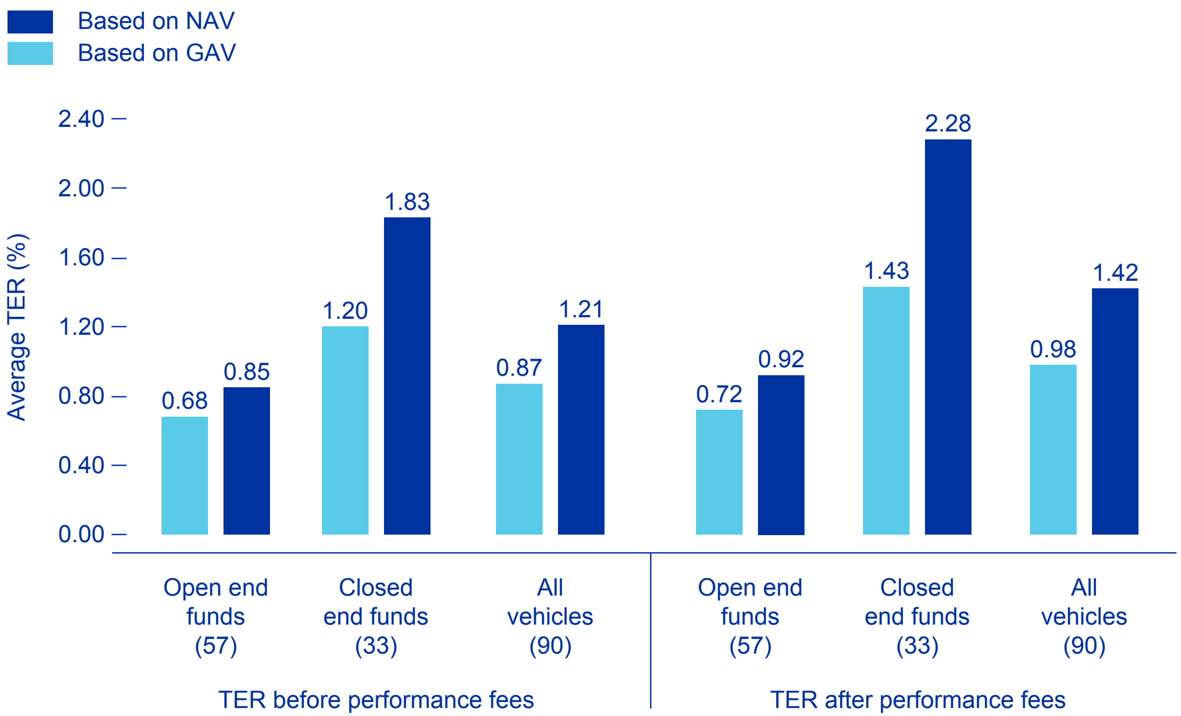
Larger European non-listed real estate vehicles exhibit lower expense ratios

- Non-listed real estate funds recorded an average Total Expense Ratio (TER) of 0.87%, based on Gross Asset Value and before performance fees, as reported for 2019
- Lower average TER for open end funds compared to their closed end peers as most follow a core investment approach
- New Total Global Expense Ratio (TGER) shows only marginal differences relative to the Total Expense Ratio (TER) across averages, investment styles, and fund structures

Figure 1: TER by structure



Note: numbers in brackets on the charts represent the number of vehicles in the sample

On an equally weighted basis, this year's sample of 90 funds recorded an average TER of 0.87% based on Gross Asset Value (GAV) and 1.21% based on Net Asset Value (NAV) before performance fees. When taking into account vehicle size, the respective average TERs were notably lower.

It suggests that larger vehicles, on average, tend to have lower TERs than their smaller peers.

After performances fees and equally weighted, both GAV and NAV-based TERs for all vehicles increase to 0.98% and 1.42% respectively.

By structure, open end funds record a lower average TER of 0.68% compared to the 1.20% average TER for closed end funds. On a NAV basis or after performance fees the differences between open end and closed end funds were even larger. These differences can, in part, be explained by the strategies that open end and closed end funds tend to follow.

These differences can, in part, be explained by the strategies that open end and closed end funds tend to follow.

All but one of the open end funds included in the sample follow a core strategy, while closed end funds adopt a mix of core, value added and opportunity strategies. Core funds show lower average TERs than value added funds.

This relativity was mirrored in the REERs across styles. On an equally weighted basis, the average REER for all vehicles stood at 0.87% on GAV. For core funds, the average REER was slightly lower at 0.82%, while value added funds commanded an average of 1.24%.

This year's study includes the Total Global Expense Ratio (TGER), a new global standard, launched to harmonise the approach for measuring the total fees and costs for real estate investment vehicles across the globe. A mapping of TER to TGER is available as part of the fee and expense metrics module of the INREV Guidelines.

The results of the analysis based on TGER are in line with those of the TER, based on GAV and after performance fees. Deviations mainly apply to value added funds as TGER includes fees related to project management and debt arrangement whereas these are excluded for TER.

For further details contact research@inrev.org

The full report is available to members at inrev.org/research

Figure 2: REER by style

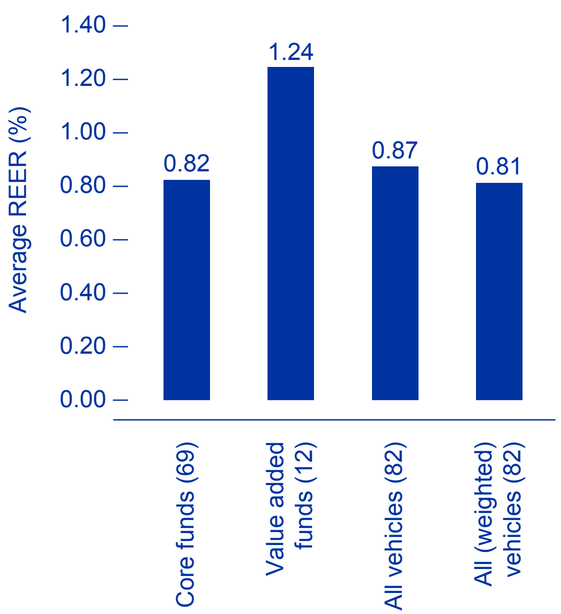
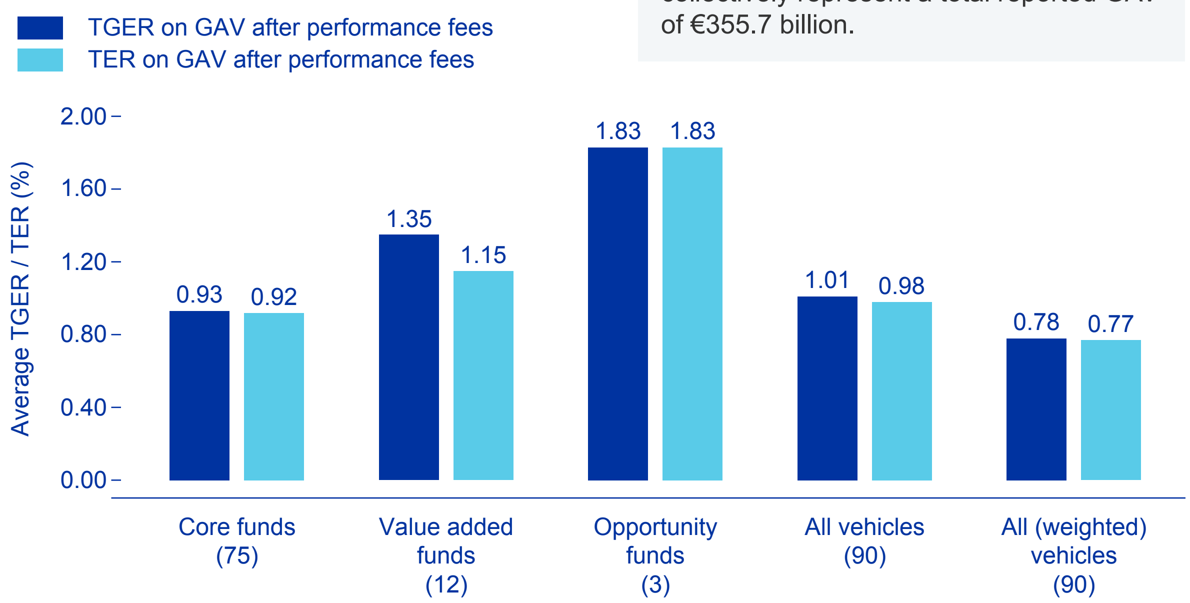


Figure 3: TGER and TER by style



Background

Launched in 2007 and now published every two years, the INREV Management Fees and Terms Study explores the fee and cost structures of European non-listed real estate funds, with a focus on total expense ratios (TERs) and real estate expense ratios (REERs). The TER and the REER form part of the standard measures included in the regular reporting of overall performance to investors in a vehicle.

This year's INREV Vehicle Universe includes 509 vehicles (235 open end and 274 closed end), as at the end of August 2020, that provided information on their general fees and terms. These vehicles are managed by 93 managers, and collectively represent a total reported GAV of €355.7 billion.

+ 31 (0)20 235 8600 | research@inrev.org | www.inrev.org © Vereniging INREV. This document, including but not limited to text, content, graphics and photographs are protected by copyrights. For full copyright please refer to www.inrev.org