INREV

Business Plan
2017 - 2019

Contents

Executive summary

The INREV annual Business Plan helps guide our activities throughout the year, both at our office and in INREV's committees and focus groups.

Member input and an awareness of market trends are integral to the Business Plan. The plan captures input from members via the annual Member Survey, and from other key contributors including the INREV Management Board, Committees, Investor Advisory Council and Fund Manager Advisory Council.

This year's Business Plan is built around three strategic objectives for 2017-19:

- Further develop global market information to support peer-to-peer comparison
- Create global industry standards
- Be the voice of the non-listed real estate industry

We aim to achieve these strategic objectives in 2017 by focusing on five key value drivers, carefully chosen steps that have been designed to create significant value to our members and the industry:

- Expand and improve European and global indices
- Develop professional standards products such as DDQ and improve global guidelines, standards and products
- Promote adoption of standards in Europe, Asia Pacific and North America
- Advance research programme
- Represent the industry in European policy making

The outcome of the UK referendum on leaving the EU will impact the entire non-listed industry. To be well prepared for Brexit taking place, INREV will set up a new committee to provide guidance on the possible implications.

The Business Plan describes the contribution to these objectives that we will pursue for each INREV service area: Professional Standards, Research, Market Information, Public Affairs, Training, Events and Communication.

We hope that the Business Plan gives you a clear idea of our ambitions for the near future and the steps we will be taking to realise them over the coming year. We very much look forward to working with you to make them happen – as always we depend upon your support and collaboration.

Introduction

The Business Plan outlines the 2017 - 2019 objectives of INREV, focusing on priorities and providing details how we plan to achieve those objectives. Some activities start and end in 2017 and some roll into 2018 and 2019.

Member input and an awareness of market trends are integral to the Business Plan, as both influence INREV's focus and strategy.

The Business Plan begins with an analysis of market trends relevant to non-listed real estate.

Key outcomes of the annual Member Survey provide important input for the Plan and are set out in Section 2.

In Section 3, we look at INREV's strategic objectives and deliverables, which have been designed to create significant value for our members as well as the wider non-listed industry. These are our key value drivers. Finally, we break down these key value drivers into the main practical priorities for the short and mid-term, under INREV's five focus areas.

The work involved in carrying out these key priorities would not be possible without the expertise, dedication and commitment of our members, who provide the driving force behind our success.

To ensure we deliver these priorities effectively, there will be a strong focus on building and strengthening INREV's operational and organisational processes in 2017, specifically in the areas of IT and communications. If you would like further details of the internal Business Plan, please contact INREV.

Member input and an awareness of market trends *are integral to the Business Plan*

1. Market Trends

Geopolitics are shaping the economic and business context for European-based real estate vehicles. With the UK voting to leave the EU and key national elections coming up in Europe, political events overlay the regular real estate cycle.

Almost a decade on from the global financial crisis the real estate sector continues to see a steady recovery. Total capital raised for the global non-listed real estate industry reached a new high of €123.6 billion in 2015 with allocations to real estate expected to increase further, signalling that non-listed real estate remains in favour among investors.

At the same time the investor base for real estate is broadening, and with it increasing divergence in investment objectives. Newer types of investors, some with wealth management or family office backgrounds, are appearing on the scene in scale and tend not to use an ALM modelling approach. While the shift from defined benefit to defined contribution pensions is requiring more active management as funds are required to provide daily pricing and liquidity, to allow DC schemes to transfer freely in and out of funds using up-to-date valuations for those assets. On the other hand, consolidation continues among both investors and fund managers. Globalising investment strategies may favour larger operators, while regulation can increase costs of management, giving a further impetus to efficiencies of scale.

The range of vehicles in the non-listed real estate space plays an important role in servicing the needs of the changing participant mix and the divergence in their investment objectives. Larger investors are favouring greater control over their investments and are adopting joint ventures, club deals and direct investments which give greater influence over asset choices and strategy.

Meanwhile smaller to medium sized investors show continued preference for non-listed real estate funds or separate accounts. The fund of funds business model has also evolved with some fund funds managers co-investing alongside their investors. Meanwhile, the number of European non-listed debt funds continues to rise.

While a broadening of investment goals may lead to debates about the true long-term worth of real estate assets, technology is rapidly changing the way we work and receive information. The advancement of technology can significantly change the way real estate investments are managed.

Regulation

Regulation and other policy initiatives can also have significant impacts on the non-listed real estate industry. While major new initiatives introduced in the wake of the Global Financial Crisis such as AIFMD and Solvency II have come into effect in the past few years, their implementation still challenges the sector.

The European Commission launched the Capital Markets Union in September 2015 to address the unintended consequences of new regulations and the lack of coherence among them. This provided an opportunity to help policy makers strike the right balance between reducing risk and enabling growth, without creating unintended barriers.

However, the June 2016 Brexit referendum could become a major disruptive influence on real estate investment in Europe. New regulatory requirements impacting investment and the likely loss of regulatory coherence between the UK and the remaining EU Member States are likely to add cost and uncertainty over the next few years, with significant effects on the industry.

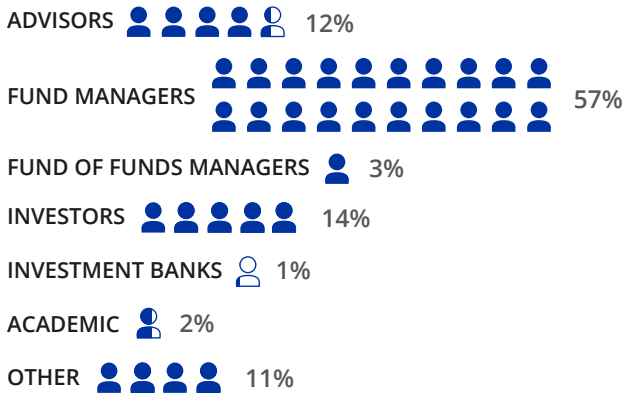## Non-listed real estate *remains in favour among investors*

2. Member Survey

INREV canvassed the views of its membership in September 2016, through the annual Member Survey. The survey seeks members' views on the success and relevance of INREV's activities, and helps us to understand their needs and identify gaps in our current offering. The results of the survey are key in formulating the Business Plan.

The survey covers both the general level of satisfaction with INREV's activities and satisfaction in specific areas.
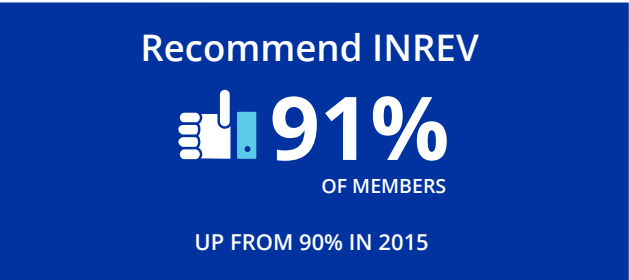
The survey seeks members' views on the success of INREV's activities, *and helps us to understand their needs*

Respondents

In 2016, 354 individuals completed the survey, 30% more than in 2015. The sample includes the views of more than a third of our corporate members and is representative of the composition of the overall membership.

354

↑ **30% MORE THAN IN 2015**

RESPONDENTS FROM

20
COUNTRIES

ADVISORS	12%
FUND MANAGERS	57%
FUND OF FUNDS MANAGERS	3%
INVESTORS	14%
INVESTMENT BANKS	1%
ACADEMIC	2%
OTHER	11%

Overall Satisfaction

Recommend INREV

91%
OF MEMBERS

UP FROM 90% IN 2015

Nearly all members (91%) would recommend INREV to others and satisfaction levels continue to rise, with the great majority rating INREV services as excellent or very good.

Increased satisfaction

↑ **98%**
OF MEMBERS RATE INREV SERVICES AS 'GOOD' OR 'BETTER'*

😄	28%	*UP FROM 25% IN 2015
🙂	51%	*UP FROM 47% IN 2015
🙂	20%	
🙁	1%	
☹️	1%	

Professional Standards
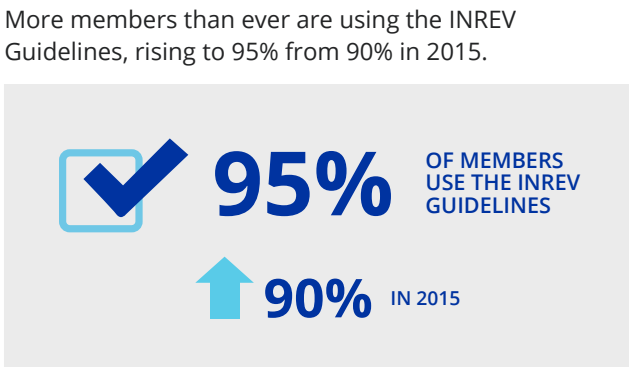
More members than ever are using the INREV Guidelines, rising to 95% from 90% in 2015.

95% OF MEMBERS USE THE INREV GUIDELINES
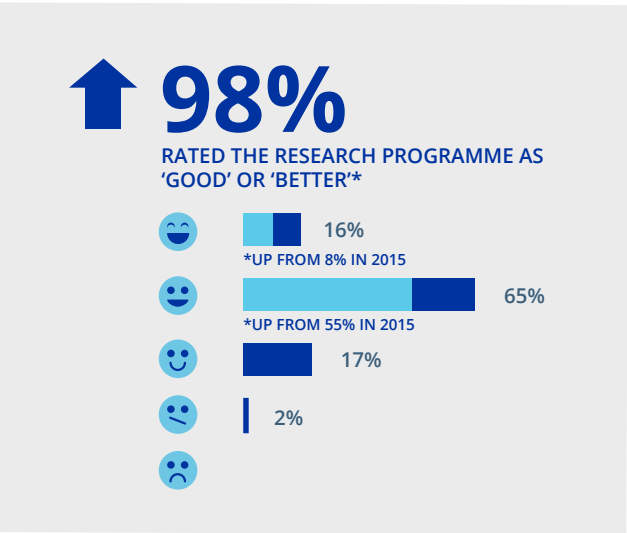
90% IN 2015
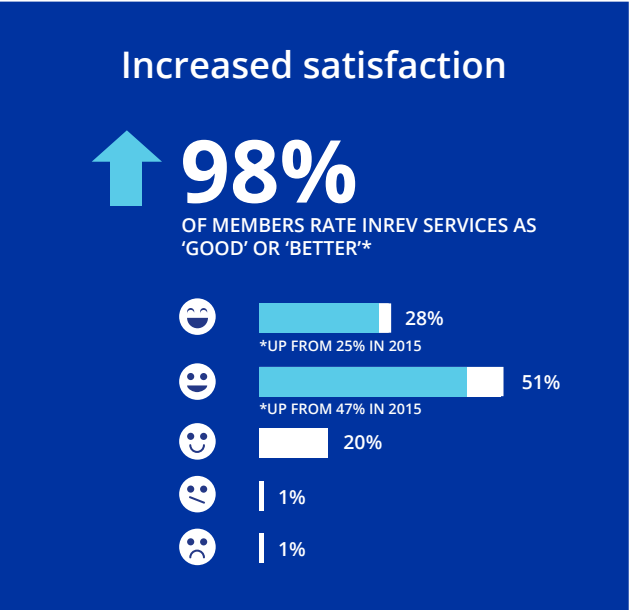
An overwhelming 97% of members thought it was relevant for INREV to work towards creating global guidelines, one of our key priorities.

The Due Diligence Questionnaire (DDQ) is widely used, with 70% of members using it or planning to do so in the next two years.

The Standard Data Delivery Sheet (SDDS) is however less used, with a quarter of our members not yet aware of it, highlighting a need for further promotion.

Of the eight Guidelines modules, INREV NAV is the most widely adopted, followed closely by reporting and performance measurement.

Research

98% RATED THE RESEARCH PROGRAMME AS 'GOOD' OR 'BETTER'*

16%
*UP FROM 8% IN 2015

65%
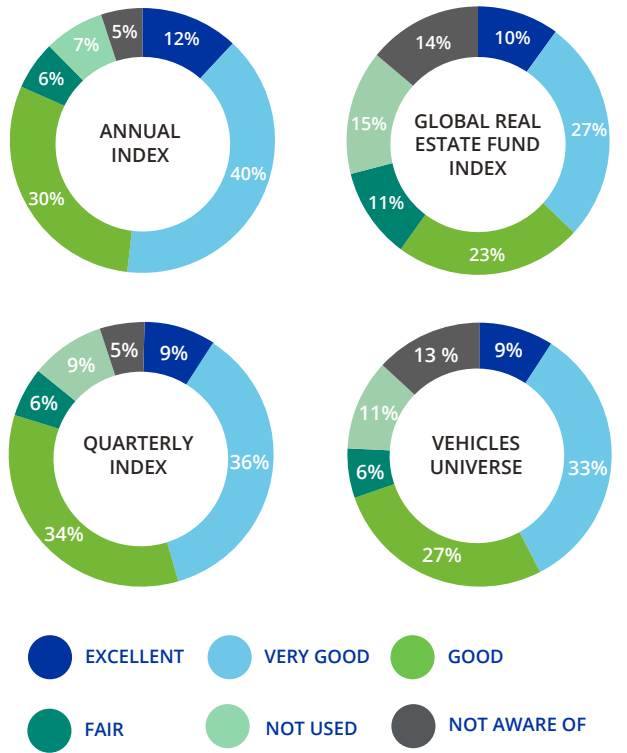*UP FROM 55% IN 2015

17%

2%

Members continue to move up the satisfaction curve regarding the research programme, with a growing number of members rating it as excellent or very good.

Suggested research topics for 2017 include liquidity and secondary markets, and fund styles and performance, both of which will be on our agenda for the years 2017 to 2019. A large majority of members, 85%, believe the frequency of requests to participate in INREV surveys is 'just right'.

Market information

We asked members how they rate our suite of indices. The INREV Index is well known and highly rated, but we need to raise awareness of the Global Real Estate Funds Index (GREFI), which is less well known and used.

ANNUAL INDEX
5% | 12% | 40% | 30% | 6% | 7%

GLOBAL REAL ESTATE FUND INDEX
14% | 10% | 27% | 23% | 11% | 15%

QUARTERLY INDEX
5% | 9% | 36% | 34% | 6% | 9%

VEHICLES UNIVERSE
13 % | 9% | 33% | 27% | 6% | 11%

- EXCELLENT
- VERY GOOD
- GOOD
- FAIR
- NOT USED
- NOT AWARE OF

Usage of the suite of analysis tools is low highlighting the need to make improvements in how the output is presented.

Public Affairs

Of those members that find public affairs information relevant to their role, 88% are satisfied with the information they receive and feel well informed, especially regarding AIFMD and Solvency II.

Satisfied with public affairs information

↑ **88%**
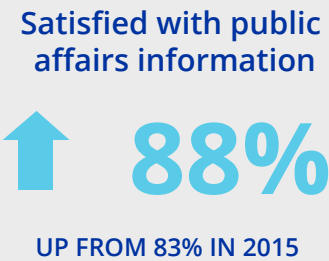
UP FROM 83% IN 2015

Training
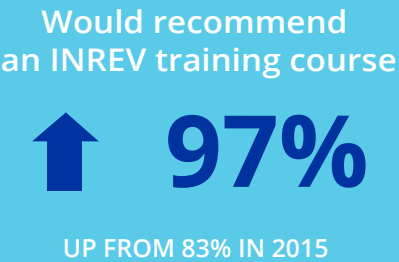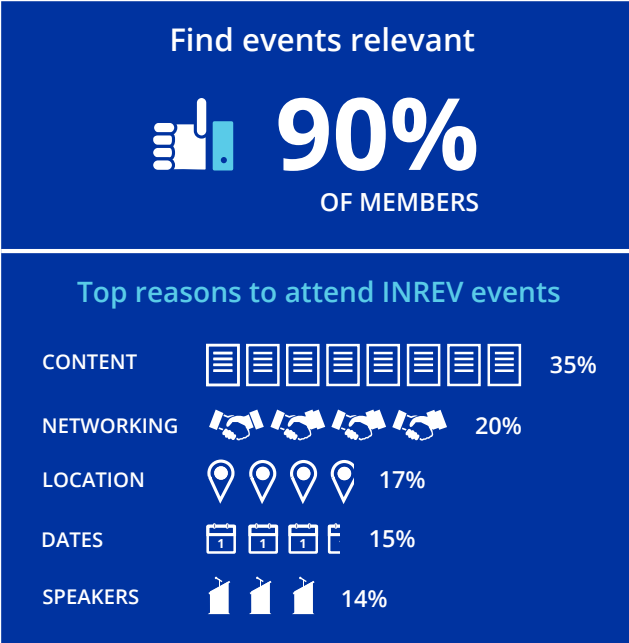
Training courses continue to be highly rated by members and 97% of those who attended a course would recommend it to a colleague, a jump from 83% in 2015. Content remains the top factor in deciding whether to attend an INREV course.

Would recommend an INREV training course

↑ **97%**

UP FROM 83% IN 2015

Events

Content is also the primary reason for members attending INREV events, although networking has now risen to second place, followed by location.

Find events relevant

90%

OF MEMBERS

Top reasons to attend INREV events

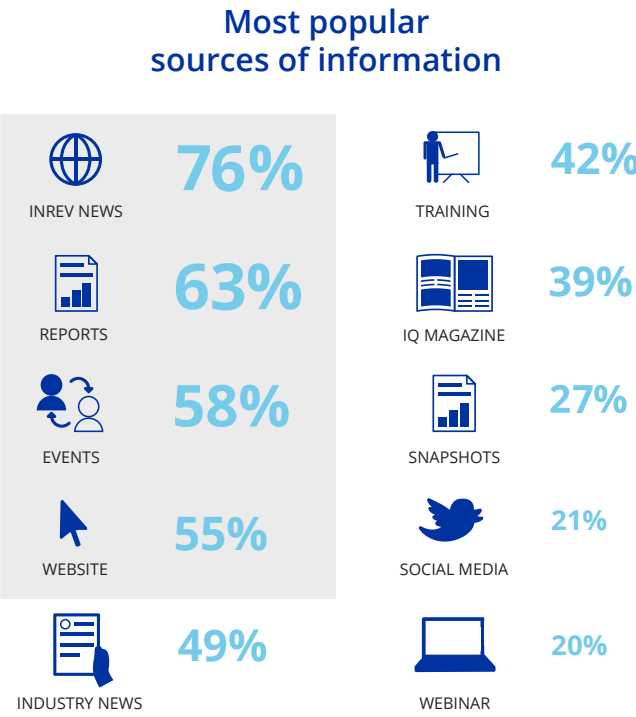|		
CONTENT		35%
NETWORKING		20%
LOCATION		17%
DATES		15%
SPEAKERS		14%

Communication

INREV News, the weekly newsletter, is still the most popular way for members to receive information from us.

The IQ magazine is rated highly for content and visual appeal, reflecting the work undertaken in 2016. However, 20% of respondents were not aware of the publication, suggesting a need to promote it further.

Members see the INREV website as an important source of information. It is highly rated for content and visual appeal, but there is room for improvement in the ease of finding information, something that will be addressed in our plans for 2017.

Most popular sources of information

INREV NEWS	76%	TRAINING	42%
REPORTS	63%	IQ MAGAZINE	39%
EVENTS	58%	SNAPSHOTS	27%
WEBSITE	55%	SOCIAL MEDIA	21%
INDUSTRY NEWS	49%	WEBINAR	20%

3. Strategy 2017 - 2019

We have set three strategic objectives for 2017 - 2019. These are based on INREV's vision and mission statement, taking full account of market developments and the changing needs of our members.

We exist to increase *transparency, professionalism and best practice*

Vision

To champion the non-listed real estate industry globally by being committed to building it as a competitive and sustainable asset class in Europe for institutional investors.

Mission Statement

INREV works to further transparency and accessibility, promote professionalism and best practice and share and spread knowledge.

Strategic Objectives

Further develop global market information to support peer-to-peer comparison
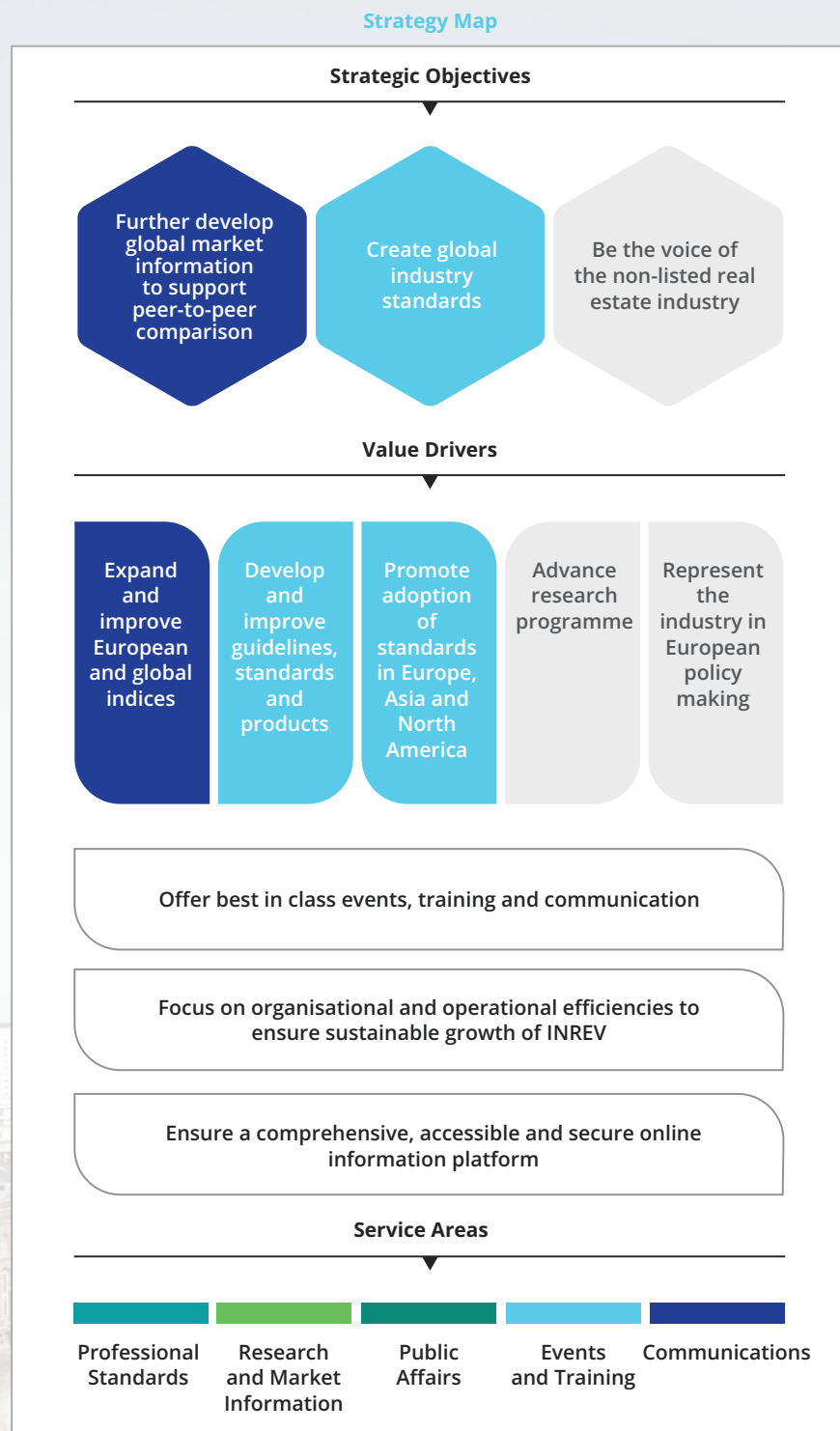
Create global industry standards

Be the voice of the non-listed real estate industry

Value drivers supporting strategy

We aim to achieve our strategic objectives in 2017 by focusing on key value drivers, a number of carefully chosen steps designed to create significant value to our members and the industry.

INREV members benefit from our unique combination of services, which exist to increase transparency, professionalism and best practice. Together, we provide leadership in professional standards, research, market information, public affairs, training and events, as well as communication for the entire spectrum of the non-listed real estate industry.

In the following chapters, we highlight the relevant elements of this strategy map for each service area. Their contributions to the overall INREV strategy are shown in the highlighted areas of the strategy map at the beginning of each section.

Strategy Map

Strategic Objectives

- Further develop global market information to support peer-to-peer comparison
- Create global industry standards
- Be the voice of the non-listed real estate industry

Value Drivers

- Expand and improve European and global indices
- Develop and improve guidelines, standards and products
- Promote adoption of standards in Europe, Asia and North America
- Advance research programme
- Represent the industry in European policy making

Offer best in class events, training and communication

Focus on organisational and operational efficiencies to ensure sustainable growth of INREV

Ensure a comprehensive, accessible and secure online information platform

Service Areas

- Professional Standards
- Research and Market Information
- Public Affairs
- Events and Training
- Communications

4. Professional Standards

Leading non-listed real estate industry professionals use INREV as the go to source for standards and best practice. INREV Professional Standards enable consistency, allow peer-to-peer comparisons and promote market transparency. Investors and managers adopt our Guidelines to excel in their performance and risk management, benefitting from detailed comparisons, tools and examples. INREV provides a platform where experts work together to share and promote knowledge.

Strategy Map
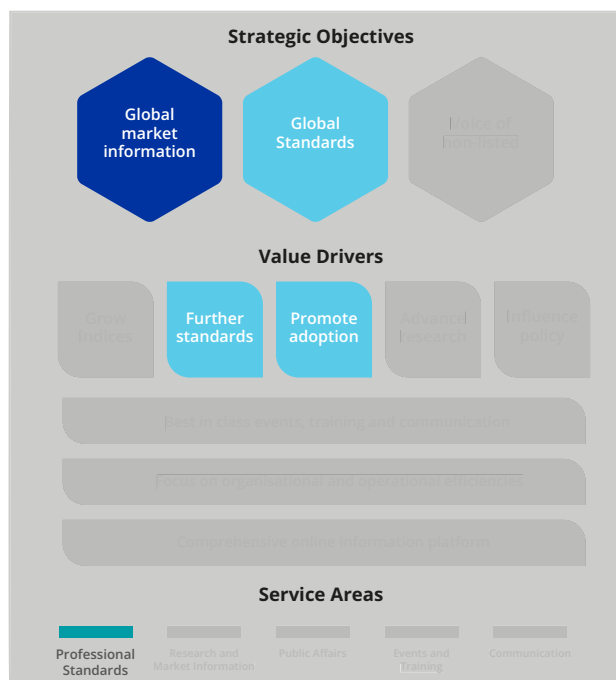
Key Priorities

2017 - 2018

Streamline the Due Diligence Questionnaire in line with INREV Guidelines and global standards, deliver an online version.

2017 - 2019

Work towards global standards and definitions in conjunction with NCREIF, PREA and ANREV. Specifically:
• Global NAV
• Global fee and expense metrics
• Global performance measurement
• Global fund styles framework

Promote awareness and increase adoption of all the INREV Guidelines modules, with particular promotion of supportive tools such as the Guidelines Assessments and the Global Real Estate Definition Database

Further advance standards of information exchange between managers and investors via the INREV Standard Data Delivery Sheet (SDDS)

Develop the European comparison study to improve fund managers' operations

Investors and managers adopt our Guidelines
to excel in their performance and risk management

11

5. Research

INREV is the leading source of research and market information for the non-listed real estate industry globally. INREV research builds on our extensive proprietary information and indices. The programme covers a wide range of topics that anticipates the direction of the non-listed real estate industry globally.

Strategy Map

Key Priorities

2017

Carry out research on defined contribution investment strategies, the real estate illiquidity premium and the implications of Brexit on non-listed real estate

2017 - 2018

Carry out research on fund styles to inform the development of a global fund styles framework, in conjunction with ANREV and NCREIF

Revise the Management Fees and Terms questionnaire to reflect updates to the INREV Fee and Expense Metrics guidelines module

Develop research online analytical tools to allow deeper analysis of INREV survey data

2017 - 2019

Further strengthen the relationship with the academic community through INREV participation and encouraging research on the non-listed real estate industry using INREV data.
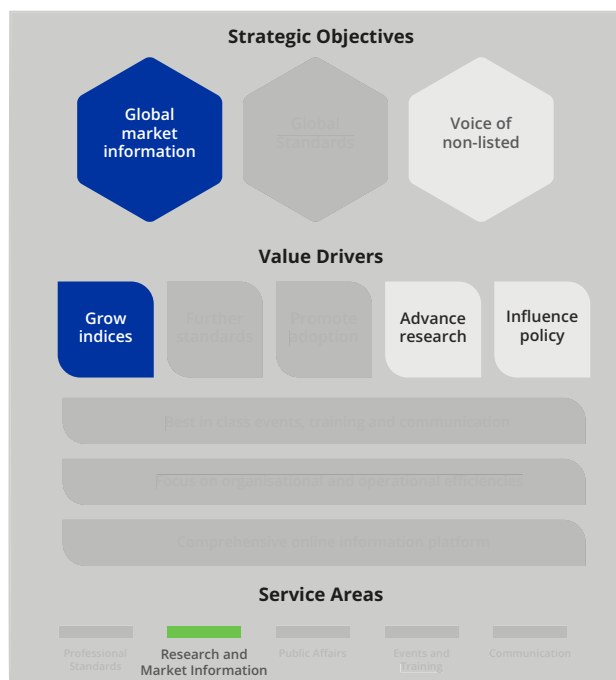
Research anticipates the direction of the *non-listed real estate industry globally*

6. Market Information

INREV's market information is a reliable source of accurate and comprehensive data on the non-listed real estate industry. INREV's suite of market information – our indices, vehicles universes and online interactive analysis tools – support all aspects of the real estate investment process, from asset allocation to performance measurement. They allow peer-to-peer and market comparison, and further increase transparency and accessibility for the non-listed real estate industry.

Strategy Map

Strategic Objectives

- Global market information
- Global Standards
- Voice of non-listed

Value Drivers

- Grow indices
- Further Standards
- Promote adoption
- Advance research
- Influence policy

Best in class events, training and communication

Focus on organisational and operational efficiencies

Comprehensive online information platform

Service Areas

- Professional Standards
- Research and Market Information
- Public Affairs
- Events and Training
- Communication

Key Priorities

• 2017 - 2018

Increase quality, accuracy and completeness of fund data through expanding coverage and history of the INREV Quarterly Index

**Complete the asset level index proof of concept and prepare for a consultation release**

Promote awareness and increase usage of the Global Real Estate Fund Index

Further develop the market information analytical tools to allow deeper analysis of the non-listed universe

Promote awareness and increase adoption of the INREV Performance Measurement Guidelines and support the further development of consistent performance measurement best practice globally

**Explore the relevance and applicability of IOSCO compliance for INREV fund indices**

INREV'S market information *is a reliable source of accurate and comprehensive data*

•

7. Public Affairs
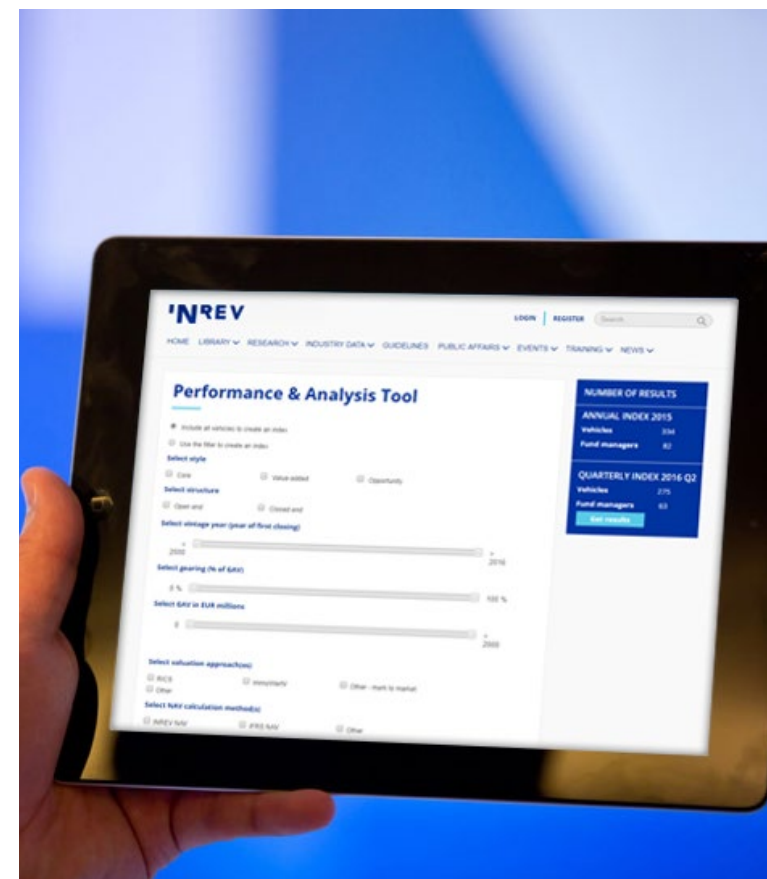
INREV is the voice of non-listed real estate investment in Europe. We represent our members' interests by increasing policy makers' awareness and understanding of the role and importance of real estate investment. We are a trusted source of information on the potential impact of regulatory proposals. Leveraging on our proximity to policy makers in Brussels, our members gain first-hand insights into the development and implementation of regulatory initiatives. We work to develop common industry responses to regulatory proposals while sharing information on issues affecting our industry among international and national associations.

Strategy Map

Key Priorities
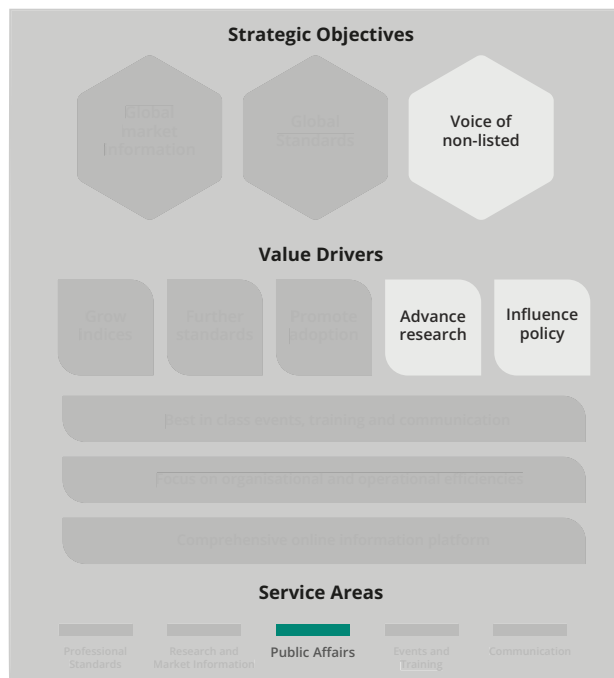
- **2017**

  Ensure that key policy makers have up-to-date data for Solvency II capital charge reconsideration

- **2017 - 2019**

  Develop and align real estate industry responses to regulatory and policy initiatives, with the most significant issues expected to be related to Brexit, AIFMD II and BEPS

  Increase awareness of the role and contribution of real estate investment in European regulatory development through research and interaction with key policy makers

  Keep INREV members informed regarding the practical business impact of regulations and policy initiatives by providing expertise on the most significant aspects of Brexit, Solvency II and AIFMD

We represent members' interests *by increasing policy makers' awareness*

8. Training

The INREV training and education programme meets the specific educational needs of the non-listed real estate industry. Topical and highly relevant content, from industry fundamentals to the latest industry developments, advances the skills and knowledge of participants. Leading industry experts support the design and delivery of all our training offerings, using a range of formats including live classes and webinars.

INREV's training programme is relevant for professionals working at all levels of our industry, with content linked to INREV output and directly applicable in participants' daily work.

Strategy Map
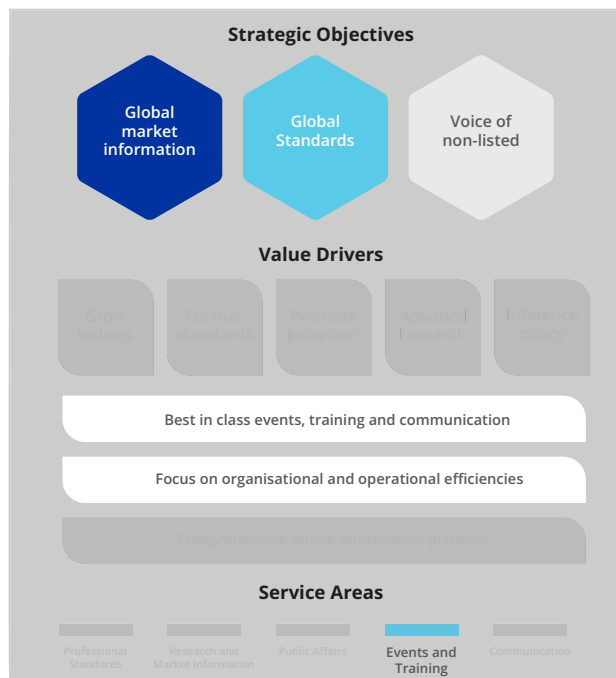
Key Priorities

● **2017**

Investigate the potential delivery of a new course on sustainable and responsible investments

● **2017 - 2019**

Establish and promote the INREV/Henley Certificate across the INREV membership and wider non-listed real estate industry

Execute and further improve the suite of scheduled training courses to reflect INREV and best market practices across non-listed real estate industry disciplines

Continue to revise course case studies to reflect current practices and latest learning techniques

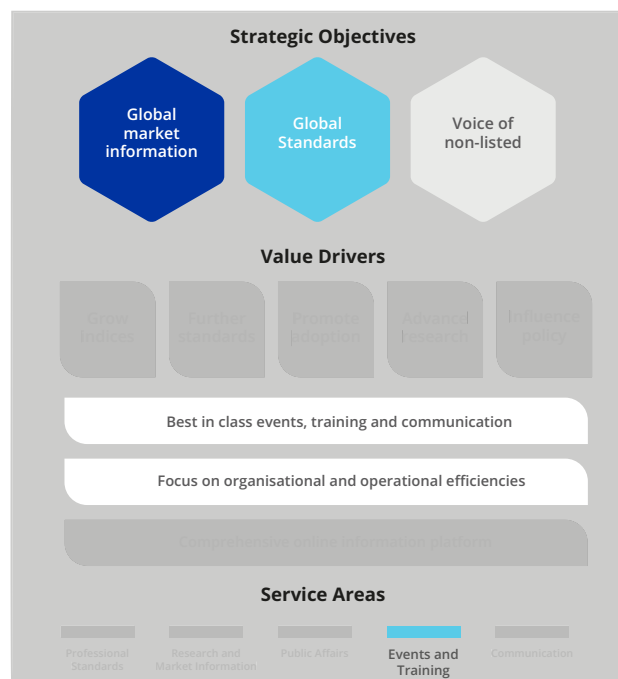**Expand scope of webinars to continue to meet members' education needs**

Topical and highly relevant content
advance the skills and knowledge of participants

●

9. Events

INREV offers members high quality conferences, seminars and round-table discussions, tailored to meet their specific needs. Through our leading position in the non-listed real estate industry, we provide a content- driven programme delivered by industry leaders. Our events are designed to further knowledge, provide opportunities for sharing experience and enhance networking with industry peers across the spectrum of responsibility levels and focus areas.

Strategy Map

Strategic Objectives

- Global market information
- Global Standards
- Voice of non-listed

Value Drivers

- Grow Indices
- Further Standards
- Promote adoption
- Advance research
- Influence policy

Best in class events, training and communication

Focus on organisational and operational efficiencies

Comprehensive online information platform

Service Areas

- Professional Standards
- Research and Market Information
- Public Affairs
- Events and Training
- Communication

Key Priorities

- ### 2017

  Deliver and implement a high quality events programme in 2017

- ### 2017 - 2019

  Ensure a high degree of quantitative and qualitative event participation, especially by investors

  Maintain and increase accessibility for INREV members by continuing to offer a wide range of locations

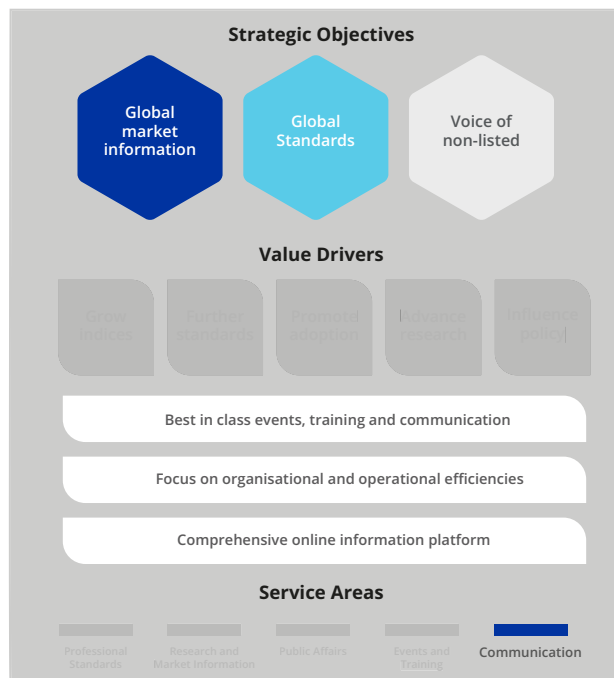 **Continue to offer targeted events for specific groups of members**

Our events are designed *to further knowledge, provide opportunities and share experience*

10. Communication

INREV delivers insightful and relevant information about non-listed real estate investment through best in class communication to the financial community. Through a multi-channel approach, we provide timely, reliable and easily accessible information for our members.

Strategy Map

Strategic Objectives

- Global market information
- Global Standards
- Voice of non-listed

Value Drivers

- Grow indices
- Further standards
- Promote/ adoption
- Advance research
- Influence policy

Best in class events, training and communication

Focus on organisational and operational efficiencies

Comprehensive online information platform

Service Areas

Professional Standards | Research and Market Information | Public Affairs | Events and Training | **Communication**

Key Priorities

2017 - 2018

Improve user experience online by providing a secure website that allows members to find their way easily

Promote and increase usage of analytical tools for peer-to-peer and market comparisons and guidelines self-assessments to measure compliance

2017 - 2019

Improve industry awareness of headline results through engaging and interactive visuals that allow users to digest information quickly and efficiently

Broaden reach and penetration of key messages with national and international financial press to promote non-listed real estate as an alternative asset class

We provide
timely, reliable and easily accessible information for our members