Management Fees and Terms Study **2020**

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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Executive summary

> In 2019 the average TER for all vehicles before performance fees was 0.87% based on GAV
> Larger vehicles tend to have lower TERs as indicated by the lower weighted average
> Funds with a multi sector or multi country strategy, on average, show higher TERs

The Total Expense Ratio (TER) and the Real Estate Expense Ratio (REER) form part of the standard measures included in the regular reporting of overall performance to investors in a vehicle. When analysed in the context of vehicle style, investment strategy and other measures of risk, these metrics help to compare fee and cost structures across and between different non-listed vehicles, as well as with other investment structures.

While the TER represents vehicle level fees and costs as a percentage of the vehicle's GAV or NAV, the REER represents property fees and costs as a percentage of GAV. The TER can be measured before fees (excluding performance fees) or after fees (including performance fees).

Larger funds exhibit lower expense ratios
This year's sample of 90 vehicles recorded an average TER of 0.87% based on GAV before performance fees, as reported for 2019. When accounting for vehicles' size, the weighted average TER was lower, at 0.64%. It indicates that, on average, larger vehicles have lower TERs than smaller vehicles. Similarly, it was reflected in the REER, where this year's sample of 82 vehicles recorded an average REER of 0.87% on an equally weighted basis and 0.81% on a weighted basis, as reported for 2019.

New global standard
In 2020, the Total Global Expense Ratio (TGER) was launched to facilitate a comparison of fees and costs between real estate investment vehicles that operate across different regions of the globe. TGER represents a natural progression from the previously reported TER and includes several additional fees. When comparing TER with TGER based on GAV and after performance fees as reported for 2019, the difference between the two is marginal across averages, investment styles, and fund structures.

Lower expense ratios for core funds
Whether on a GAV or NAV basis, before or after performance fees, core funds recorded a lower average TER than their value added peers. The difference between GAV and NAV-based TERs was smaller for core funds than it was for value added. This is mainly because some value added funds are not due to charge performance fees until closer to the end of their fund life. In addition, core funds have a narrower spread between their lower and upper quartiles but observed more extreme values.

Open end vehicles mirror core funds
The differences between open end and closed end funds were similar to those observed between core and value added funds. This is because all but one open end funds in the sample follow a core investment approach, while closed end funds adopt multiple investment styles.

The average TER for open end funds was lower compared to their closed end peers. The former group also saw a smaller difference between their GAV and NAV-based TERs. Dispersion, be it the difference between the lower and upper quartiles, or the minimum and maximum values, was lower for open end funds than for closed end.

Observations by vintage, defined as the year of the first closing, show that younger vintage funds (those launched post 2007) have notably higher average TERs than older vintage funds. Those launched before 2001 reported lower average TERs and exhibited narrower spreads.

Funds with lower target gearing levels (at below 40%) had the lowest average TERs, while those with higher target gearing (more than 60%) had the highest TERs.

Fund size was another important factor, with the larger funds reporting lower average TERs and smaller differences between GAV-based and NAV-based ratios. The larger sized funds also had narrower spreads between their TERs, whether measured by the interquartile range or between the maximum and minimum values.

Section 1

Introduction

Introduction

The INREV Management Fees and Terms Study explores the fee and costs structures of the European non-listed real estate vehicles, with a focus on Total Expense Ratios (TERs) and Real Estate Expense Ratios (REERs).

The study was launched in 2007 and is now published every two years in September – October.

This year's study includes 90 vehicles (57 open end and 33 closed end), that provided information on their general fees and terms as reported for 2019. These vehicles are managed by 37 managers. A comparison between the samples of this year's Management Fees and Terms Study and the previous edition from 2018 is included in the appendix.

In this year's edition, the vehicles collectively represent a total net asset value (NAV) of €87.5 billion and gross asset value (GAV) of €112.6 billion as at the end 2019. All 90 vehicles in the sample provided information on their 2019 TERs.

Further, this year's study includes 82 vehicles (53 open end funds, 29 closed end funds) that provided information on their 2019 REERs. Collectively these vehicles represent a total net asset value (NAV) of €78.4 billion and gross asset value (GAV) of €99.9 billion as at the end 2019.

Important to highlight that in 2020, INREV, ANREV, NCREIF and PREA, introduced the Total Global Expense Ratio (TGER) as a new global standard in order to harmonise the approach for measuring the total fees and costs for real estate investment vehicles.

A mapping of TER to TGER is available as part of the fee and expense metrics module of the INREV Guidelines. Conversion of previously reported TERs is not necessarily as TGER replaces TER. For vehicles to be compliant with the INREV Guidelines a transition period until 1 January 2021 has been introduced. The participating vehicles may choose to either report a TER or TGER until the start of the calendar year 2021.

The results of this study are based on data provided by managers directly to INREV.

INREV does not use publicly available information, and both members and non-members can provide data for the study.

INREV would like to thank all participants of the Management and Fees Terms Study 2020.

For more information about fees and expenses, see the INREV Fee and Expense Metrics guidelines module.

Use

The results of the Management Fees and Terms Study may be used for research and information purposes only.

They may not be used for the following:

- To determine the value of a fund
- To determine the value of a financial instrument
- To determine the amount payable under a financial instrument
- To determine the amount payable under a financial contract
- To calculate performance fees
- To define the allocation of a portfolio

It is important to note that the sample size and its composition varies year by year. As such, historical comparisons should be treated with caution.

Section 2

Total Global Expense Ratios

TGER by style and quartiles

This section focuses on the new Total Global Expense Ratio (TGER) metric developed by INREV, ANREV, NCREIF and PREA over the last few years and presented in 2018.

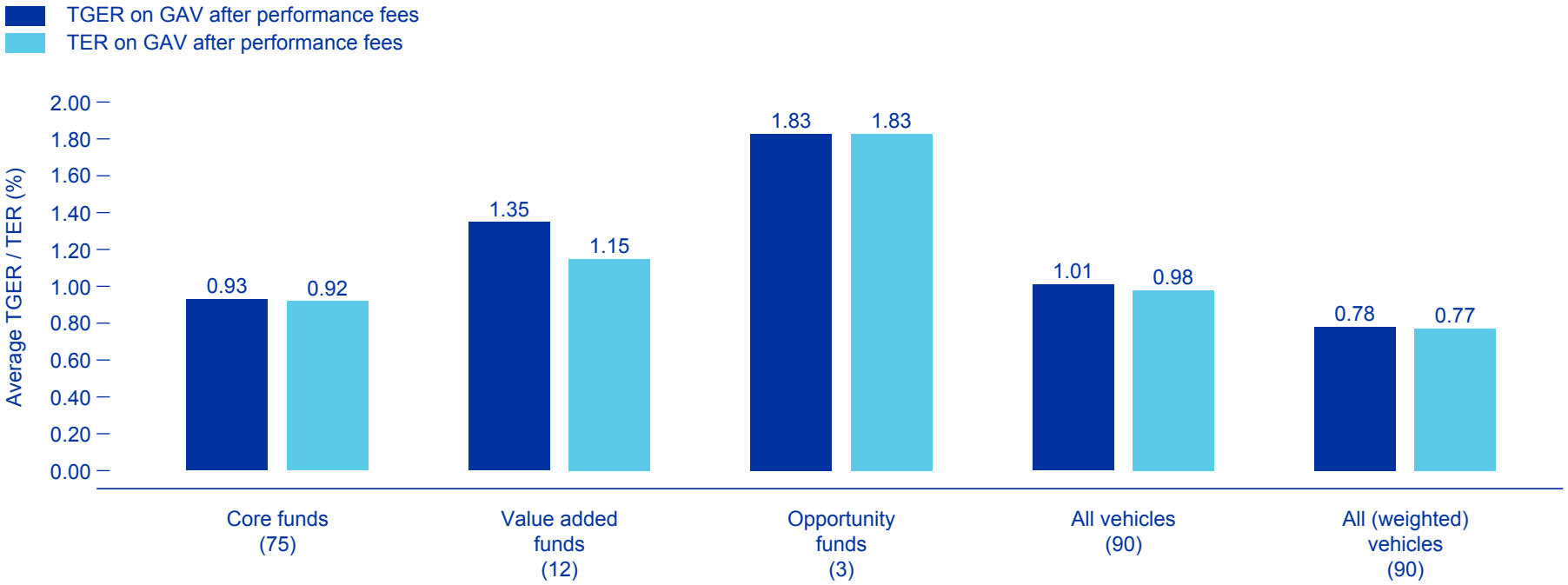
The main goal of the Total Global Expense Ratio (TGER) is to homogenise and provide consistency when analysing fees and metrics between real estate investment vehicles that operate across different regions of the globe.

If you are interested to learn more about the TGER please follow the link.

The results of the analysis based on TGER are in line with those of the Total Expense Ratio (TER) on GAV after performance fees.

As a group, core vehicles show an average TGER of 0.93% compared to an average TER of 0.92% as reported for 2019. Over the same period, the average TGER for opportunistic vehicles is equal to the average TER at 1.83%. The largest difference between TGER and TER applies to the group of value added funds for which the averages are 1.35% and 1.15%, respectively.

Figure 1: TGER and TER by style



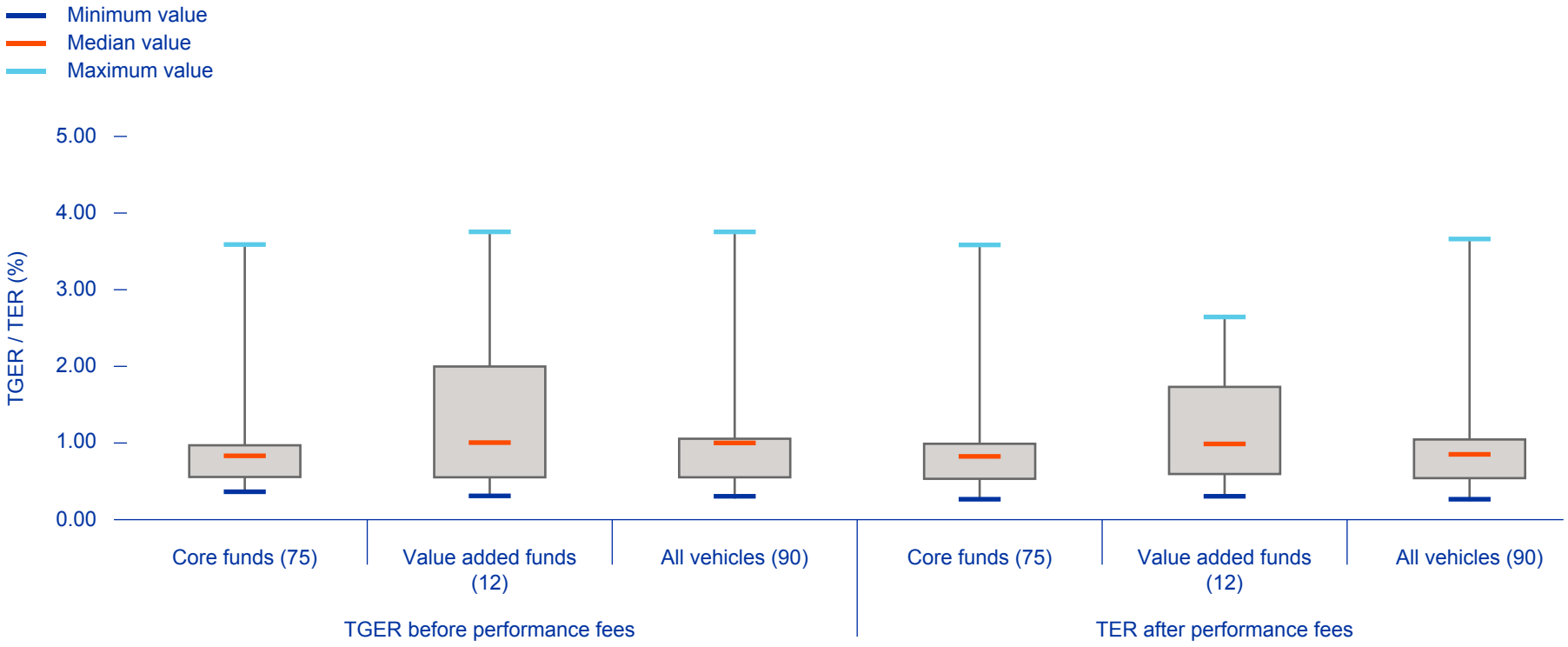
Apart from the reported averages, the distributions of TGER correspond with TER as well. For core vehicles the interquartile ratio (IQR), which is the difference between the upper quartile and the lower quartile and covers the middle 50% observations, is 46 bps as measured by TGER and 53 bps by TER. The spread between the maximum and minimum values for core vehicles is 323 bps as measured by TGER compared to 330 as measured by TER.

For value added vehicles the IQRs based on TGER and TER show larger differences as this is 140 bps measured by TGER compared to 115 bps by TER, as reported for 2019. The spread between the maximum and minimum TGER for value added vehicles is 341 bps compared to 229 bps for the TER.

The larger differences between the distributions that apply to value added vehicles are explained by the inclusion of fees related to project management and debt arrangement in the calculation of TGER whereas these are excluded for TER.

For opportunity funds the distribution is not presented as the sample of 3 funds does not meet the threshold of at least 6.

Figure 2: TGER and TER by style and quartiles



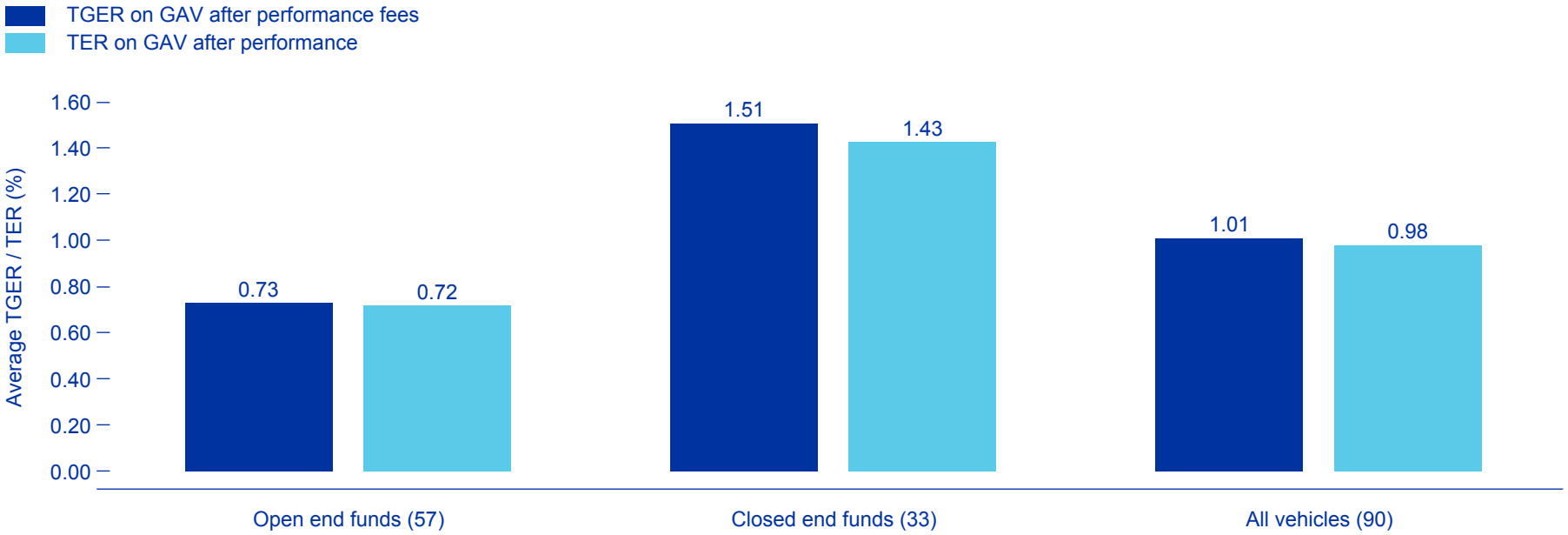
TGER by structure and quartiles

A comparison of the results based on TGER and TER is also executed for separate groups based on fund structures. The structure split of the sample for TGER is the same as for TER: 57 are open end funds and 33 are closed end funds.

For the group of open end funds, the average TGER is 0.73% compared to an average TER of 0.72% as reported for 2019. For the group of closed end funds the difference between the averages based on TGER and TER is larger with 1.51% and 1.43% respectively.

Looking at the dispersions of TGERs and TERs, these both show an IQR of 41 bps for open end funds as reported for 2019. In addition, the difference between the maximum and minimum values are small as this is 128 bps based on TGER and 133 bps based on TER.

Figure 3: TGER and TER by structure

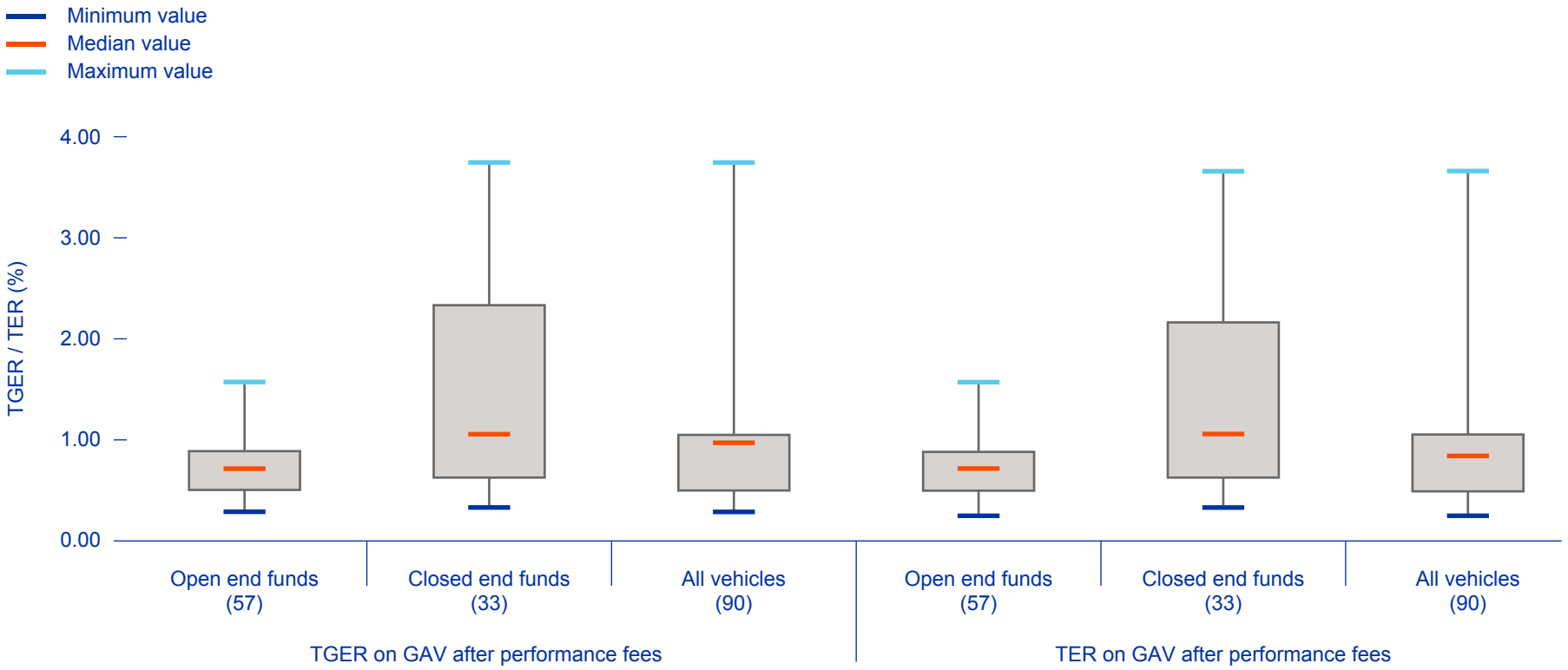


Relative to the open end funds, the differences in distributions are larger for funds with a finite structures. For these closed end funds, the IQR measured by TGER is 168 bps compared to 152 bps by TER, based on GAV, after performance fees and as reported for 2019.

Measured by the difference between the maximum and minimum values the spread for closed end funds is 339 bps based on TGER and 332 bps based on TER.

For open end funds differences between TGER and TER are smaller as these include mainly core funds, whereas the group of funds with a closed end structure comprises a mix of funds with a core, value added and opportunistic investment style.

Figure 4: TGER and TER by structure and quartiles



Section 3

Total Expense Ratios

TER by style

This section of the report is based on a sample of 90 vehicles that provided data on their 2019 TERs. Of these, 75 are core investment style funds, 12 value added and 3 opportunity.

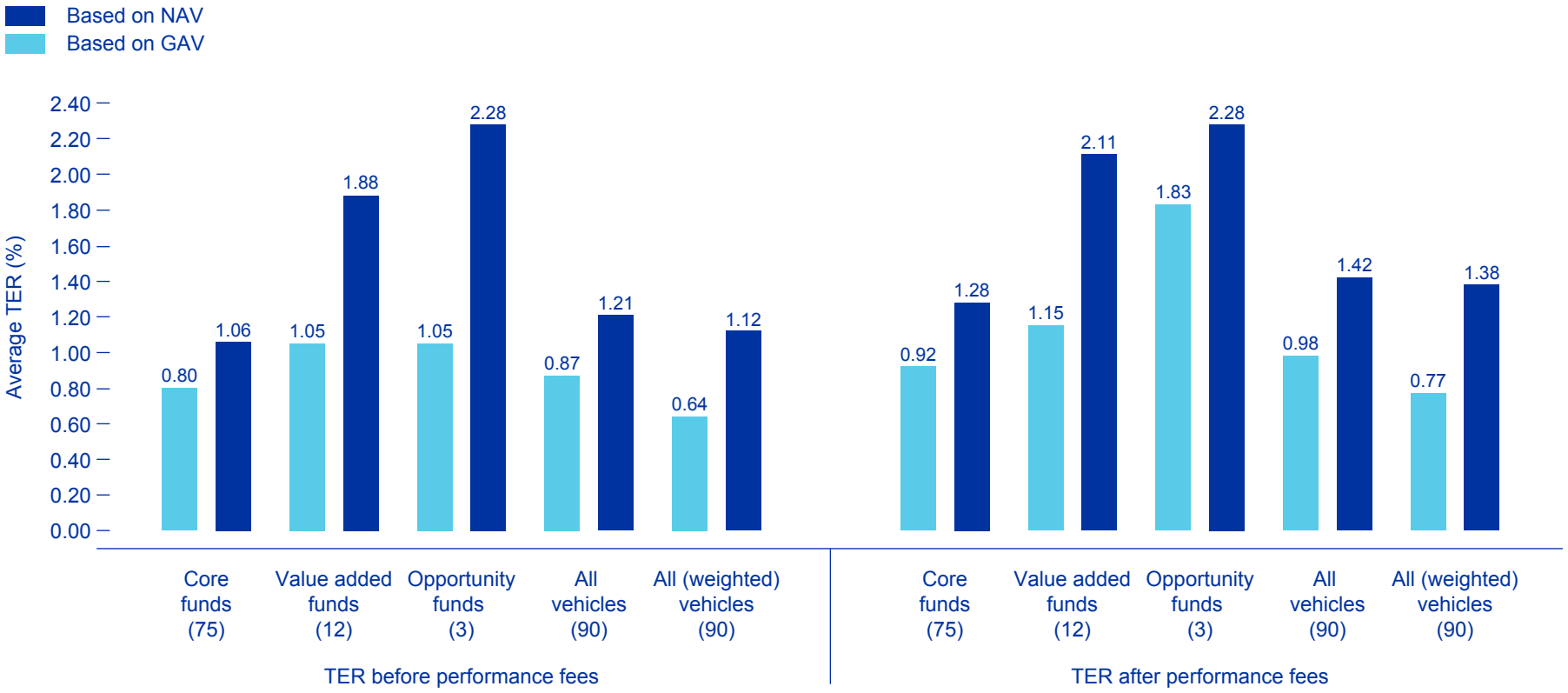
TER represents vehicle fees and costs (including or excluding performance fees) as a percentage of average NAV or average GAV.

The differences in the NAV- and GAV-based TERs reflect variations in capital structures.

On an equally weighted basis, the average TER of all vehicles was 0.87% based on GAV and 1.21% based on NAV, before performance fees.

These averages were lower when taking into account vehicle size. On a weighted basis the all vehicles TER average was 0.64% on a GAV basis and 1.12% on a NAV basis. This indicates that larger-sized vehicles tend to have lower TERs than smaller-sized vehicles.

Figure 5: TER by style



Performance fees increase TERs across all investment styles, although not to the same extent. On an equally weighted basis, the average TER for all vehicles was 0.98% based on GAV and 1.42% based on NAV. On a weighted basis, all vehicles TER average was 0.77% on a GAV basis and 1.38% on a NAV basis, indicating that larger-sized vehicles tend to have higher performance fees than smaller-sized vehicles.

Core funds recorded an average TER of 0.80%, based on GAV and 1.06% based on NAV, before performance fees. After performance fees core funds recorded slightly higher average TERs at 0.92% and 1.28% on GAV and NAV bases, respectively.

For the two groups of value added and opportunity funds, the difference between GAV-based and NAV-based average TERs was larger compared to the core funds. This is explained by the higher, on average, gearing that applies to riskier strategies.

Value added funds recorded an average TER of 1.05% based on GAV and 1.88% based on NAV before performance fees. Opportunity funds recorded average TERs of 1.05% based on GAV and 2.28% based on NAV.

The majority of value added and opportunity funds, 14 of the 15 in total, have a closed end structure. Some of these funds are not due to charge out performance fees until closer to the end of their fund life. Therefore, for this cohort of funds, average TERs after performance fees can eventually turn out higher than reported in this study.

‘Core funds show the lowest average TERs across investment styles’

TER by style and quartiles

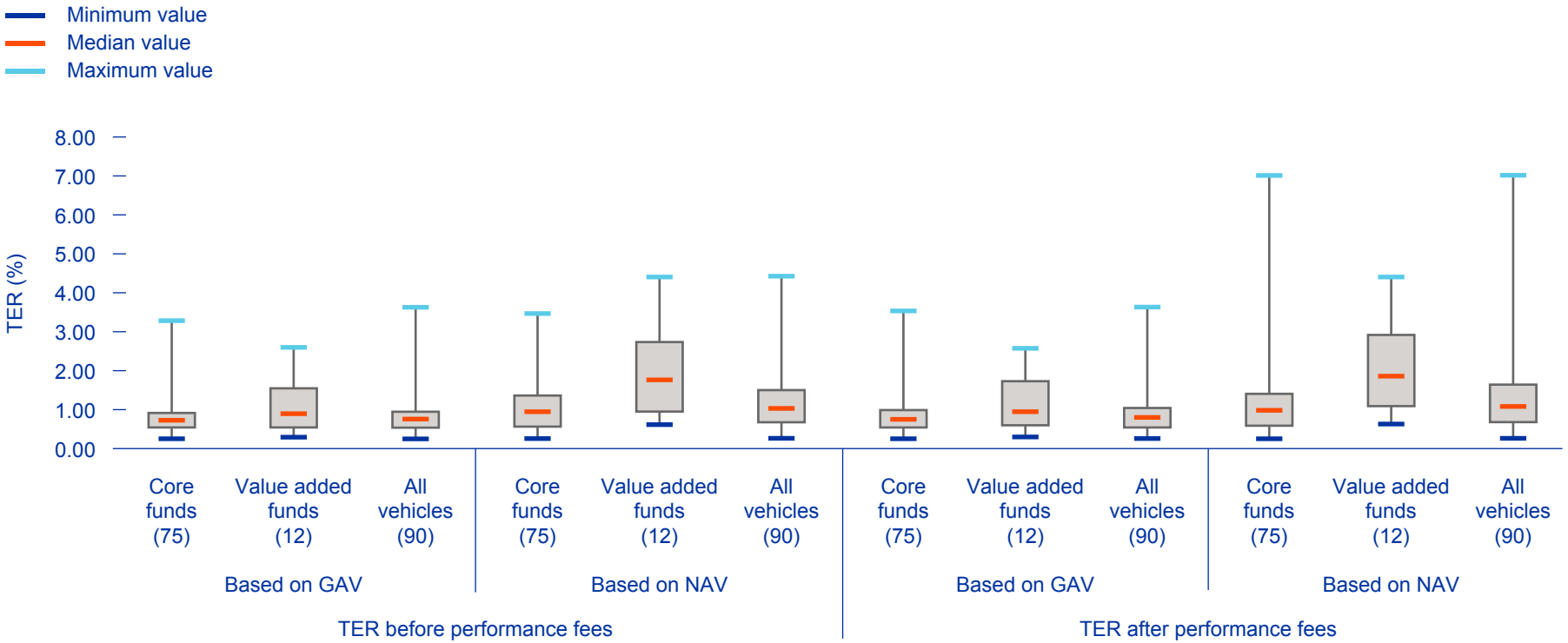
For each category, the quartiles were analysed to better understand the variability among the individual TERs. The dispersion was measured in two ways. Firstly, by looking at the difference between the maximum and minimum TERs. Secondly, by the interquartile range (IQR) which is the difference between the upper quartile and the lower quartile and covers the middle 50% observations. The IQR is less sensitive to outliers than the range or the standard deviation measures.

Due to the confidentiality criteria used by INREV the group of funds that follow an opportunity investment style is excluded from the distribution analysis as the sample does not meet the threshold of at least 6 funds.

Assessment by quartiles shows that value added funds have an IQR of 102 bps based on GAV and before performance, which is higher compared to the IQR of 40 bps for core funds.

However, when looking at dispersion measured by the range between minimum and maximum TERs the picture differs. Core funds show a range of 306 bps compared to 229 bps for value added funds, largely driven by core funds with a closed end structure and higher TERs.

Figure 6: TER by style and quartiles



TER by structure

By structure, the split of the 90 vehicles in the sample is as follows: 57 are open end funds and are 33 closed end funds.

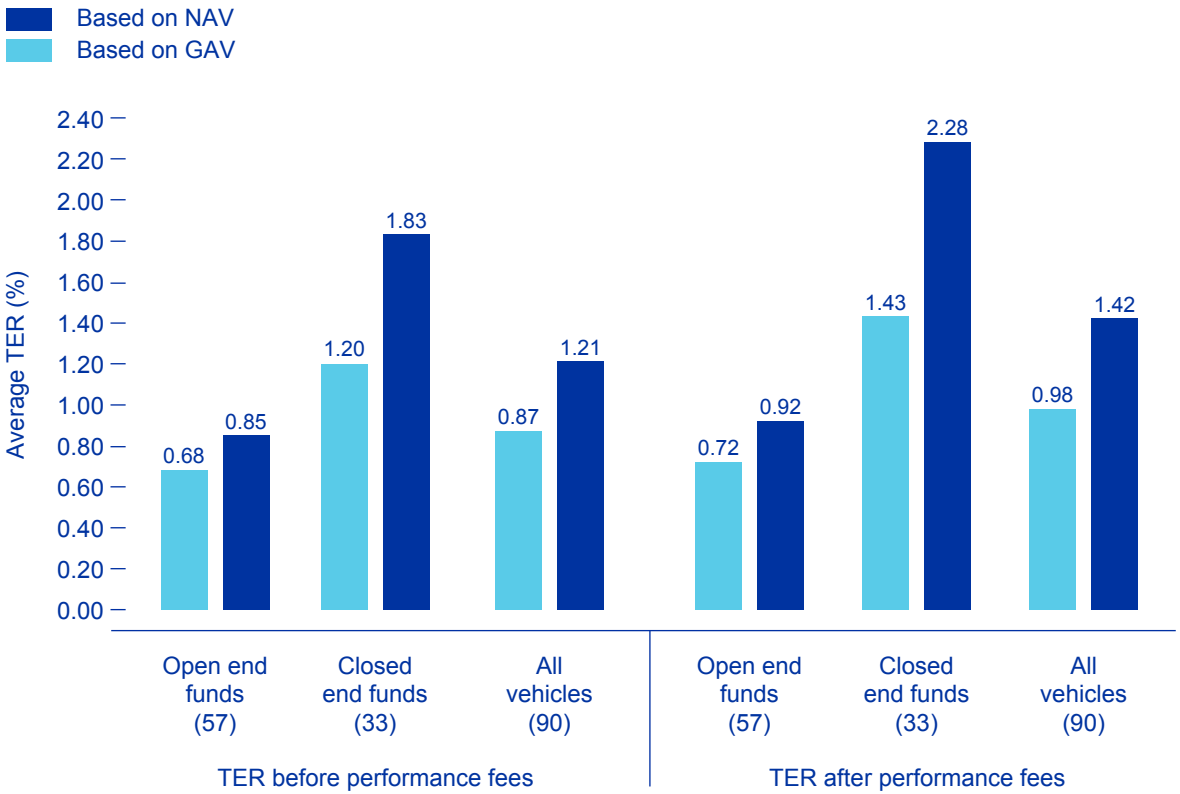
The average TERs for open end funds are considerably lower than those for closed end funds, on GAV and NAV bases, and before and after performance fees. Open end funds recorded an average TER before performance fees of 0.68% based on GAV and 0.85% based on NAV. The equivalent figures for closed end funds were 1.20% and 1.83% respectively.

For open end funds, average TERs after performance fees were slightly higher at 0.72% based on GAV and 0.92% based on NAV.

Closed end funds show larger differences with average TERs before and after performance fees as these are considerably higher at 1.43% and 2.28% on GAV and NAV bases, respectively. This indicated that closed end funds, on average, are more leveraged compared to their open end peers.

The differences in average TERs for open end and closed end funds can, in part, be explained by the strategies that these structures tend to follow. All but one of the open end funds included in the sample, follows a core strategy while closed end funds adopt a mix of core, value added and opportunity strategies (19, 11 and 3 funds respectively). Funds with non-core strategies tend to have higher average TERs than core strategies.

Figure 7: TER by structure



‘Closed end vehicles record higher average TERs and performance fees than open end vehicles’

TER by structure and quartiles

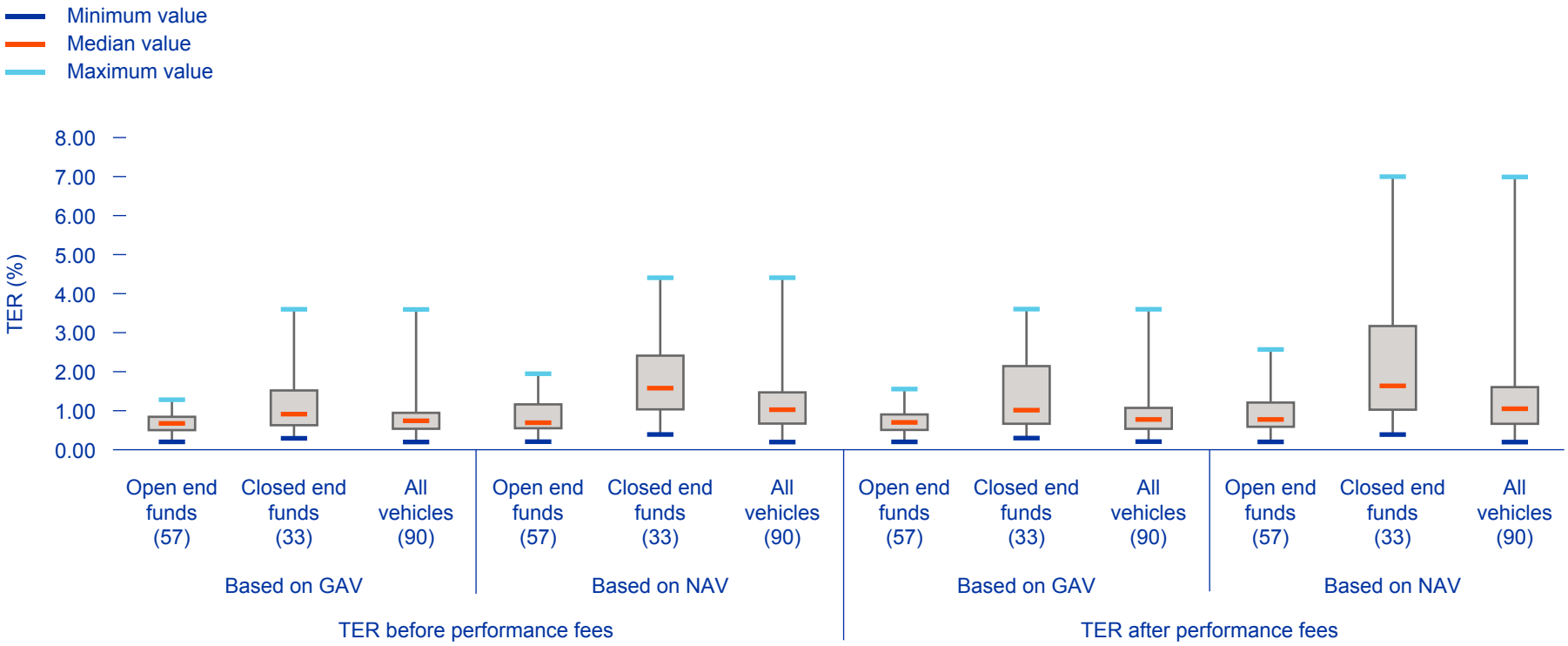
Quartile assessment by structure follows a similar pattern to the analysis by style, largely due to open ends funds following a core investment style.

There was more variation in TERs for closed end funds when compared to their open end peers. This largely reflects the diversity in the investment styles of the closed end funds in this sample.

Closed end funds show a notably larger middle spread than their open end peers. The IQR for closed end funds was 93 bps based on GAV and before performance fees. For open end funds the IQR was 36 bps on the same basis. In absolute terms, the spread between the IQRs of closed end versus open end funds is even wider for TERs based on NAVs and after performance fees.

Assessment by the ranges for open end and closed end structures supplements this observation. For closed end funds the range between the maximum and minimum values was 332 bps compared to 107 bps for open end funds.

Figure 8: TER by structure and quartiles



TER by year of first closing

For this analysis, the year of first closing is used as a proxy for vehicle vintage. The 90 vehicles that are included in the sample are grouped into three categories: those that first closed prior to 2001 (13), vehicles that first closed between 2001 – 2007 (22) and vehicles that first closed after 2007, effectively at the beginning of the global financial crisis (55).

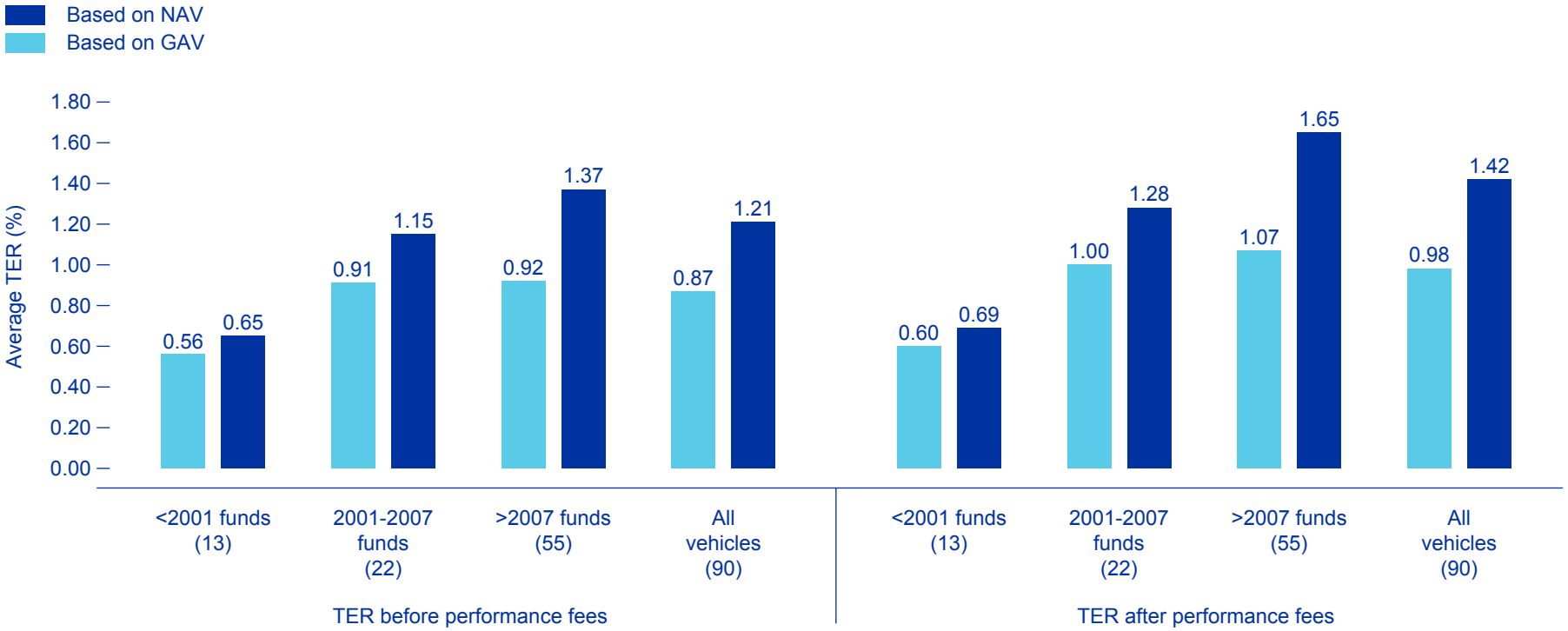
Younger vintage funds are a mix of open end and closed end structures. This group recorded the highest average TERs, 0.92% on a GAV basis and 1.37% on a NAV basis before performance fees. Post performance average TERs were higher at 1.07% and 1.65% for GAV-based and NAV-based respectively.

At the other end of the spectrum, those funds launched prior to 2001, recorded the lowest average TERs, 0.56% on a GAV basis and 0.65% on a NAV basis before performance fees.

Here survivorship bias could have an impact on the results as vehicles that no longer exist are excluded from the analysis. This is illustrated by the fact that all funds included in the sample and launched prior to 2001 are open end structures which tend to have lower TERs than their closed end peers.

Funds launched between 2001 and 2007 observed TERs closer to the younger vintage funds, with the average for this group being 0.91% based on GAV and 1.15% based on NAV before performance fees.

Figure 9: TER by year of first closing



TER by year of first closing and quartiles

When assessing the quartiles by year of the first closing, several interesting observations emerge.

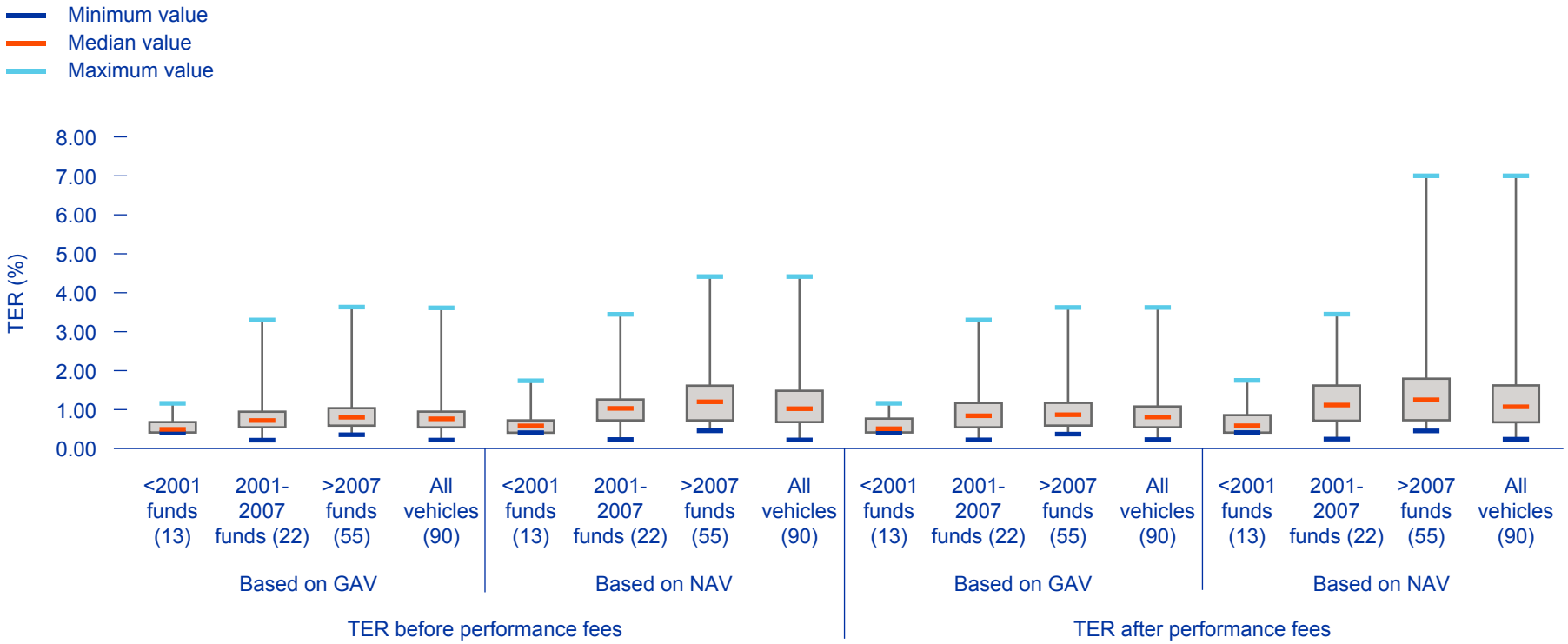
Funds launched between 2001 and 2007 and those launched after 2007 show similar distributions. The IQR for the first group was 43 bps, while for the second group this is 42 bps, based on GAV and before performance fees.

Furthermore, the range between maximum and minimum TERs for funds launched between 2001 and 2007 is comparable to those launched after 2007, with 306 bps and 327 bps respectively, based on GAV and before performance fees.

Older vintage funds displayed a narrower distribution compared to the two groups of the younger funds. The IQR for these funds, launched before 2001, is 29 bps before performance fees, while the spread between maximum and minimum values is 80 bps.

The large ranges that were observed for funds launched from 2007 onwards and those launched between 2001 and 2007 indicate that the sample includes more extreme values. It can largely be explained by some funds being in acquisition or disposal phases.

Figure 10: TER by year of first closing and quartiles



TER by target gearing

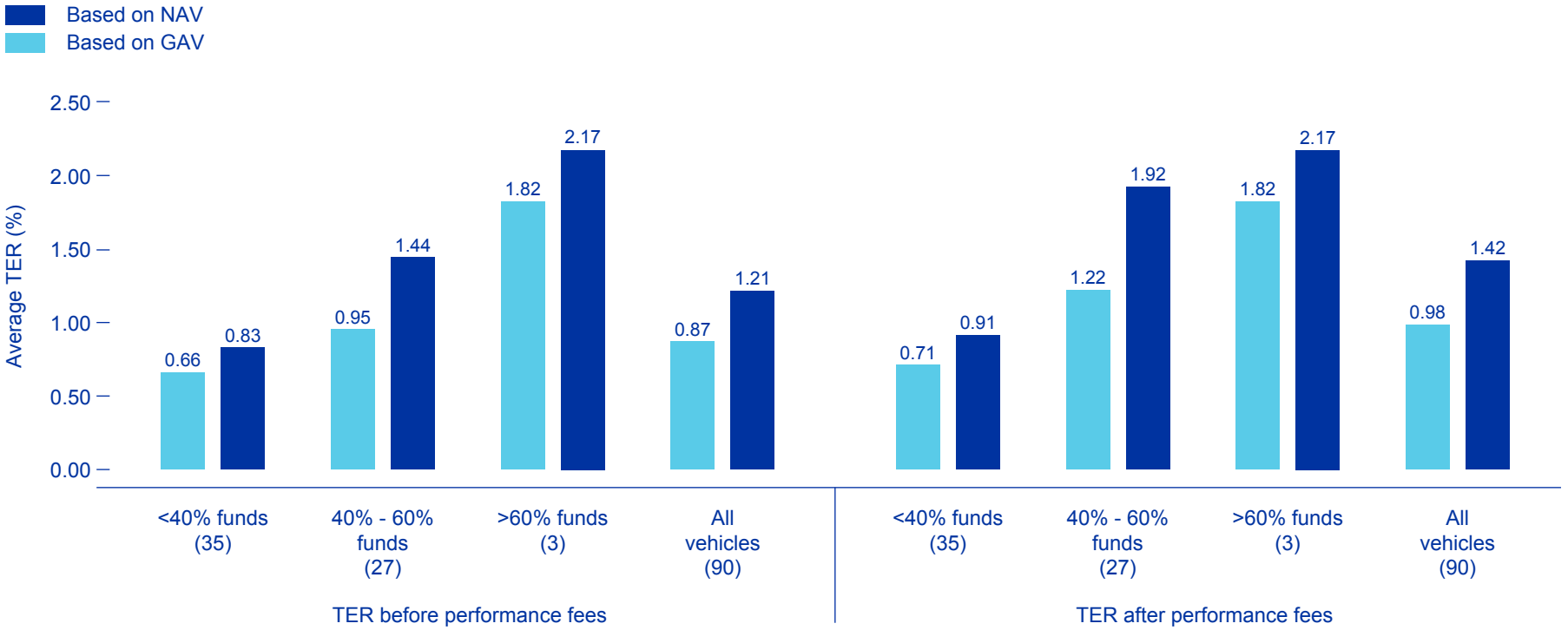
A total of 65 funds indicated a target gearing level, of the overall sample of 90. These were split into three categories according to their borrowing strategies. The first group is the largest and includes funds with a target gearing level of less than 40% (35). The second group were funds which indicated a target gearing level of between 40% and 60% (27). The remaining 3 funds specified target gearing of more than 60%.

The majority of funds with lower gearing targets of less than 40% are younger vintage funds (18 of 35) but also comprises those launched pre-2001 (8) and between 2001-2007 (9). Most of these funds are labelled as core (33) and have an open end structure (30). These funds observed the lowest average TERs among the three target gearing groups of 0.66% based on GAV and 0.83% based on NAV, before performance fees.

At the other end of the spectrum, the three funds with more than 60% target gearing, show the highest average TERs of 1.82% based on GAV and 2.17% based on NAV, before performance fees.

Those funds that target 40% to 60% gearing include a mix of all investment styles and structures. On average their GAV-based TER was 0.95% and 1.44% based on NAV before performance fees. Also, this group of funds shows the largest difference between GAV-based and NAV-based average TERs for both before and after performance fees.

Figure 11: TER by target gearing



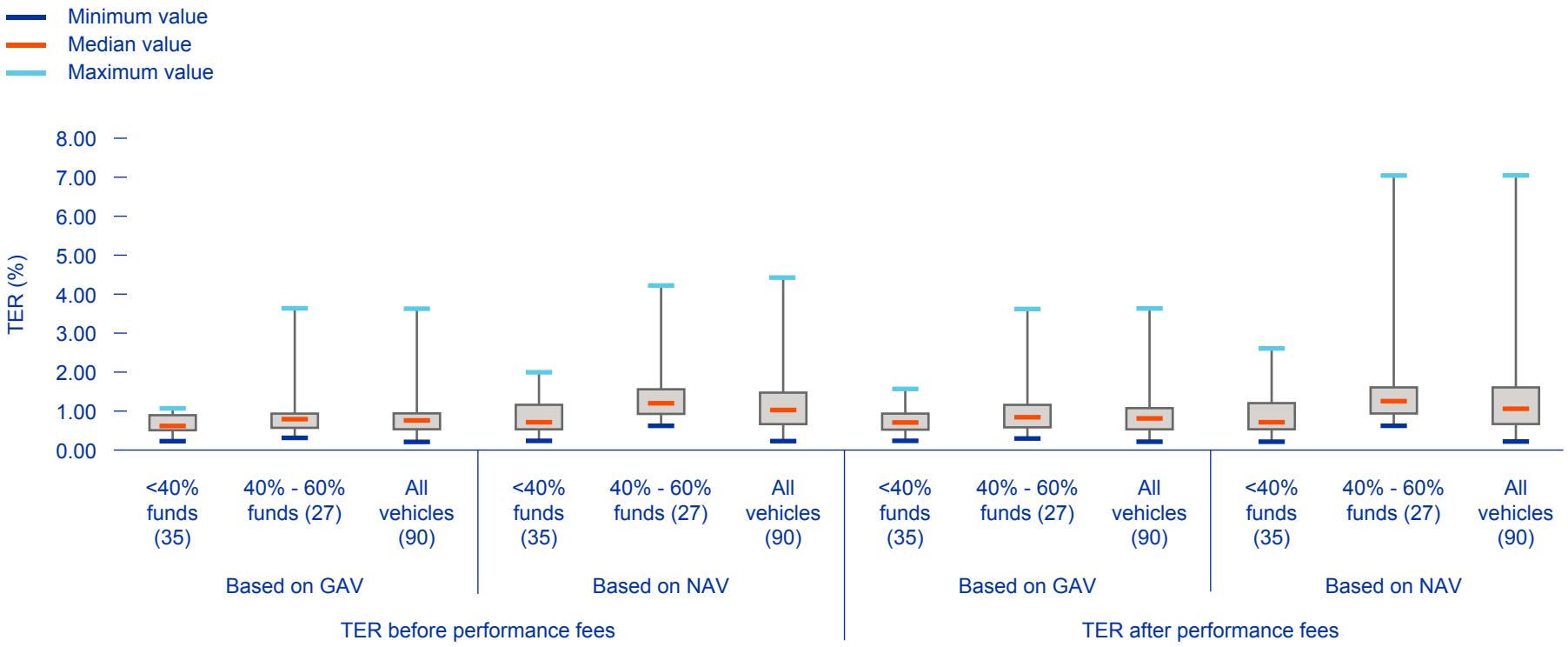
TER by target gearing and quartiles

The spread analysis by target gearing shows the dispersions of TERs for the three groups of funds divided based on their target gearing levels. Funds with a target gearing above 60% do not meet the required threshold of at least 6 observations, as a result, this group is excluded from the analysis.

Distributions of TERs for the remaining two groups show similar dispersions. Funds with target gearing levels below 40% show an IQR of 39 bps on GAV and before performance fees, compared to 37 bps for funds with a target gearing between 40% and 60%.

However, when measured by the range between maximum and minimum values, the picture is different. Based on this, the dispersion of TERs for funds with target gearing levels between 40% and 60% is considerably wider, given the spread of 335 bps on GAV and before performance fees, compared to 84 bps for funds with the lowest target gearing levels.

Figure 12: TER by target gearing and quartiles



TER by fund size

For the analysis of TERs by fund size, the sample was grouped into three discreet categories based on the fund's latest reported GAVs: those with a GAV of less than €500 million (32), funds with a GAV between €500 million to €1 billion (28), and funds with a GAV larger than €1 billion (30).

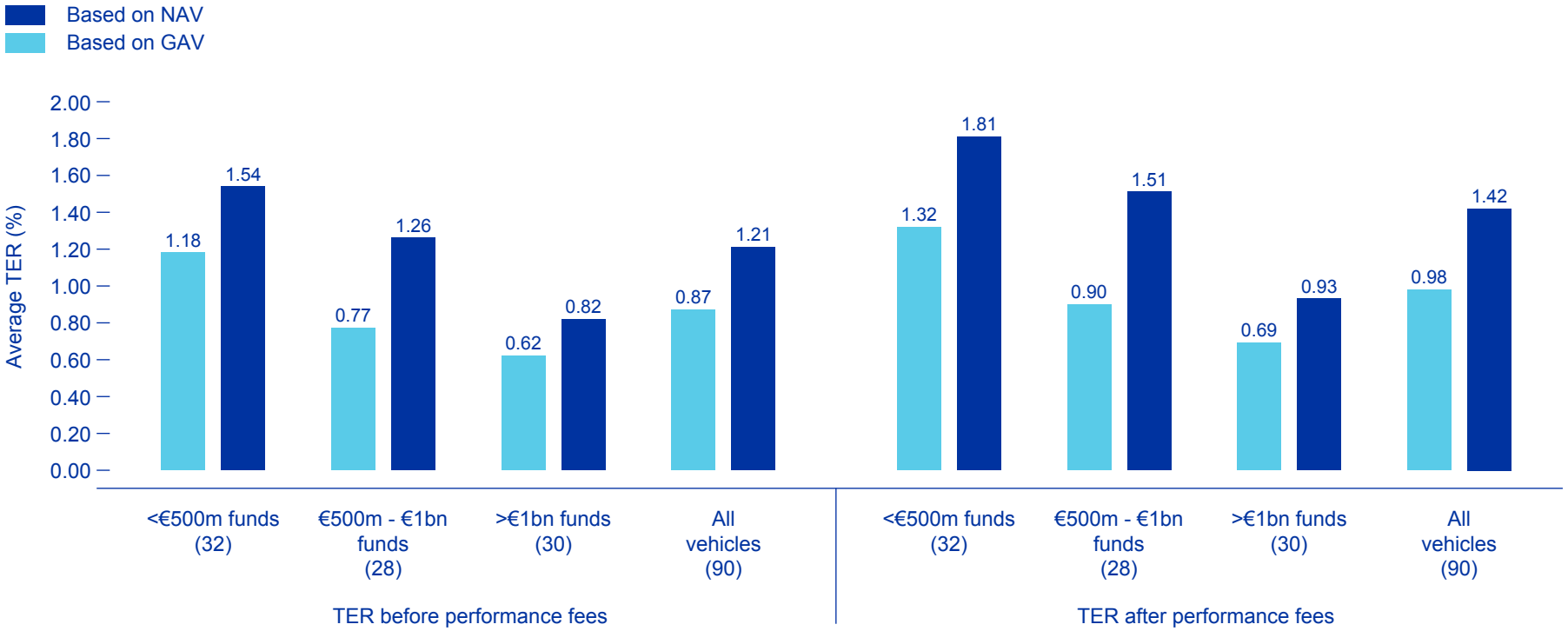
This comparison shows that the funds with a GAV of less than €500 million, on average, tend to have higher TERs compared to the middle-sized and larger funds.

For funds with a GAV of less than €500 million, the average TER was 1.18% based on GAV before performance fees. The NAV-based average TER for this group was 36 bps higher at 1.54%.

At the other end of the spectrum is are those funds with GAV's higher than €1 billion. This group recorded the lowest average TER of 0.62% on GAV and before performance fees. Furthermore, larger sized funds also show the smallest difference between the GAV-based and NAV-based TERs indicating lower gearing levels in the capital structure.

Medium-sized funds, those with a GAV between €500 million and €1 billion, sat in-between with an average GAV-based TER of 0.77% and a NAV-based average TER of 1.26% before performance fees.

Figure 13: TER by fund size



TER by fund size and quartiles

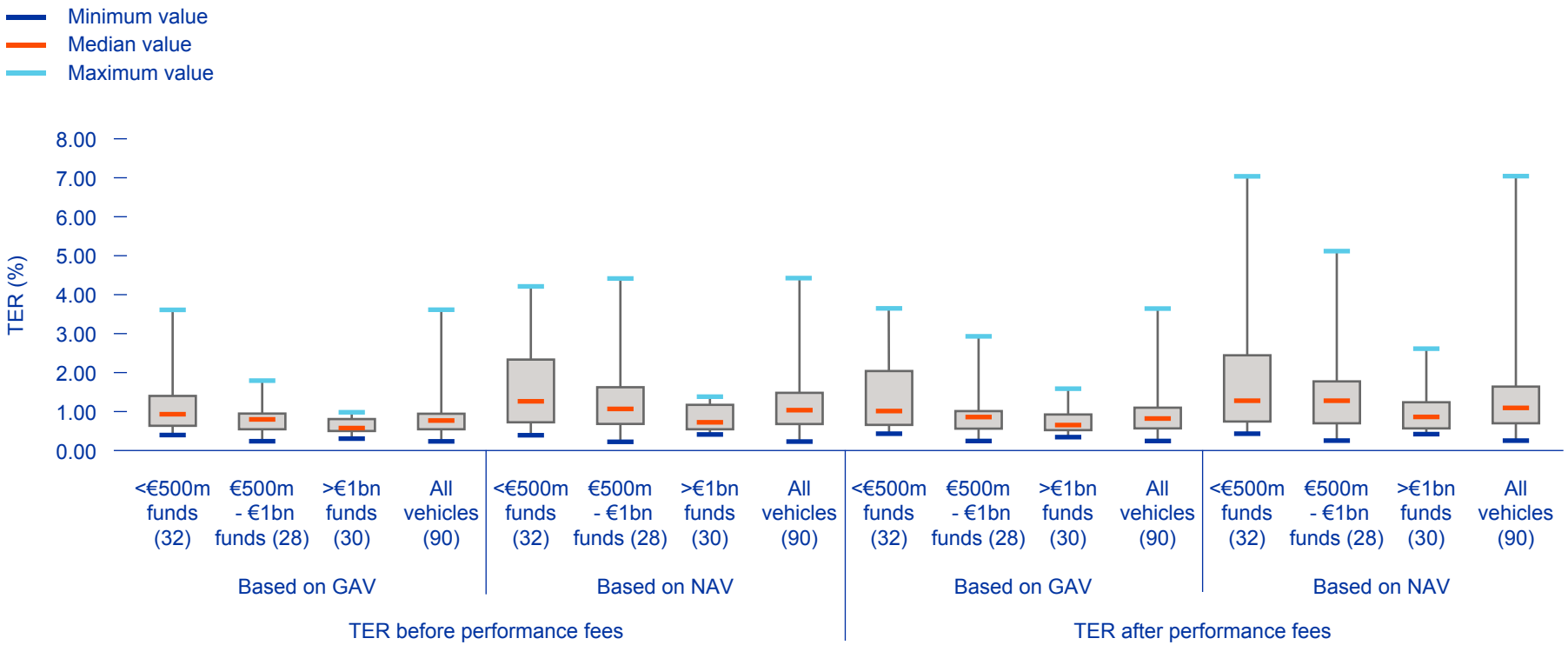
The following observations relate to the distributions of TERs for the three separate groups of funds based on their latest recorded GAVs.

Those funds with GAVs higher than €1 billion, show the narrowest IQR at 31 bps on GAV and before performance fees, compared to 39 bps for funds with GAVs between €500 million to €1 billion and 74 bps for funds with GAVs lower than €500 million.

When measured by the range between the maximum and minimum values, the picture remains the same. Funds with GAVs higher than €1 billion show the narrowest dispersion with a spread of 68 bps on GAV and before performance fees, compared to 153 bps for funds with GAVs between €500 million to €1 billion and 324 bps for funds with GAVs lower than €500 million.

Looking at the differences between the IQRs and ranges, whether on a GAV-basis and NAV-basis, or before and after performance fees, it stands out that the dispersions of TERs increase across all three groups of funds. It indicates that the use of leverage or performance fees does not seem to be a distinguishing factor between the three groups of funds.

Figure 14: TER by fund size and quartiles



TER by country strategy

This analysis shows the average TERs for funds by country strategy. For this comparison, the sample was split into two groups, those which follow a single country strategy (41) and those that follow a multi country strategy (49).

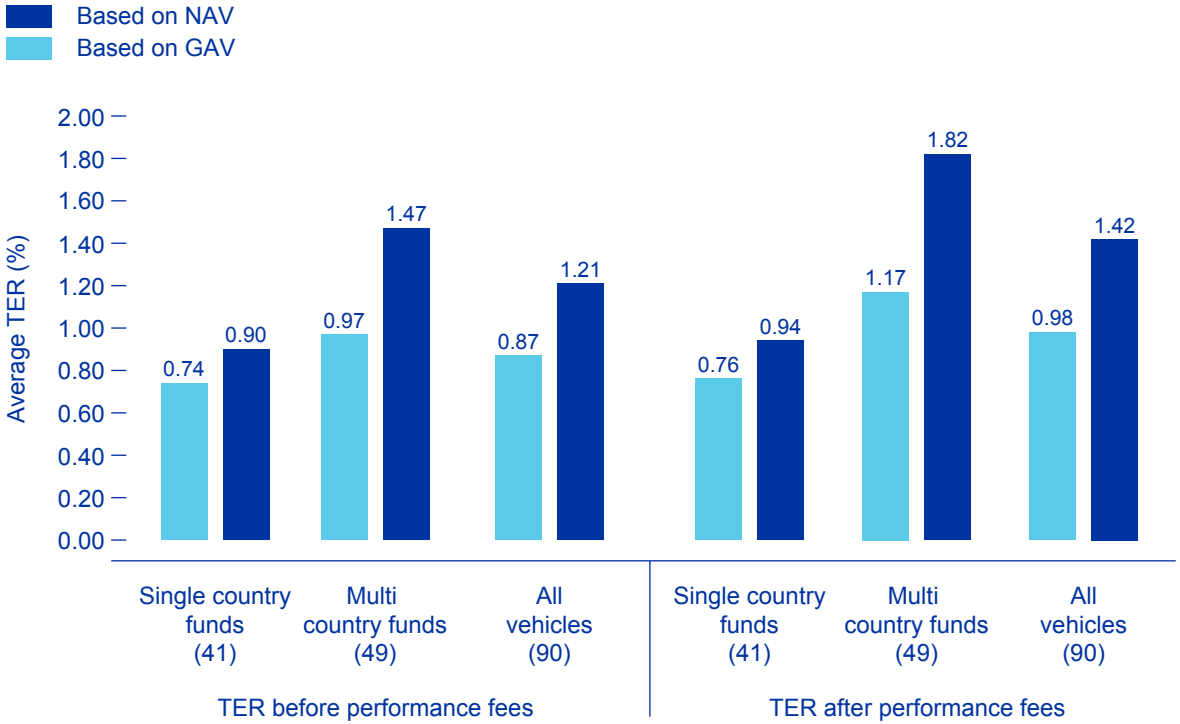
For the group of funds that follow a single country strategy, the average TERs were 0.74% on a GAV-basis and 0.90% on a NAV-basis, before performance fees.

For funds that follow a multi country strategy the TERs were higher at 0.97% and 1.47% on a GAV- and NAV-basis, respectively.

Further, the difference between the GAV-based or NAV-based TERs were smaller for those funds that follow a single country strategy compared to the group with funds that follow a multi country strategy, indicating that the latter group, on average, uses more leverage.

When comparing the average TERs before and after performance fees, the differences are more evident for funds that follow a multi country strategy indicating that suchlike rewards are, on average, more applicable to this group compared to funds with a single country strategy.

Figure 15: TER by country strategy



‘Multi country strategy funds apply higher TERs than those targeting a single country’

TER by country strategy and quartiles

Distributions of TERs across country strategies show that funds with a single country strategy have a narrower spread in their dispersion than funds with a multi country strategy.

The IQR for multi country funds was 32 bps, based on GAV and before performance fees. This is 25 bps higher than for single country funds. On a NAV basis the IQR for multi country funds increased to 63 bps compared to 40 bps for single country funds.

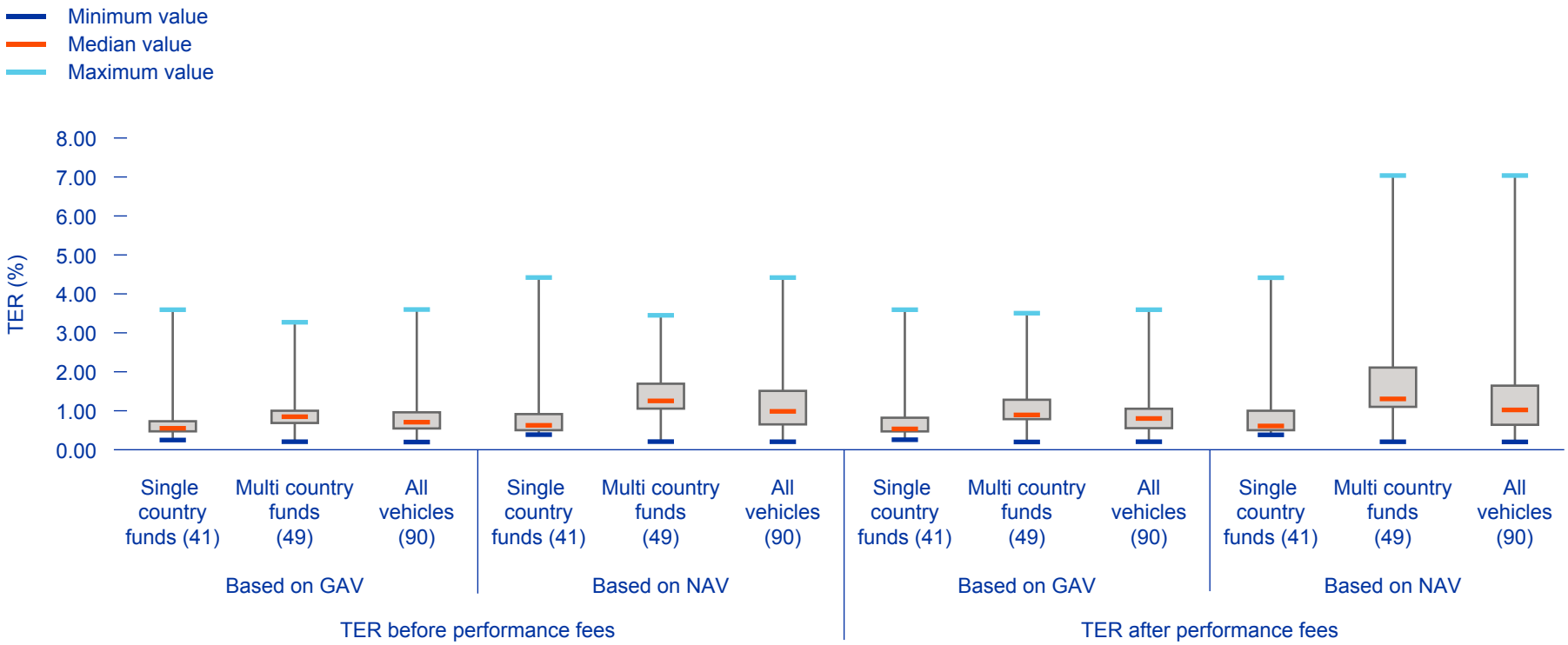
The ranges between maximum and minimum values show a different pattern. The range for multi country funds was 306 bps, based on GAV and before performance fees, which is 29 bps lower than the 335 bps for single country funds.

On a NAV basis the range increases for single country funds (404 bps) and multi country funds (322 bps), although remains higher for the first group.

Interestingly, the range in maximum and minimum TERs for multi country funds was wider than for single country funds when based on NAV and after performance fees.

This indicates that higher performance fees seem to be more applicable to multi country funds compared to single country funds.

Figure 16: TER by country strategy and quartiles



TER by single country strategy

This analysis focuses on those funds that follow a single country strategy and shows the average TERs for groups of funds that target similar countries.

This year's sample includes a total of 41 funds that follow a single country and have been subdivided into 3 groups. A group with funds that have a strategy to invest in the Netherlands (19); those that target the United Kingdom (UK) (15); and the remaining funds that target a single country fall into a third group ('Other countries') which contains 7 funds.

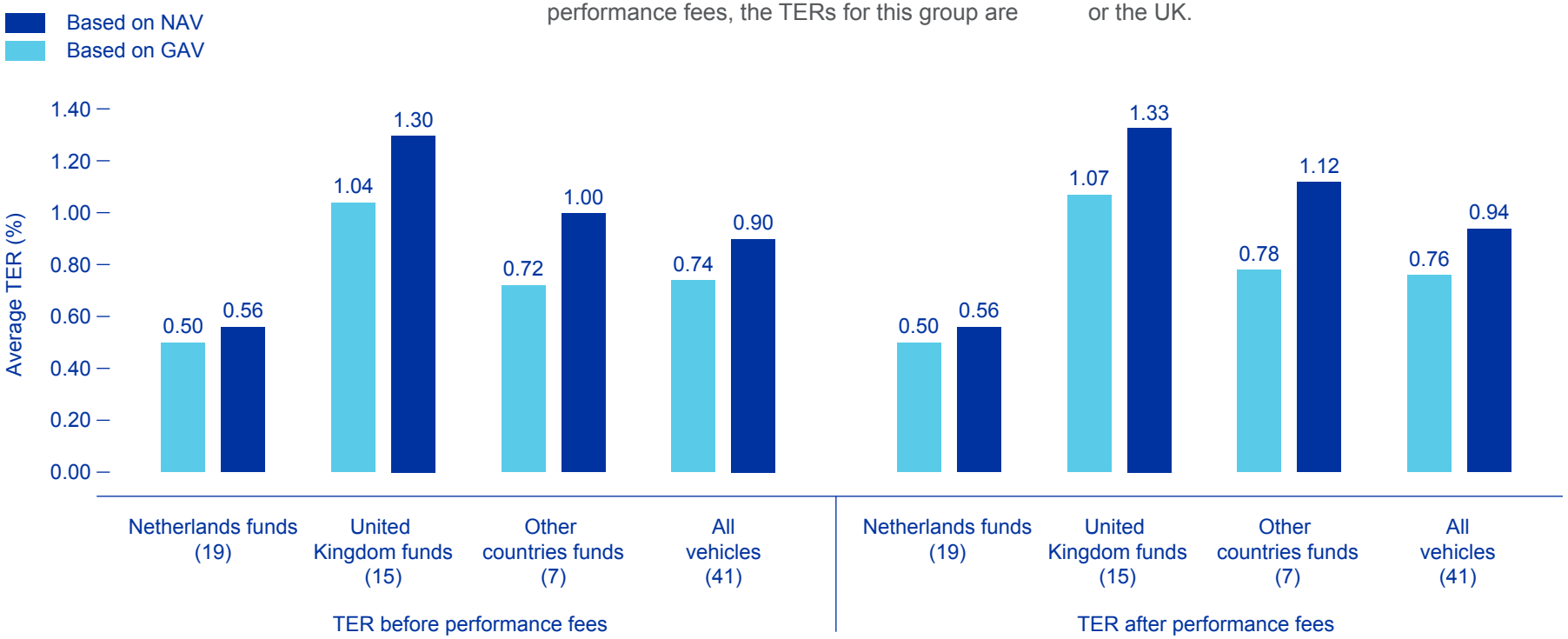
Funds targeting the Netherlands show the lowest average TERs as well as the smallest difference between the GAV-based and NAV-based ratios. On average the TER for this group was 0.50% based on GAV and only 6 bps higher based on NAV, both before performance fees.

Funds targeting the UK displayed the highest TERs at 1.04% based on GAV and 1.30% based on NAV, before performance fees. After performance fees, the TERs for this group are fractional higher although remain the highest among the three groups.

Based on the average TERs, funds that target other single countries are in-between, as they record an average of 0.72% on GAV and 1.00% on NAV, before performance fees.

Nonetheless, funds targeting other countries show the widest spread of 28 bps between the average TERs based on GAV and NAV, both before and after performance fees. This indicates that the funds in this group are, on average, more levered compared to the groups with funds that target the Netherlands or the UK.

Figure 17: TER by single country strategy



TER by single country strategy and quartiles

A deeper analysis of the distributions of TERs among funds with a single country strategy shows that funds targeting the Netherlands are fairly homogenous.

Funds targeting the Netherlands recorded an IQR of just 15 bps, based on GAV and before performance fees, therefore having the narrowest spread of all groups. Likewise, the range for this group was also the narrowest at just 39 bps difference between the maximum and minimum values.

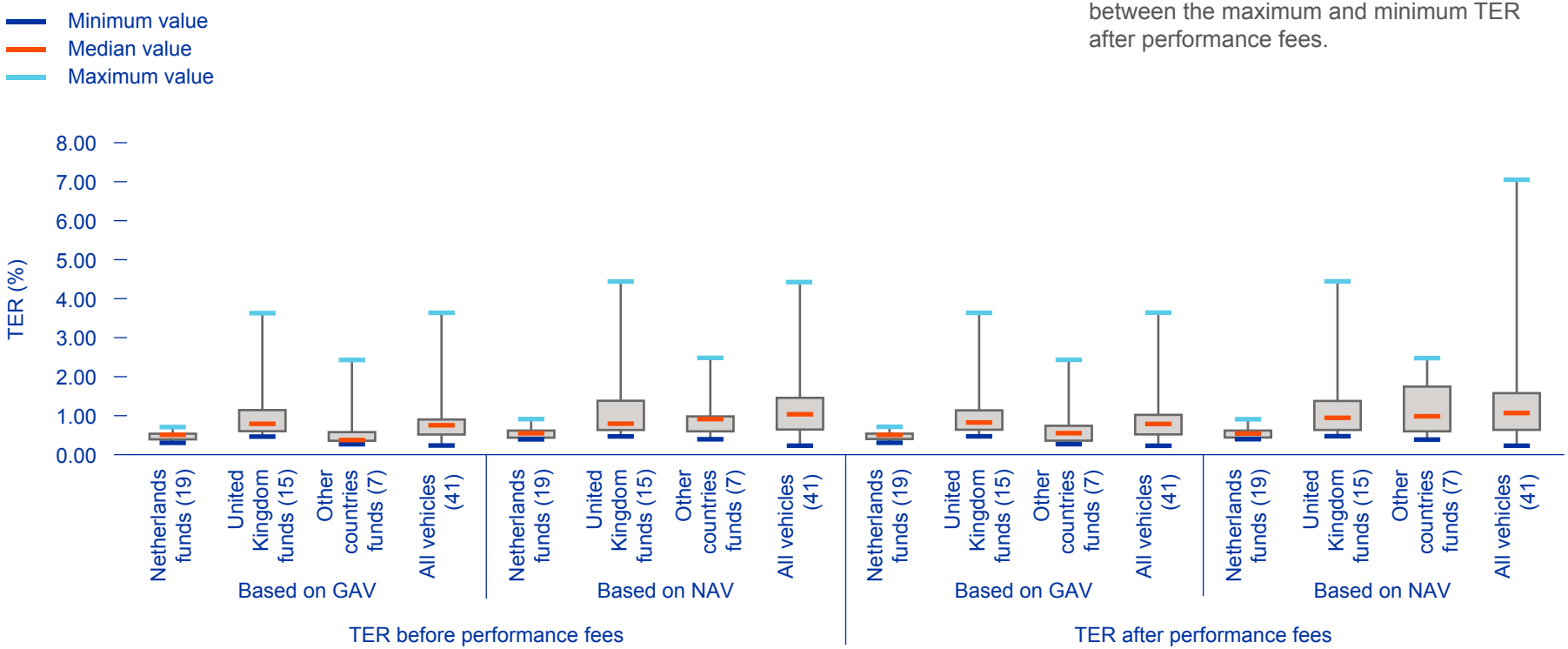
For single country funds targeting 'other' countries, the IQR was also relatively narrow at 25 bps. On the other hand, for this group the range between the highest and lowest TER was considerably wider at 216 bps, based on GAV and before performance fees.

Funds targeting the UK observed the widest spread for both the IQR (53 bps) and the spread between the lowest and highest TER (316 bps) based on GAV and before performance fees.

Looking at the dispersions based on NAV, the mutual differences between the groups remain in place. However, for the group of funds targeting the UK or 'other' countries the IQR and spread between the maximum and minimum TER increases, indicating that higher gearing seems more applicable to these groups compared to funds targeting the Netherlands.

In addition, as a group, those funds targeting 'other' countries seem to apply higher performance fees compared to the groups of funds targeting the Netherlands or the UK, based on their higher IQR and spread between the maximum and minimum TER after performance fees.

Figure 18: TER by single country strategy and quartiles



TER by sector strategy

This analysis shows the average TERs for funds by sector strategy. For this comparison, the sample was evenly split into two groups, those which follow a single sector strategy (45) and those that follow a multi sector strategy (45).

Funds that follow a single sector strategy show lower average TERs compared to funds that follow a multi sector strategy.

On a GAV basis and before performance fees, the average TER for funds with a single sector strategy is 0.77%, while for funds with a multi sector strategy it was 20 bps higher at 0.97%.

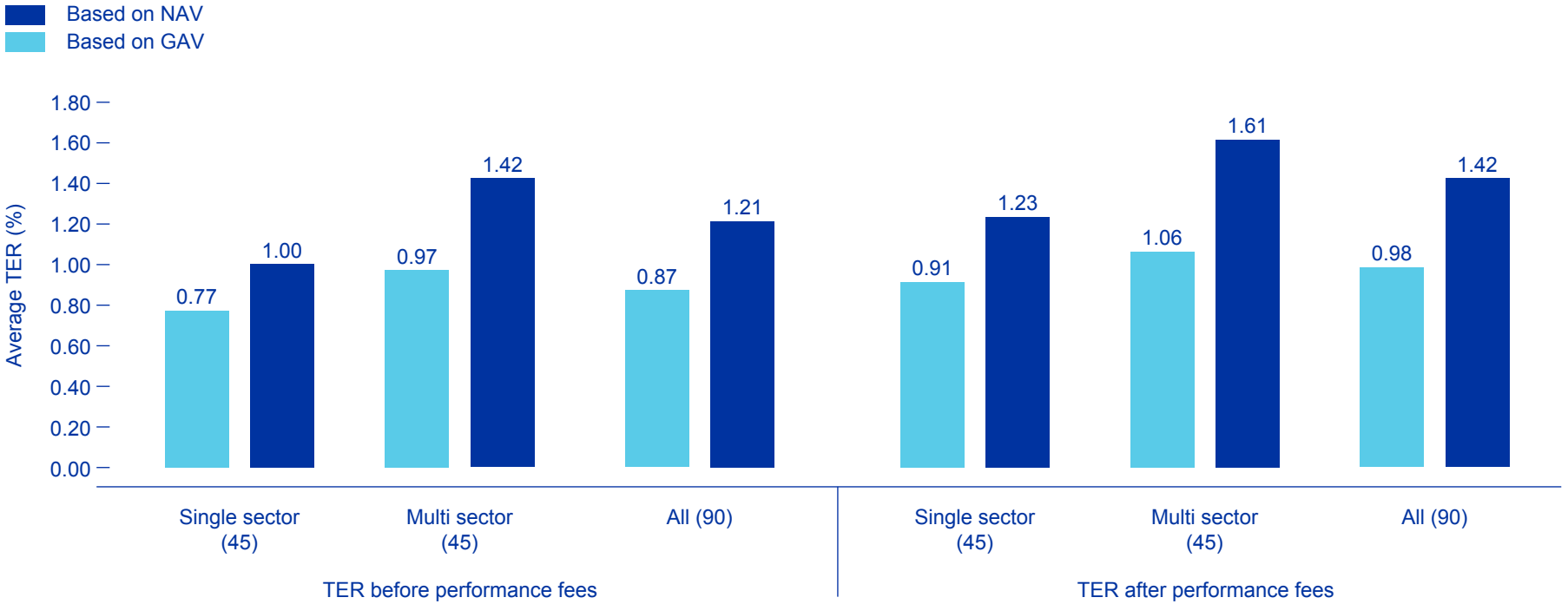
On a NAV basis and before performance fees, the differences are larger with an average TER of 0.97% for single sector funds compared to 1.42% for multi sector funds. This indicates that on average, multi sector funds are higher levered.

When looking at the average TERs after performance fees, the divergence between the two groups increases further. Single sector funds record an average TER of 0.91% based on GAV and 1.23% based on NAV.

For multi sector funds the equivalent measures are 1.06% based on GAV and 1.61% based on NAV.

‘Multi sector strategy funds apply more leverage’

Figure 19: TER by sector strategy



TER by sector strategy and quartiles

This analysis provides more insights into the distributions of TERs for a group of funds with a single sector strategy vs those with a multi sector strategy.

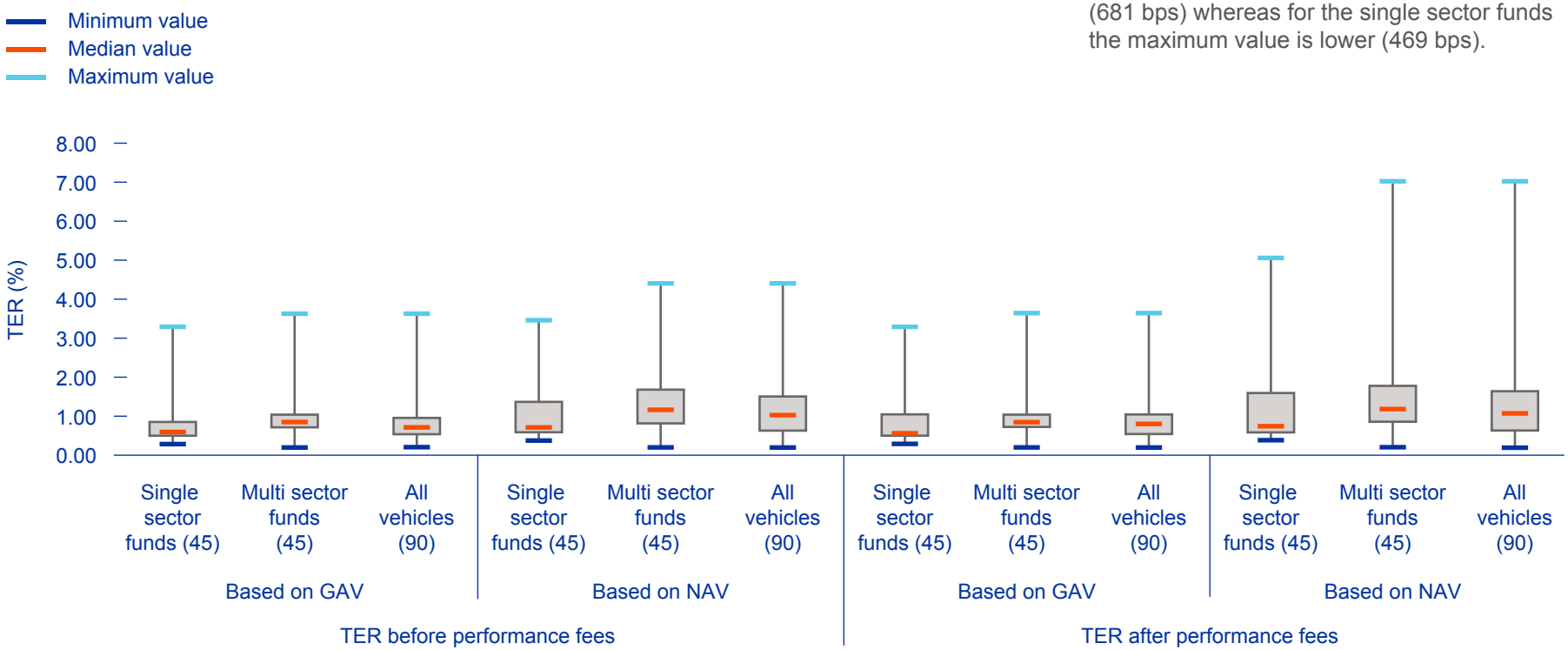
Overall, both groups show similar distributions in their TERs based on GAV and before performance fees. For funds with a single sector strategy, the IQR is 37 bps, based on GAV and before performance fees, compared to 34 bps for funds with a multi sector strategy. Single sector funds show a range between maximum and minimum values of 298 bps compared to 340 bps for multi sector funds.

On a NAV basis and before performance fees, the picture changes slightly. Single sector funds displayed a smaller IQR than multi sector funds, 81 bps versus 89 bps. When measured by the ranges between maximum and minimum TERs, single sector funds also revealed a smaller spread than multi sector funds, 306 bps versus 420 bps. This indicates that higher use of leverage seems more applicable to funds with a multi sector strategy.

When looking at the distributions of the TERs after performance fees, the picture for the two groups is quite similar on a GAV basis.

However, on a NAV basis, notable differences emerge. For both groups the range between maximum and minimum values increases significantly, indicating that performance fees are a notable part of the TER for some funds in both groups. In particular, higher performance fees apply to multi sector funds (681 bps) whereas for the single sector funds the maximum value is lower (469 bps).

Figure 20: TER by sector strategy and quartiles



TER by single sector strategy

The single sector strategies are comprised as follows: 3 funds focus on investments in the office sector, 16 on the retail sector, 10 on industrial / logistics and 10 on the residential sector. The remaining 6 include single sector funds that target other sectors.

Before performance fees, residential funds recorded the lowest average TERs based on GAV (0.61%) and NAV (0.78%), as well as the smallest difference between the GAV-based and NAV-based ratios (17 bps).

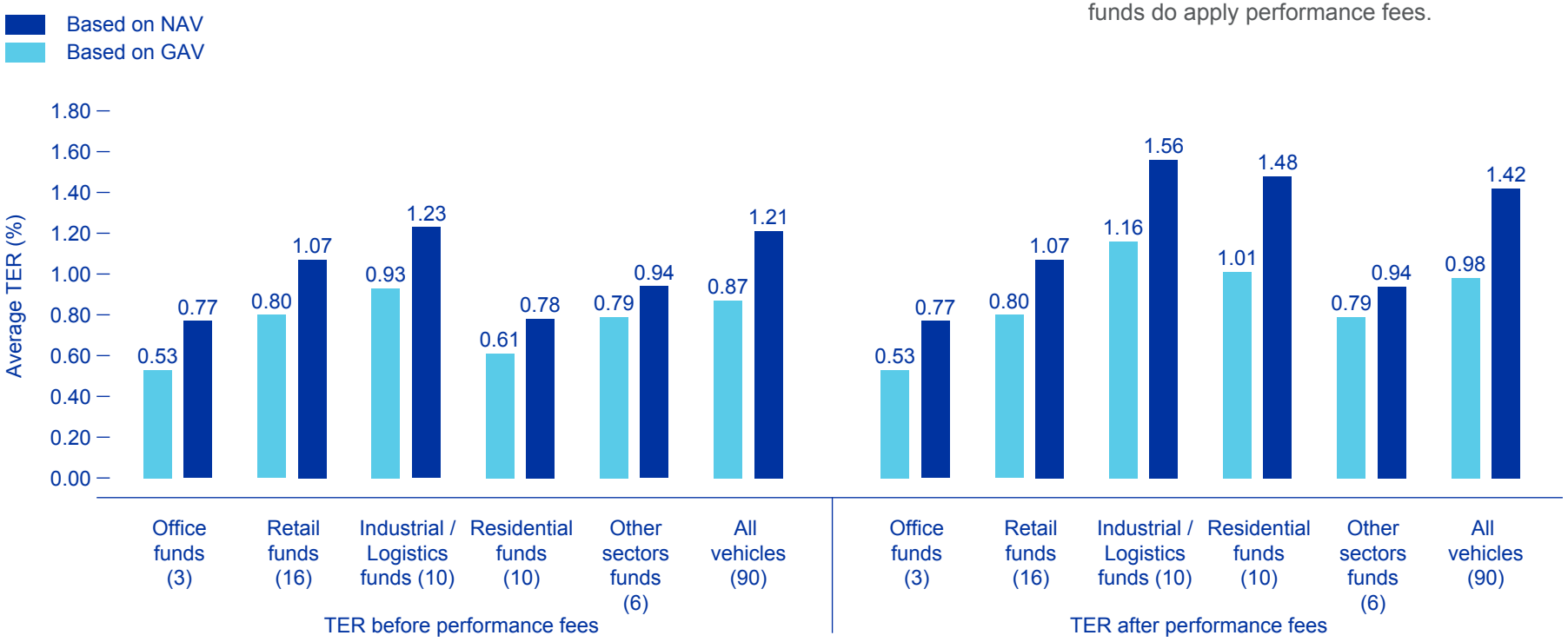
At the other end of the spectrum the single sector funds that have the highest average TER are those that target industrial / logistics. For these funds, TERs are 0.93% based on GAV and 1.23% based on NAV, before performance fees. Funds targeting industrial / logistics also show the widest gap between the GAV-based and NAV-based ratios (30 bps).

Funds targeting the office sector recorded TERs of 0.77% based on GAV and 0.53% based on NAV, before performance fees. For the retail sector the equivalent measures are 0.80% and 1.07%, respectively.

When looking at the TERs after performance fees interesting differences emerge. For funds targeting residential or industrial / logistics the TERs increase substantially. In fact, both these groups show the widest gap between the GAV-based and NAV-based ratios (47 bps and 40 bps).

Conversely, there were no performance fees reported for funds targeting office, retail and 'other' sectors, despite the fact that these funds do apply performance fees.

Figure 21: TER by single sector strategy



TER by single sector strategy and quartiles

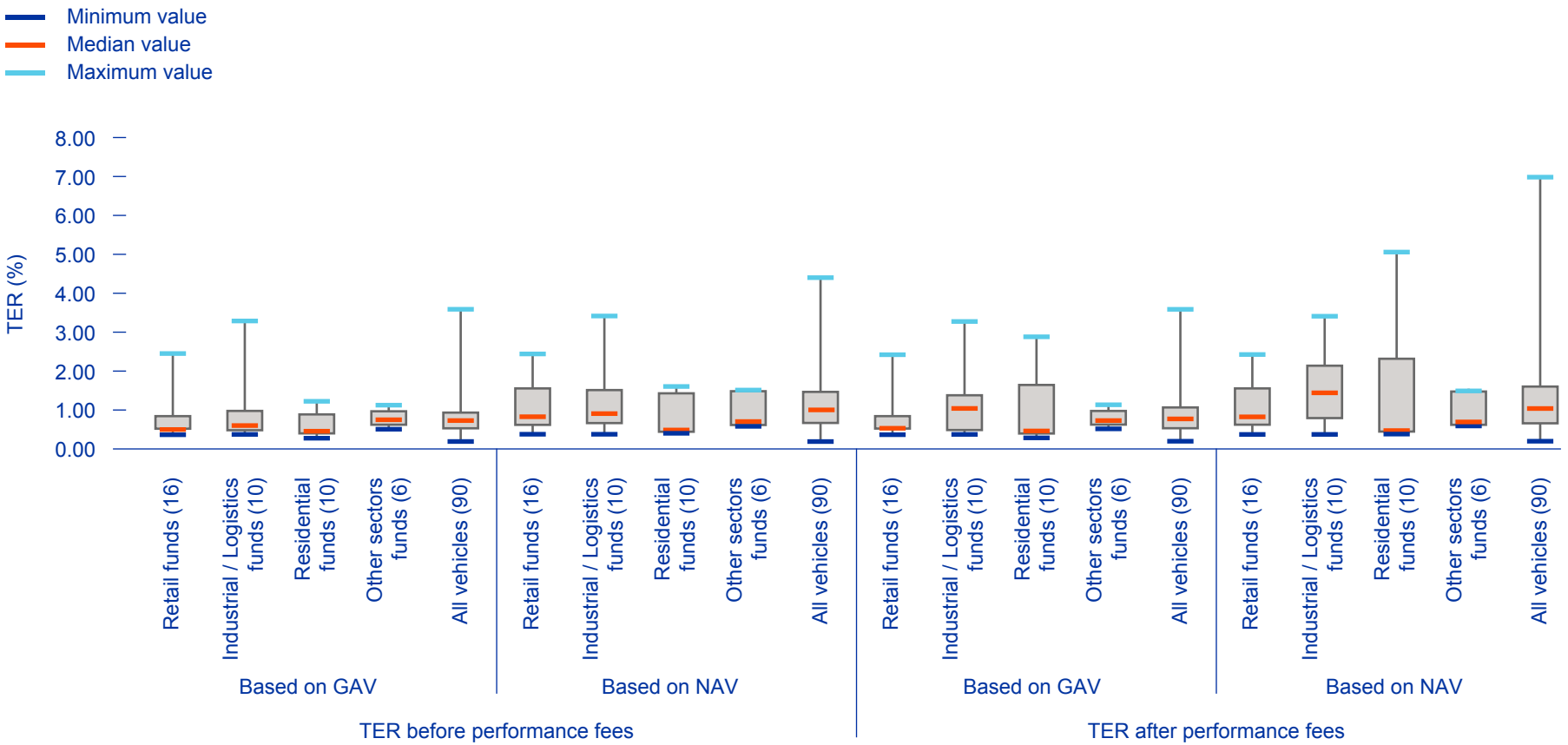
For this analysis, all funds with a single sector strategy are grouped according to their sector.

Due to the confidentiality criteria used by INREV the group that targets offices is excluded from the distribution analysis as the sample does not meet the threshold of at least 6 funds.

Of the mainstream sectors, those funds targeting the industrial / logistics or residential sector have the widest IQR in their TERs, based on GAV and before performance fees (for both groups 51 bps).

Funds that target 'other' or retail exhibit lower IQRs based on GAV and before performance fees, at 35 bps and 34 bps, respectively.

Figure 22: TER by single sector strategy and quartiles



When measured by the spread between maximum and minimum values based on GAV and before performance fees, funds that target industrial / logistics and retail show the widest ranges at 290 bps and 206 bps respectively. The narrowest range between maximum and minimum values is reported for funds targeting ‘other’ sectors (64 bps).

Looking at the distributions of TERs based on NAV before performance, it shows that funds targeting residential have the largest IQR followed by retail. It indicates that the middle 50% of these funds are more leveraged than those targeting industrial / logistics and ‘other’ sectors.

When comparing the TERs after performance, the most notable difference is the increased spread in the distribution for funds targeting residential, both measured by the spread of the IQR and the range between maximum and minimum values. It indicates that the sample includes funds which apply significant performance fees as part of their total TERs.

Performance fees also apply to funds targeting industrial/logistics, although to a lesser extent. For funds targeting retail and ‘other’ performance fees do not seem to be playing a role.

TER before and after performance fees split by fee type

The average TERs are split by fee type to better understand their different components.

Across the board, the dominant component of the average TERs were management fees, whether based on GAV or based on NAV, and before or after performance fees

At the all vehicles level the management fees comprised 69% of the average TER on a GAV basis before fees. Fund expenses made up the remaining 31%.

There were some differences across the fund styles. For core funds the split was 72% and 28% for management fees and fund costs, respectively. However, for value added funds the picture is different as fund expenses make up the largest part (55%) of the average TER based on GAV and before performance fees. The management fees account for a smaller part (45%).

‘Management fees make up the largest component of TERs’

Figure 23: TER before performance fees split by fee type

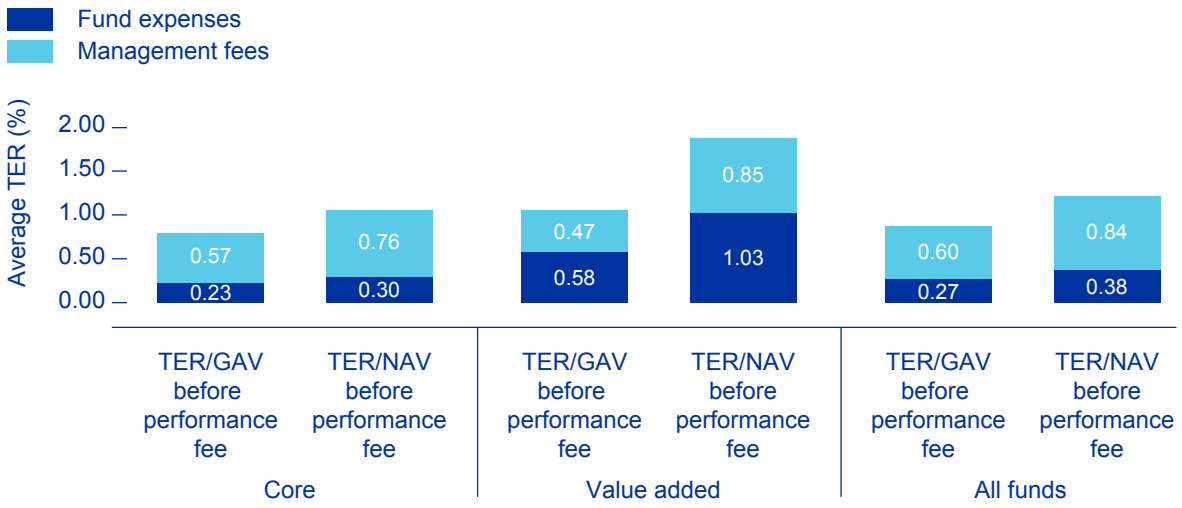
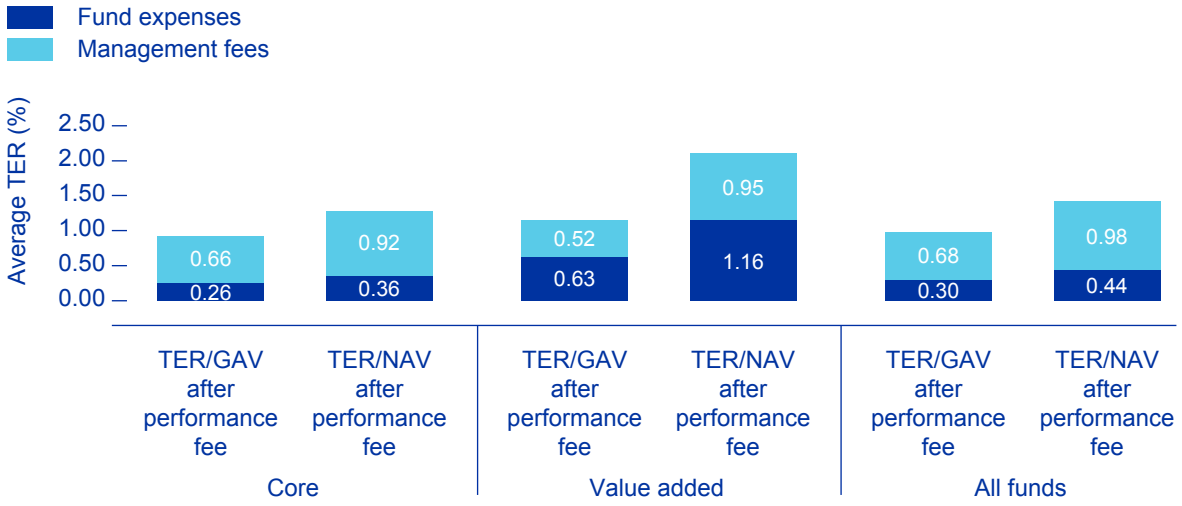


Figure 24: TER after performance fees split by fee type



Section 4

Real Estate Expense Ratios

REER by style and quartiles

This section of the report is based on a sample of 82 vehicles that provided data on their 2019 Real Estate Expense Ratio's (REER).

The REER is based on inputs to property-specific costs, including external leasing commissions, property acquisitions, insurance, management, repairs and maintenance, utilities costs, as well as taxes on property related activities and other miscellaneous / sundry property costs. Property level costs are presented as a percentage of GAV.

Of the 82 vehicles, 69 are core, 12 are value added and 1 is an opportunity fund. Due to the confidentiality criteria used by INREV the results for the single opportunity fund are not displayed.

The average REER of all vehicles was 0.87%. For core funds, the ratio stood at 0.82%, while value added funds commanded 1.24%.

Considering REER weighted by GAV, the all vehicles ratio is 0.81%, suggesting that larger vehicles incur lower real estate expenses compared to their smaller peers.

Figure 25: REER by style

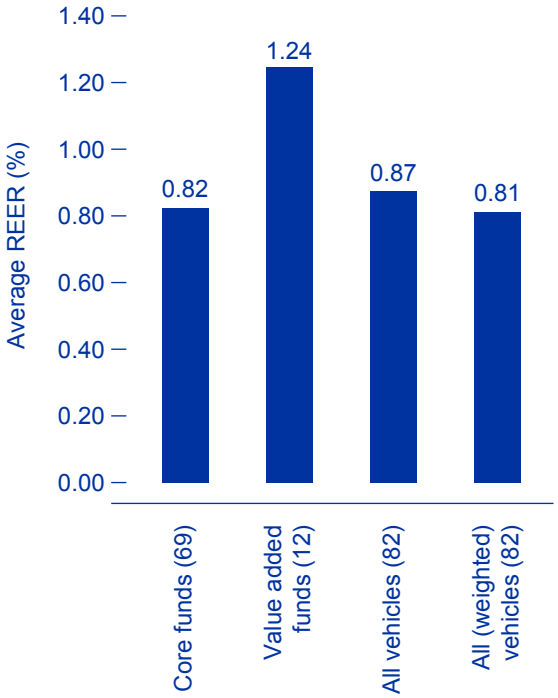
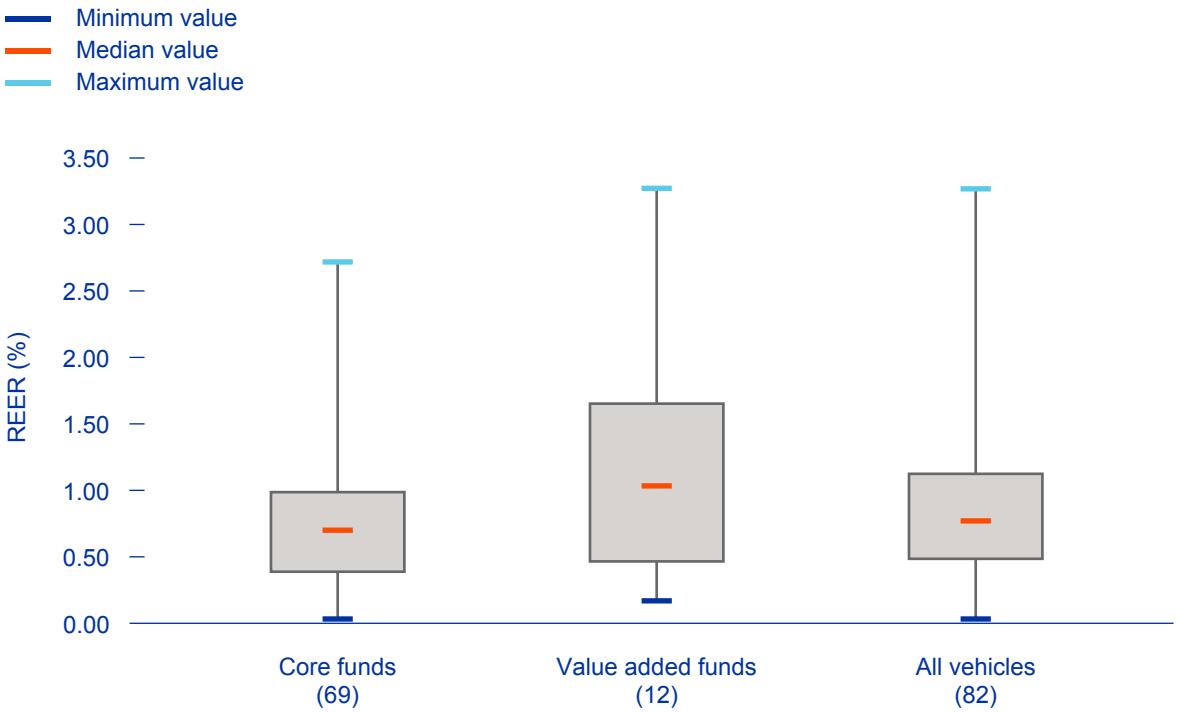


Figure 26: REER by style and quartiles



REER by structure and quartiles

For the analysis of REERs by structure the sample is split as follows: 53 are open end and 29 are closed end funds.

Considering average REER by structure, some notable differences emerged. For the group of open end funds, the average REER was 0.76% based on GAV, while the group of closed end funds show an average REER of 1.08%.

Looking at the REER dispersion among both structures, again noteworthy differences appeared.

Closed end funds show a broader range of REERs than their open end peers as the IQR for the first group is 55 bps compared to 102 bps for the second group.

Also, the spread between the maximum and minimum values is widest for closed end funds (322 bps) and narrower for open end funds (179 bps).

Figure 27: REER by structure

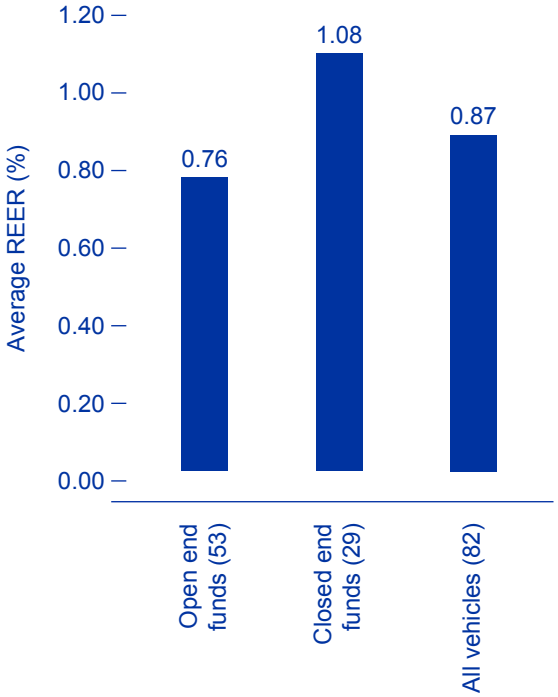
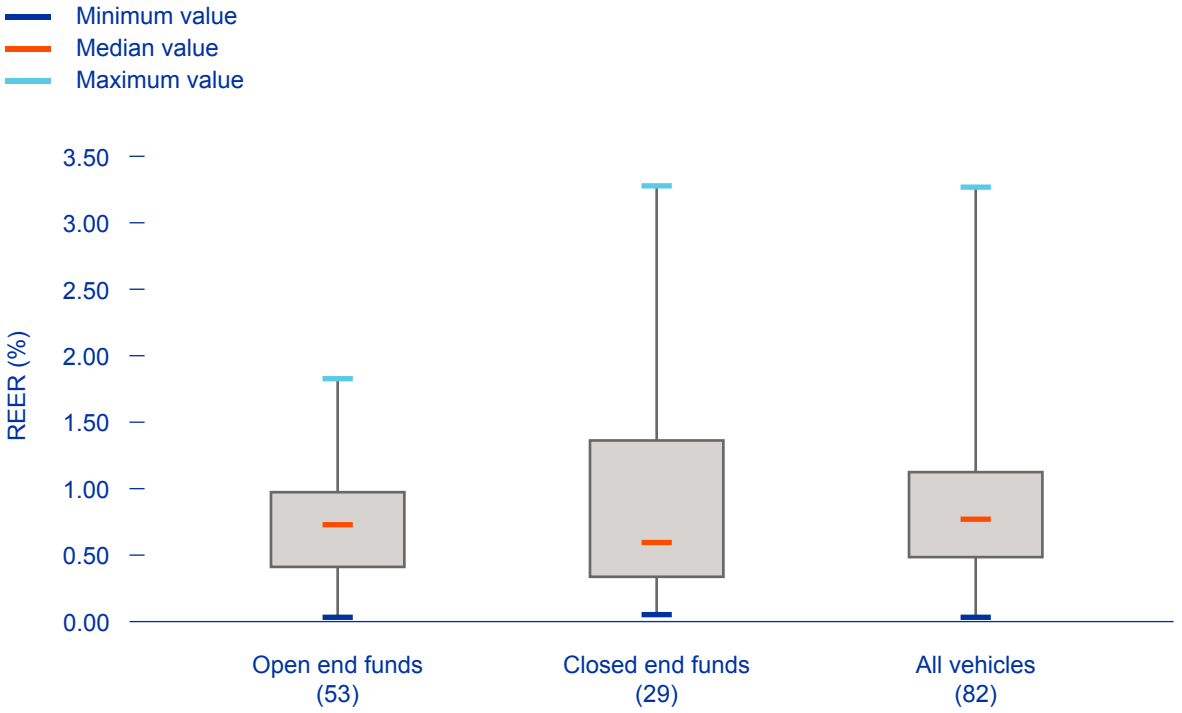


Figure 28: REER by structure and quartiles



REER by year of first closing and quartiles

For the vintage analysis, funds were grouped into three categories based on their year of first closing: funds with a year of first close prior to 2001 (13), funds launched between 2001 – 2007 (18) and funds with their first closing after 2007 (51).

Looking at the average REERs by vintage, those funds launched between 2001 and 2007 have the lowest ratio of 0.76%, while their older peers, funds launched before 2001, record an average REER of 0.78%.

The youngest group of funds, those that were launched after 2007, command the highest ratio of 0.94%.

Considering distribution levels among the three fund groupings, an interesting picture emerges. Funds launched before 2001 show the narrowest IQR and range between the maximum and minimum REERs at 39 bps and 127 bps, respectively.

For funds launched between 2001 and 2007, the IQR and range between the maximum and minimum values stand at 84 bps and 266 bps, while funds launched after 2007 show the widest IQR at 90 bps and the widest range between the maximum and minimum REERs at 325 bps. Younger vintage funds seem to report higher property insurance costs, taxes, utilities costs, commitment fees and 'other' related fees,

Figure 29: REER by year of first closing

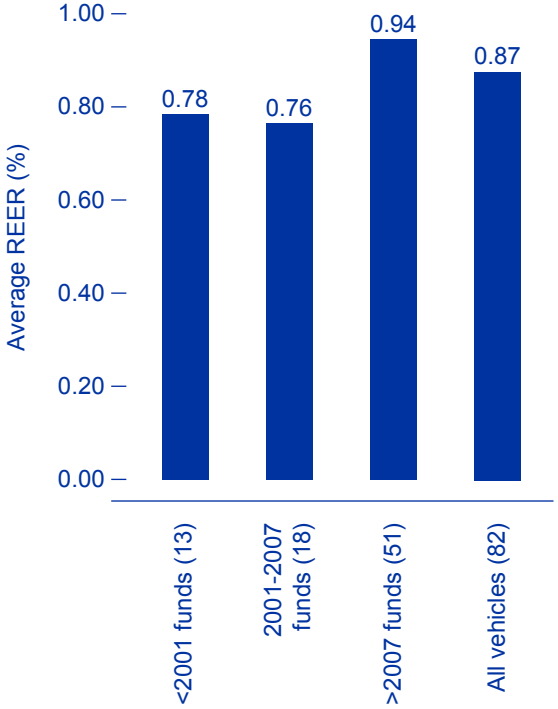
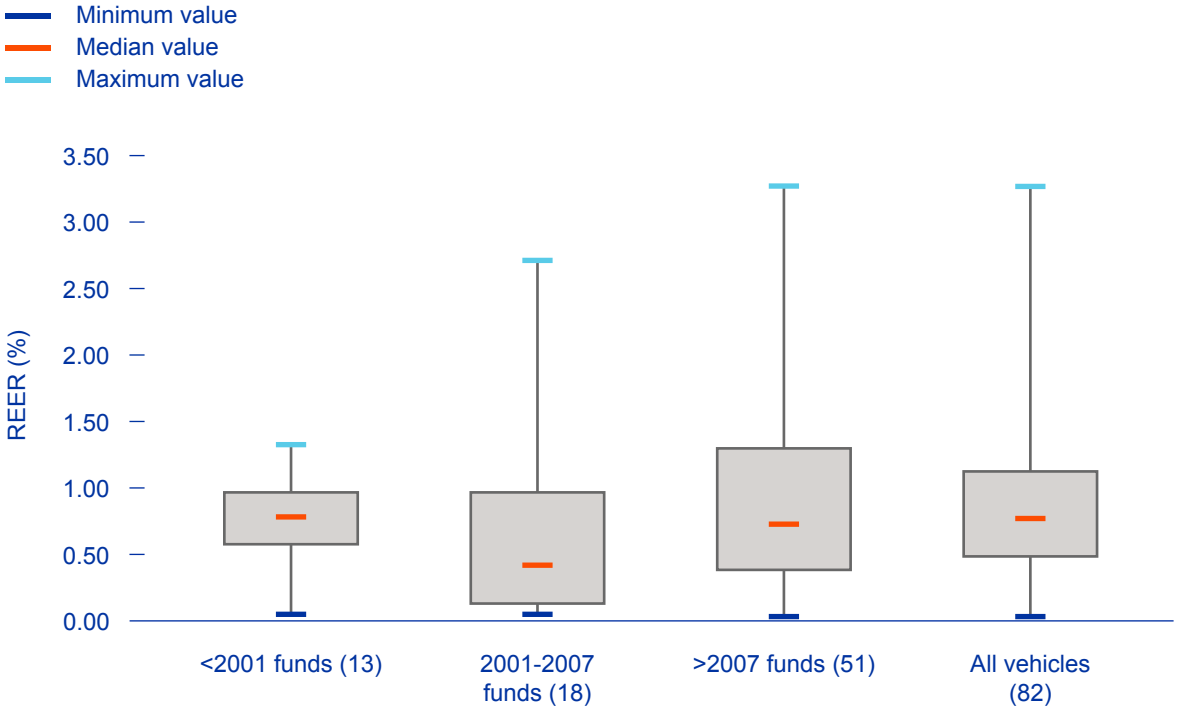


Figure 30: REER by year of first closing and quartiles



REER by target gearing and quartiles

For the analysis by gearing the sample contains 57 vehicles in total as not all vehicles provided their gearing levels. The sample has been split into three categories: funds with a target gearing below 40% of their GAV (34), funds with target gearing between 40% and 60% (22) and funds with a target gearing of more than 60% (1).

For the latter group, the results are not presented due to confidentiality criteria used by INREV.

Funds with a target gearing between 40% and 60% of their GAV record the lowest average REER of 0.78% based on GAV, while funds with a target gearing of lower than 40% show an average REER of 0.85%.

Analysis across quartiles highlights the differences in the distributions of the REERs. While those funds with gearing levels between 40% and 60% of their GAV show spread between the higher and lower quartile of 63 bps, those with gearing levels below 40% of their GAV present a narrower IQR of 47 bps.

When looking at the range between the maximum and minimum REERs, the results are similar. Funds with gearing levels between 40% and 60% of their GAV show the widest spread of 255 bps while funds with gearing levels below 40% record a spread of 177 bps.

Figure 31: REER by target gearing

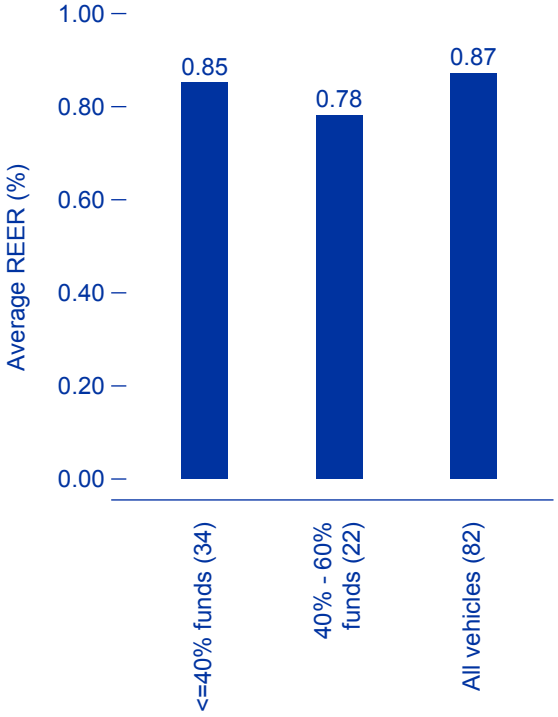
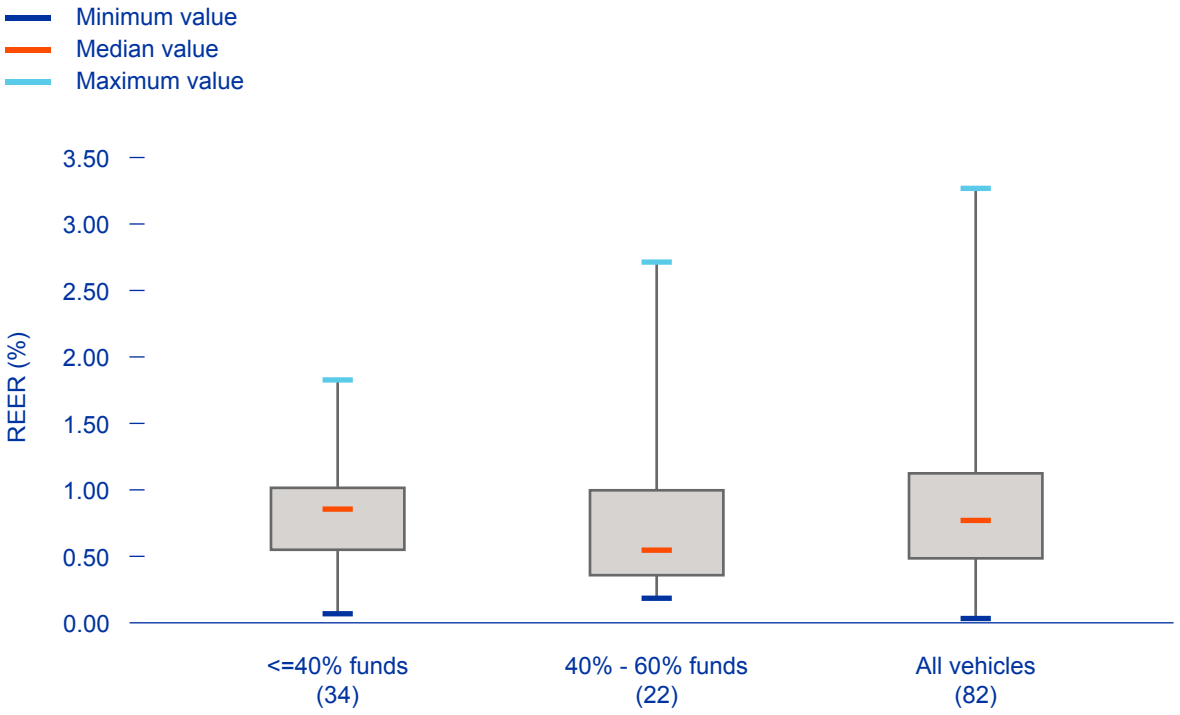


Figure 32: REER by target gearing and quartiles



REER by size and quartiles

This section looks at the average and dispersion of REERs by fund size. For this analysis funds are divided into three categories based on their GAV: smaller sized funds with a GAV less than €500 million (25), medium sized funds with a GAV in the range of €500 million - €1 billion (28) and larger sized funds with GAV greater than €1 billion (29).

Middle-sized funds, those with a GAV between €500 million and €1 billion, show the highest average REER of 1.00% based on GAV while the smaller sized funds record an average of 0.86%. Larger sized funds command the lowest average REER at 0.76%.

Analysis by the quartiles provides further insights. While the larger sized funds record the lowest average REER, this group also exhibits the narrowest IQR among their peers at 42 bps and narrowest range between maximum and minimum values at 127 bps.

Smaller sized funds seem to be less homogenous compared to larger sized funds. Funds with a GAV less than €500 million record the widest IQR of the three groups at 121 bps.

Also, for smaller sized funds the range between maximum and minimum values is considerably larger (269 bps) although not the widest of all three groups. It is worth noting that the sample includes multiple funds with a REER close to 0.

Medium-sized funds exhibit an IQR of 86 bps and the widest range between maximum and minimum values at 315 bps.

Figure 33: REER by size

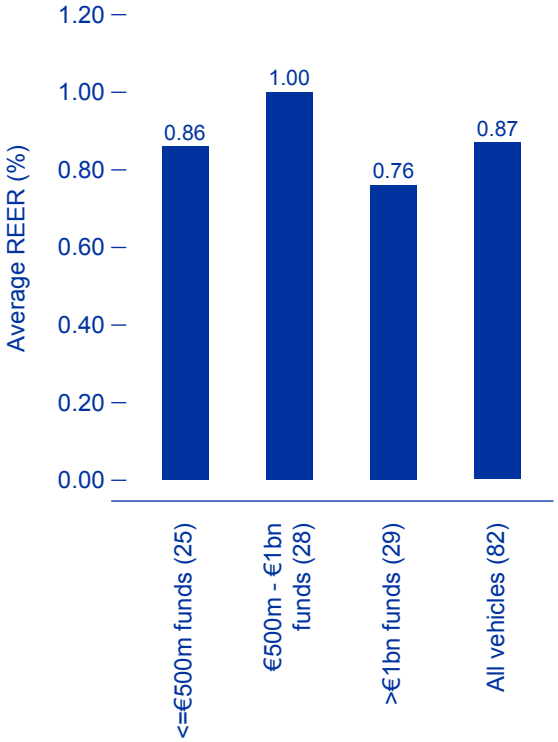
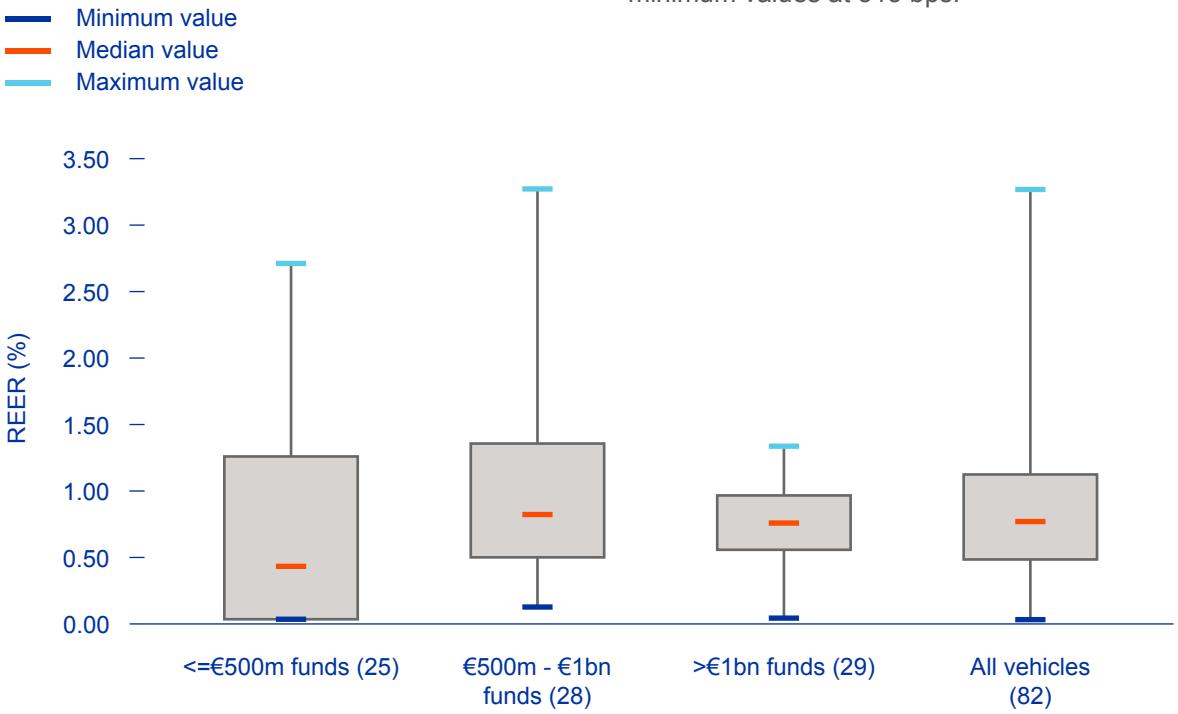


Figure 34: REER by size and quartiles



REER by country strategy and quartiles

This analysis focuses on the average REER and distributions of REERs based on the country strategy of funds. For this analysis the sample contains 82 funds and was split as follows: 37 funds target a single country and 45 follow a multi country strategy.

The results show that funds with a multi country strategy record the highest average REER based on GAV at 0.91%, compared to 0.82% for funds with a single country strategy.

Looking at the distributions of REERs among the two groups, it shows a wider spread for multi sector funds compared to single country funds, both measured by IQR (86 bps versus 59 bps) and range between maximum and minimum values (322 bps versus 179 bps).

Figure 35: REER by country strategy

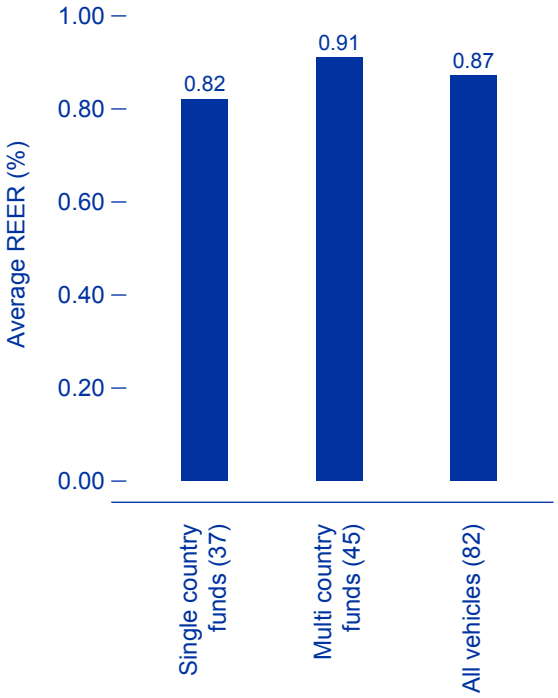
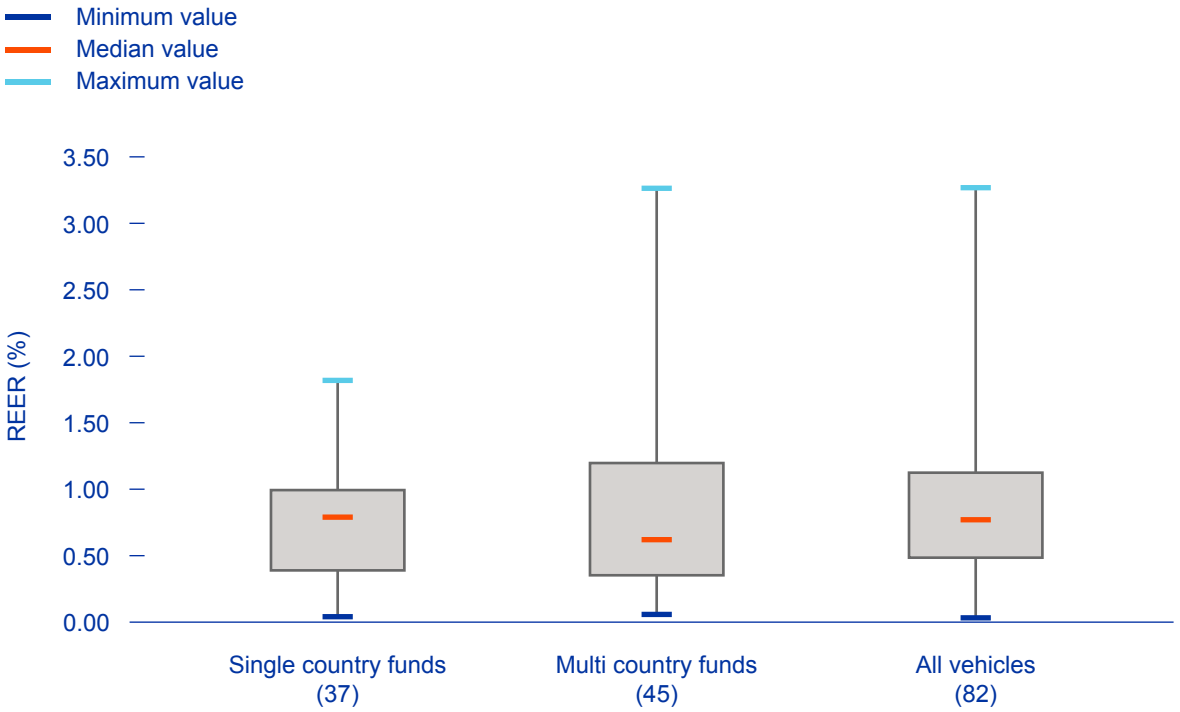


Figure 36: REER by country strategy and quartiles



REER by single country strategy and quartiles

For those funds that follow a single country strategy, the following analysis show the average and distributions of REERs for individual markets.

All funds that target a single country were split into three groups: funds that target the Netherlands (19), funds that target the UK (13) and funds that target other countries (5).

Funds targeting the Netherlands show the highest average REER among all funds targeting a single country at 0.95%.

Funds targeting the UK display an average REER of 0.70% based on GAV, while funds that target 'other' European countries show an average REER of 0.67%.

Due to the confidentiality criteria used by INREV the group of funds that target 'other' countries is excluded from the distribution analysis as the sample does not meet the threshold of at least 6 funds.

Considering quartiles dispersion, funds targeting the Netherlands record the narrowest gap between upper and lower quartiles at only 26 bps. Funds targeting the UK show a wider gap of 67 bps.

When measured by the range between maximum and minimum REERs, the picture is different. Funds that target the Netherlands show the widest spread (165 bps), while this is narrower for those that target the UK (137 bps).

Figure 37: REER by single country strategy

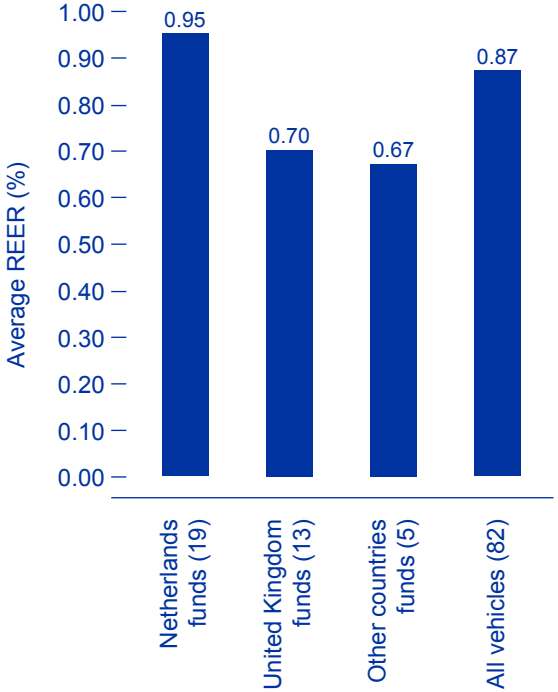
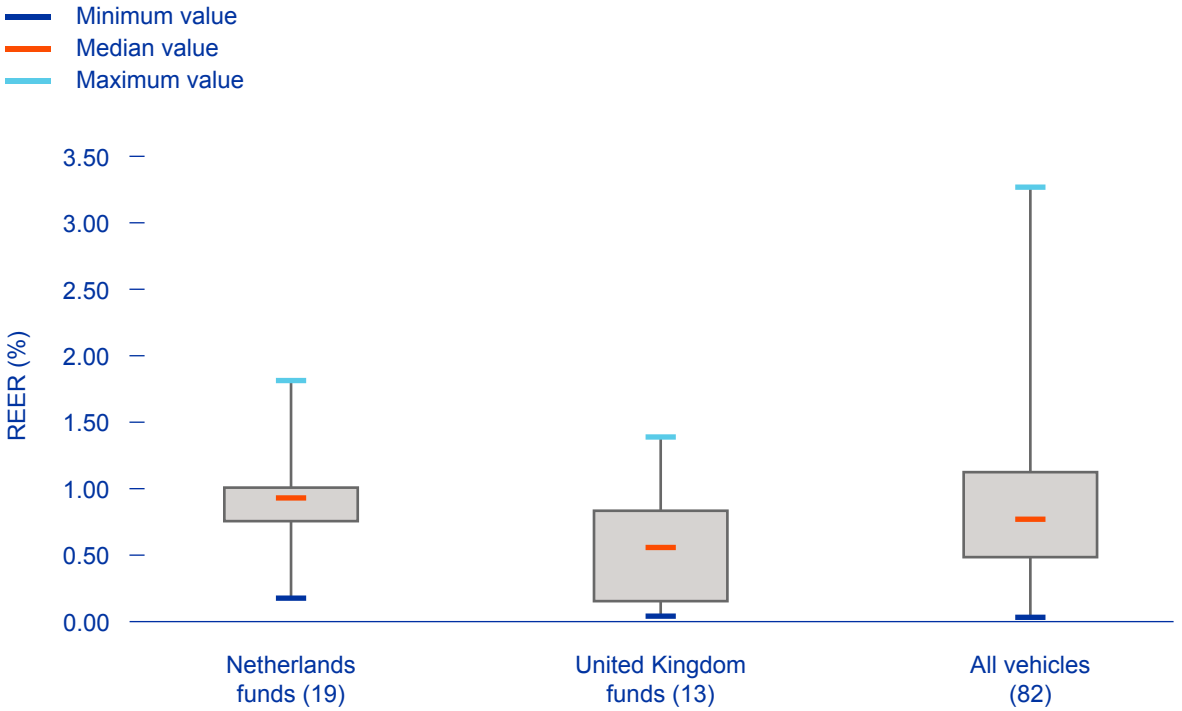


Figure 38: REER by single country strategy and quartiles



REER by sector strategy and quartiles

This analysis focuses on the average and distributions of REERs of funds by sector strategy. For this analysis, the sample is split into two groups: funds that follow a single sector strategy (40) and funds that follow a multi sector strategy (42).

Looking at the average REERs, the difference between the two groups seems modest. Funds with a multi sector strategy show a slightly higher average REER based on GAV (0.89%) compared to the group of single sector funds (0.85%).

When looking at the distributions of the REERs for both groups, there are interesting points worth highlighting. Although the single sector funds show a slightly lower average REER compared to the multi sector funds, its median is higher. Furthermore, the IQR for the single sector funds is narrower (60 bps) compared to the multi sector funds (88 bps).

Also, when looking at the range between maximum and minimum values, those funds with a multi sector strategy show a wider dispersion. For multi sector funds the range is 322 bps, while the equivalent measure for single sector funds is 247 bps.

Figure 39: REER by sector strategy

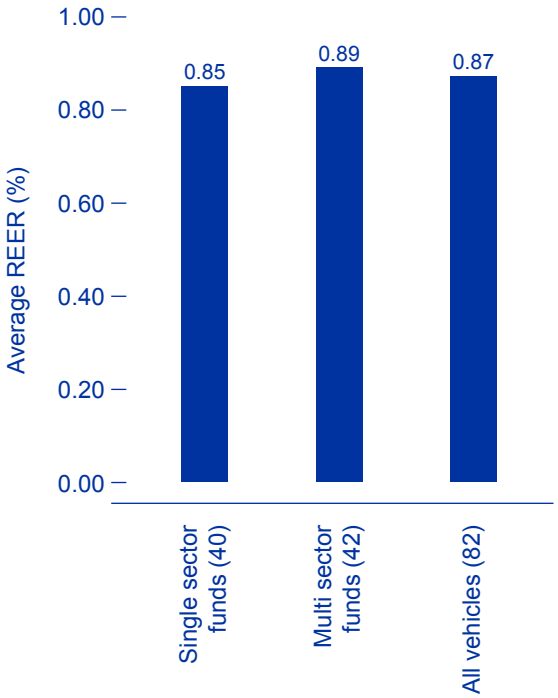
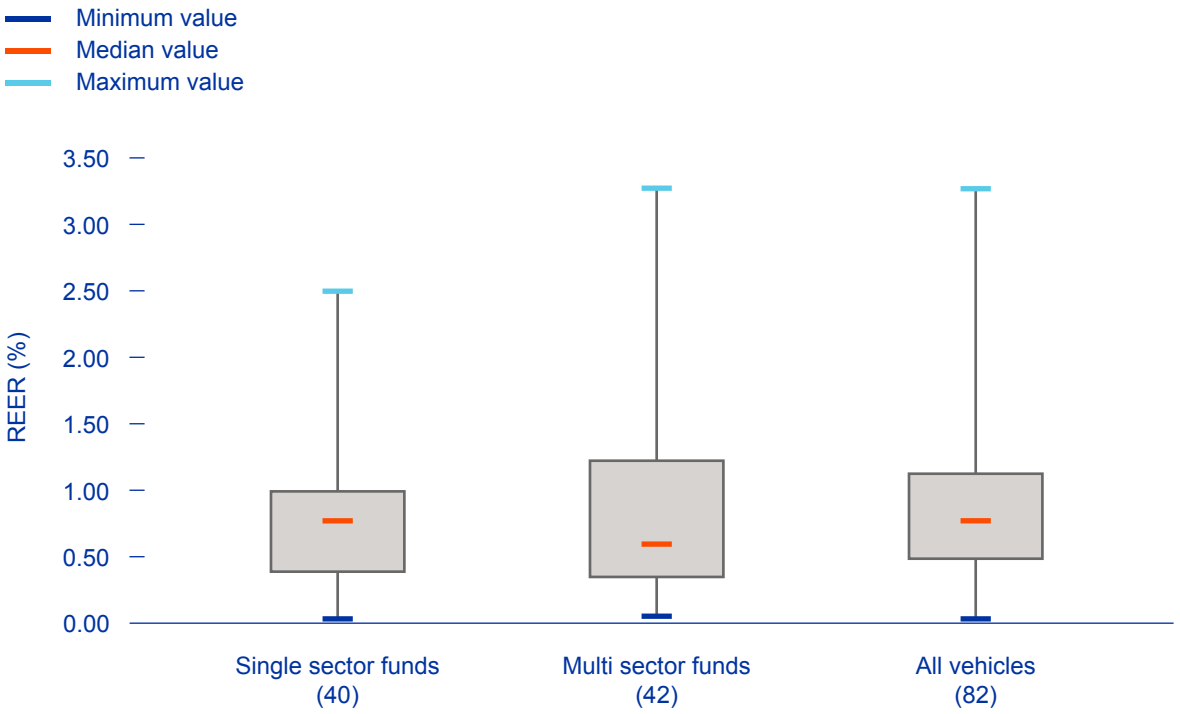


Figure 40: REER by sector strategy and quartiles



REER by single sector strategy and quartiles

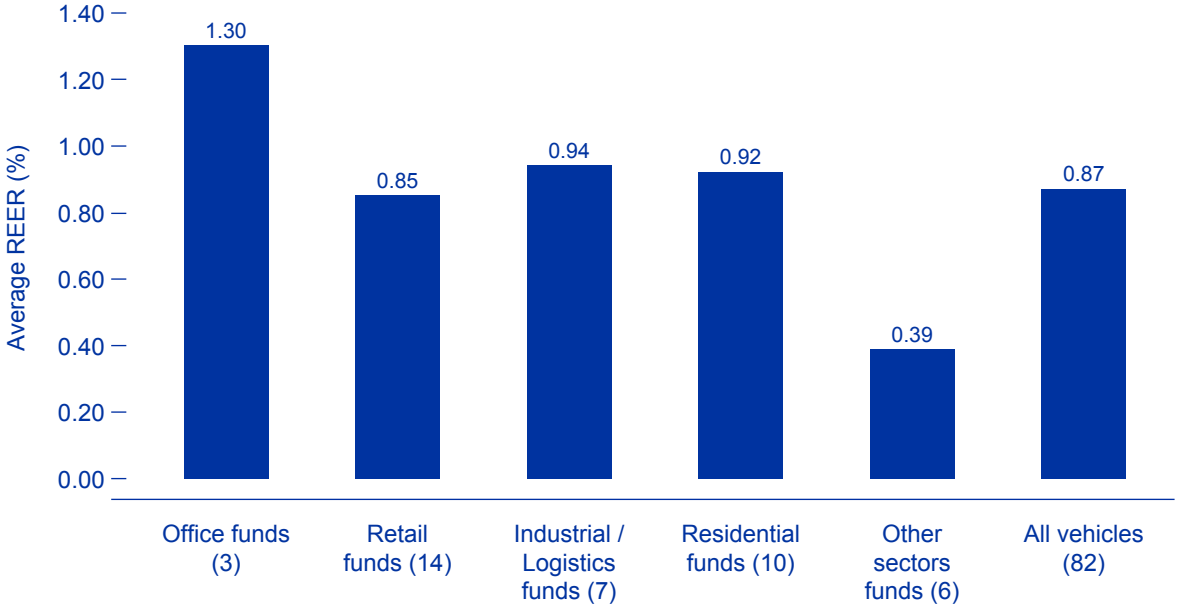
For the group of 40 funds with single sector strategies, the analysis is carried out by different sectors. For this analysis the funds with a single sector strategy are divided into: funds that target offices (3), funds that target retail (14), funds that target industrial / logistics (7), funds that target residential (10), and funds that target other single sectors (6).

By sector, the lowest average REER based on GAV is recorded for the group that target 'other' sectors (0.39%) which includes healthcare, hotel, leisure, parking and student accommodation.

Differences in the average REERs are modest for funds that target retail (0.85%), industrial / logistics (0.94%) and residential (0.92%). For funds targeting the office sector the average REER is the highest among all single sector groups.

Due to the confidentiality criteria used by INREV the group that target offices is excluded from the distribution analysis as the sample does not meet the threshold of at least 6 funds.

Figure 41: REER by single sector strategy

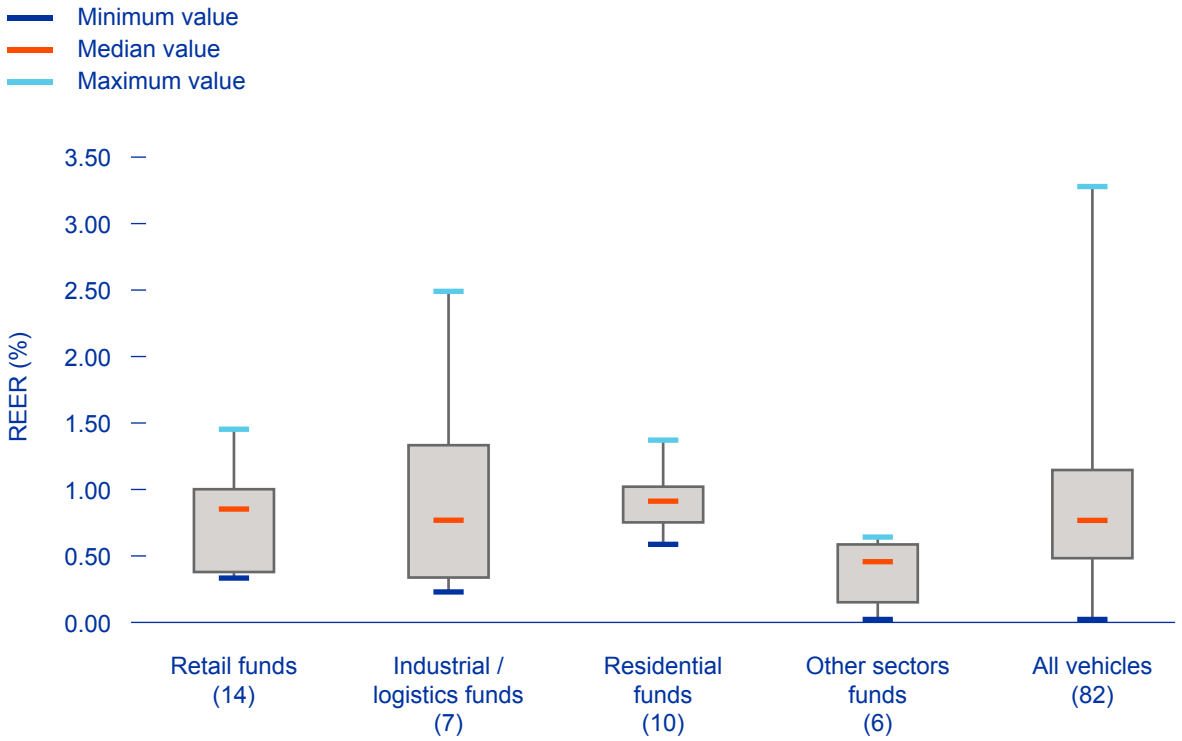


Looking at the distributions of the REERs for the remaining groups, funds that target residential display the narrowest dispersion when measured by the IQR (26 bps). For funds targeting 'other' sectors the IQR is 44 bps, while 63 bps for retail funds. Industrial / logistics funds exhibit the widest IQR of 101 bps.

When measured by range between maximum and minimum values, funds that target 'other' sectors show the narrowest spread (62 bps), followed by residential funds (80 bps) and retail funds (114 bps). Based on this measure, the widest spread is again exhibited by industrial / logistics funds (227 bps).

The heterogeneity of industrial / logistics funds may be explained by the wide variation of assets that the sector encompasses, ranging from large multi-channel logistics centers to smaller last mile boxes close to city centers.

Figure 42: REER by single sector strategy and quartiles



Section 5

General fees and terms

General fees and terms

Table 1: Initial charges

Basis				Style				Structure			
Fund	**All vehicles**			**Core**		**Value added**		**Open end**		**Closed end**	
	Yes	No	Not applicable	Yes	No	Yes	No	Yes	No	Yes	No
Placement fee	12	218	9	7	128	2	46	2	93	7	99
Subscription fee	25	208	6	18	120	3	45	16	81	6	101

Table 2: Fees paid to the manager during commitment period

Basis				Style				Structure			
Fund	**All vehicles**			**Core**		**Value added**		**Open end**		**Closed end**	
	Yes	No	Not applicable	Yes	No	Yes	No	Yes	No	Yes	No
Fund management fee	31	5	203	9	3	16	1	3	2	24	3
Asset management fee	4	21	214	3	7	0	10	1	3	3	14
Property acquisition fee (amortisation for the period)	9	22	208	3	8	5	9	2	3	7	15
Commitment fee	8	20	211	3	8	4	7	1	4	7	12
Property disposition fees	2	23	214	1	8	0	10	1	3	1	16
Distribution fee	0	12	227	0	3	0	6	0	1	0	9
Financing fee/debt arrangement fee	0	12	227	0	3	0	6	0	1	0	9
Project management fee	2	23	214	1	8	0	10	1	3	1	16
Property management fee	2	24	213	1	9	0	10	1	4	1	16
Internal leasing commission	0	9	230	0	2	0	5	0	1	0	7
Other related fees	2	9	228	1	2	1	5	1	1	1	7
Wind up fees	0	9	230	0	2	0	5	0	1	0	7

Table 3: Fees paid to the manager during holding period

Basis				Style				Structure			
Fund	**All vehicles**			**Core**		**Value added**		**Open end**		**Closed end**	
	Yes	No	Not applicable	Yes	No	Yes	No	Yes	No	Yes	No
Fund management fee	210	24	5	131	10	42	5	90	8	96	12
Asset management fee	87	127	25	39	90	17	22	29	57	38	61
Property acquisition fee (amortisation for the period)	106	115	18	65	68	19	22	52	39	39	62
Commitment fee	6	201	32	2	121	3	35	1	82	5	91
Property disposition fees	74	142	23	47	82	12	28	35	55	28	69
Distribution fee	3	86	150	3	57	0	13	2	41	1	32
Financing fee/debt arrangement fee	3	86	150	1	59	1	12	0	43	2	31
Project management fee	40	170	29	23	102	6	32	21	65	13	82
Property management fee	37	173	29	23	101	7	32	14	70	20	77
Internal leasing commission	10	56	173	4	40	1	9	3	31	4	19
Other related fees	12	54	173	8	36	0	10	6	28	4	19
Wind up fees	0	61	178	0	39	0	10	0	31	0	21

Table 4: Fund management fee paid to the manager during holding period

	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Commitment	-	-	-	-	-	-	-	-
Drawn Commitment	-	-	6	1.53	-	-	8	1.45
GAV	48	0.45	13	0.53	33	0.48	32	0.42
NAV	41	0.69	13	0.52	30	0.63	24	0.67
Rent	-	-	-	-	-	-	-	-
Fixed fee	-	-	-	-	-	-	-	-
Property Value	17	0.55	4	0.22	10	0.52	13	0.45
Transaction Price	-	-	-	-	-	-	-	-
Actual Cost	-	-	-	-	-	-	-	-

Table 5: Asset management fee paid to the manager during holding period

	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Commitment	-	-	-	-	-	-	-	-
Drawn Commitment	-	-	-	-	-	-	-	-
GAV	6	0.50	4	0.49	6	0.56	6	0.41
NAV	6	0.74	-	-	6	0.74	-	-
Rent	7	1.23	-	-	6	1.31	4	1.38
Fixed fee	-	-	-	-	-	-	-	-
Property Value	4	0.63	4	0.50	-	-	7	0.54
Transaction Price	-	-	-	-	-	-	-	-
Actual Cost	-	-	-	-	-	-	-	-

Table 6: Property acquisition fee (amortisation for the period) paid to the manager during holding period

	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Commitment	-	-	-	-	-	-	-	-
Drawn Commitment	-	-	-	-	-	-	-	-
GAV	5	1.10	3	0.67	7	0.86	-	-
NAV	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Fixed fee	-	-	-	-	-	-	-	-
Property Value	13	1.06	3	0.97	12	1.06	5	1.08
Transaction Price	37	0.99	12	0.93	28	1.06	24	0.88
Actual Cost	-	-	-	-	-	-	-	-

Table 7: Property disposition fees paid to the manager during holding period

	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Commitment	-	-	-	-	-	-	-	-
Drawn Commitment	-	-	-	-	-	-	-	-
GAV	3	1.00	-	-	4	0.75	3	1.00
NAV	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Fixed fee	-	-	-	-	-	-	-	-
Property Value	5	0.95	-	-	4	1.06	4	0.86
Transaction Price	31	0.88	6	0.59	23	0.93	14	0.69
Actual Cost	-	-	-	-	-	-	-	-

Table 8: Project management fee paid to the manager during holding period

	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Commitment	-	-	-	-	-	-	-	-
Drawn Commitment	-	-	-	-	-	-	-	-
GAV	-	-	-	-	-	-	-	-
NAV	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-
Fixed fee	3	2.00	-	-	-	-	-	-
Property Value	3	2.00	-	-	3	2.00	-	-
Transaction Price	-	-	-	-	-	-	-	-
Actual Cost	3		-	-	3		-	-

Table 9: Property management fee paid to the manager during holding period

	Core		Value added		Open end		Closed end	
	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)	# funds	AVG (%)
Commitment	-	-	-	-	-	-	-	-
Drawn Commitment	-	-	-	-	-	-	-	-
GAV	4	0.19	-	-	-	-	4	0.19
NAV	-	-	-	-	-	-	-	-
Rent	5	2.07	4	0.97	-	-	9	1.22
Fixed fee	-	-	-	-	-	-	-	-
Property Value	-	-	-	-	-	-	-	-
Transaction Price	-	-	-	-	-	-	-	-
Actual Cost	-	-	-	-	-	-	-	-

Appendix 1

Participants

Participants

The following is the list of fund managers that participated in Management Fees and Terms Study 2020 and provided with their vehicles TER and REER ratios.

Aberdeen Standard Investments
Altera Vastgoed
Amvest Management B.V.
AREIM
ASR Real Estate Investment Management
AXA Real Estate
Barings
Bouwinvest Real Estate Investors
CBRE Global Investors
Clearbell Capital LLP
Deutsche Asset & Wealth Management
DNB Real Estate Investment Management
FIL Investments International
Fokus Asset Management
Frogmore Real Estate Partners Investment Managers Limited
Genesta Property Nordic
Goodman
Heitman Real Estate Investment Management
Hines
Invesco Real Estate
IPUT
LaSalle Investment Management
LGIM Real Assets
M&G Real Estate
Niam
Northern Horizon Capital
Nuveen Real Estate
Prologis
Rockspring Property Investment Managers
Savills Investment Management
Schroders Property Investment Management
Sonae Sierra
Standard Life Investments
Syntrus Achmea Vastgoed
Tishman Speyer Properties
UBS Asset Management
Vesteda Investment Management

Appendix 2

Glossary

Glossary

Asset management fee
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:

- strategic input and production of asset level business plans;
- management of assets including refurbishment;
- appointment of third party service providers at asset level;
- reporting activities at asset level.

Occasionally, asset management fee and fund management fee are combined.

Performance fee
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.

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.

Fund management fee
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:

- appointment of third party service providers
- reporting activities to investors
- cash management and dividend payment
- managing the vehicle level structure
- arrangement of financing
- fund administration
- investor relations

Occasionally, fund management fee and asset management fee are combined.

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, or in relation to debt issuance and overdrawing an account. 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. Services undertaken by the advisor/manager are passed through as an expense.

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.

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 3rd 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.

Internal leasing commissions
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.

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 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.

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.

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 construction process of a development project. These costs may be expensed or capitalised at the property level.

Appendix 3

Fee and expense metrics calculation

Fee and expense metrics calculation

Fee and expense metric requirement
Fees and costs should be measured in line with the principles defined under INREV NAV and INREV GAV.

Fees describe charges borne by the vehicle for services provided by the manager and costs describe charges to a vehicle by external service providers. Fees charged by the manager directly to their investors are not taken into account, with the exception of fees charged for services rendered to the vehicle.

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 appropriately.

Historic Total (Global) Expense Ratio
The TER and TGER are historic or 'actual' figure, based on data published annually. Consequently, newly launched vehicles cannot have an historic TER or TGER.

The formulae for TER are:

$$\text{NAV TER before performance fees} = \frac{\text{Vehicle fees and costs (excluding performance fees)}}{\text{Time weighted average NAV}}$$

$$\text{GAV TER before performance fees} = \frac{\text{Vehicle fees and costs (excluding performance fees)}}{\text{Time weighted average GAV}}$$

$$\text{NAV TER after performance fees} = \frac{\text{Vehicle fees and costs (including performance fees)}}{\text{Time weighted average NAV}}$$

$$\text{GAV TER after performance fees} = \frac{\text{Vehicle fees and costs (including performance fees)}}{\text{Time weighted average GAV}}$$

The formula for TGER are:

$$\text{TGER} = \frac{\text{Vehicle fees and costs}}{\text{Time weighted average GAV}}$$

$$\text{NAV TGER} = \frac{\text{Vehicle fees and costs}}{\text{Time weighted average NAV}}$$

The formula for REER is:

$$\text{REER} = \frac{\text{Property fees and costs}}{\text{Time weighted average GAV}}$$

Appendix 4

Sample comparison

Sample comparison 2018 - 2020

Table 10: Sample comparison 2018 - 2020

TER

	Sample size	
Category	**2018**	**2020**
All sample	155	90
Style		
Core	113	75
Value added	28	12
Opportunity	3	3
Other	11	
Structure		
Open end	82	57
Closed end	62	33
Other	11	
Country Residential		
Multi country	71	49
Single Country	73	41
Germany	15	2
Netherlands	17	19
United Kingdom	21	15
Other	20	5

REER

	Sample size	
Category	**2018**	**2020**
All sample	111	82
Style		
Core	81	69
Value added	22	12
Opportunity	3	1
Other	5	
Structure		
Open end	54	53
Closed end	52	29
Other	5	
Country Residential		
Multi country	51	45
Single Country	55	37
Germany	10	1
Netherlands	16	19
United Kingdom	15	13
Other	14	4

TER

	Sample size	
Category	**2018**	**2020**
Sector strategy		
Multi Sector	69	45
Single Sector	75	45
Office	10	3
Retail	34	16
Industrial / Logistics	8	10
Residential	11	10
Other	12	6
Year of first closing		
<2001	17	13
2001-2007	43	22
>2008	84	55
Other	11	
Target gearing		
<40%	36	35
40% - 60%	52	27
>60%	7	3
Other	11	

REER

	Sample size	
Category	**2018**	**2020**
Sector strategy		
Multi Sector	47	42
Single Sector	59	40
Office	9	3
Retail	28	14
Industrial / Logistics	6	7
Residential	8	10
Other	8	6
Year of first closing		
<2001	13	13
2001-2007	33	18
>2008	60	51
Other	5	
Target gearing		
<40%	27	34
40% - 60%	41	22
>60%	4	3
Other	5	

TER

	Sample size	
Category	**2018**	**2020**
Size		
<€500m	78	32
€500m - €1bn	40	28
>€1bn	26	30
Other	11	

TER / TGER (€ billion)	2018	2020
Total NAV	80.6	87.5
Total GAV	103.5	112.6

REER

	Sample size	
Category	**2018**	**2020**
Size		
<€500m	54	25
€500m - €1bn	34	28
>€1bn	18	29
Other	5	

REER (€ billion)	2018	2020
Total NAV	55.0	78.4
Total GAV	71.7	99.9

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