

Total global expense ratios for non-listed funds in Asia Pacific lower than in Europe

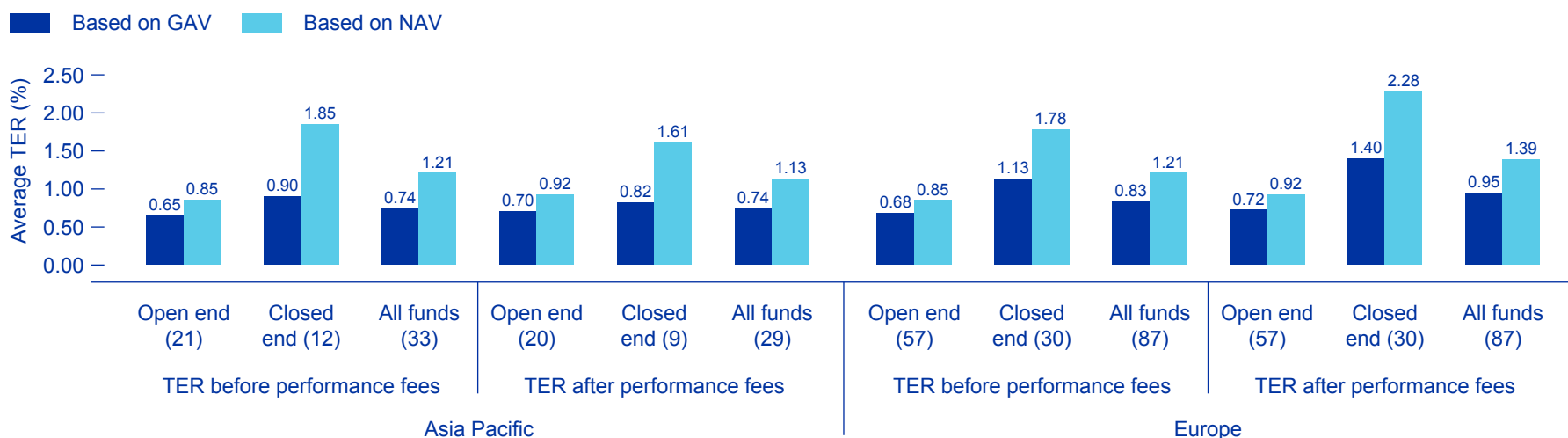
- > Average Total Global Expense Ratios (TGERs) and Total Expense Ratios (TERs) for core and value added non-listed real estate funds in Asia Pacific are lower than those in Europe
- > Management fees dominate core funds' TERs in both regions
- > Real Estate Expense Ratios (REERs) are on average higher in Asia Pacific than in Europe

The latest Management Fees and Terms Comparison Study 2021 examines the total expense ratios of 33 non-listed real estate funds in Asia Pacific and 87 in Europe and is based on the regional studies published by ANREV and INREV in 2020.

This is the first time for this comparison study to report on the TGER which is the new global standards ratio adopted by ANREV, INREV and NCREIF-PREA. The average TGER in Asia Pacific is 0.78%, almost 20 bps lower than the average European equivalent of 0.95%.

On an equally weighted basis, TERs based on NAV before performance fees are the same for funds in Asia Pacific and in Europe, at 1.21%. On a GAV basis the regions reported TERs of 0.74% and 0.83%, respectively. After performance fees the regional disparities are wider, with Asia Pacific reporting TERs of 0.74% on a GAV basis and 1.13% on a NAV basis, while their European peers report equivalent TERs of 0.95% and 1.93%, respectively.

Figure 1: TER by structure



Note 1: numbers in brackets on the charts represent the number of vehicles in the sample. Note 2: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.

When looking at the TERs by style, those for core style funds in Asia Pacific on a GAV basis, after performance fees, are similar to open end funds (both 0.70%) which is not surprising given the high degree of overlap.

For Europe, the sample of core funds overlaps to a lesser extent with open end structures as it also includes 19 closed end structures. As a result, European core funds report a TER on GAV, after performance fees, of 0.92% which is higher than the average TER of 0.72% for open end structures.

For Asia Pacific and Europe, management fees are the dominant component of the TERs for core funds, whether based on GAV or NAV, before or after performance fees, comprising 81% of the TER in Asia Pacific compared to 72% for European core funds.

As well as for core funds, European value added funds exhibit higher TERs at 1.15% based on GAV, after performance fees, compared to 0.92% for their Asia Pacific peers.

For value added funds in Asia Pacific fund expenses and management fees are in balance, whereas for their European peers management fees account for 55% of the TER.

Real Estate Expense Ratios (REERs) are on average higher in Asia Pacific than in Europe, with the sole exception of core funds in Asia Pacific.

In addition, this is the first time for this comparison study to report on the [Total Global Expense Ratio](#) (TGER) which is the new global standards ratio adopted by ANREV, INREV and NCREIF-PREA Reporting

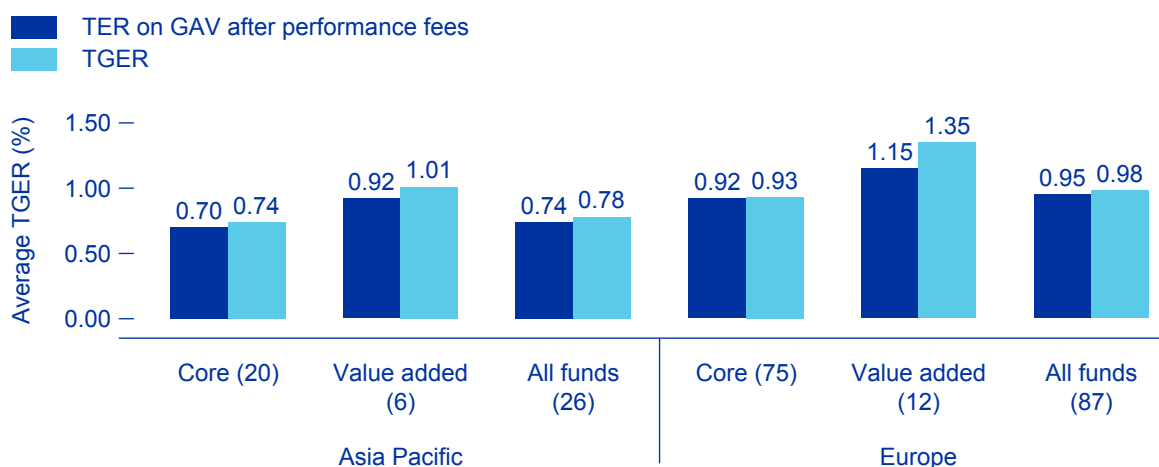
standards to harmonise the approach for measuring the total fees and costs for real estate investment vehicles.

When comparing TER, on GAV, after performance fees, the results of the analysis are in line with those of TGER. 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.

A mapping of TER to TGER is available as part of the [fee and expense metrics module of the INREV Guidelines](#).

Figure 2: TGER and TER by style



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

Background

The Management Fees and Terms Comparison Study 2021 is a joint effort by INREV and ANREV, comparing the fees and costs structures of non-listed real estate investment funds in Europe and Asia Pacific with a focus on expense ratios which are part of the standard measures included in the regular reporting of overall performance to investors in a vehicle.

The comparison studies are based on the latest regional studies executed by INREV and ANREV, in this case during 2020. As the regional studies are conducted on a biennial basis the next edition will be published in October 2022.