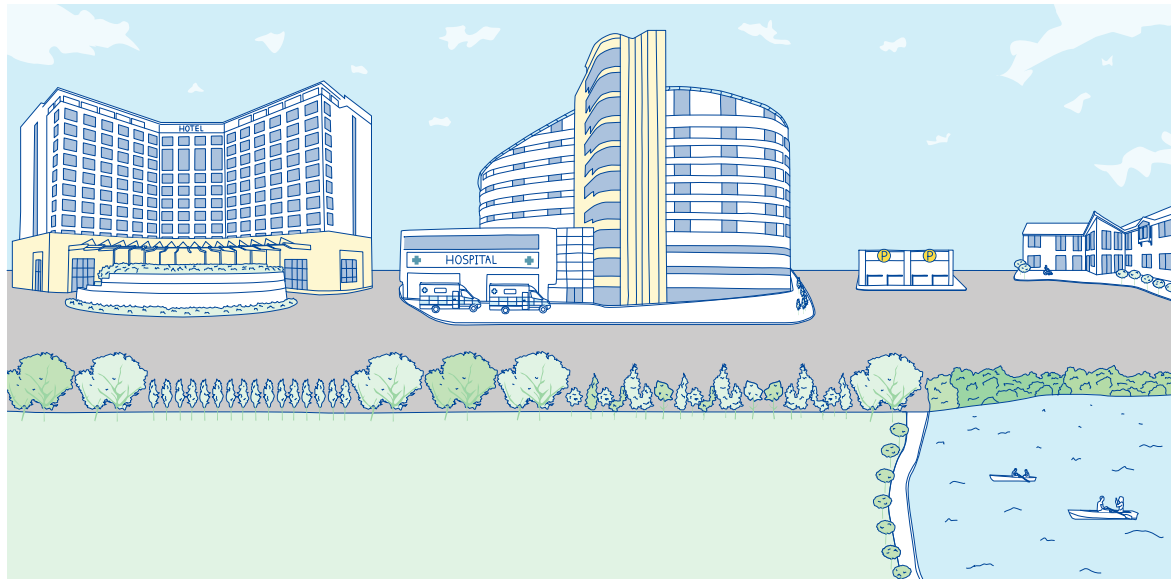


Explaining Operational Real Estate

- > Operational real estate (OpRE) has gained popularity in institutional real estate funds as an investment strategy providing a unique risk return profile that can generate higher cashflow distributions and business value.
- > OpRE investments result in the investor having control over different elements of the asset's utilisation and potentially generating positive ESG outcomes, but requires a greater time commitment, and some level of critical mass to reach efficiency.
- > As OpRE evolves and diverse practices in fund structure and governance emerge, there is a need for market transparency and best practice guidance to navigate its complexities effectively.

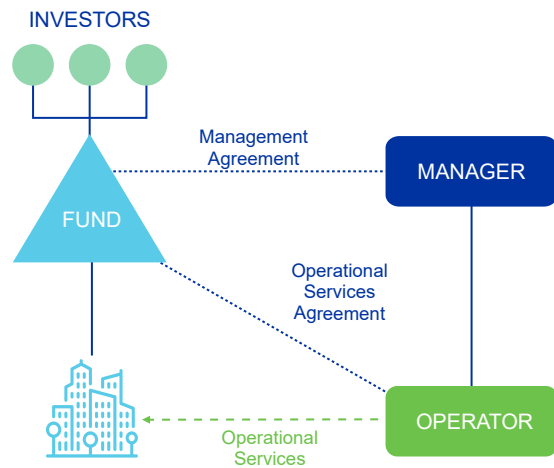
'INREV's definition of OpRe:

An investment in a real estate asset structured so as to create a strong correlation between returns to the asset owner and the underlying operational performance of the operator or occupant. Operational real estate investments typically entail a different risk-return profile (operational, financial, or both) when compared to non-operational investments. Such investments may be accessed via a variety of structures, including, but not limited to, operational services agreements, joint venture arrangements or taking equity stakes in an operating business.'

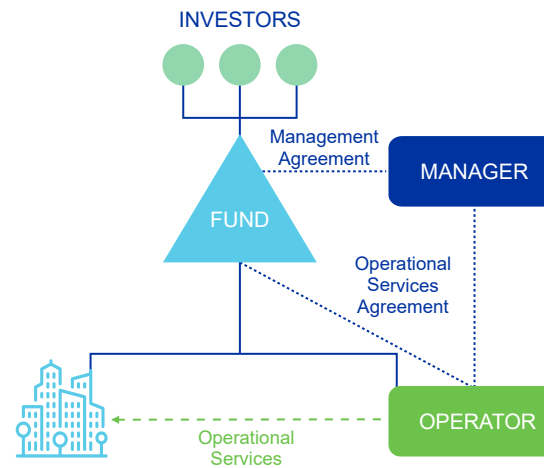


The models shown below are the most common investment structures employed to access OpRE in a funds context.

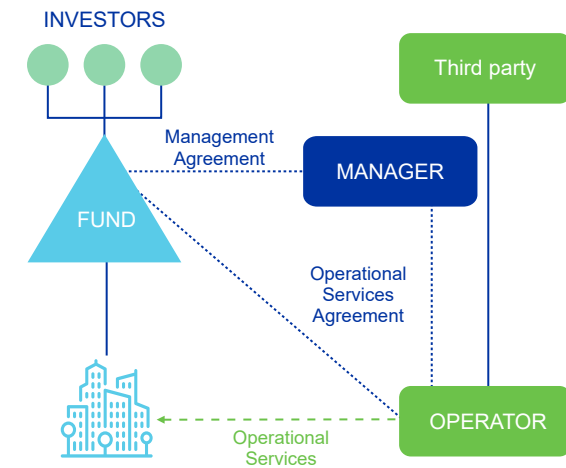
Model A: Investment Manager owned operator



Model B: Fund owned operator



Model C: Third party owned operator



To read more on this topic, you can download the full paper from: <https://www.inrev.org/library/operational-real-estate-paper-2023>