



## Management Fees and Terms Study **2016**

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Research

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 vehicles 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 industry.

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# Introduction

Welcome to the INREV Management Fees and Terms Study 2016. This publication is the eleventh edition of the study. It analyses and compares the fee structures and fee levels of European non-listed real estate funds in 2015.

The study uses data for the end of calendar year 2015 collected in the first half of 2016. This is the second time that INREV has collected this data by using the online INREV Vehicle Data Input tool. In editions prior to 2014, data was collected through Excel questionnaires.

The management fee and terms questionnaire was updated in January 2016 to reflect changes to the INREV Fees and Expenses Metrics guideline module at the time. Updates to the questionnaire are minor and largely reflect alignment in terminology with the INREV Guidelines.

The INREV Fee and Expense Metrics module of the INREV Guidelines provides a methodology for the disclosure of fees and costs of non-listed real estate vehicles. The guidelines can be found at [www.inrev.org](http://www.inrev.org). The aim of these guidelines is to allow for a fair comparison of fees and other vehicle costs.

The Fee and Expense Metrics module was updated in July 2016 after the fees questionnaire for this study was filled in therefore not all parts of the study are entirely consistent with the updated guidelines.

However, the total expense ratio (TER) calculated in this report is broadly comparable

to the methodology in the updated Guidelines.

Section 2 of this report presents a short summary of the key findings of the analysis on the TER. Sections 3 to 8 include tables with detailed information on various initial charges, fund management fees, performance fees, vehicle-level costs and property-specific costs.

To ensure data confidentiality, the average fee levels or other statistical indicators are reported only when data is available on at least three funds managed by a minimum of three fund managers.

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 a dash (-).

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 non-listed real estate funds listed in the INREV Vehicles Universe as of December 2015. In total, 486 were eligible to participate in this study and 82 of those chose to complete some or all of the questionnaire. Where the sample for some questions deviates from the overall sample of 82 this is explicitly stated in the figures.

The management fees and terms study is based on a distillation of information provided by fund managers of non-listed real estate vehicles. Data submission is on a voluntary basis, and therefore the sample under analysis varies from year to year depending on the composition of respondents. As such, year on year comparisons should be treated with an element of caution.

The results of the study are intended for research and information purposes only, and does not represent or contain investment information on, or constitute advice in respect of specific funds or investments, nor should it be used as a basis for investment decisions. These are matters on which specific professional advice should be taken.

# Overview of Total Expense Ratio (TER)

The Total Expense Ratio (TER) is a key metric. As explained in greater detail below, it is a more complete measure of cost than annual management fees and therefore provides investors with a clearer picture of the total annual expense involved in running a real estate investment fund. TER is also helpful to fund managers in designing and promoting their funds.

In this study the focus is clearly on TERs for non-listed real estate funds but the TER metric is also widely used in other asset classes. Institutional investors and their advisers focus on TERs in their decision-making in all areas. National regulators in many European countries scrutinise TER and the concept of total expense ratio is embedded in EU legislation governing retail investment products (although it is now called “ongoing charges” rather than TER).

TER is usually an asset-weighted measure – in other words, it is calculated as total vehicle expenses over a given period divided by average assets over the same period. There is no universally agreed way to calculate TER for all asset classes but the simplified example below is a useful starting point. It shows TER calculated for

**‘TER is a more complete measure of cost than annual management fees’**

non-listed real estate funds, using gross asset value as the denominator.

Average assets	(A)	€1,000
Management fee	(B)	€6
Fund costs - audit, legal, custodian, other	(C)	€1
TER	(B+C)/(A)	€7/€1,000 = 0.70%

For the sake of completeness and transparency there are two versions of the TER. One is based on gross asset value (GAV) and the other on net asset value (NAV). The difference between the two versions can be illustrated using an example. Let’s stick with the simplified example above. The fund has €1,000 in gross assets, gearing of 50% and total expenses of €7. This fund would have the following two TERs:

1.  $€7 \div €1,000 = 0.7\%$  based on GAV
2.  $€7 \div €500 = 1.4\%$  based on NAV

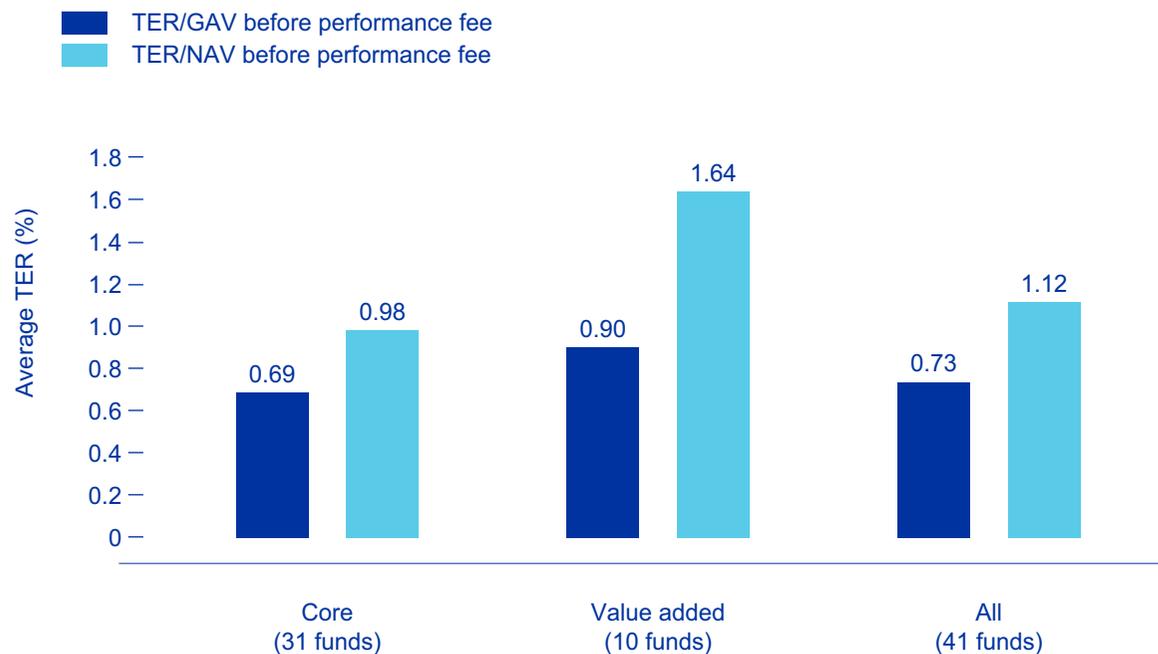
For ungeared funds there is no difference between the two versions of the TER. Funds with low gearing show a small difference between the NAV and GAV-based versions of the TER, and funds with high gearing show a more sizeable difference between the NAV and GAV-based versions of the TER.

There is one more variable to highlight and that is performance related fees. For completeness and transparency TER calculations are done on two bases: excluding performance related fees or including performance related fees. So if the fund manager in the example above earns a performance fee of €1 the total expense number then increases from €7 to €8 (€6 management fee + €1 fund expenses + €1 performance fee = €8). In that case the TER that includes performance fees increases to 0.8% based on GAV (€8/€1,000) and 1.6% based on NAV (€8/€500).

In this year's study, 41 funds delivered data on their Total Expense Ratios (TERs). Based on this sample, non-listed real estate funds had an average TER of 0.73% based on GAV for 2015. When we break that down by style it can be seen that core funds had a TER based on GAV of 0.69% and value added funds had a TER based on GAV of 0.90%.

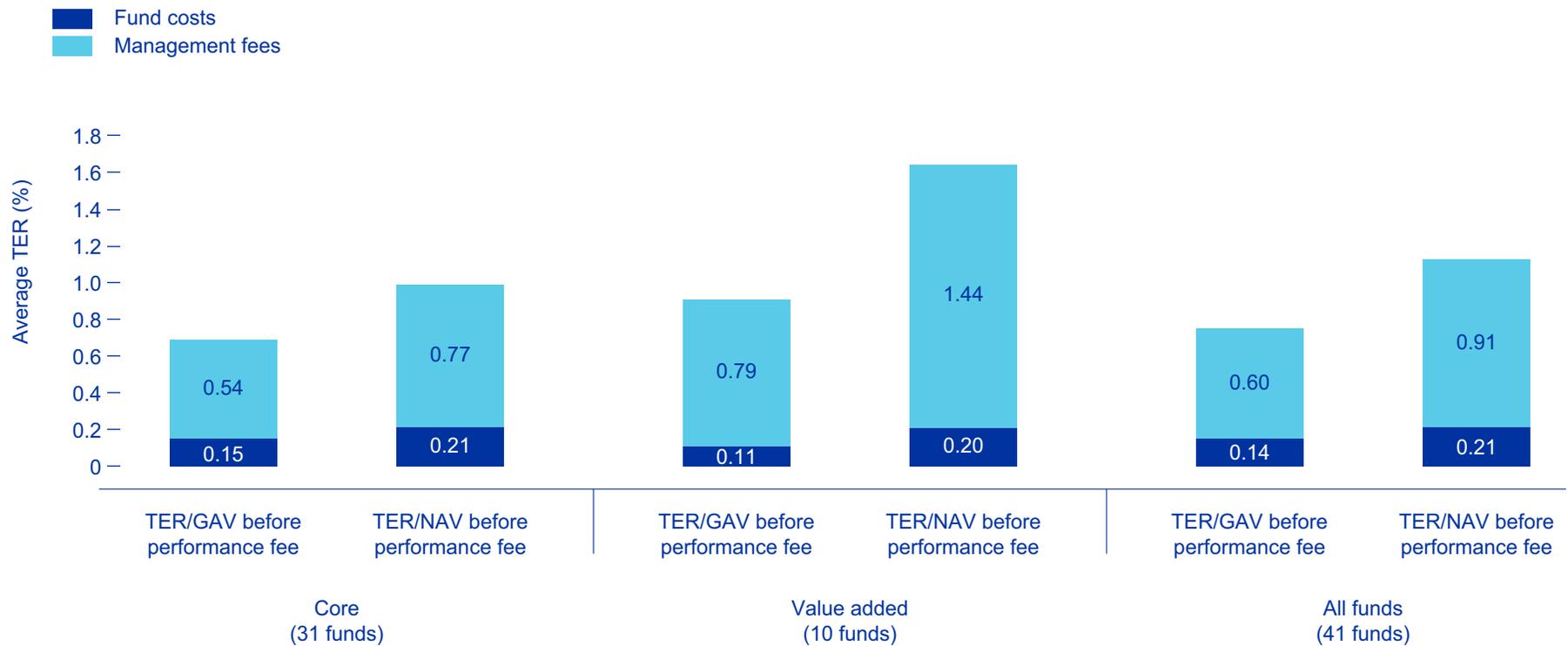
Based on NAV, all funds have a TER of 1.12%, core funds have a TER of 0.98% and value added funds come in at 1.64%. The difference between the GAV-based and NAV-based TERs is a reflection of the greater leverage levels applied by value added funds.

**Figure 1: Backward-looking 2015 TER rates by style**



When the TER based on GAV is split by management fees and fund costs, the dominant component is the management fee. On average, non-listed real estate funds have management fees of 0.60% and fund costs of 0.14%. For core funds the split is 0.54% and 0.15% for management fees and fund costs respectively, while for value added funds the split is 0.79% and 0.11%.

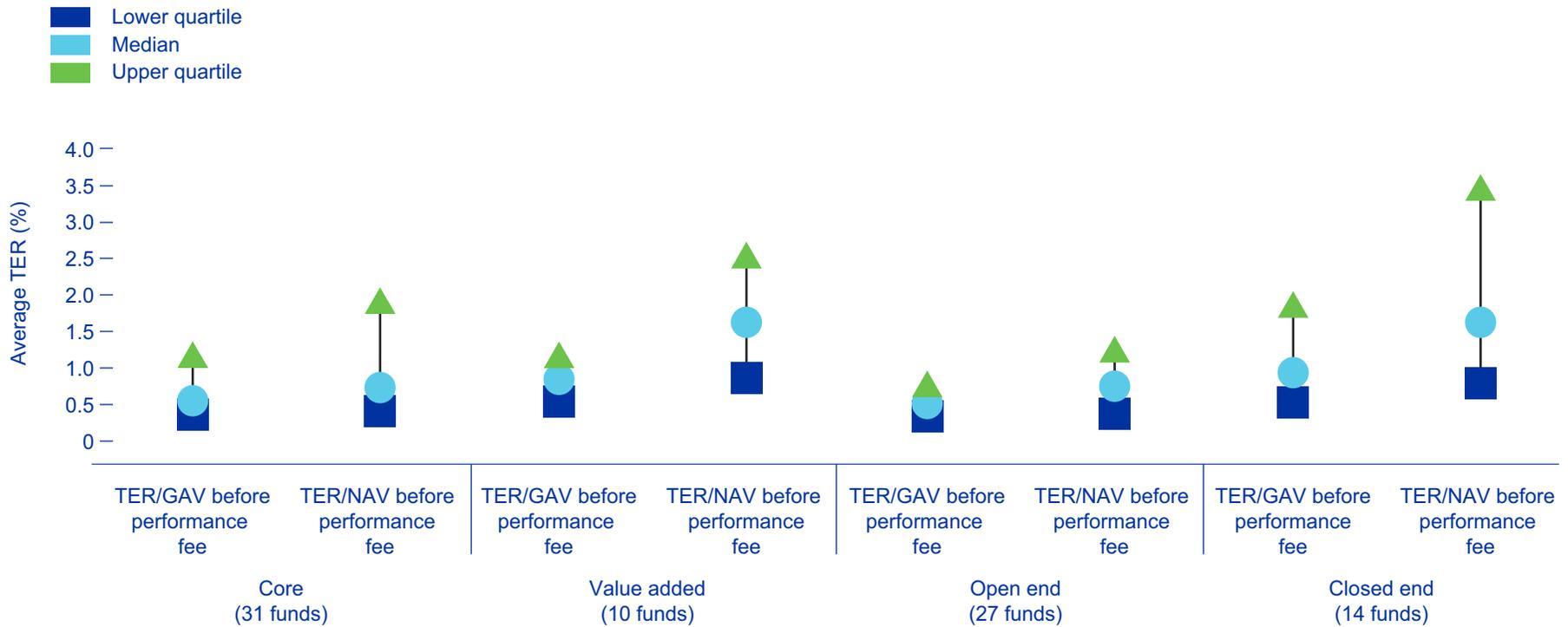
**Figure 2: Backward-looking 2015 TER rates split by type of fees**



There is considerable difference between funds in terms of their TERs. For example, the gap between the average TER of core and value added funds is noteworthy, driven by the higher level of fees paid to the manager, which in turn may be driven by a higher level of development or leasing activity or more intense property management.

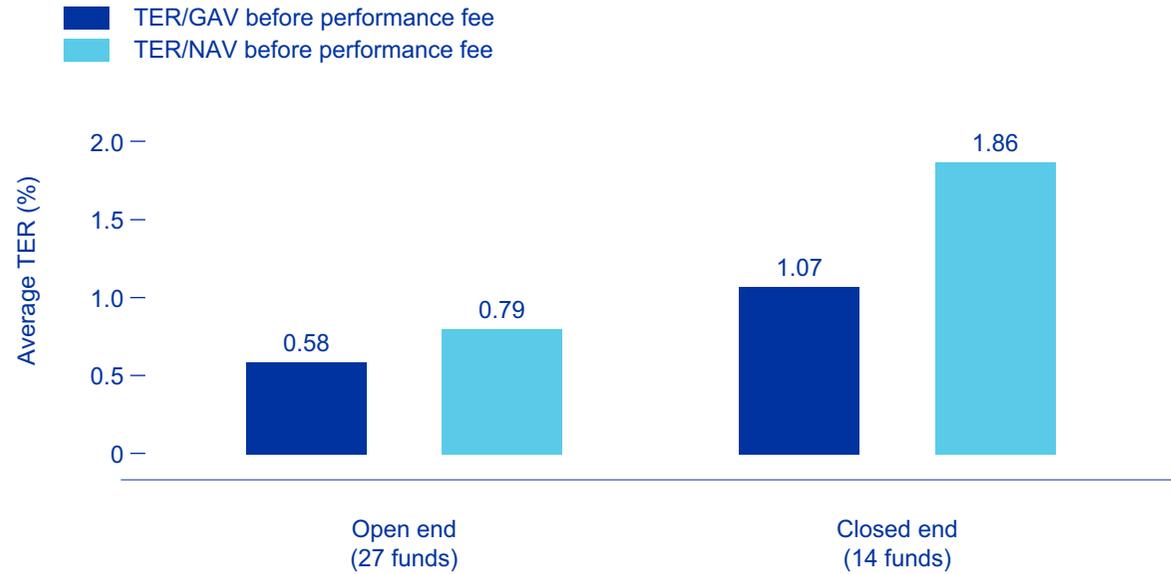
The spread in TERs (that is, the upper quartile minus the lower quartile) is therefore of interest. For core funds, the spread between the upper and lower quartiles is 0.78%, whereas for value added funds it is 0.64%. These figures reflect pre-performance data and are based on GAV.

**Figure 3: Backward-looking 2015 TER rates by quartile**



By structure, the TER based on GAV is lower for open end funds at 0.58% compared with 1.07% for closed end funds. The TER based on NAV for open end funds is 0.79% compared with 1.86% for closed end funds. It is worth noting that open end funds generally tend to have core style strategies whereas closed end funds can fall into the core, value added or opportunity categories, and the non-core strategies are inclined to have higher average TERs.

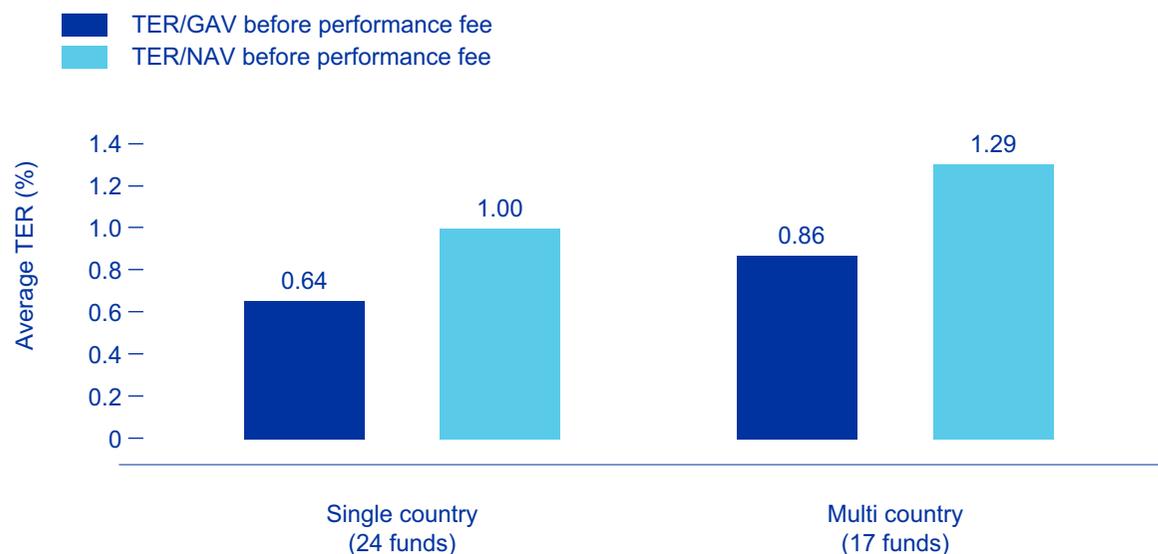
**Figure 4: Backward-looking 2015 TER rates by structure**



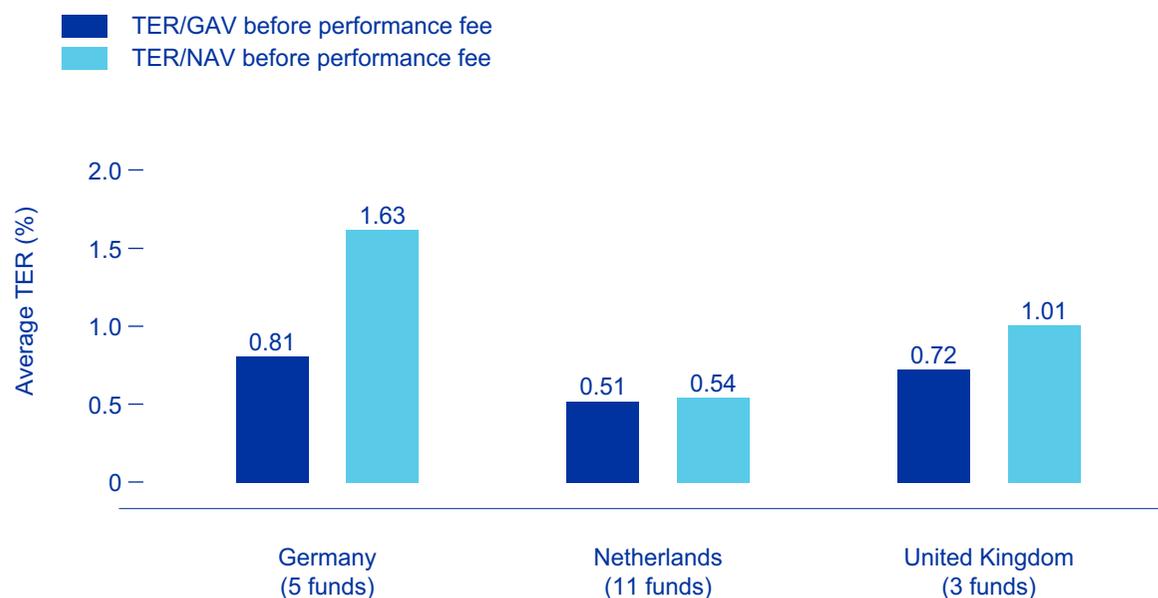
In terms of funds' country strategy, single-country funds charge a lower average TER (0.64% based on GAV) than multi-country funds (0.86% based on GAV). The equivalent TERs based on NAV are 1.00% and 1.29%.

German average TERs are higher than Dutch average TERs and this is linked to sector strategy – there are more multi-sector funds in the German sample than in the Dutch sample, and multi-sector funds tend to have higher average TERs than single sector funds.

**Figure 5: Backward-looking 2015 TER rates by country strategy**

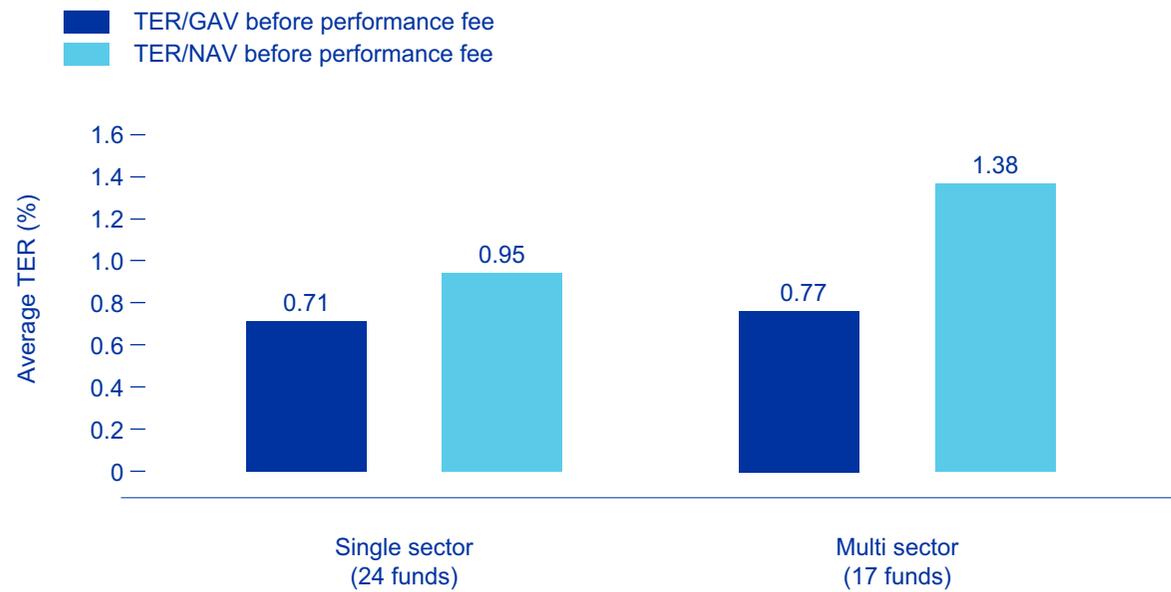


**Figure 6: Backward-looking 2015 TER rates by single country strategy**



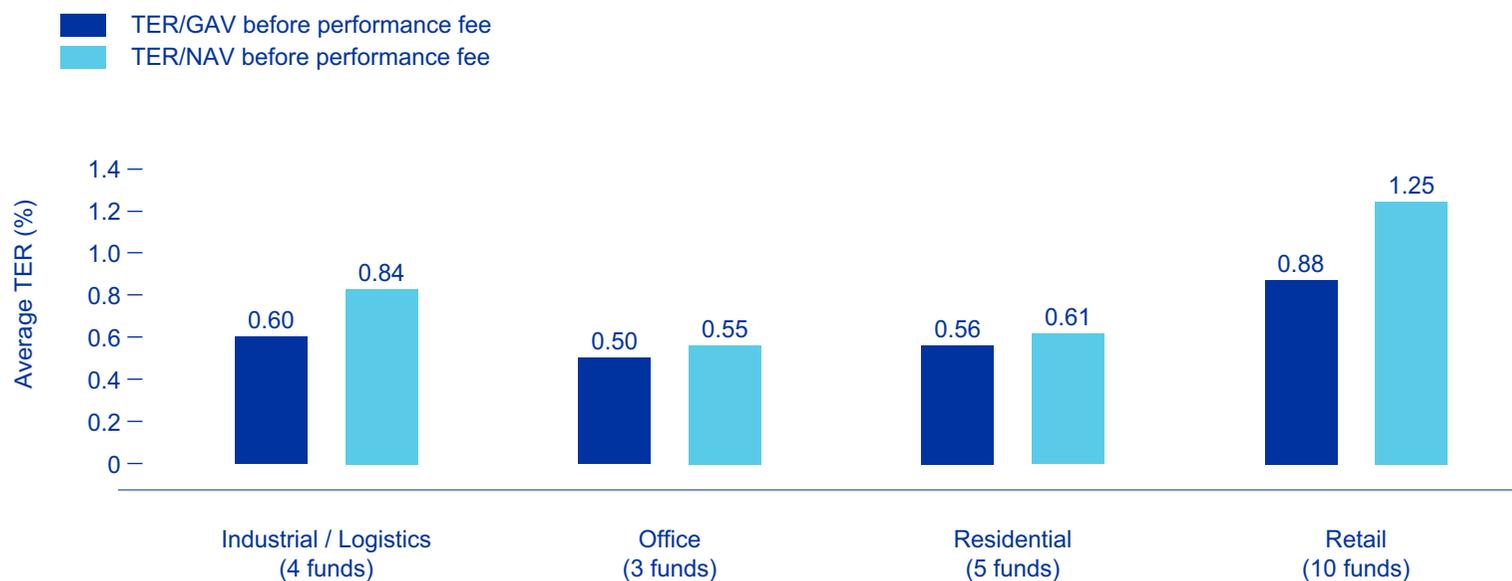
Single sector funds charge a lower TER based on GAV of 0.71% whereas the TER for multi-sector strategies is 0.77%.

**Figure 7: Backward-looking 2015 TER rates by sector strategy**



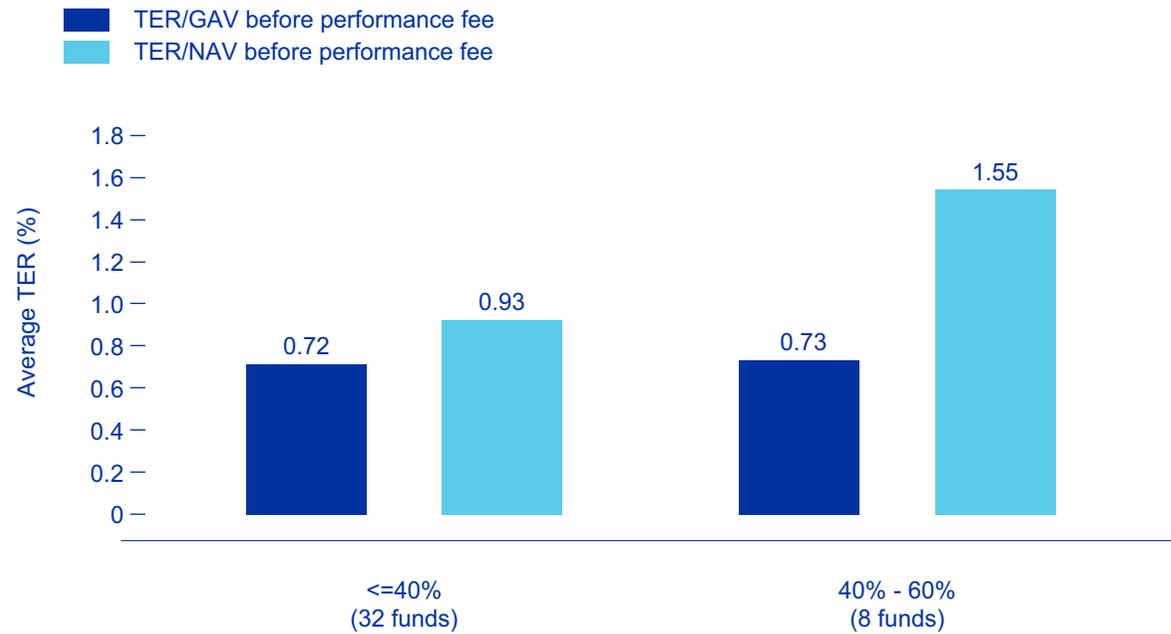
The single sector funds have TERs which are quite variable across the various sectors, with 0.60% for industrial/logistics funds, 0.50% for office funds, 0.56% for residential and 0.88% for retail funds.

**Figure 8: Backward-looking 2015 TER rates by single sector strategy**



Moving the focus from sector strategy to borrowing strategy, the study shows that funds with target gearing of less than 40% have TERs that are in line with funds that have higher target gearing (specifically, with target gearing of between 40% and 60%). The GAV-based TERs are 0.72% and 0.73% respectively.

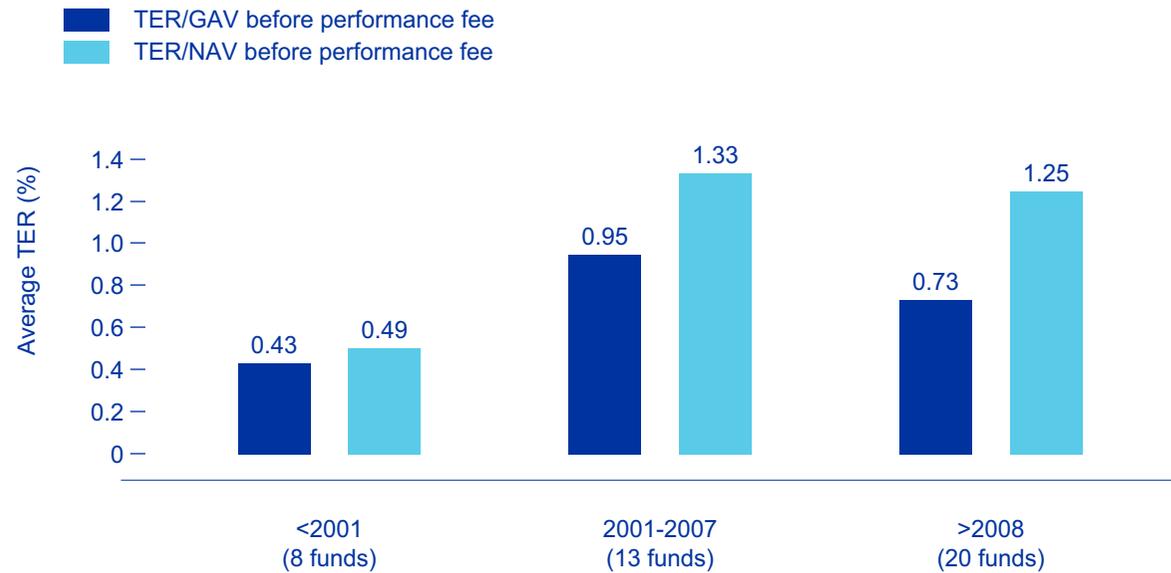
**Figure 9: Backward-looking 2015 TER rates by target gearing**



Finally, turning to TERs by vintage, the results show that funds launched before 2001 have the lowest average TER, at 0.43%. This compares to a TER of 0.95% for funds with a vintage between 2001 and 2007 and a TER of 0.73% for funds launched in or after 2008. Once again, these figures are based on expenses excluding performance fees divided by GAV.

Funds launched before 2001 and still in existence at the end of 2015 are predominantly open end funds because most closed end funds launched in that period have already terminated. The lower average TER for these vintages is therefore linked to structure.

**Figure 10: Backward-looking 2015 TER rates by vintage**





# Initial charges

**Table 1: Initial charges by style and structure**

	Style				Structure			
	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Placement fee	3	0.75	1	-	1	-	3	0.75
Subscription fee	12	2.13	2	-	11	2.57	4	1.90

**Table 2: Initial charges by country and sector**

	Country				Sector			
	Single country		Multi country		Single sector		Multi sector	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Placement fee	2	-	2	-	4	0.75	-	-
Subscription fee	11	2.67	4	1.50	2	-	13	2.38

**Table 3: Initial charges by gearing and vintage**

	Gearing				Vintage					
	<=40%		40% - 60%		<2001		2001-2007		>2008	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Placement fee	3	0.50	1	-	-	-	2	-	2	-
Subscription fee	11	2.60	3	0.75	4	2.23	8	2.10	3	2.75



# Fees paid to the manager

In the tables in the following sections, all whole numbers refer to the number of funds unless otherwise indicated.

**Table 4: Different fee types during commitment period by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
Fund management fee	3	2	-	6
Asset management fee	2	-	-	3
Acquisition fee	2	-	-	3
Commitment fee	1	-	-	2
Development fee	-	-	-	-
Disposition fee	2	-	-	3
Distribution fee	-	-	-	-
Financing fee	-	-	-	-
Initial organisational fee	-	-	-	-
Project management fee	1	-	-	2
Property management fee	1	-	-	2

**Table 5: Different fee types during commitment period by country and sector**

	Country		Sector	
	Single country	Multi country	Single sector	Multi sector
Fund management fee	1	5	4	2
Asset management fee	1	2	2	1
Acquisition fee	1	2	2	1
Commitment fee	1	1	1	1
Development fee	-	-	-	-
Disposition fee	1	2	2	1
Distribution fee	-	-	-	-
Financing fee	-	-	-	-
Initial organisational fee	-	-	-	-
Project management fee	1	1	-	-
Property management fee	1	1	1	1

**Table 6: Different fee types during commitment period by gearing and vintage**

	Gearing		Vintage		
	<=40%	40% - 60%	<2001	2001-2007	>2008
Fund management fee	6	-	-	4	2
Asset management fee	3	-	-	-	-
Acquisition fee	3	-	-	-	-
Commitment fee	2	-	-	-	-
Development fee	-	-	-	-	-
Disposition fee	3	-	-	-	-
Distribution fee	-	-	-	-	-
Financing fee	-	-	-	-	-
Initial organisational fee	-	-	-	-	-
Project management fee	-	-	-	-	-
Property management fee	-	-	-	-	-

**Table 7: Different fee types during holding period by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
Fund management fee	61	14	41	36
Asset management fee	20	6	17	11
Acquisition fee	39	6	24	22
Commitment fee	1	1	-	3
Development fee	20	2	13	9
Disposition fee	30	4	19	17
Distribution fee	-	1	1	-
Financing fee	1	1	1	1
Initial organisational fee	-	1	-	2
Project management fee	8	4	12	1
Property management fee	5	3	4	6

**Table 8: Different fee types during holding period by country and sector**

	Country		Sector	
	Single country	Multi country	Single sector	Multi sector
Fund management fee	42	35	33	44
Asset management fee	14	14	13	15
Acquisition fee	21	25	21	25
Commitment fee	2	1	2	1
Development fee	11	11	17	5
Disposition fee	16	20	16	20
Distribution fee	-	1	-	1
Financing fee	2	-	-	2
Initial organisational fee	1	1	1	1
Project management fee	8	5	5	8
Property management fee	6	4	5	5

**Table 9: Different fee types during holding period by gearing and vintage**

	Gearing		Vintage		
	<=40%	40% - 60%	<2001	2001-2007	>2008
Fund management fee	54	19	8	38	30
Asset management fee	19	8	2	14	11
Acquisition fee	28	14	3	26	17
Commitment fee	1	2	-	2	1
Development fee	14	6	2	8	12
Disposition fee	22	11	3	16	16
Distribution fee	1	-	-	1	-
Financing fee	1	1	-	1	1
Initial organisational fee	1	1	-	-	1
Project management fee	11	1	2	9	2
Property management fee	6	4	1	4	4

Table 10: Annual fund management fee basis and rates by style and structure

	Style				Structure			
	Core		Value added		Open end		Closed end	
Basis	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Actual cost	1	-	-	-	1	-	-	-
Drawn commitment	-	-	3	1.38	-	-	3	1.38
GAV	22	0.57	4	0.37	16	0.47	10	0.65
NAV	20	0.70	3	1.17	18	0.69	5	1.00
Other	7	1.61	1	-	3	0.50	6	1.59
Property value	11	0.55	2	-	3	0.55	11	0.54
Transaction price	-	-	1	-	-	-	1	-

**Table 11: Annual asset management fee basis and rates by style and structure**

	Style				Structure			
	Core		Value added		Open end		Closed end	
<b>Basis</b>	<b># funds</b>	<b>AVG (%)</b>						
Actual cost	2	-	-	-	2	-	-	-
Drawn commitment	1	-	1	-	1	-	1	-
Fixed fee	-	-	-	-	-	-	1	-
GAV	2	-	2	-	3	0.59	1	-
NAV	4	0.55	-	-	3	0.55	1	-
Other	1	-	-	-	1	-	1	-
Property value	2	-	-	-	1	-	1	-
Rent	3	0.80	-	-	3	0.80	-	-
Unspecified	5	-	3	-	3	-	5	-



# Services included in the fund management fee

Table 12: Services included in the fund management fee by style

	Style					
	Core			Value added		
	Yes	No	Unspecified	Yes	No	Unspecified
Appointment of third party service providers	40	1	23	13	1	2
Arrangement of financing	39	1	24	15	0	1
Cash management and dividend payment	40	2	22	14	0	2
Fund administration	31	9	24	12	3	1
Investor relations	42	0	22	15	0	1
Management of assets including refurbishment	40	2	22	13	0	3
Managing the fund level structure	42	0	22	14	1	1
Reporting activities to investors	42	0	22	14	1	1
Strategic input and production of asset level business plans	42	0	22	15	0	1
Strategic management advice	41	1	22	15	0	1

**Table 13: Services included in the fund management fee by structure**

	Structure					
	Open end			Closed end		
	Yes	No	Unspecified	Yes	No	Unspecified
Appointment of third party service providers	28	0	15	25	3	11
Arrangement of financing	26	3	14	28	1	10
Cash management and dividend payment	27	2	14	28	0	11
Fund administration	21	7	15	23	5	11
Investor relations	29	0	14	29	0	10
Management of assets including refurbishment	27	2	14	26	1	12
Managing the fund level structure	29	0	14	28	1	10
Reporting activities to investors	28	1	14	29	0	10
Strategic input and production of asset level business plans	29	0	14	29	0	10
Strategic management advice	28	1	14	29	0	10



# Performance fees

**Table 14: Reporting of performance fees by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
Charge performance fees	32	14	15	32
Do not charge performance fees	28	2	25	5
Total	60	16	40	37

**Table 15: Timing of performance fees by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
Only at termination of the fund	12	5	0	18
Only periodically, during the life of the fund	19	6	16	9
Both	8	3	4	7

**Table 16: Basis of the performance fees by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
Realized returns	19	7	9	17
Unrealized returns	5	1	3	3
Both	8	2	7	3

**Table 17: Performance fees paid to the manager by style**

Periodic	Core			Value added		
	Hurdle rate	Performance fee	# funds	Hurdle rate	Performance fee	# funds
First hurdle rate for performance fee	8.38	18.96	17	9.29	18.75	7
Second hurdle rate for performance fee	10.00	22.50	4	-	-	1
Third hurdle rate for performance fee	-	-	-	-	-	1
At termination	Core			Value added		
	Hurdle rate	Performance fee	# funds	Hurdle rate	Performance fee	# funds
First hurdle rate for performance fee	9.13	17.78	18	10.14	16.71	7
Second hurdle rate for performance fee	12.36	25.71	7	13.00	25.00	3
Third hurdle rate for performance fee	-	-	1	-	-	1

**Table 18: Performance fees paid to the manager by structure**

Periodic	Structure					
	Open end			Closed end		
	Hurdle rate	Performance fee	# funds	Hurdle rate	Performance fee	# funds
First hurdle rate for performance fee	8.50	19.53	10	8.75	18.28	14
Second hurdle rate for performance fee	-	-	2	12.00	30.00	3
Third hurdle rate for performance fee	-	-	-	-	-	1
At termination	Open end			Closed end		
	Hurdle rate	Performance fee	# funds	Hurdle rate	Performance fee	# funds
First hurdle rate for performance fee	-	-	2	9.44	16.96	24
Second hurdle rate for performance fee	-	-	-	12.55	25.56	10
Third hurdle rate for performance fee	-	-	-	-	-	2

**Table 19: Have the hurdle rates been hit?**

	Style		Structure	
	Core	Value added	Open end	Closed end
First hurdle	16	3	11	8
Second hurdle	2	0	0	2
Third hurdle	0	0	0	0

**Table 20: Application of clawback clause by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
Yes	6	3	2	7
No	29	10	14	26



# Vehicle level costs

Table 21: Application of vehicle level costs by style

		Style					
		Core			Value added		
		# funds	AVG (%)	Basis	# funds	AVG (%)	Basis
Professional services costs	Legal advisory services costs (not property-specific)	51	-	-	14	-	-
	Other consulting services	40	-	-	15	-	-
	Tax advisory costs	34	-	-	8	-	-
Starting and ending costs	Vehicle formation costs	39	-	-	8	-	-
	Wind up costs	27	-	-	9	-	-
Vehicle governance costs	Audit costs	53	-	-	15	-	-
	Custodian costs	40	0.04	NAV	6	0.05	NAV
	Directors costs	25	-	-	5	-	-
	Regulator / Statutory costs	42	-	-	10	-	-
	Transfer agent costs	10	-	-	2	-	-
Administration, banking & valuation costs	Bank charges	48	-	-	14	-	-
	Corporate services	10	-	-	2	-	-
	Valuation costs	52	-	-	13	-	-
	Vehicle administration costs	45	0.24	GAV	9	0.11	GAV
Other costs	Dead deal costs	41	-	-	10	-	-
	Other / Miscellaneous / Sundry costs	37	-	-	9	-	-

Table 22: Application of vehicle level costs by structure

		Structure					
		Open end			Closed end		
		# funds	AVG (%)	Basis	# funds	AVG (%)	Basis
Professional services costs	Legal advisory services costs (not propertyspecific)	31	-	-	36	-	-
	Other consulting services	24	-	-	33	-	-
	Tax advisory costs	20	-	-	23	-	-
Starting and ending costs	Vehicle formation costs	20	-	-	27	-	-
	Wind up costs	12	-	-	25	-	-
Vehicle governance costs	Audit costs	33	-	-	37	-	-
	Custodian costs	30	0.04	NAV	17	0.03	NAV
	Directors costs	14	-	-	16	-	-
	Regulator / Statutory costs	24	-	-	29	-	-
	Transfer agent costs	6	-	-	7	-	-
Administration, banking & valuation costs	Bank charges	31	-	-	33	-	Other
	Corporate services	6	-	-	7	-	-
	Valuation costs	36	0.03	GAV	31	-	Other
	Vehicle administration costs	24	0.27	GAV	31	0.12	GAV
Other costs	Dead deal costs	23	-	-	29	-	-
	Other / Miscellaneous / Sundry costs	21	-	-	26	-	-



# Property-specific costs

Table 23: Application of property specific costs by style

		Style					
		Core			Value added		
		# funds	AVG (%)	Basis	# funds	AVG (%)	Basis
Operating and insurance costs	Property insurance	53	-		14	-	
	Property management costs (non-rechargeable portion)	51	3.09	Rent	12	2.83	Rent
	Repairs and maintenance costs	35	-		9	-	
	Utilities costs (non-rechargeable portion)	33	-		9	-	
Acquisition and leasing costs	Leasing commissions	49	16.33	Rent	9	8.83	Rent
	Property acquisition costs	36	-		7	-	
	Taxes on property related to activities	43	-		13	-	
Tax and other costs	Other/miscellaneous/sundry costs	35	-		8	-	

**Table 24: Application of property specific costs by structure**

		Structure					
		Open end			Closed end		
		# funds	AVG (%)	Basis	# funds	AVG (%)	Basis
Operating and insurance costs	Property insurance	33	-		36	-	
	Property management costs (non-rechargeable portion)	31	3.08	Rent	34	2.29	Rent
	Repairs and maintenance costs	24	-		20	-	
	Utilities costs (non-rechargeable portion)	22	-		20	-	
Acquisition and leasing costs	Leasing commissions	32	12.58	Rent	27	-	
	Property acquisition costs	23	-		21	-	
	Taxes on property related to activities	26	-		32	-	
Tax and other costs	Other/miscellaneous/sundry costs	25	-		18	-	



**Table 25: Application of total expense ratio metrics by style and structure**

	Style		Structure	
	Core	Value added	Open end	Closed end
INREV	10	8	10	8
Other	16	3	11	9
Both	23	1	13	11
Do not report	7	3	3	8

**Table 26: Backward-looking 2015 TER rates by style and structure**

	Style		Structure	
	Core AVG TER	Value added AVG TER	Open end AVG TER	Closed end AVG TER
# funds	31	10	27	14
TER/GAV before performance fee	0.69	0.90	0.58	1.07
TER/NAV before performance fee	0.98	1.64	0.79	1.86

**Table 27: Backward-looking 2015 TER rates by country strategy**

	Country			Single country	
	Single country AVG TER	Multi country AVG TER	Germany AVG TER	Netherlands AVG TER	United Kingdom AVG TER
# funds	24	17	5	11	3
TER/GAV before performance fee	0.64	0.86	0.81	0.51	0.72
TER/NAV before performance fee	1.00	1.29	1.63	0.54	1.01

**Table 28: Backward-looking 2015 TER rates by sector strategy**

	Multi-sector			Single sector		
	Single sector AVG TER	Multi sector AVG TER	Industrial / Logistics AVG TER	Office AVG TER	Residential AVG TER	Retail AVG TER
# funds	24	17	4	3	5	10
TER/GAV before performance fee	0.71	0.77	0.60	0.50	0.56	0.88
TER/NAV before performance fee	0.95	1.38	0.84	0.55	0.61	1.25

**Table 29: Backward-looking 2015 TER rates by gearing and vintage**

	Gearing			Vintage		
	<=40% AVG TER	40% - 60% AVG TER	<2001 AVG TER	2001-2007 AVG TER	>2008 AVG TER	
# funds	32	8	8	13	20	
TER/GAV before performance fee	0.72	0.73	0.43	0.95	0.73	
TER/NAV before performance fee	0.93	1.55	0.49	1.33	1.25	

**Table 30: Backward-looking 2015 TER rates by quartile**

	Core		Value added		Closed end		Open end	
	TER/GAV before performance fee	TER/NAV before performance fee	TER/GAV before performance fee	TER/NAV before performance fee	TER/GAV before performance fee	TER/NAV before performance fee	TER/GAV before performance fee	TER/NAV before performance fee
# funds	31	31	10	10	14	14	27	27
Lower quartile	0.39	0.41	0.56	0.89	0.56	0.81	0.37	0.39
Median	0.57	0.77	0.88	1.64	0.98	1.64	0.57	0.76
Mean	0.69	0.98	0.90	1.64	1.07	1.86	0.58	0.79
Upper quartile	1.17	1.94	1.20	2.53	1.89	3.44	0.79	1.25



# Appendix: Fees glossary

## Fees paid to the investment advisor or manager:

ASSET MANAGEMENT FEE	<p>Fee typically charged by investment advisors, or managers, for their services regarding the management of the vehicle's assets. Asset management fees generally cover services such as:</p> <ul style="list-style-type: none"> <li>• strategic input and production of asset level business plans;</li> <li>• management of assets including refurbishment;</li> <li>• appointment of third party service providers at asset level;</li> <li>• reporting activities at asset level.</li> </ul> <p>Occasionally, asset management fee and fund management fee are combined.</p>
FUND MANAGEMENT FEE	<p>Also known as investment management or investment advisory fees, fund management fees are typically charged by investment advisors, or managers, for their services regarding the management of the vehicle. They generally cover services such as:</p> <ul style="list-style-type: none"> <li>• appointment of third party service providers</li> <li>• reporting activities to investors</li> <li>• cash management and dividend payment</li> <li>• managing the vehicle level structure</li> <li>• arrangement of financing</li> <li>• fund administration</li> <li>• investor relations</li> </ul> <p>Occasionally, fund management fee and asset management fee are combined.</p>
INTERNAL LEASING COMMISSIONS	<p>Commissions charged by investment advisors, or managers, after a new lease or a renewal lease is signed. These include marketing of vacant space. Commission ranges vary and may depend on the market and/or the value of the transaction.</p>
PERFORMANCE FEE	<p>Also known as incentive fees, promote or carried interest, are fees charged by investment advisors, or managers, after a predetermined investment performance has been attained. Carried interest represents a re-allocation of equity and should be treated accordingly for accounting, tax or regulatory purposes.</p>

**PROJECT MANAGEMENT FEE** A fee charged to the vehicle by the advisor, or manager, for guiding the design, approval, and execution of a renovation project, as well as the construction process of a development project. These costs may be expensed or capitalised at the property level.

**PROPERTY ACQUISITION FEE** Fee charged by investment advisors, or managers, associated with the closing of a new investment. The fee compensates the real estate investment advisor, or manager, for services rendered in an investment acquisition, including sourcing, negotiating and closing the deal.

**PROPERTY DISPOSITION FEE** Fee typically charged by investment advisors, or managers, for services rendered in an investment disposition, including sales marketing, negotiating and closing of the deal.

**PROPERTY MANAGEMENT FEE** Fee charged by investment advisors, or managers, for the administration, technical and commercial management of real estate. A property management engagement typically involves the managing of property that is owned by another party or entity. This includes property advisory services.

**WIND-UP FEE** Also known as liquidation fee, it is typically found in liquidating trusts, upon termination and dissolution of the vehicle. The sponsor is responsible for liquidating the partnership in an orderly manner.

### Costs paid to third parties - Vehicle and property level:

AUDIT COSTS	Costs associated with annual external audit engagements and other audit services provided (both paid to independent third party firms or manager/advisor).
BANK CHARGES	Costs charged by a financial institution to manage and maintain the cash accounts of the vehicle. Amounts can be charged on a periodic or transactional basis.
CUSTODIAN COSTS	Also known as depository costs, these are charged by a fiduciary entity entrusted with holding and safeguarding securities or assets, deposit transactions and keeping records for institutional clients.
DEAD DEAL COSTS	Costs usually charged by third parties concerning work undertaken for acquisition/disposition projects which do not ultimately close. Such costs cannot be capitalised, and thus must be expensed.
EXTERNAL LEASING COMMISSIONS	Commissions charged by the listing agent/broker and tenant representative after a new lease or a renewal lease is signed. These include marketing of vacant space. Commission ranges vary and may depend on the market and/or the value of the transaction.
OTHER/MISC. VEHICLE COSTS	Small or infrequent vehicle level costs that are not assigned to other cost categories but are classified as a group. These may include other administration costs, statutory costs, etc.
PROFESSIONAL SERVICES COSTS	Costs charged at vehicle level in connection with third party services such as accounting, secretarial, legal, tax and other advisory costs, which do not fall into other specific cost categories such as formation costs, valuation costs, etc.
PROJECT MANAGEMENT COSTS	Costs charged by third parties for guiding the design, approval, and execution of a renovation project, as well as the construction process of a development project. These costs may be expensed or capitalised at the property level.

**PROPERTY DISPOSITION COSTS** Also known as disposal costs, they represent the costs of selling an investment property. Disposition costs are typically charged to the seller, and consist of legal fees, title fees and insurance, disposition fees, and broker commissions. Disposition costs include only direct costs related to a property-specific disposal and do not include costs of running a disposition program such as general and administrative costs, costs incurred in analysing proposals that are rejected, joint-venture organization costs or fees paid to the manager for execution of the deal.

**PROPERTY INSURANCE COSTS** Expenses related to insurance coverage which is often required by lenders to compensate a property owner and/or lender should the property be damaged by fire, windstorm or other peril.

**PROPERTY MANAGEMENT COSTS** Costs charged by third parties for the administration, technical and commercial management of real estate. A property management engagement typically involves the managing of property that is owned by another party or entity. This includes property advisory services.

**TAXES ON PROPERTY RELATED ACTIVITIES** Taxes assessed against real property, usually by a country or municipal taxing authority but sometimes also by special purpose districts and agencies, in proportion to the assessed value of the property. Franchise taxes and excise taxes are already included in the NAV, and thus should be excluded.

**TRANSFER AGENT COSTS** Costs charged by trustees who are responsible for managing the assets owned by a trust for the trust's beneficiaries. This is most relevant in a REIT structure where trustees act on behalf of all unit holders.

**UTILITIES, REPAIR AND MAINTENANCE COSTS (NON-RECHARGEABLE PORTION)** Shortfalls between the property operating expenses (incl. repairs and maintenance) incurred by the owner of an investment property and the expenses that are charged to the tenants.

**VALUATION COSTS** Costs in connection with the external (third party) appraisal of the real estate assets and liabilities owned by the vehicle. Appraisals may be performed routinely or ad-hoc, which can be triggered by certain provisions in the vehicle agreement.

VEHICLE  
ADMINISTRATION  
COSTS

Costs related to bookkeeping activities either paid to a third-party service provider or the manager/advisor.

VEHICLE  
FORMATION  
COSTS

Also known as set-up costs, these charges are incurred at the launch of a vehicle, and do not relate to the portfolio acquisition and financing structure. These include organisational costs (typically legal & notary services) as well as syndication costs, various marketing costs, including printing / publication, and initial subscription fees.

PROPERTY  
ACQUISITION  
COSTS

Direct costs related to a specific property acquisition such as transfer tax, legal costs, due diligence or other closing costs. These exclude costs of running an acquisition program such as general and administrative costs, costs incurred in analysing proposals that are later rejected, joint-venture organisational costs and fees paid to the manager for execution of the deal.

