

Total Global Expense Ratio: a globally comparable measure of fees and costs for real estate investment vehicles

November 2019



ANREV

INREV

RS NCREIF PREA
Reporting Standards

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Executive summary



The objective of the Total Global Expense Ratio (TGER) is to facilitate comparison of fees and costs between real estate investment vehicles that operate across different regions of the globe.

The new standard also bridges gaps in terminology and definitions for the most widely used categories of vehicle fees and costs that may be charged (directly and indirectly) by investment managers and service providers.

When analysed in the context of vehicle style, investment strategy and underlying risks, TGER will help those involved in the non-listed real estate market – both institutional investors and investment managers – to compare fee and cost structures between different non-listed vehicles and investment structures. Comparisons between TGERs may also provide an additional mechanism for cost analysis, as the fees and costs of multiple vehicles can be easily measured against industry averages thus driving more informed investment decisions.

TGER aims to improve consistency in the presentation and categorisation of fees and costs when comparing vehicles from different domiciles. While it may not be possible to

achieve complete consistency in breaking down expenses, the aim is to provide the greatest possible comparability while also maximising the availability of relevant information with respect to fees and expenses. TGER has been designed to be straightforward, easy to understand and compatible with the vehicle's normal reporting cycle.

TGER focuses on the substance of the fees and costs over the form they take resulting in a comparable measure.

TGER was therefore developed to reflect the nature of the expenses, in line with the various types of services for which investment managers charge fees, and the basis on which they charge them.

The principles and guidelines for reporting TGER are listed below. Where appropriate, further explanation is provided to enhance the reader's understanding. In addition, the Appendix section includes definitions of fees and costs.

Background and introduction

Cross-border capital flows

More capital is crossing borders than ever before as real estate is offering an attractive alternative investment across the globe. For example, Asian investors are buying into US real estate funds and US investors are investing into European funds. This raises challenges for investors seeking to monitor the performance of the capital deployed in international markets.

There are many different ways in which fees and costs associated with participation in a vehicle are categorised, classified, defined, accounted, and described, making comparisons across products and borders particularly challenging. Examples include:

- **Categorisation:** For example, what types of services are generally included or considered in addition to the fund management fee.
- **Definition:** For example, whether an asset management fee is the same as a fund management fee.
- **Recognition in financial statements:** For example, different accounting standards across the globe prescribe different criteria and methods by which expenses are recognised.

- **Description:** For example, whether one investment manager includes a service in their vehicle structure while another charges it separately to the fund as a third-party cost or an allocated cost.

For all these scenarios, it is critical to clarify what the impact is on the fees and costs incurred at the vehicle level and how these charges are being disclosed and explained to investors so that they can consistently compare fund costs across vehicles.

Differences between open-end vehicles and closed-end vehicles can also impact fee and cost levels. Some expenses will be more relevant to open-end structures than to closed-end structures due to the finite life and characteristics, of the latter group. For example, a closed-end fund will incur a higher level of transaction-related fees and costs in the investment period than an open-end structure where capital can be deployed through its perpetual life.

Further challenges exist when developing a global comparable measure of the vehicle burden (or load). For example, multi-country vehicles have different types of expenses compared to single-country vehicles.

Therefore, owning an asset or the entity holding the asset will trigger more statutory obligations and administrative costs in some jurisdictions as compared to others.

In this context, additional information on vehicle fees and costs across the globe is of particular interest to investors who are comparing performance across their investment portfolios.

These challenges were one of the catalysts for the collaboration begun in 2015 between ANREV, INREV, NCREIF and PREA: to bring convergence in reporting standards globally.

Process, implementation and effective date

This paper reflects feedback received from the market participants across the globe during a consultation process that ran from March 2018 to July 2018. The discussion was based on the TGER consultation paper jointly released by INREV, NCREIF, PREA and ANREV in March 2018.

Over 40 companies provided a detailed response on the appropriateness and usability of TGER as the first proposed global measure of vehicle fees and costs and its related disclosures. The responses showed positive support for TGER, including unanimous buy-

in from industry participants for appropriate categorisation and disclosure of fees and costs.

Under the direction of the global Standards Steering Committee (SSC)¹, which sets priorities for the global standards collaboration, a Fee and Expense Metrics (“FEM”) task force was formed to develop TGER.

A multi-phase approach with milestones was established by the FEM task force. The first phase was conducted in 2016 and brought into the industry globally consistent categories (and associated definitions) of fees and costs. The global definitions can be accessed via the [Global Definitions Database](#). In 2017, work began on the development of the TGER metric as part of the next phase.

Following the positive consultation carried out in 2018, TGER is planned to be incorporated as a required element in the INREV Guidelines and the NCREIF PREA Reporting Standards. TGER will apply to both open-end and closed-end vehicles. The effective date for reporting this new element is for calendar year 1 January 2021. For NCREIF PREA Reporting Standards purposes, TGER is required for closed-end funds that were formed (i.e., legal fund formation) in 2020 and beyond (e.g., when Net Asset Value (NAV) is first reported to investors).

¹ The Global Standards Steering Committee (SSC) was established in 2015 by INREV, NCREIF, PREA, (collectively, the Sponsorship) and by acknowledgement, ANREV (as licensee of the INREV Guidelines) to prioritise and direct the Global Standards initiative. See appendix for project governance.

Principles

Two key principles are generally driving investor requirements for best practices around disclosure of fees and calculation of expense metrics.

These principles should ultimately lead to disclosure of information that is clear, fair and presented in a way that is not misleading to investors.

1. Comparability:

Fees and costs should be consistently categorised, defined and presented, to enable investors and managers to compare vehicle performance.

2. Transparency:

There should be clear and appropriate disclosure of all the fees and costs charged to the vehicle. Investment managers should also explain the calculation methodology and assumptions used. Communication of all relevant information should be open, accessible and easy to understand.

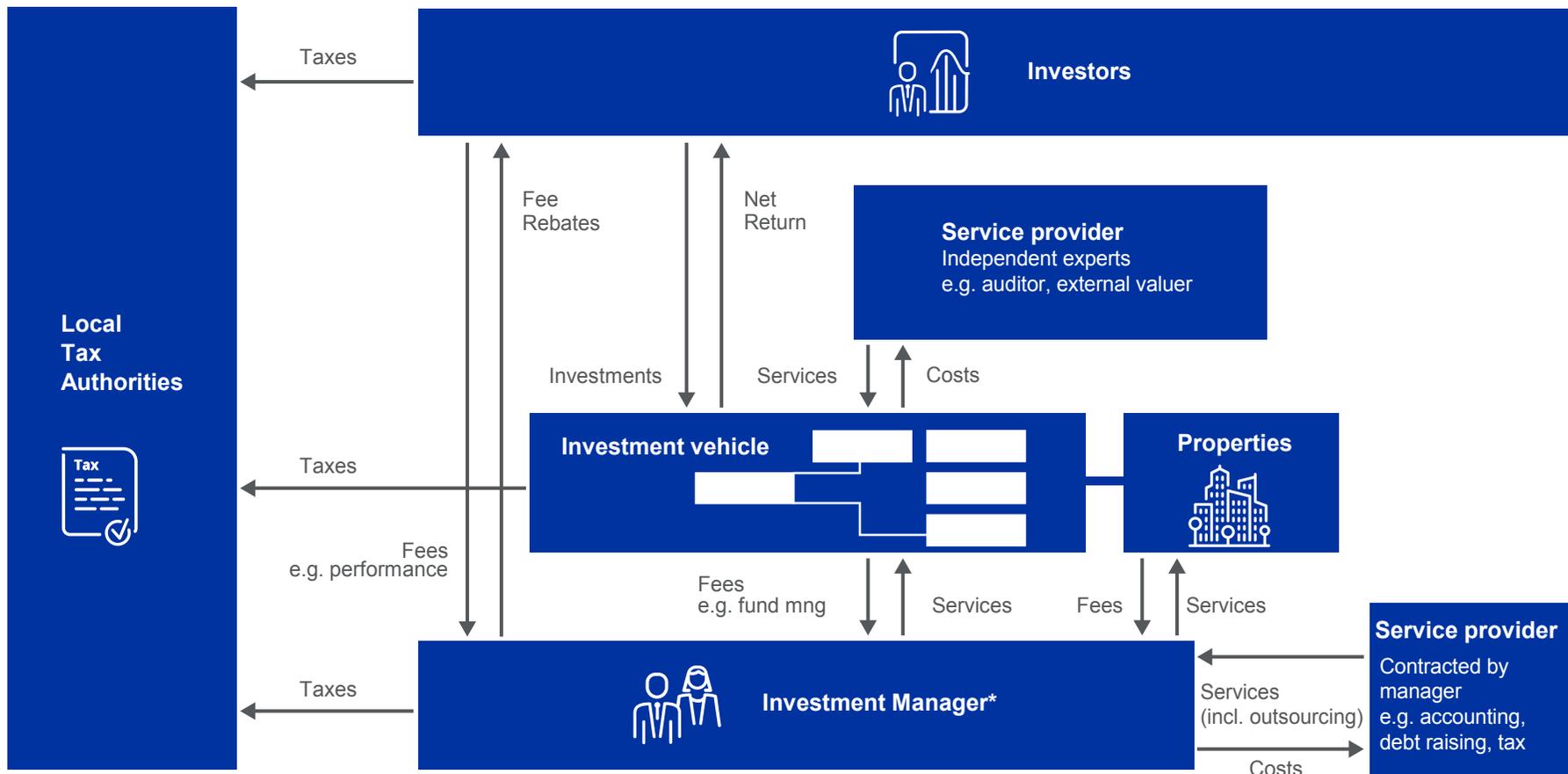
Calculation of TGER

This section of the consultation paper covers:

- > Flow and charging of services to the vehicle and its investors

Fees and costs categorisation

The picture below provides an example of the different stakeholders and the flow of services charged to the vehicle and its investors. Costs describe third party charges and fees describe manager charges.



* In case of public structures / public market vehicles management fee mechanics might be covered by staff cost

TGER calculation and requirements

Fees and costs incurred by the vehicle are distinguished as follows:

Fees and costs incurred by the vehicle are distinguished as follows:

Term	Charged by	Description
Vehicle Fees	Investment Manager	Charges in relation to fund management, transactions and oversight* services
Vehicle Costs	External Service Provider or Investment Manager	Charges in relation to all other services

Fees charged by the manager directly to their investors for services rendered to the vehicle are included in TGER except for investor-specific services.

Where a single fee is charged to cover a variety of activities, the constituent elements will need to be identified, allocated to their appropriate category and disclosed appropriately.

These fees and costs should be applied against Gross Asset Value (GAV) as defined herein, thereby removing the effect of leverage and providing a comparison between investment vehicles with different capital structures. Depending on the investor need, TGER may also be calculated against the Net Asset Value (NAV).

A historic TGER based on the time-weighted average GAV (required) or NAV (recommended) of the vehicle over twelve months, should be provided annually. If considered meaningful, TGER can also be calculated quarterly (on an annualised basis), since inception (recommended for closed-end vehicles), or on rolling multiple period averages. The approach should be consistent with the fee and cost allocation and computation methodology described herein.

TGER should be calculated before tax to avoid a potential lack of consistency due to differences in corporate structuring and treatment of tax.

These elements were carefully considered by the global task force and work on how best to reflect tax cost categories resulted in a proposed after-tax concept – see formula in Appendices. TGER after tax is an optional concept designed to reflect the cost associated with tax structures and taxable income.

Also, optionally, at the vehicle launch stage, an estimated TGER for the first year when the vehicle is expected to be stabilised, can be provided in the vehicle documentation. This measure should be calculated following the same methodology as for a historic TGER, although it will be based on estimates.

* Charges by a manager in addition to a similar cost charged by a third party are deemed fund oversight and therefore fall under vehicle fees.

TGER calculation and requirements

The formulae for TGER are as follows:

Required ratio:

$$\text{TGER} = \frac{\text{Vehicle fees + Vehicle costs}}{\text{Time weighted Average Gross Asset Value}}$$

Recommended ratio:

$$\text{NAV TGER} = \frac{\text{Vehicle fees + Vehicle costs}}{\text{Time weighted Average Net Asset Value}}$$

TGER components

A description of the main fees and costs categories included in the TGER is presented below:

Ongoing Management Fees	Fund and asset management fees charged by investment managers for their services regarding the everyday running of the vehicle and its portfolio.	Fees charged by the Investment Manager
Transaction based Fees	Fees charged by investment managers for their services regarding the acquisition/disposition of real estate.	
Performance Fees	Fees charged by investment managers after a predetermined investment performance has been attained.	
Vehicle Costs	Third party costs incurred predominantly at vehicle level to maintain and grow its operations.	Costs charged by third parties
Vehicle related Taxes*	Expenses related to the tax structure and position of the vehicle.	
Gross Asset Value	Total assets derived from the vehicle accounting standards, e.g. US GAAP, IFRS, and adjusted for specific elements to arrive at a market-relevant gross asset value in accordance with INREV Guidelines / NCREIF PREA Reporting Standards.	Ratio denominator

* Optional category only applicable in case of an after- tax ratio calculation.

The components of the numerator include the vehicle fees and costs for the reporting period, as defined herein.

Only those fees and costs that are attributed to the vehicle during the period should be considered in the calculation of TGER (see appendix for detailed fee and cost matrix).

This comprises the fees charged by the investment manager for oversight activities rather than property/financing-specific activities.

If the manager charges a single fee covering both property and vehicle management activities, it should be split into its constituent elements.

The transaction-based fees and the denominator should be calculated in accordance with the INREV GAV and INREV NAV guidelines and for the US – the GAV and NAV described by NCREIF PREA Reporting Standards. Daily weighting of cash flows is recommended. If not feasible, at a minimum quarterly amounts should be used to calculate the time-weighted average GAV and NAV.

Treatment and allocation of components of TGER

The fees and costs included in TGER are all components of the investment vehicle load. In order to develop a global measure of load, one must understand not only the nature of the fees and costs but also the treatment of such fees and costs within the accounting records which vary around the world.

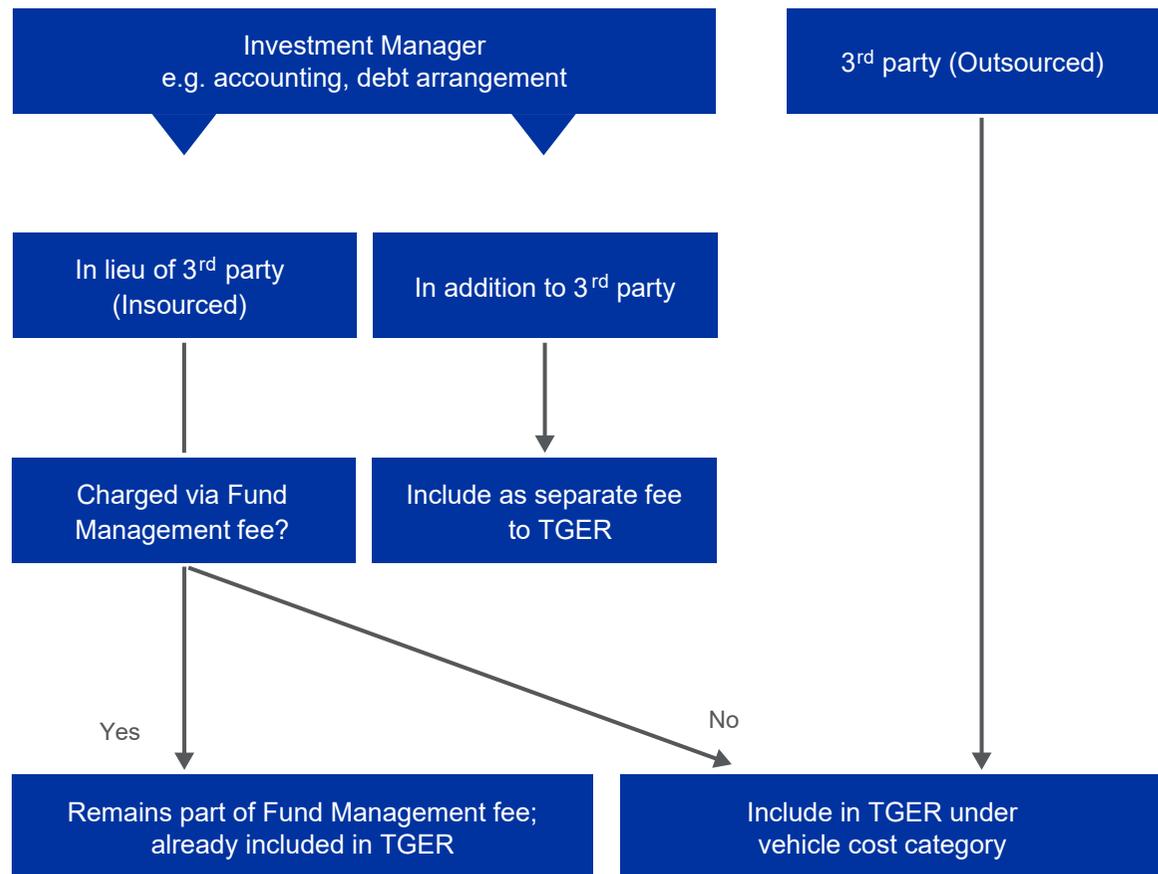
Nature of services

Fees and costs included in TGER are categorised according to the respective nature of the underlying services. This approach ensures consistent classification of services irrespective of the service provider or where the fees and costs are recorded.

To the extent that the fee is charged for a service provided by the manager in lieu of a service provided by a third party, and is charged in addition to the Fund Management Fee, or is otherwise disclosed separately from the Fund Management Fee, it should be classified according to the nature of the service rather than whether the service is provided by the investment manager or a third party.

Example:

The fund documents of Fund ABC permit the manager to charge an accounting fee if the accounting for the fund is performed in-house (in lieu of appointing a third-party accounting firm). A separate accounting fee is stipulated in the fund documents. A supporting piece



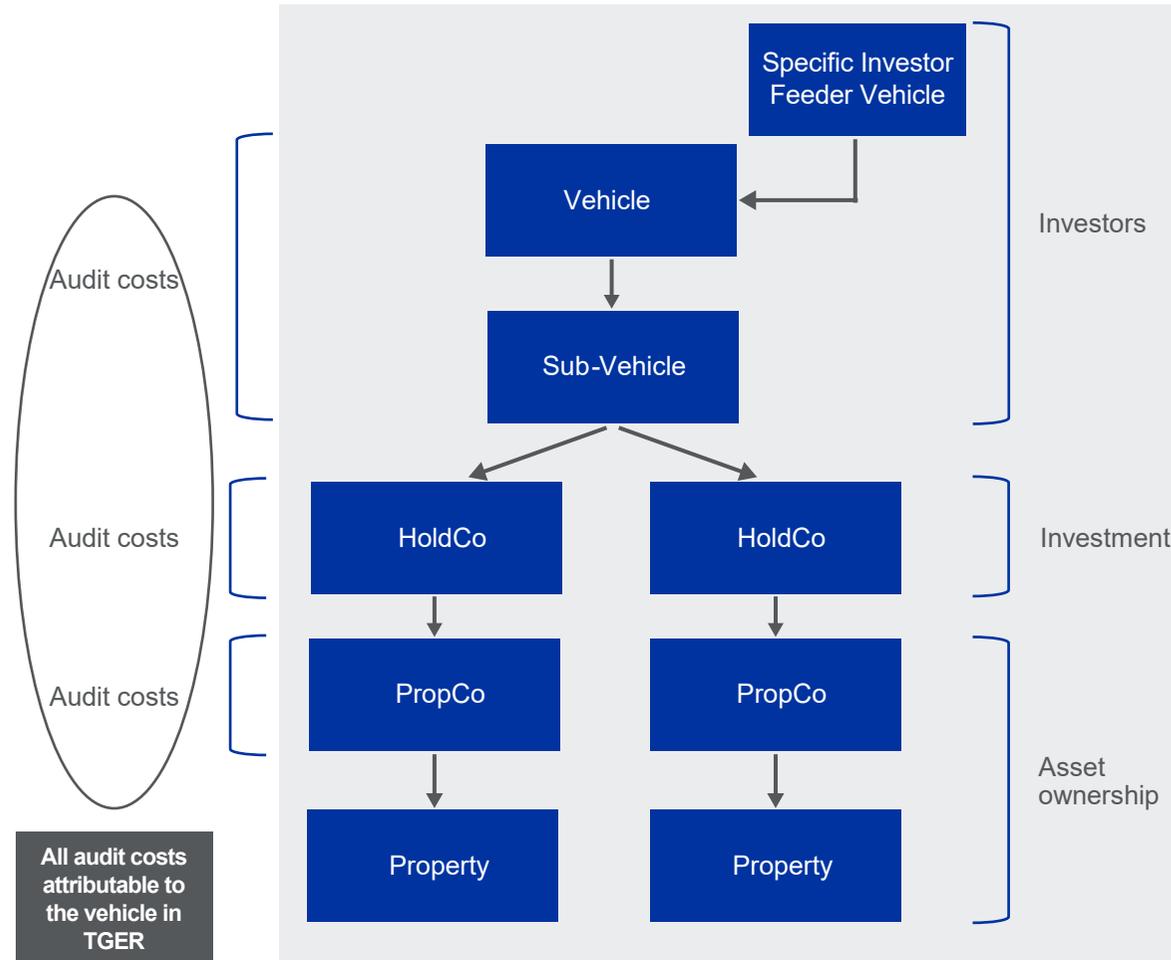
of research is used to determine that the fee charged to the vehicle is at market rate (or lower than market). This fee is therefore categorised as an accounting fee and included in TGER under Vehicle cost category.

Accounting principles

All expenses are assessed based on the nature of the service no matter where the investment manager determines where that expense sits in the investment structure of the vehicle. Any additional fees and costs charged at specific investor feeder level, including cash, hedge fees and other professional services costs are excluded from TGER. This is because not all investors in a fund participate in all feeder vehicles the fund may establish. Fees and costs can vary significantly depending on what may be required to establish a particular feeder vehicle (established to allow certain investors to invest in a fund). Combining such costs for the fund would be misleading.

Costs incurred by Special Purpose Vehicles (“SPVs”), which sit in the holding structure are included in TGER. Costs of this nature that are charged to the acquisition vehicle must also be included in this category. TGER “looks through” or neutralizes the differences by capturing all these expenses. This approach ensures a consistent allocation, independent of investment hierarchy.

In some cases, the cost of redesigning systems to perform the look through outweigh the benefits, since this detailed level of information is not consistently provided for within existing documentation. In these situations, TGER provides for the use of the practical expedient to not require a look through to identify such costs generated at the SPV level provided (1) the



investment manager’s systems do not track such information and/or (2) the investment manager does not have access rights to receive such information. If the information

is available and fund managers have access rights to be able to perform such look through, the practical expedient cannot be applied.

An example of the application of the look through provision follows. It is important to note that in all cases where the practical expedient is not utilised, the look through provisions should be applied.

In all cases, the approach taken by the investment manager should be disclosed in a disclosure note as part of their investor reporting.

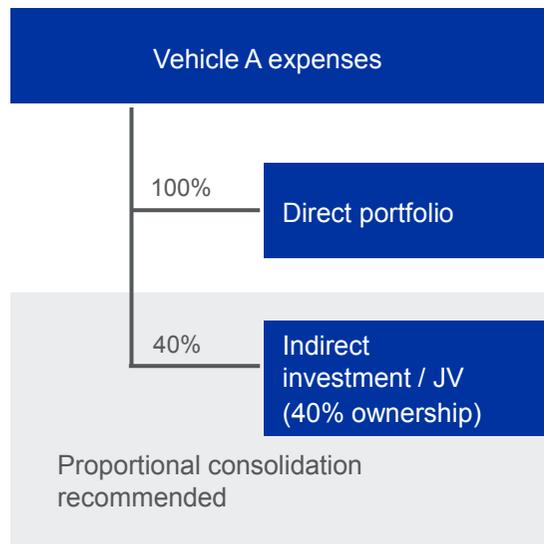
Example:

In some cases, audit costs relating to the annual audit of the vehicle are allocated to each investment by the investment manager; in other cases, a manager may not allocate these costs to the investment. TGER looks at the nature of the cost rather than where the cost is recorded on the books and reflects the costs of the annual audit in relation to the vehicle accordingly.

Proportional consolidation

Proportional consolidation is recommended to fairly account for expenses incurred with respect to investments which are not wholly owned irrespective of accounting methodology. If sufficient information is not readily available, or the expense(s) is deemed to be immaterial, managers can apply discretion to provide a best estimate of the share of their investment expenses.

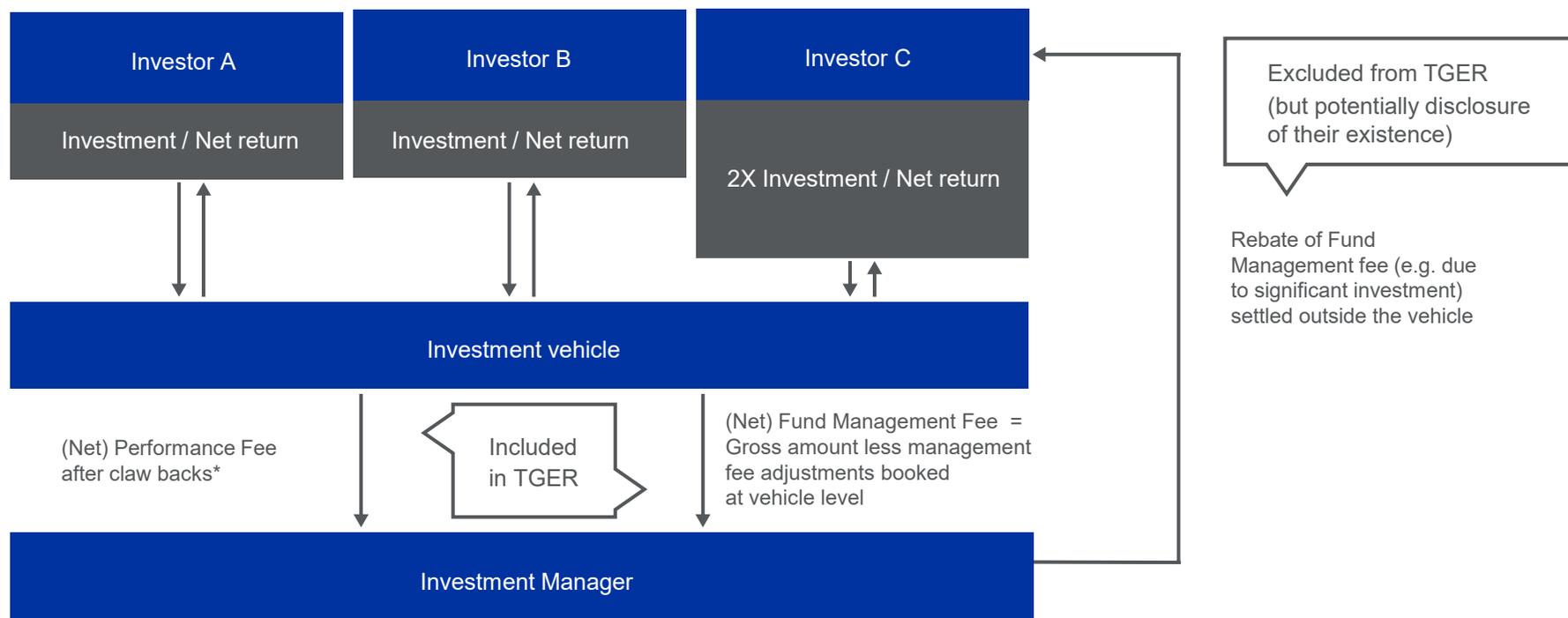
When proportional consolidation is utilised it must be applied to the numerator and the denominator.



Management fee adjustments

Management fee adjustments, including Fee Reductions, Fee Waivers, and Transaction Offsets, recognised in the financial statements of the vehicle, should be disclosed as part of the ongoing investor reporting, and included in TGER.

Existence of Fee Rebates should be disclosed if permitted under the provisions of the fund documents.



* In some cases performance fee is earned by affiliate.

Disclosure



Fees earned by the manager, or by any other affiliate or related party of the manager, for activities and services rendered to the vehicle, are generally disclosed as part of the related party disclosure notes under GAAP. In the appendix additional notes to disclosure are presented to help users understand all fees earned by the manager regardless of whether these fees are in addition to, or in lieu of third-party services.

Where a manager charges a vehicle cost, the manager should perform a benchmark analysis to ensure the amount being charged is in line with market rates.

Total Global Expense Ratio	%GAV (required)	%NAV (recommended)
Note A		

A. Includes vehicle fees and costs, and any performance fees which have either been paid, charged, or disclosed as a potential liability, in accordance with INREV Guidelines / NCREIF PREA Reporting Standards.

Appendices

I. Notes to disclosure

The following notes clarify the components of the expense ratio and should also be read in conjunction with the classifications shown in the Fee and Cost Matrix schedule.

Constituent elements	Current Year/Period (Amount & Currency)	Prior Year/ Period (Amount & Currency)
Ongoing management fees		
Transaction-based management fees		
Performance fees		
Vehicle costs		
Time weighted average GAV (required)		
Time weighted average NAV (recommended)		
Commitment fees		
Redemption fee		
Transaction offsets		

Fees earned by the investment manager	Current Year / Period (Amount & Currency)	Prior Year / Period (Amount & Currency)
Asset management fees		
Fund management fees		
Performance fees		
Wind-up fees		
Debt arrangement fees		
Commitment fees		
Subscription fees		
Redemption fees		
Property acquisition fees		
Property disposition fees		
Project management fees		
Fees earned by the manager incl. in TGER		

II. Optional TGER calculations

Optionally, TGER after tax can be calculated as follows:

$$\text{TGER after tax} = \frac{\text{Vehicle fees} + \text{Vehicle costs} + \text{Vehicle taxes}}{\text{Time weighted Average Gross Asset Value}}$$

$$\text{NAV TGER after tax} = \frac{\text{Vehicle fees} + \text{Vehicle costs} + \text{Vehicle taxes}}{\text{Time weighted Average Net Asset Value}}$$

III. FAQ

1) What are the main differences between TGER, TER and REFER?

An example computation for a bridge between TGER and TER / REFER will be released soon.

2) How do you determine if a service is in lieu of or in addition to third party costs?

Generally, when a function and its related services is frequently outsourced to third parties and the vehicle designates the investment manager to perform this function internally, then the services provided by the investment manager are deemed to be in lieu of third-party services. Conversely, when there is already a charge from a third-party for services related to a specific function, and due to task complexity, the investment manager provides oversight or performs other complementary services for the benefit of the vehicle, then these services provided by the investment manager are deemed to be in addition to third party services.

3) Is TGER replacing TER and REFER?

TGER represents the next generation of INREV TER and RS REFER by combining the best features of these regional metrics to better answer investor needs across geographies. TGER will be reflected in the INREV Guidelines and NCREIF PREA Reporting Standards. For those already reporting TER and/or REFER, the transition to TGER must be completed by the effective date.

4) Does TGER include property level costs?

TGER reflects the fees and costs incurred at the vehicle level. It excludes property level expenses. To measure the fees and costs directly attributable to the management and the maintenance of properties, INREV REER may be used.

5) Do I need to convert previously reported TERs and REFERs?

Not necessarily. The numerator of TGER bears much similarity to the INREV TER and RS REFER. It is important to note that REFER was calculated using an NAV based denominator only so comparisons to a GAV based ratio like TGER would likely be misleading. In addition, it is important to note that historical comparisons depend on the life cycle and activity of the vehicle and should be treated with caution.

6) Should TGER be compared against expense metrics of listed structures / public market vehicles?

TGER was designed to consider all relevant elements of a non-listed real estate vehicle load – including both fees and costs. Care should be taken to ensure an “apples to apples” comparison of similar measures disclosed for public markets / listed real estate investments.

7) Should an estimated TGER be calculated for newly launched vehicles?

An estimated TGER is not required. In case the investment manager decides to provide potential investors with an estimate

of the vehicle's load, TGER methodology for the first year when the vehicle is expected to be stabilised is recommended and should include a clear disclaimer / note that these are based on estimates.

IV. Detailed Fee and Cost Matrix

This matrix is intended to help users when allocating fees and costs to TGER. It is not meant to be an exhaustive description of all

the possible fees and costs that could be incurred by a real estate investment vehicle. Please refer to definitions for details.

Included in TGER	
Vehicle-related fees charged by manager	Vehicle-related costs charged by third parties
Ongoing management fees	Audit costs
Fund management fee/asset management fees	Bank charges
Fee reductions/transaction offsets	Custodian costs
Fee waivers	Debt arrangement costs
Distribution fees	Other/misc. vehicle costs
Commitment fees	Placement agent costs
Redemption fee	Professional services costs
Transaction offsets	Securities handling charges
Transaction-based management fees	Staff costs (if applicable)
Wind-up fee	Vehicle administration costs
Debt arrangement (financing) fees	Vehicle formation costs
Subscription fee	Transfer agent costs
Project management fee	Dead deal costs
Property acquisition fee	
Property disposition fee	
Other manager services not related to fund management (in addition to third party service/cost)	Other manager services not related to fund management (in lieu of third-party service/cost)
Performance fees	
Incentives and promotes	
Carried interest	
Other performance fees	

Excluded from TGER	
Property-related fees charged by manager	Property-related costs charged by third parties
Internal leasing commissions	CAPEX/ tenant improvements
Property management fee	External leasing commissions
Development fee	Property acquisition costs
	Property disposition costs
	Property insurance costs
	Property management costs
	Utilities, repair and maintenance costs
	Property-related taxes
	Property taxes on the owner
	Wealth taxes on real estate
Fee rebates	Vehicle taxes*
	Corporation tax
	Income tax
	Non-resident landlord tax
	Other taxes based on gross profit
	Net wealth tax
	Deferred taxes**
	VAT or other sales tax (only non recoverable portion)
	Withholding tax
	Capital gain taxes
	(Transfer) taxes on real estate transactions

* Optional category only applicable in case of an after-tax ratio calculation.

** In accordance with the INREV GAV and INREV NAV guidelines and for the US – the GAV and NAV described by NCREIF PREA Reporting Standards.

V. Definitions

Access all fee and cost definitions via the [Global Definitions Database](#). A list of these definitions is also presented below.

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.

Audit costs

Costs associated with annual external audit engagements and other audit services provided by independent third party firms.

Bank charges

Costs charged by a financial institution to manage and maintain the cash accounts of the vehicle, or in relation to overdrawing an account.

Capital expenditures

Costs related to capital improvements for an asset that lengthen its life and increase its value. This is in addition to any maintenance operating expenses.

Carried interest

A re-allocation of profits from the investor's capital account to the investment manager capital account based on the ability of

the latter party to outperform a certain predetermined benchmark. Carried interest is structured as a re-allocation of equity within the capital accounts rather than a straight charge to the investment manager generally due to tax purposes.

Claw backs

A reduction to previous received or allocated performance fees or carried interest due to investment performance falling below predetermined benchmarks.

Commitment fees

A commitment fee is a charge to investors on undrawn committed capital for the duration of the commitment period. This is seen to be part of the fund management fee.

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.

Debt arrangement costs

Debt arrangement costs paid to a lender, broker, or other third party, in connection with obtaining debt financing for asset purchase or financing at the vehicle or other special purpose entity level of the holding structure.

Debt arrangement fee

Also known as financing fee, this represents a fee charged by the investment manager for services rendered in arranging debt financing for asset purchases or financing at the vehicle or other special purpose entity level of the holding structure. This fee is separate from any arrangement costs paid to the debt provider or external party such as a broker.

Deferred taxes

Tax on taxable/deductible temporary differences between the tax value and the book value of assets/liabilities of the vehicle. The main source of deferred taxes are the tax on capital gains payable at the time a property is sold.

Development fee

A fee charged to the vehicle by the investment manager for the construction process of a development project. These costs may be expensed or capitalised at the property level.

Distribution fee

Fees charged in conjunction with operating or return of capital cash distributions to investors.

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.

Fee reductions/rebates

A fee reduction occurs when an investor is charged a management fee lower than the one specified in the vehicle terms (e.g. in the PPM or LPA). However, if the investor is charged the same management fee as the one specified in the fund terms, but once that fee is received by the management company, the investor receives a portion of its fee back as a rebate, this is considered a Fee Rebate.

Fee waivers

Fee waivers represent a portion of the management fee that is waived and can be used by the investment manager to satisfy a capital call. The waived management fee process and potential distribution of the amount waived to be used in a capital call are generally detailed in the vehicle documentation. The amount waived and the amount used for the capital calls for the year are disclosed in financial statement footnotes.

Fund management fee

Also known as investment management or investment advisory fees, fund management fees are typically charged by investment managers for their services regarding the management of the vehicle. They generally cover services such as:

- developing, investigating and monitoring investments
- appointment and oversight of third party service providers
- cash management and dividend payment
- managing the vehicle level structure
- management of financing(excluding debt arrangement services)
- Oversight or performance of: fund administration, reporting activities to investors, investor relations

For closed- end funds, these fees may be paid out of an investor's commitment to the vehicle or in addition to the commitment.

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

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.

Other/misc. Vehicle costs

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.

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.

Placement agent costs

Costs incurred when sponsors of real estate funds retain placement agents in connection with the sale of limited partnership interests in the fund. It is calculated based on investor commitments sourced by the placement agent multiplied by the placement fee rate. Placement costs are usually born by the vehicle; however it is possible that investors negotiate an offset against management fee of 100% of any placement agent cost paid by the vehicle.

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 fee (excl. Development activities)

A fee charged to the vehicle by the investment manager for oversight of a significant renovation project or large maintenance works.

Project management costs

Costs charged by third parties 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.

Property acquisition costs

Direct costs related to a specific property acquisition (either share deal or asset deal) 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.

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 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 organisation costs or fees paid to the manager for execution of 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 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.

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-related taxes

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.

Redemption fees

One-time fee paid to the manager when investors redeem from the fund, calculated as redemption amount, NAV or NAV per share, multiplied by redemption fee rate.

This fee is mostly seen in open-ended funds. If the amount is paid to the fund, then it is not included in TGER.

Securities handling charges

Handling fees charged by third-parties on certain real estate security transactions.

Staff costs

Costs incurred by the owner of an investment property for the staff required to manage

the property. Staff costs may be covered by the property management fees. Staff costs required to run the day-to-day management and operations of a property may include payroll for the property manager, assistant property manager, and property engineer.

It may happen that some vehicles have hired employees. Related staff costs should be allocated based on the activity of the employees.

Subscription fee

One-time fee paid to the manager when investors subscribe to the fund, calculated as investment amount, NAV or NAV per share multiplied by subscription fee rate. This fee is mostly seen in open-end funds. If the amount is paid to the vehicle, then it is not included in TGER.

Transaction offsets

Transaction offsets occur typically if income, based on investment and not for specific services (e.g. closing or monitoring fee), is earned by the investment manager or management company of the vehicle from the portfolio properties, and a portion of that income is required to be offset against the management fee by the vehicle documentation.

The history behind this adjustment is to increase alignment between the investment manager and the investors as these transaction fees became an increasing significant source of income. However due to tax considerations, the income could not be brought directly into the fund since ordinary income from fees could cause UBTI and ECI tax issues for investors. Therefore, the investment managers and the investors determined that the “benefit” of the income should accrue to the investors via a reduction in their management fees. However, if the fee earned by the general partner or management company is for specialised services and is not due to the investment, these may not be required to be offset (e.g. operational consulting). But, the management company should be able to demonstrate that the service is being provided at competitive levels of quality and price.

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 general administration (e.g. bookkeeping activities, corporate services) 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.

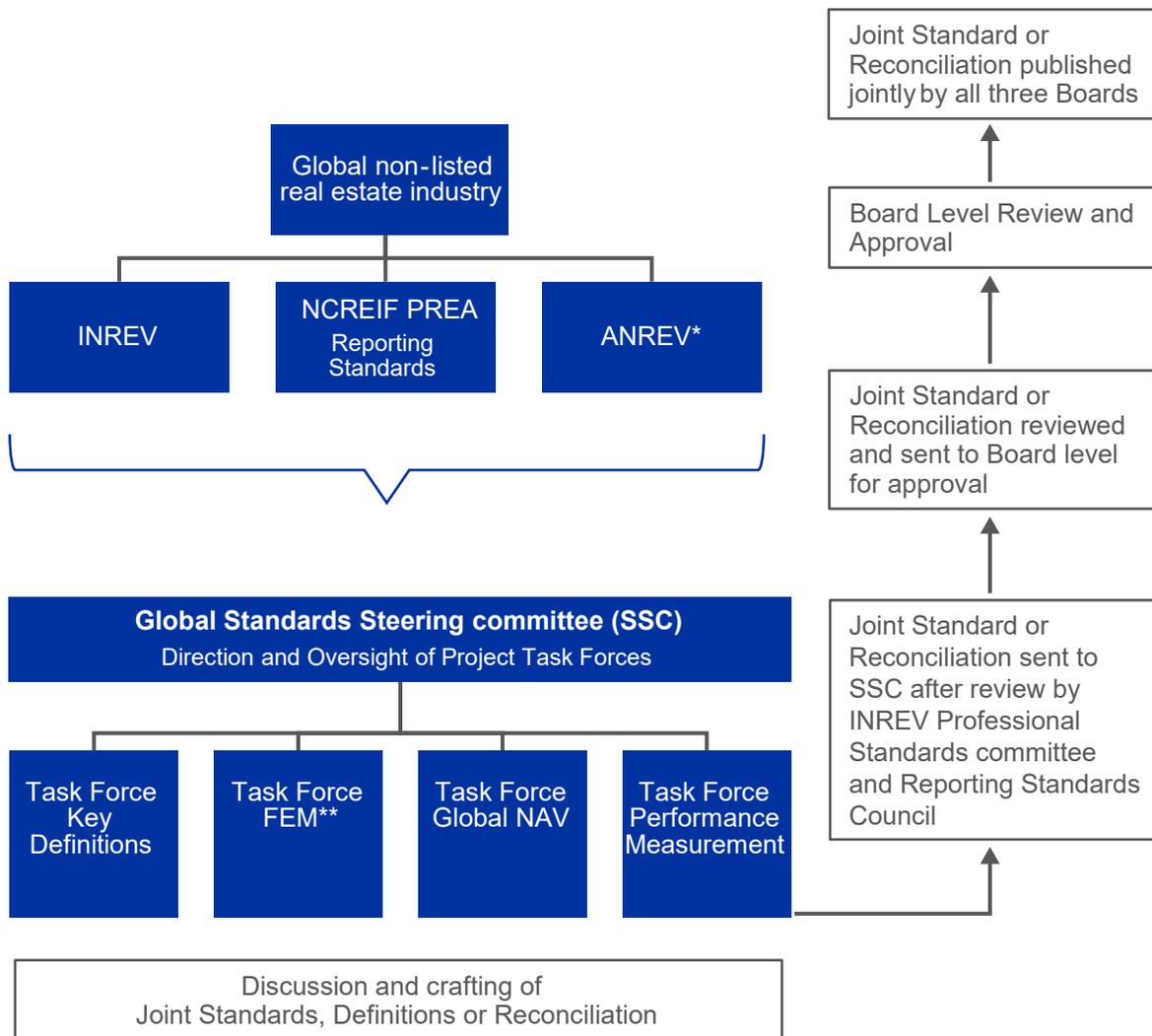
Wealth taxes

Represents a type of annual tax on “tax haven” indirect ownership of property.

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.

VI. Project governance



* Review only by acknowledgement; no approval required

** Consists of 24 senior professionals from across US, Europe and Asia. A core team of four senior members was appointed to closely guide the project