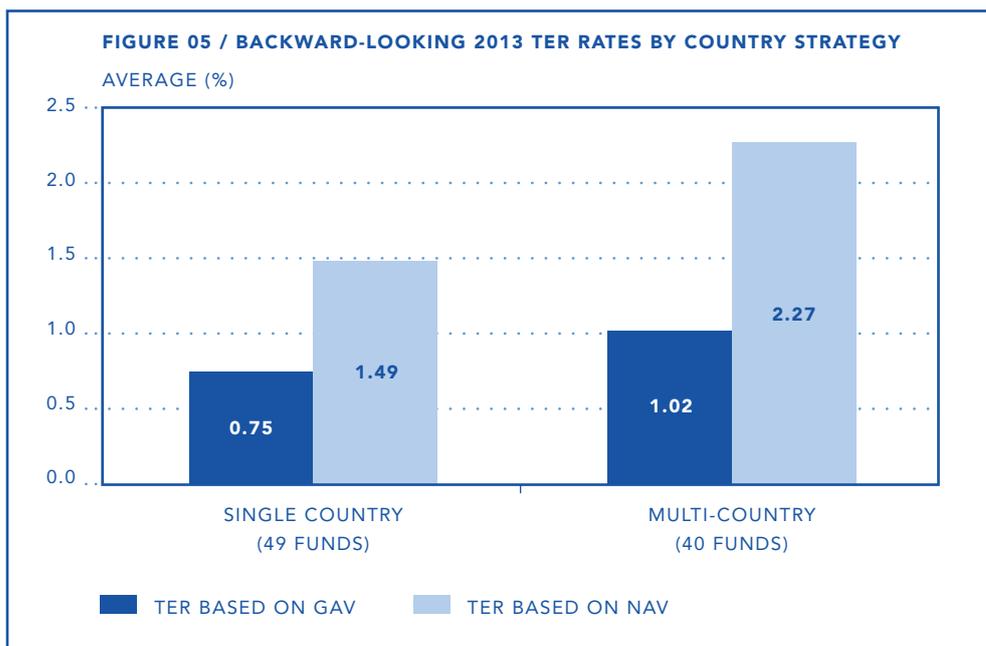


Figure 05 shows that that multi-country funds charge a higher TER based on GAV at 1.02% than single country funds at 0.75%. Multi-country funds from Central and Eastern European charge a TER of 1.72% compared with European at 0.93% and Nordic funds at 0.95% (Figure 06, page 06). However, it should be taken into account that the sample for Central and Eastern Europe is relatively small and almost all are value added.



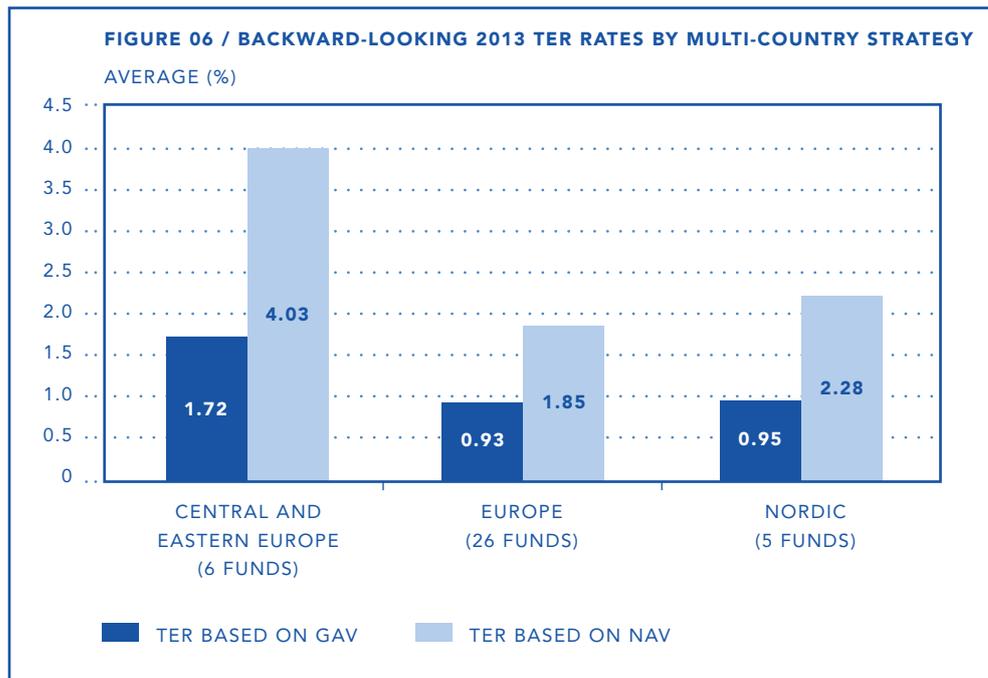
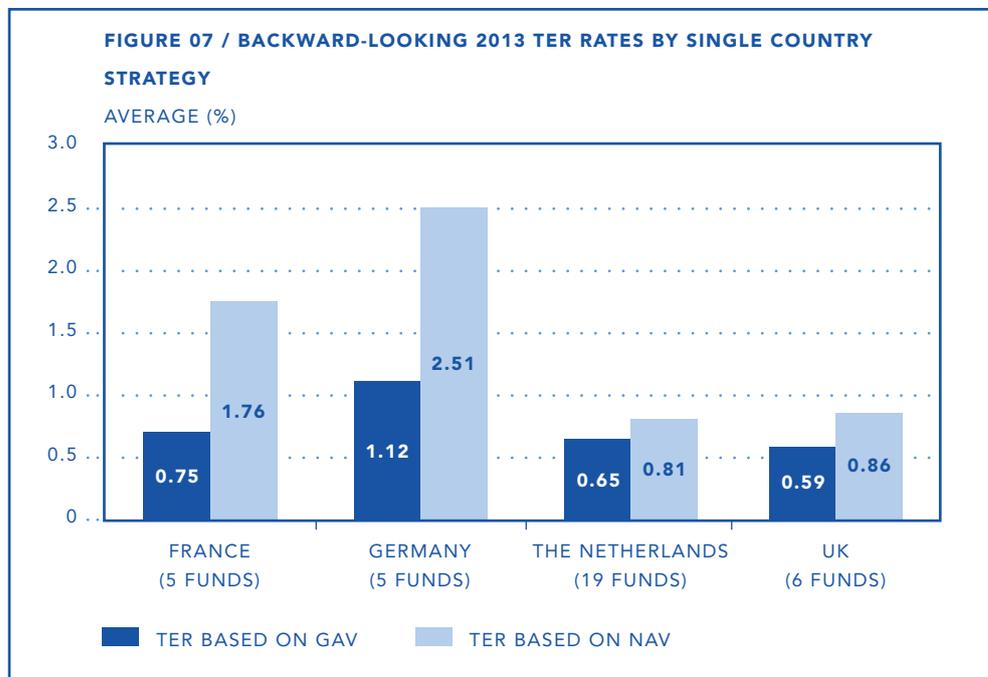
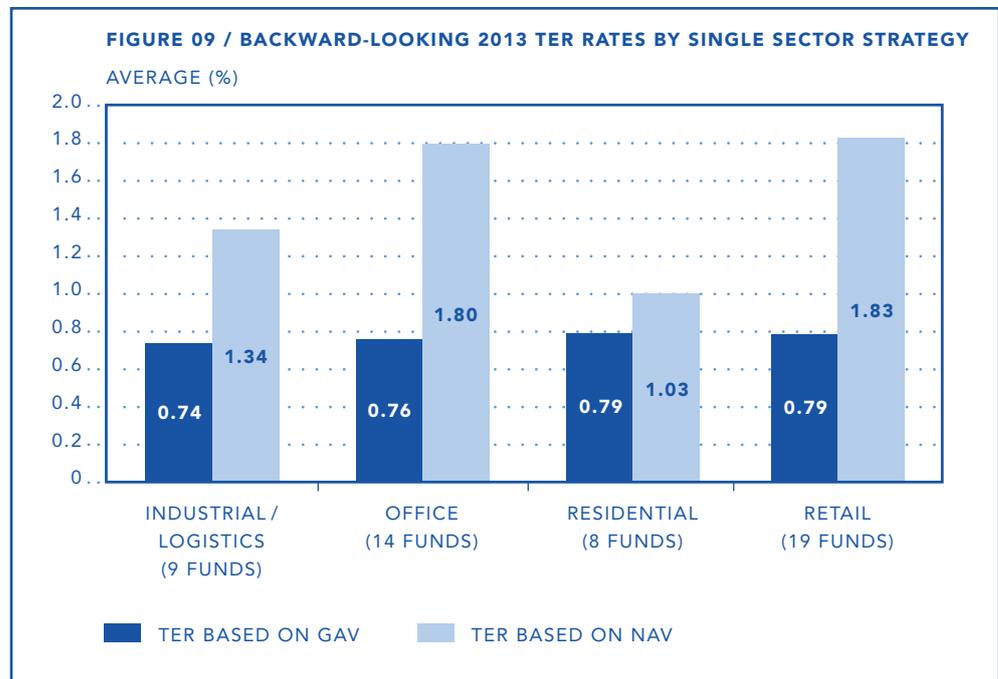
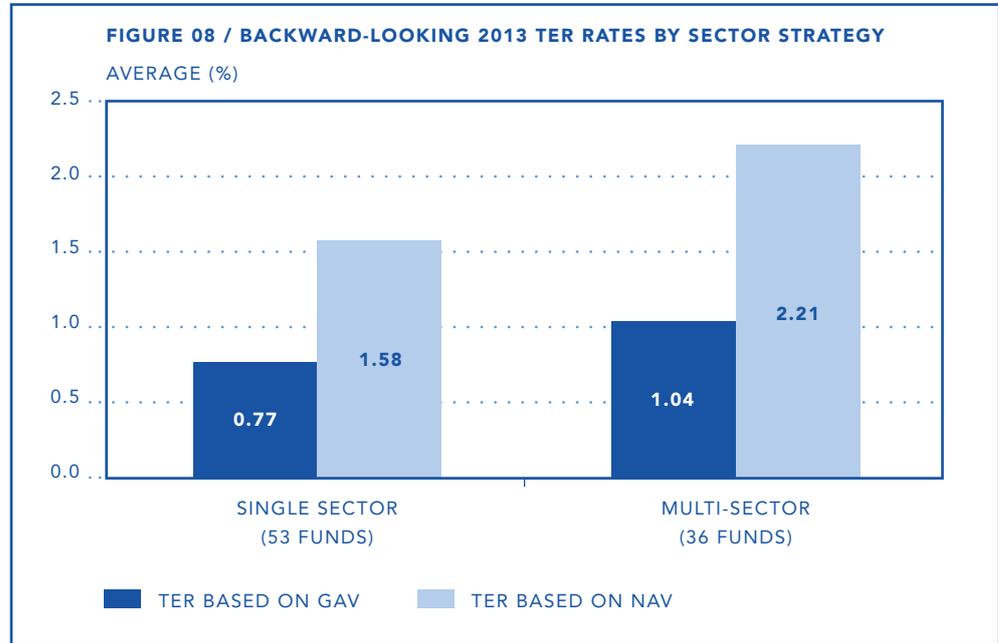


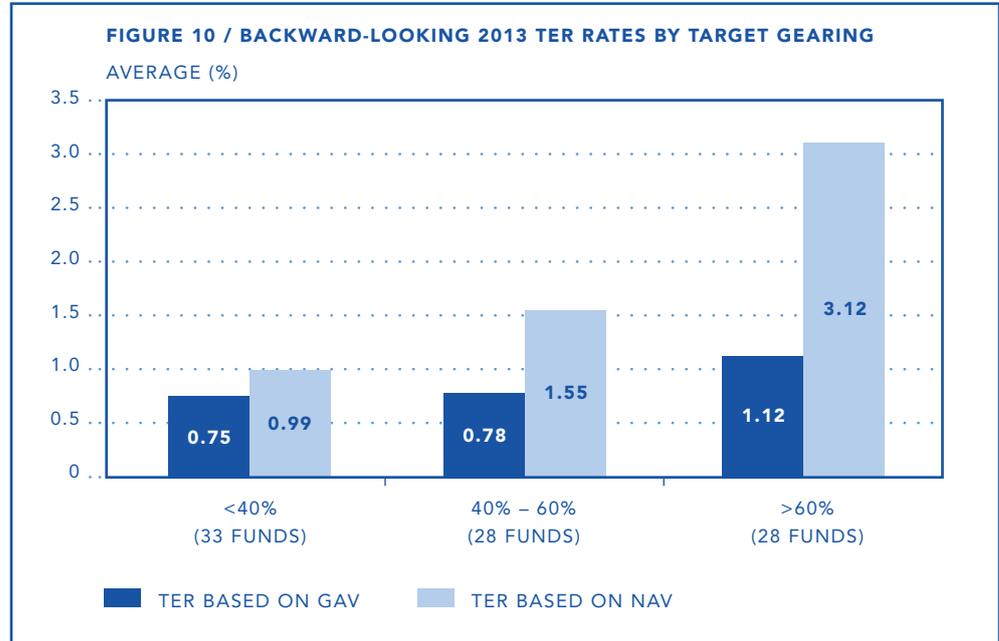
Figure 07 shows that for single country funds, similar level TERs are seen in the French, Dutch and UK funds at 0.75%, 0.65% and 0.59% respectively. The German funds that participated had a TER of 1.12% but these results should be analysed with caution as the sample is only based on five participating funds.



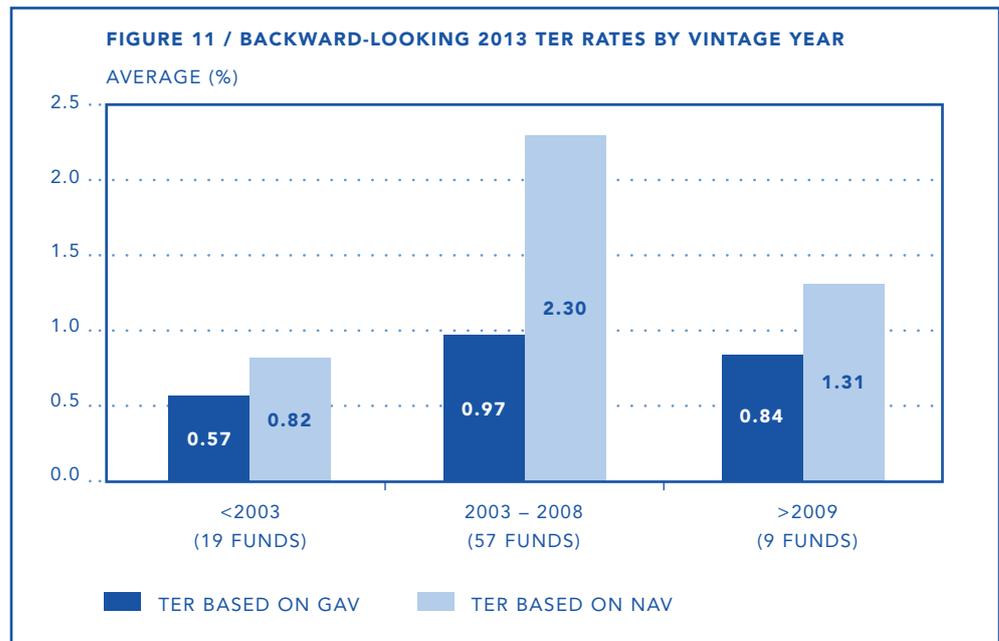
Single sector funds charge a lower TER based on GAV at 0.77% than multi-sector strategies at 1.04% (figure 08). The single sector funds have TERs which are similar across the uses with 0.74% for industrial/logistics funds, 0.76% for office funds and 0.79% for both residential and retail funds (Figure 09).



In Figure 10 the analysis by leverage shows that higher leveraged funds have a higher TER compared to lower leveraged funds. Funds with a gearing ratio below 40% had a 0.75% TER based on GAV, compared with 0.78% for funds with a gearing ratio between 40% – 60% and 1.12% for funds with a gearing ratio above 60%.



Finally, TERs by vintage, the results show that funds launched before 2003 have the lowest TER based on GAV in 2013 at 0.57%. This compares to a TER of 0.97% for funds with a vintage between 2003 and 2008 and a TER of 0.84% for funds launched after 2008.



3 TOTAL EXPENSE RATIO (TER)

TABLE 01 / BACKWARD-LOOKING 2013 TER RATES BY STYLE								
	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
NAV-BASED TER	71	1.57	13	3.30	5	–	89	1.84
GAV-BASED TER	71	0.82	13	1.24	5	–	89	0.87

TABLE 02 / BACKWARD-LOOKING 2013 TER RATES BY STYLE: MEAN, MEDIAN AND QUANTILES						
	NAV-BASED TER			GAV-BASED TER		
	CORE	VALUE ADDED	OPPORTUNITY	CORE	VALUE ADDED	OPPORTUNITY
# FUNDS	71	13	5	71	13	5
UPPER QUANTILE	1.88	4.00	–	0.95	1.63	–
MEAN	1.24	3.30	–	0.82	1.24	–
MEDIAN	1.32	2.64	–	0.80	0.98	–
LOWER QUANTILE	0.88	2.11	–	0.63	0.79	–

TABLE 03 / BACKWARD-LOOKING 2013 TER RATES BY FUND STRUCTURE						
	CLOSED END		OPEN END		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
NAV-BASED TER	43	2.38	46	1.33	89	1.84
GAV-BASED TER	43	0.96	46	0.80	89	0.87

TABLE 04 / BACKWARD-LOOKING 2013 TER RATES BY TARGET GEARING				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
<40%	33	0.99	33	0.75
40% – 60%	28	1.55	28	0.78
>60%	28	3.12	28	1.12

TABLE 05 / BACKWARD-LOOKING 2013 TER RATES BY SINGLE COUNTRY / MULTI-COUNTRY						
	SINGLE COUNTRY FUNDS		MULTI-COUNTRY FUNDS		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
NAV-BASED TER	49	1.49	40	2.27	89	1.84
GAV-BASED TER	49	0.75	40	1.02	89	0.87

TABLE 06 / BACKWARD-LOOKING 2013 TER RATES BY TARGET REGION				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
CENTRAL AND EASTERN EUROPE	6	4.03	6	1.72
EUROPE	26	1.85	26	0.93
NORDIC	5	2.28	5	0.95
SOUTHERN EUROPE	2	–	2	–
WESTERN EUROPE	1	–	1	–

TABLE 07 / BACKWARD-LOOKING 2013 TER RATES BY TARGET COUNTRY				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
FINLAND	3	–	3	–
FRANCE	5	1.76	5	0.75
GERMANY	5	2.51	5	1.12
ITALY	8	–	8	–
THE NETHERLANDS	19	0.81	19	0.65
SPAIN	1	–	1	–
SWEDEN	1	–	1	–
SWITZERLAND	1	–	1	–
UK	6	0.86	6	0.59

TABLE 08 / BACKWARD-LOOKING 2013 TER RATES BY VINTAGE				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
<2003	19	0.82	19	0.57
2003 – 2008	57	2.30	57	0.97
2009 – 2012	9	1.31	9	0.84

TABLE 09 / BACKWARD-LOOKING 2013 TER RATES BY SINGLE SECTOR / MULTI-SECTOR				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
SINGLE SECTOR	53	1.58	53	0.77
MULTI-SECTOR	36	2.21	36	1.04

TABLE 10 / BACKWARD-LOOKING 2013 TER RATES BY SINGLE SECTOR				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
INDUSTRIAL / LOGISTICS	9	1.34	9	0.74
OFFICE	14	1.80	14	0.76
RESIDENTIAL	8	1.03	8	0.79
RETAIL	19	1.83	19	0.79
HEALTHCARE	2	-	2	-
STUDENT HOUSING	1	-	1	-

TABLE 11 / BACKWARD-LOOKING 2013 TER RATES BY FUND SIZE				
	NAV-BASED TER		GAV-BASED TER	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
0 – 499	23	1.88	23	0.89
500 – 999	31	1.75	31	0.86
1000 – 1499	13	2.50	13	0.82
1500 – 1999	11	1.49	11	1.01
≥2000	11	1.56	11	0.82

4 MANAGEMENT FEES

TABLE 12 / FUND MANAGEMENT FEES REPORTED BY STYLE								
	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
AQUISITION FEES	115	62	40	45	4	14	159	52
ASSET MANAGEMENT FEES	82	46	41	46	8	29	131	44
COMMITMENT FEES	6	4	4	5	1	4	11	4
DEBT ARRANGEMENT FEES	9	5	3	3	4	14	16	6
DISPOSAL FEES	91	53	18	21	3	11	112	39
FUND MANAGEMENT FEES	165	90	77	87	22	79	264	88
PROJECT MANAGEMENT FEES	38	22	12	14	7	25	57	20
PROPERTY ADVISER FEES	20	12	12	14	3	11	35	13
DEAD DEAL FEES	20	12	5	6	6	21	31	11
ALL FUNDS	186		91		28		305	

TABLE 13 / ANNUAL FUND MANAGEMENT FEE RATES AND BASIS BY STYLE								
	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
COMMITMENT	2	-	2	-	2	-	6	1.52
DRAWN COMMITMENT	2	-	6	1.62	5	1.50	13	1.48
GAV	85	0.57	44	0.68	0	-	129	0.61
NAV	35	0.79	9	0.89	0	-	44	0.81
PROPERTY VALUE	25	0.49	5	0.41	0	-	30	0.48
RENT	3	4.59	2	-	0	-	5	3.95
OTHER	11	0.58	5	0.56	13	1.43	29	0.96
NOT REPORTED / RATE NOT REPORTED	2	-	4	-	2	-	8	-
NO FUND MANAGEMENT FEE	19	-	12	-	6	-	37	-
TOTAL	184		89		28		301	

TABLE 14 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY TARGET INVESTORS IN THE FUND		
	# FUNDS	AVERAGE (%)
INSTITUTIONAL INVESTORS ONLY	117	0.59
INSTITUTIONAL AND RETAIL INVESTORS	12	0.74

TABLE 15 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY VINTAGE AND STYLE

	CORE		VALUE ADDED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
<2003	12	0.58	5	0.98	17	0.70
2003 – 2008	63	0.57	39	0.64	102	0.60
2009 – 2013	9	0.56	0	–	9	0.56
YEAR NOT REPORTED	1	–	0	–	1	–
TOTAL	85	0.57	44	0.68	129	0.61

TABLE 16 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY VINTAGE: MEAN, MEDIAN AND QUANTILES: ALL FUNDS

	<2003	2003 – 2004	2005 – 2006	2007 – 2008	2009 – 2012
# FUNDS	17	22	44	36	9
UPPER QUARTILE	0.85	0.68	0.75	0.75	0.55
MEAN	0.70	0.58	0.63	0.57	0.56
MEDIAN	0.60	0.50	0.60	0.60	0.50
LOWER QUARTILE	0.40	0.46	0.44	0.46	0.45

TABLE 17 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY COUNTRY ALLOCATIONS AND STYLE

	CORE		VALUE ADDED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
EASTERN AND CENTRAL EUROPE	2	–	2	–	4	0.83
EUROPE	18	0.58	13	0.69	31	0.63
NORDIC	4	0.66	2	–	6	*
SOUTHERN EUROPE	0	–	1	–	1	–
WESTERN EUROPE	1	–	1	–	2	–
ALL MULTI-COUNTRY FUNDS	25	0.63	19	0.74	44	0.68
UK	12	0.49	8	0.66	20	0.55
THE NETHERLANDS	10	0.60	1	–	11	*
GERMANY	11	0.55	5	0.58	16	0.56
ITALY	12	0.57	5	0.52	17	0.55
OTHER SINGLE COUNTRY FUNDS	14	0.55	6	0.73	20	0.60
ALL SINGLE COUNTRY FUNDS	59	0.55	25	0.63	84	0.57
NO TARGET REGION/ COUNTRY REPORTED	1	–	0	–	1	–
TOTAL	85	0.57	44	0.68	129	0.61

TABLE 18 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) OF CORE FUNDS BY TARGET SECTOR: MEAN, MEDIAN AND QUARTILES

CORE FUNDS	SINGLE SECTOR	MULTI-SECTOR
# FUNDS	47	38
UPPER QUARTILE	0.60	0.75
MEAN	0.54	0.61
MEDIAN	0.51	0.55
LOWER QUARTILE	0.40	0.40

TABLE 19 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) OF VALUE ADDED FUNDS BY TARGET SECTOR: MEAN, MEDIAN AND QUARTILES

VALUE ADDED FUNDS	SINGLE SECTOR	MULTI-SECTOR
# FUNDS	25	19
UPPER QUARTILE	0.75	0.83
MEAN	0.64	0.72
MEDIAN	0.60	0.70
LOWER QUARTILE	0.50	0.50

TABLE 20 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY SECTOR AND STYLE

	CORE		VALUE ADDED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
MULTI-SECTOR	38	0.61	19	0.72	57	0.65
INDUSTRIAL / LOGISTICS	6	0.44	6	0.81	12	0.62
OFFICE	12	0.56	5	0.46	17	0.53
RESIDENTIAL	8	0.52	0	–	8	0.52
RETAIL	17	0.59	12	0.66	29	0.62
OTHER SINGLE SECTOR	4	0.49	2	–	6	*
TOTAL	85	0.57	44	0.68	129	0.61

TABLE 21 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY STYLE: MEAN, MEDIAN AND QUARTILES

	CORE	VALUE ADDED
# FUNDS	85	44
UPPER QUARTILE	0.75	0.80
MEAN	0.57	0.68
MEDIAN	0.55	0.64
LOWER QUARTILE	0.40	0.50

TABLE 22 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY TARGET GAV AND STYLE

	CORE		VALUE ADDED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
0 – 499	24	0.64	19	0.67	43	0.65
500 – 999	15	0.55	14	0.65	29	0.60
1000 – 1499	16	0.62	9	0.76	25	0.67
1500 – 1999	14	0.46	2	–	16	*
≥2000	16	0.53	0	–	16	0.53
TOTAL	85	0.57	44	0.68	129	0.61

TABLE 23 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON GAV) BY FUND STRUCTURE AND STYLE

	CORE		VALUE ADDED		ALL FUNDS	
FEE BASIS	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
CLOSED END	35	0.60	41	0.67	76	0.64
OPEN END	50	0.55	3	0.78	53	0.57
TOTAL	85	0.57	44	0.68	129	0.61

TABLE 24 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON NAV) BY STYLE: MEAN, MEDIAN AND QUARTILES

	CORE	VALUE ADDED
# FUNDS	35	9
UPPER QUARTILE	1.00	1.40
MEAN	0.79	0.89
MEDIAN	0.75	0.65
LOWER QUARTILE	0.45	0.50

TABLE 25 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON DRAWN COMMITMENT): MEAN, MEDIAN AND QUARTILES

	ALL FUNDS
# FUNDS	13
UPPER QUARTILE	1.50
MEAN	1.48
MEDIAN	1.50
LOWER QUARTILE	1.40

TABLE 26 / ANNUAL FUND MANAGEMENT FEE RATES (BASED ON PROPERTY VALUE): MEAN, MEDIAN AND QUARTILES	
	ALL FUNDS
# FUNDS	30
UPPER QUARTILE	0.60
MEAN	0.48
MEDIAN	0.50
LOWER QUARTILE	0.38

TABLE 27 / ANNUAL ASSET MANAGEMENT FEE BASIS AND RATES		
	# FUNDS	AVERAGE (%)
COMMITMENT	3	1.83
DRAWN COMMITMENT	3	1.23
GAV	24	0.50
NAV	3	-
PROPERTY VALUE	11	0.93
RENT	14	2.17
OTHER	10	1.03

TABLE 28 / ACQUISITION FEE BASIS AND RATES		
	# FUNDS	AVERAGE (%)
GAV	17	1.07
NAV	2	-
PROPERTY VALUE	19	1.01
TRANSACTION PRICE	101	0.96
OTHER	9	1.36

TABLE 29 / DISPOSAL FEE BASIS AND RATES		
	# FUNDS	AVERAGE (%)
GAV	13	0.88
TRANSACTION PRICE	69	0.91
PROPERTY VALUE	6	1.04
OTHER	11	1.05

TABLE 30 / FUNDS THAT CHARGE DIFFERENT FEES DURING AND AFTER THE COMMITMENT PERIOD

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
REPORT SEPARATE FEE STRUCTURE DURING COMMITMENT PERIOD	9	5	13	16	11	46	33	12
DO NOT REPORT SEPARATE FEE STRUCTURE DURING COMMITMENT PERIOD	155	95	70	84	13	54	238	88

TABLE 31 / MANAGEMENT FEES REPORTED DURING COMMITMENT PERIOD BY STYLE¹

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
ACQUISITION FEES	6	3	3	3	2	7	11	4
ASSET MANAGEMENT FEES	5	3	3	3	1	4	9	3
COMMITMENT FEES	2	1	4	4	2	7	8	3
DEBT ARRANGEMENT FEES	3	2	0	0	2	7	5	2
DISPOSAL FEES	5	3	0	0	1	4	6	2
FUND MANAGEMENT FEES	8	4	8	9	10	36	26	9
PROJECT MANAGEMENT FEES	3	2	0	0	3	11	6	2
PROPERTY ADVISER FEES	1	1	0	0	1	4	2	1
DEAD DEAL FEES	1	1	2	2	1	4	4	1
TOTAL	34		20		23		77	

1) PERCENTAGES ARE CALCULATED USING THE TOTAL NUMBER OF FUNDS IN THE SAMPLE

TABLE 32 / FUND MANAGEMENT FEE RATES DURING COMMITMENT PERIOD BY STYLE

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
BASIS	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
GAV	1	-	1	-	0	-	2	-
COMMITMENT	2	-	5	1.36	8	1.59	15	*
NAV	3	-	0	-	0	-	3	-
DRAWN COMMITMENT	0	-	0	-	1	-	1	-
PROPERTY VALUE	1	-	0	-	0	-	1	-
OTHER	1	-	2	-	1	-	4	-
TOTAL	8		8		10		26	

TABLE 33 / FUND MANAGEMENT FEE RATES DURING COMMITMENT PERIOD FOR OPPORTUNITY FUNDS: MEAN, MEDIAN AND QUARTILES

	COMMITMENT
# FUNDS	10
UPPER QUARTILE	1.59
MEAN	1.54
MEDIAN	1.50
LOWER QUARTILE	1.50

5 PERFORMANCE FEES

TABLE 34 / REPORTING OF PERFORMANCE FEES BY INVESTMENT STYLE ¹								
	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
CHARGE PERFORMANCE FEES	128	71	81	90	28	100	237	80
DO NOT CHARGE PERFORMANCE FEES	52	29	9	10	0	0	61	20
TOTAL	180	100	90	100	28	100	298	100

1) SEVEN FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 35 / REPORTING OF PERFORMANCE FEES BY FUND STRUCTURE						
	OPEN END		CLOSED END		ALL FUNDS	
	# FUNDS	% OF STRUCTURE	# FUNDS	% OF STRUCTURE	# FUNDS	% OF FUNDS
ONLY AT TERMINATION OF THE FUND	7	10	79	48	86	36
ONLY PERIODICALLY, DURING THE LIFE OF THE FUND	60	83	48	29	108	46
BOTH	3	4	38	33	41	17
NOT REPORTED	2	3	0	0	2	1
TOTAL	72	100	165	100	237	100

TABLE 36 / HURDLE RATES (IRR) OF PERIODIC PERFORMANCE FEES BY STYLE WITH NO CATCH-UP								
	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
1 ST HURDLE RATE	17	7.78	13	9.81	2	-	32	*
1 ST HURDLE PERFORMANCE FEE	17	19.61	13	23.38	2	-	32	*
2 ND HURDLE RATE	1	-	3	-	0	-	4	-
2 ND HURDLE PERFORMANCE FEE	1	-	3	-	0	-	4	-

TABLE 37 / BASIS OF PERIODIC PERFORMANCE FEES BY STYLE¹

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STRUCTURE	# FUNDS	% OF STRUCTURE	# FUNDS	% OF STRUCTURE	# FUNDS	% OF FUNDS
IRR	28	33	24	63	12	71	64	46
TOTAL RETURN	11	13	5	13	5	29	21	15
IRR / TOTAL RETURN RELATIVE TO BENCHMARK	28	33	3	8	0	0	31	22
INCOME RETURN	2	2	1	3	0	0	3	2
OTHER	16	19	5	13	0	0	21	15
TOTAL	85	100	38	100	17	100	140	100

1) NINE FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 38 / APPLICATION OF CATCH-UP CLAUSES¹

CATCH-UP CLAUSE	# FUNDS	% OF FUNDS
YES	30	13
NO	195	87
TOTAL	225	100

1) 12 FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 39 / APPLICATION OF CLAWBACK CLAUSES¹

CLAWBACK CLAUSE	# FUNDS	% OF FUNDS
YES	44	19
NO	182	81
TOTAL	226	100

1) 11 FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 40 / HURDLE RATES (IRR) OF PERFORMANCE FEES AT TERMINATION BY STYLE WITH NO CATCH-UP

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
1 ST HURDLE RATE	34	8.89	35	10.44	5	13.00	74	9.90
1 ST HURDLE PERFORMANCE FEE	34	17.76	29	20.41	5	27.00	68	19.57
2 ND HURDLE RATE	11	12.09	15	15.06	4	19.50	30	14.57
2 ND HURDLE PERFORMANCE FEE	10	26.00	15	29.22	4	35.00	29	28.91

TABLE 41 / BASIS OF PERFORMANCE FEES AT TERMINATION BY STYLE¹

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STRUCTURE	# FUNDS	% OF STRUCTURE	# FUNDS	% OF STRUCTURE	# FUNDS	% OF FUNDS
IRR	39	89	40	73	9	60	88	77
TOTAL RETURN	2	5	9	16	4	27	15	13
IRR / TOTAL RETURN RELATIVE TO BENCHMARK	0	0	4	7	0	0	4	4
OTHER	3	7	1	2	1	7	5	4
INCOME RETURN	0	0	1	2	0	0	1	1
CAPITAL GAINS	0	0	0	0	1	7	1	1
TOTAL	44	100	55	100	15	100	114	100

1) 13 FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 42 / PERFORMANCE FEES BASED ON REALISED VS. UNREALISED RETURNS¹

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
REALISED RETURNS	40	43	22	48	20	95	82	51
UNREALISED RETURNS	14	15	7	15	0	0	21	13
COMBINATION OF BOTH	40	43	17	37	1	5	58	36
ALL FUNDS	94	100	46	100	21	100	161	100

1) 76 FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 43 / PERFORMANCE FEES CALCULATED AND PAID, BY VINTAGE, CLOSED END FUNDS

	ONLY PERIODICALLY		ONLY AT TERMINATION		BOTH		TOTAL
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS
<2008	44	92	57	72	29	76	130
2008 – 2012	4	8	20	25	7	18	31
NO VINTAGE YEAR AVAILABLE	0	0	2	3	2	5	4
ALL FUNDS	48	100	79	100	38	100	165

6 INITIAL CHARGES

TABLE 44 / PLACEMENT FEE BY STYLE			
	YES	NO	TOTAL
CORE	5	169	174
VALUE ADDED	17	73	90
OPPORTUNITY	3	25	28
TOTAL	25	267	292

TABLE 45 / PLACEMENT FEE RATES¹		
	# FUNDS	AVERAGE (%)
COMMITMENT	14	2.03
DRAWN COMMITMENT	2	–
GAV	1	–
NAV	2	–
OTHER	4	–
TOTAL	23	1.82

1) TWO FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 46 / PLACEMENT FEE RATES BY STYLE		
	# FUNDS	AVERAGE (%)
CORE	5	0.95
VALUE ADDED	14	1.68
OPPORTUNITY	3	–
TOTAL	22	*

* THREE FUNDS HAVE NOT RESPONDED TO THIS QUESTION

TABLE 47 / SUBSCRIPTION FEE BY STYLE			
	YES	NO	TOTAL
CORE	26	153	179
VALUE ADDED	8	82	90
OPPORTUNITY	1	27	28
TOTAL	35	262	297

TABLE 48 / SUBSCRIPTION FEE RATES¹		
	# FUNDS	AVERAGE (%)
COMMITMENT	10	2.51
DRAWN COMMITMENT	5	1.95
GAV	1	-
NAV	10	3.68
TOTAL	26	2.95

1) NINE FUNDS HAVE NOT RESPONDED TO THIS QUESTION

7 FUND EXPENSES

TABLE 49 / FUND EXPENSES BY STYLE¹

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
ADMINISTRATION FEES	105	59	69	77	23	82	197	67
AMORTISATION OF FORMATION EXPENSES	26	15	44	51	16	57	86	30
AUDIT FEES	156	87	89	99	26	93	271	91
BANK CHARGES	133	76	81	90	23	82	237	81
CUSTODIAN FEES	110	61	39	43	12	48	161	55
DEAD DEAL COSTS	88	53	49	63	21	84	158	59
DEPOSITORY FEES	53	31	14	16	8	31	75	26
DIRECTORS' EXPENSES / FEES	30	17	39	44	20	71	89	31
DISTRIBUTION FEES	12	7	17	19	8	29	37	13
LEGAL FEES	130	73	82	92	25	89	237	81
MARKETING FEES	41	24	24	27	10	36	75	26
PRINTING / PUBLICATION FEES	109	62	46	51	13	46	168	57
PROFESSIONAL FEES	101	59	70	79	20	71	191	66
REGULATORY / STATUTORY FEES	72	41	62	70	17	61	151	51
SECRETARIAL FEES	25	14	31	34	12	43	68	23
SET-UP FEES	53	31	63	71	20	71	136	47
TAXES RELATED TO THE OPERATION OF THE FUND AND FINANCING STRUCTURE	104	60	58	65	17	65	179	62
TRUSTEE FEES	37	22	19	22	8	30	64	23
VALUATION FEES	156	87	81	90	23	82	260	88
WIND-UP FEES	40	23	41	47	15	54	96	33
OTHER / MISCELLANEOUS / SUNDRY EXPENSES	80	47	50	58	19	70	149	53

1) PERCENTAGES ARE CALCULATED USING THE TOTAL NUMBER OF FUNDS THAT RESPONDED TO EACH QUESTION AND NOT THE TOTAL SAMPLE OF 305 FUNDS

TABLE 50 / RATES OF FUND EXPENSES

	# FUNDS	BASIS	AVERAGE (%)
ADMINISTRATION FEES	21	GAV	14.81
	7	NAV	8.26
AUDIT FEES	6	GAV	3.20
CUSTODIAN FEES	38	GAV	3.71
	40	NAV	4.31
DEPOSITORY FEES	4	NAV	2.65
TAXES ON THE FUND	7	NAV	2.64
VALUATION FEES	8	GAV	2.34

8 PROPERTY-SPECIFIC COSTS

TABLE 51 / PROPERTY-SPECIFIC COSTS BY STYLE¹

	CORE		VALUE ADDED		OPPORTUNITY		ALL FUNDS	
	# FUNDS	% OF FUNDS	# FUNDS	% OF FUNDS	# FUNDS	% OF FUNDS	# FUNDS	% OF FUNDS
AMORTISATION OF ACQUISITION COSTS	66	39	35	44	10	40	111	41
DEAD DEAL COSTS ²	59	35	30	38	13	52	102	38
DEBT FINANCING FEES	110	63	66	75	26	93	202	69
DEBT VALUATION FEES	55	32	45	51	15	54	115	40
DEVELOPMENT FEES	81	49	42	53	17	68	140	52
DISPOSAL COSTS	116	68	53	64	15	63	184	66
LETTING AND LEASE RENEWAL FEES	128	72	69	76	21	75	218	73
MARKETING OF VACANT SPACE	115	65	66	73	20	71	201	68
PROPERTY INSURANCE	131	74	78	88	24	86	233	79
PROPERTY MANAGEMENT FEES	142	79	77	87	24	86	243	82
SERVICE CHARGES SHORTFALL	108	62	58	67	17	61	183	63
TAXES ON PROPERTY- RELATED ACTIVITIES ³	108	62	72	81	21	75	201	69

1) PERCENTAGES ARE CALCULATED USING THE TOTAL NUMBER OF FUNDS THAT RESPONDED TO EACH QUESTION AND NOT THE TOTAL SAMPLE OF 305 FUNDS
 2) RARELY, FEES CHARGED TO THE FUND WHICH ARE DIRECTLY RELATED TO THE PHYSICAL PREPARATION OF A SPECIFIC ASSET FOR DISPOSAL WHICH CANNOT BE RECAPITALISED
 3) TAXES ON PROPERTY, EXCLUDING TRANSFER TAXES THAT ARE NOT EMBEDDED IN NAV

TABLE 52 / RATES OF PROPERTY-SPECIFIC COSTS¹

PROPERTY-SPECIFIC COSTS	# FUNDS	BASIS	AVERAGE (%)
DEVELOPMENT FEES	12	COST	1.42
LETTING AND LEASE RENEWAL FEES	21	RENT	11.53
PROPERTY MANAGEMENT FEES	35	RENT	3.10
DISPOSAL COSTS	8	TRANSACTION PRICE	0.76

1) FEE RATES ARE ONLY REPORTED WHERE POSSIBLE

APPENDIX 1: SAMPLE

TABLE A1.01 / SAMPLE AND STUDY UNIVERSE BY STYLE			
	SAMPLE	STUDY UNIVERSE	COVERAGE
	# FUNDS	# FUNDS	# FUNDS (%)
CORE	186	262	71
VALUE ADDED	91	145	63
OPPORTUNITY	28	54	52
STYLE NOT REPORTED	0	0	0
TOTAL	305	461	66

TABLE A1.02 / DEVELOPMENT OF THE SAMPLE AND THE STUDY UNIVERSE			
	# FUNDS		COVERAGE
	SAMPLE	STUDY UNIVERSE	%
2005 <i>SPRING</i>	116	300	39
2005 <i>AUTUMN</i>	160	345	46
2006	184	406	45
2007	160	449	36
2008	243	489	50
2009	268	486	55
2010	284	479	59
2011	260	476	55
2012	252	464	54
2013	305	461	66

TABLE A1.03 / DEVELOPMENT OF THE SAMPLE BY STYLE							
	2007 STUDY SAMPLE	2008 STUDY SAMPLE	2009 STUDY SAMPLE	2010 STUDY SAMPLE	2011 STUDY SAMPLE	2012 STUDY SAMPLE	2013 STUDY SAMPLE
CORE	79	136	145	150	147	141	186
VALUE ADDED	51	78	90	94	80	68	91
OPPORTUNITY	19	29	33	40	33	30	28
STYLE NOT REPORTED	11	0	0	0	0	13	0

TABLE A1.04 / COMPOSITION OF THE SAMPLE BY TARGET LOCATION		
TARGET LOCATION	# FUNDS	% OF FUNDS
EASTERN AND CENTRAL EUROPE	14	4.6
EUROPE	92	30.2
NORDIC	14	4.6
SINGLE COUNTRY	163	53.4
SOUTHERN EUROPE	6	2.0
WESTERN EUROPE	13	4.3
OTHER	3	1.0
TOTAL	305	100.0

TABLE A1.05 / COMPOSITION OF THE SAMPLE BY TARGET SECTOR		
TARGET SECTOR	# FUNDS	% OF FUNDS
MULTI-SECTOR	160	52.5
INDUSTRIAL / LOGISTICS	27	8.9
OFFICE	37	12.1
RESIDENTIAL	18	5.9
RETAIL	51	16.7
HEALTHCARE	3	1.0
HOTEL	3	1.0
STUDENT HOUSING	3	1.0
OTHER	3	1.0
TOTAL	305	100.0

**APPENDIX 2: INREV GUIDELINES
MANAGEMENT FEES SECTION**

8. Module 5 – Fee and expense metrics

8.1. Introduction

The objective of this module is to provide clarity on the calculation and disclosure of selected fee and expense metrics, including both Total Expense Ratios (TER) and the Real Estate Expense Ratio (REER), as part of the reporting cycle and forming part of the overall performance measures made available to investors. These fee and expense metrics, when analysed in the context of vehicle style, investment strategy and inherent risks, will help the non-listed real estate vehicles industry – both institutional investors and managers – to compare fee and cost structures between non-listed real estate vehicles and other investment structures.

INREV seeks to address a lack of consistency in presentation and categorisation of fees and expenses when vehicles from different domiciles are compared. While there might not be perfect consistency in expense breakdowns, the aim is that fee and expense metrics should provide as much relevant information as possible, but more importantly remain as comparable as possible. The fee and expense metrics have been designed to be straightforward, easy to understand, and to follow the vehicle's normal reporting cycle.

Wherever possible INREV has taken guidance already issued by regulators and used this as a basis for the fee and expense metrics guidelines. Consequently INREV has taken the guidance provided by the Undertakings for Collective Investment in Transferable Securities Directives (UCITS) for a TER representing the costs of managing the vehicle and used this as a basis for the INREV TER.

In order to provide increased transparency, INREV has also constructed a REER to provide information on the costs associated with running the underlying real estate or property portfolio.

The fee and expense metrics should be constructed on the basis of the nature of the expense. There is a significant variation in how and for which services managers charge their fees. There should be clear disclosure of all the fees charged by the manager and the activities to which they relate.

At launch, it is of particular interest to investors to be able to understand the forward-looking or projected operating expense structure compared to the amount of invested capital, as well as understanding the impact of the cost structure on the overall investment return. Accordingly, INREV supports the concept of forward-looking expenses being included in the vehicle launch documentation.

The principles and guidelines for fee and expense metrics are listed below. Where appropriate, further explanation is provided to assist your understanding. In addition, a tools and examples section includes a sample calculation of INREV fee and expense metrics.

Further guidance on financing and tax metrics will be issued in the future.

8.2. Principles

P.13. Fees and other costs should be consistently categorised and presented to enable investors and managers to compare fee and cost structures between non-listed real estate vehicles.

To enable fairer comparisons of fees and expenses between vehicles, the vehicle should present a TER, which expresses consistently categorised annual operating costs borne by a vehicle over one year, as a proportion of INREV weighted average net and gross vehicle assets.

A REER should also be calculated and presented to capture property-specific costs as a proportion of INREV weighted average gross vehicle assets.

There should be clear disclosure of all the fees charged by the manager and the activity to which they relate. Where a single fee is charged to cover a variety of activities, the constituent elements will need to be identified, allocated to the appropriate cost category and disclosed annually.

Forward-looking fees and expenses should be presented for the first, second and third year of operation in the launch documentation.

8.3. Guidelines

8.3.1. Vehicle documentation for fee and expense metrics framework

FD.18. Vehicle documentation should include the fee and expense metrics expected to be disclosed by the manager and the frequency of disclosure to investors.

8.3.2. Fee and expense metrics requirements

Forward-looking ratios and metrics are valuable components of the fund documentation. However, they are 'theoretical', in as much as they will be based on estimated costs and anticipated asset levels and on assumptions such as growth rate, life of the vehicle and tax structuring. Requirements related to the forward-looking fee and expense metrics at the vehicle launch stage are described below. Once the vehicle has commenced operations there is no requirement for forward-looking metrics as they are based on assumptions whereas the historic metrics will be based on historic data.

FM.1. The amounts should reconcile to the financial statements.

8.3.2.1. *Historic ratios*

8.3.2.1.1. *Historic total expense ratio*

FM.2. An historic TER, including and excluding performance fees, based on both weighted average INREV GAV and weighted average INREV NAV of the vehicle over one year, should be provided in the annual report.

TER is normally expressed as a percentage of weighted average INREV NAV. However the degree of leverage within a vehicle causes distortion in comparability when based upon INREV NAV. Therefore it is also expressed as a percentage of INREV GAV.

The components of the numerator are already defined by many regulators and include the vehicle expenses, as defined below. To the extent that these vehicle expenses are recharged to the underlying investments, they should also be included in the calculation.

Property expenses charged by the manager should not be considered when determining the TER but will form part of the REER. If the manager charges a single fee for both property and vehicle management activities, then it should be split into its constituent elements.

The TER should be disclosed both including and excluding performance fees due to the differing structural methods of distribution, and each calculation should be separately disclosed.

The formulae for TER are:

TER before performance fees:	
$\frac{(\text{Management fees} + \text{Vehicle costs})}{\text{Weighted average INREV NAV}}$	$\frac{(\text{Management fees} + \text{Vehicle costs})}{\text{Weighted average INREV GAV}}$
TER after performance fees:	
$\frac{(\text{Management fees} + \text{Vehicle costs} + \text{Performance fees})}{\text{Weighted average INREV NAV}}$	$\frac{(\text{Management fees} + \text{Vehicle costs} + \text{Performance fees})}{\text{Weighted average INREV GAV}}$

The TER is an historic or 'actual' figure, based on data published in the annual report. Consequently, newly launched vehicles cannot have an historic TER.

8.3.2.1.2. *Historic real estate expense ratio*

FM.3. An historic REER based on the weighted average INREV GAV of the vehicle over one year should be provided each year in the annual report.

While the TER expresses operating costs borne by the vehicle, REER captures only the expenses that relate to the management of the real estate assets. The REER includes all property-specific costs.

The numerator should include all of the costs associated with managing the asset and the denominator should be the weighted average INREV GAV. Disposal costs should not be included in property expenses as these form part of the gain/loss on property/investment disposals which are exempt.

The formula for REER is:

$$\text{REER} = \frac{\text{Property expenses}}{\text{Weighted average INREV GAV}}$$

8.3.2.2. *Forward-looking ratios*

8.3.2.2.1. *Forward-looking total expense ratio*

FM.4. A forward-looking TER, based on both weighted average INREV GAV and weighted average INREV NAV of the vehicle for the first, second and third years of the vehicle's life, should be provided in the documentation. These should be calculated following the same methodology as for an historic TER, although they will be based on estimates.

The computed forward-looking TER is calculated after performance fees, such that all vehicle expenses as set out below are taken into account.

FM.5. The forward-looking TER should be accompanied by disclosure of the estimates made to calculate this metric.

8.3.2.2.2. *Forward-looking real estate expense ratio*

FM.6. A forward-looking REER, based on the weighted average INREV GAV of the vehicle over one year, should be provided for the first, second and third years of the vehicle's life in the documentation. These should be calculated following the same methodology as for an historic REER.

FM.7. The forward-looking REER should be accompanied by disclosure of the estimates made to calculate this metric.

8.3.3. Fee and expense metrics calculation

8.3.3.1. Expense ratio cost classification

FM.8. Fees and expenses should be classified consistently for the purpose of calculating the fee and expense metrics.

Fees and expenses should be presented on a gross basis and classified as follows:

Vehicle expenses, which are composed of:

- Management fees: these fees are fees paid to the manager for its management services and include third party vehicle management services which managers recharge to the vehicle;
- Vehicle costs: these costs are incurred predominantly at vehicle level to maintain the vehicle operations. It is common for vehicles to acquire property-owning entities using SPVs. The costs incurred by SPVs, which sit in the holding structure above the acquisition structure, are included in vehicle expenses. Expenses of this nature which are charged to the acquisition vehicles should also be included in this category;

Vehicle costs are composed of:

- Amortisation of set-up expenses (which include initial costs such as placement fees and subscription fees);
 - Administration and secretarial fees;
 - Audit fees;
 - Bank charges;
 - Custodian fees;
 - Dead deal/abort costs;
 - Depository fees;
 - Directors' expenses/fees;
 - Distribution fees;
 - Investment advice fees;
 - Vehicle level asset management fees;
 - Legal fees (not property specific);
 - Marketing fees relating to vehicle;
 - Professional fees relating to vehicle;
 - Printing/publication fees;
 - Regulatory/statutory fees;
 - Trustee fees;
 - Valuation fees;
 - Winding-up fees;
 - Other/miscellaneous/ sundry expenses.
- Performance fees: these fees are fees payable out of the returns achieved by the vehicle to the manager or any related party. This would also include performance arrangements where part of

the management activity is outsourced to third parties. It is composed of performance fees and carried interest.

Vehicle expenses are used in the calculation of the TER.

Property expenses, which are operating expenses directly attributable to the management and the maintenance of a specific property. These do not include costs for vehicle level asset management or investment advice which are in the TER, fees capitalised as acquisition costs and disposal costs that are deducted from sales processes. Property expenses are composed of:

- Amortisation of property acquisition costs;
- Property management fees;
- Property specific asset management fees;
- Property level strategic management advice;
- Project specific management fees;
- Property advisory fees;
- Letting and lease renewal fees;
- Marketing of vacant space;
- Property insurance;
- Development fees;
- Service charge shortfalls;
- Property staff costs.

Property expenses are used in the calculation of REER.

Finance expenses, which are specific fees and charges related to financing activities. These expenses are composed of:

- Bank/loan/overdraft/debt interest;
- Debt financing fees;
- Debt arrangement fees;
- Gain/loss on revaluation of financial instruments;
- Gain/loss on currency;
- Securities handling charges;
- Payments related to financial derivatives.

Taxation expenses, which are tax expenses that vary in proportion to the operating profit, capital profit and transfer between the vehicle and the underlying structures. Taxation expenses are composed of:

- Taxes related to the operation of the vehicle and financing structures;
- Investor related taxes which are outside the vehicle structure (e.g., withholding tax);
- Taxes on real estate transactions (e.g., transfer taxes, capital gains).

Exempt expenses, which are other items related to capital gains and losses. Exempt expenses are composed of:

- Gain/loss on property/investment disposals;
- Property valuation effects;
- Goodwill write-off.

8.3.4. Fee and expense metrics disclosures

FM.9. The constituent elements of the metric calculation should be disclosed in the annual report.

FM.10. A disclosure table should be presented that provides an analysis of all the components of the fees charged by the manager, including any element of performance fee or carried interest or any other such arrangement, or by any other affiliate or related party of the manager.

Related party disclosures	20X1	20XX
	EUR	EUR
Management fees		
Vehicle costs		
Performance fees		
Property expenses		
Acquisition fees		
Disposal fees		
Debt arrangement fees		
Total fees charged		

FM.11. The information in the following tables should be disclosed in the annual report.

Fee metric disclosure table	% NAV	% GAV	000 EUR
TER before performance fees (note A)	<input type="text"/>	<input type="text"/>	<input type="text"/>
TER after performance fees (note B)	<input type="text"/>	<input type="text"/>	<input type="text"/>
REER (note C)	<input type="text"/>	<input type="text"/>	<input type="text"/>
Weighted average INREV NAV	<input type="text"/>	<input type="text"/>	<input type="text"/>
Weighted average INREV GAV	<input type="text"/>	<input type="text"/>	<input type="text"/>

The following notes clarify the components of each fee and expense metric and should also be read in conjunction with the classifications shown in the fee and expense matrix.

A. This includes management fees and vehicle costs.

B. This includes management fees, vehicle costs and any performance fee which has either been paid, accrued or disclosed as a potential liability and included in the INREV NAV and INREV GAV.

C. This includes property expenses as defined by INREV.

8.4. Tools and examples

A sample calculation for the INREV fee and expense metrics can be found below.

8.4.1. Example - Calculation and presentation of the INREV fee and expense metrics

Classification	Fee/Expense Item	Workings	Amount (€ 000)
Management fees	Management fees		10,249
Vehicle Costs	Valuation fees		720
	Dead deal/abort costs		176
	Audit fees		33
	Bank charges		305
	Administration and secretarial fees		80
	Amortisation of formation expenses		500
Total vehicle expenses before performance fees		A	12,063
Performance Fees	Accrued carried interests	B	4,100
Total vehicle expenses after performance fees		C = A+B	16,163
Property Expenses	Property management fees		3,903
	Amortisation of property acquisition costs		475
	Property insurance		8
	Property staff costs		1,350
	Development fees		769
Total property expenses		D	6,505
Total expenses before financing costs and taxes		E = C+D	22,668
Average INREV NAV	Weighted average INREV NAV	F	1,465,411
Average INREV GAV	Weighted average INREV GAV	G	2,731,150
TER before performance fees	Fund expenses before performance / Average NAV	= A / F	0.82%
	Fund expenses before performance / Average GAV	= A / G	0.44%
TER after performance fees	Fund expenses after performance/ Average NAV	= C / F	1.10%
	Fund expenses after performance/ Average GAV	= C / G	0.59%
REER	Property expenses / Average GAV	= D / G	0.24%

8.5. Q&A

Question

How should the weighted average of INREV NAV and INREV GAV be calculated?

Answer

The computation methodology is explained through an example.

Assumptions

- INREV NAV Q4 20X0: 500,000
- INREV NAV Q1 20X1: 750,000
- INREV NAV Q2 20X1: 650,000
- INREV NAV Q3 20X1: 640,000
- INREV NAV Q4 20X1: 630,000

Weighted average INREV NAV =	$\frac{\text{INREV NAV Q4 20X0}}{2} + \text{INREV NAV Q1 20X1} + \text{INREV NAV Q2 20X1} + \text{INREV NAV Q3 20X1} + \frac{\text{INREV NAV Q4 20X1}}{2}$
	4
Weighted average INREV NAV =	$\frac{500,000}{2} + 750,000 + 650,000 + 640,000 + \frac{630,000}{2}$
	4
Weighted average INREV NAV =	651,250

APPENDIX 3: FEES GLOSSARY

*This glossary is structured in line with the INREV Fee Metrics guidelines.
For more information see the INREV Guidelines at www.inrev.org*

1. MANAGEMENT FEES

Various fees paid to the fund managers for their management services, apart from third party services which managers recharge to the fund.

ACQUISITION FEES PAID TO MANAGER

Acquisition and disposal fees are the fees that are charged to a *fund* on the acquisition and disposal of assets.

Notes:

- The acquisition and disposal fees are either apportioned between the fund manager and asset manager or paid to the asset manager alone.
- The fees can either be a percentage of the gross value of the asset or a fee that is paid at the discretion of the fund manager.
- Acquisition fees are not typically charged in the case where a property developer / operator contribute assets to a fund.

In some funds, the fund manager does not charge additional fees for acquisition and disposals. However, fees for external advisors (i.e. property agents) are passed onto the fund at cost.

ASSET MANAGEMENT FEES

A charge paid to a fund's manager for their services to manage the assets on behalf of the *fund*.

Notes:

Asset management fees generally cover services such as:

- strategic input and production of asset level business plans;
- management of assets including development and refurbishment;
- appointment of third party service providers; and
- reporting to the fund manager.

The asset management fee is generally a fixed percentage of NAV or GAV. In some circumstances, a manager will charge a development fee which can be a percentage of costs, or costs plus land value. There is generally a minimum development fee per project. Where the manager is also responsible for asset management, there will usually be a single fund management fee.

COMMITMENT FEES

A commitment fee is a charge to investors on undrawn committed capital for the duration of the commitment period.

Note:

These fees are charged instead of acquisition fees and enable the fund manager to employ the required level of resources during the acquisition phase without being subject to undue pressure to invest.

DEBT ARRANGEMENT FEES PAID TO MANAGER

A fee paid to the manager for its services for arranging debt for asset purchases or refinancing. This fee would be in addition to any arrangement fees paid to debt providers.

DISPOSAL FEES PAID TO MANAGER

See 'Acquisition fees paid to manager'.

FUND MANAGEMENT FEES

A charge paid to a fund's manager for their fund management services to the fund.

Notes:

Fund management fees generally cover services such as:

- managing the fund level structure;
- arrangement of financing;
- fund administration;
- fund reporting; and
- investor relations.

The fund management fee is generally a fixed percentage of NAV or GAV.

PROJECT MANAGEMENT FEES – STRATEGIC MANAGEMENT ADVICE

A fee paid to the fund manager for its strategic advice on project management during the life of the fund.

PROPERTY ADVISOR FEES

A fee paid to the fund manager for strategic property advice.

DEAD DEAL COSTS /REJECTED INVESTMENT PROJECT COSTS

A fee paid for work undertaken for projects which are later rejected by the fund's investment committee.

Dead deal costs can be classified either as management fees, fund expenses or property specific costs depending on their nature. External dead deal fees related to unsuccessful transactions are generally charged as Fund Expenses, whereas the dead deal costs charged by the manager are generally included under Management Fees. Finally, it is possible, although rarely, that certain costs related to the preparation of an asset for disposal could be charged to Property-specific Costs.

2. FUND EXPENSES

Expenses incurred predominantly at fund level to maintain the fund operations.

ADMINISTRATION AND SECRETARIAL FEES

Fees (usually paid to a fund administrator) for maintaining fund book keeping and documentation and for administration support of the fund.

AMORTISATION OF FORMATION EXPENSES

A charge made to profit and loss account to reduce the value of the capitalised costs which are directly attributable to setting up of a fund (usually over five years as required by INREV NAV).

AUDIT FEES

Fees charged for audit services provided to the fund. Typically, these are costs passed through to the investor from the service provider so are a third party cost borne by the fund.

BANK CHARGES

Costs charged for banking services related to the fund.

CUSTODIAN FEES

Fees paid to a custodian bank (which is usually required by regulated funds especially in Luxembourg). These are usually a direct third party cost borne by the Fund.

DEPOSITORY FEES

Fees charged for bank depository services.

DIRECTORS' EXPENSES /FEES

Fees and expenses related to services provided by directors for their role in the governance of the fund.

DISTRIBUTION FEES

Distribution fee is a charge levied on investors when distributing the fund returns.

LEGAL FEES (NOT PROPERTY-SPECIFIC)

Fees charged for legal services to the fund not related to specific properties. This could be a service provided in-house or by a third party provider.

MARKETING FEES

Fees paid to the third parties for the service in promoting / marketing a fund as opposed to any specific project / property.

OTHER /MISCELLANEOUS /SUNDRY EXPENSES

Any other fund level expenses not falling under previous expense categories.

PRINTING /PUBLICATION FEES

Costs relating to the printing and publication of documents relating to the fund.

PROFESSIONAL FEES

Fees for the services of other professionals (e.g. tax advisers) not falling under other categories of fund expenses.

REGULATORY /STATUTORY FEES

Fees paid to regulatory authority (e.g. CSSF in Luxembourg). These are usually a direct third party costs borne by the fund.

SET-UP FEES

Set-up fees cover all costs that relate directly to the structuring and establishment of a viable fund.

Note:

Set-up costs are those costs that are directly attributable to the setting up of the fund. These costs include, for example, legal fees, tax advisory fees, structuring fees and administration costs.

TAXES ON THE FUND

Taxes which are charged in relation to the funds' structure e.g. *taxe d'abonnement* but excluding capitalrelated taxes such as withholding tax.

TRUSTEE FEES

Fees paid (usually to trust companies) for administrating and managing the fund or certain fund activities.

VALUATION FEES

Fees for valuation services relating to existing portfolio of properties rather than as part of an asset purchase or disposal.

WIND-UP FEES

Fees relating to the termination of the fund but not including those related to the disposal of assets for this purpose.

3. PROPERTY-SPECIFIC COSTS

Operating expenses directly attributable to the acquisition, management or disposal of a specific property.

ACQUISITION /DISPOSAL RELATED COSTS

Costs related specifically to the acquisition and disposal of properties for the fund. These fees could be paid to the fund manger or be passed through to third parties, excluding any acquisition / disposal fees payable to the manager.

DEBT FINANCING FEES

Fee paid to the third party for arranging external financing of a fund. Commitment or facility fees paid to lenders or finance brokers may be borne out of this amount.

DEBT VALUATION FEES

Fee paid to a third party for valuation of the loans or other financial instruments.

DEVELOPMENT FEES

Fee paid to a fund manager for its services in supervising / project management the development of a property. Fees may be a proportion of total development cost / capital expenditure.

LETTING AND LEASE RENEWAL FEES

Fee paid to a fund manager for its services in supervising the letting or re-letting of a property.

MARKETING OF VACANT SPACE

Fees paid to the fund manager to market available space in the portfolio.

PROPERTY INSURANCE

Expenses related to insuring properties within the fund's portfolio.

PROPERTY MANAGEMENT FEES

A charge paid to a property manager for managing the operations of individual assets within a fund.

Note:

Property management fees generally cover services such as:

- collection of rents;
- payment of outgoings;
- maintenance including repair;
- provision of services, insurance and supervision of staff employed for services; and
- negotiations with tenants or prospective tenants.

SERVICE CHARGES SHORTFALL

An excess of property maintenance expenses over the expenses recharged to the tenants.

TAXES ON PROPERTIES, EXCLUDING TRANSFER TAXES THAT ARE NOT EMBEDDED IN NAV

Property taxes other than those reflected in the property valuation as transfer taxes.

4. PERFORMANCE FEES

A fee payable out of the returns achieved by the fund to the fund manager.

PERFORMANCE FEES

A performance fee is the fee payable out of the returns achieved by the fund to the fund manager where the fee is calculated, either during the life of the fund or at the termination of the fund, as a percentage of the fund's performance over a designated hurdle rate.

CARRIED INTEREST

A carried interest is equivalent to the share of a fund's profit that will accrue to the general partner.

5. INITIAL CHARGES

Expenses directly associated with the launch of the fund.

PLACEMENT FEES

The fee paid to join the fund, which is usually subtracted from the agreed equity amount. A fee paid to a placement agent may be borne directly by the manager.

SUBSCRIPTION FEES

A subscription fee is a charge levied on investors subscribing for units in a fund by the fund manager.

6. OTHER DEFINITIONS

CATCH-UP

When investors' returns reach the defined hurdle rate, giving them an agreed level of preferred return, the fund manager enters a catch-up period, in which it may receive an agreed percentage of the profit until the profit split determined by the carried interest agreement is reached.

CLAWBACK

Clawback is an arrangement in which either the investors / fund manager in a fund agree to use their prior dividends / performance fees received to, in the case of investors, cover any subsequent cash deficiencies for performance fees and, in the case of the fund manager, to cover poor performance over the entire life of the fund.

HURDLE RATE

The hurdle rate is the annualised percentage return beyond which the outperformance of net investor returns are shared with the fund manager.

PASS-THROUGH ITEM

An item for which the fund managers charges a fee but this amount is passed through to third party providers.

Please note that more information on some of these definitions is available in the INREV Core Definitions paper. Please visit to www.inrev.org to download a copy.

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