

# CREATING AN ASSET LEVEL INDEX

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Commitment request presentation



May 2017

INREV Team

**INREV**

# Meet the INREV team

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# Agenda

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- Project scope
- Key deliverables
- Timeline
- Commitment request
- Data delivery and validation

# The Project: Asset Level Index

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Asset Level Index

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Project scope

To produce a set of indices that measure the performance of real estate assets across Europe

To create an online analysis tool that allows members to create their own customised indices

To explore the feasibility of asset to fund level reconciliation

With the potential to expand to global through collaboration with NCREIF and ANREV

# Responding to direct request

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## Member Request

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In response to direct requests from, and a need within, the real estate industry for additional analysis tools that help to explain the drivers of fund performance INREV has begun to test the concept and viability of developing an asset level performance index

## Proof of Concept

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The process to evaluate the feasibility of the project and key items, such as data delivery, calculation and methodology is already underway

## Focus Group

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Working in conjunction with a focus group of around 30 INREV members across 21 different member companies and NCREIF

# Members actively working in focus groups

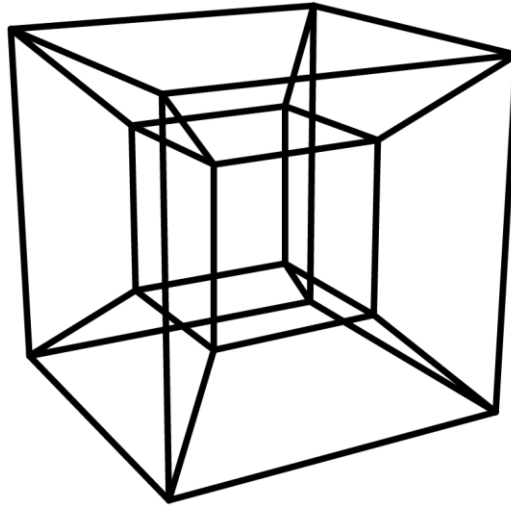
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INREV members and NCREIF contribute their knowledge, expertise and provide governance for the project

# Key deliverables

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Snapshot Report  
Publication

Members and non-members

Quarterly Report  
Publication

INREV Members only

Asset Level Index  
Analysis Tool

Data contributors only

Key deliverables: reports and an online analysis tool

# Snapshot report – available to everyone

## INREV Asset Level Index 2016

Total asset level real estate performance slows in 2016

- > The European Asset Level Index grows to represent €153.2 billion of real estate value at the end of 2017
- > Asset Level Index delivered a total return of 11.8% in Q4 2016, a small decline from the 13.6% achieved in Q3 2017
- > Non-listed real estate vehicles outperformed direct real estate with a return of 13.2% in 2015 compared with 9.5%

Figure1 : European Real Estate Asset Level performance



The European Real Estate Asset Level Index was developed in direct response to requests from, and a need within, the real estate industry for additional analysis tools that help to explain the drivers of real estate performance on an asset level.

At its launch on April 2017, the European Real Estate Asset Level Index had a coverage of €153.2 bn and 5.645 assets included as of December 31 2016.

A detailed report is available to INREV members only. Data contributing members have also access to the Asset Level Online Analysis Tool. To contribute and to access the report as well as an online tool contact [research@inrev.org](mailto:research@inrev.org)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	1 year return	2 year return	3 year return
Total return	1.34	2.45	-1.45	3.56	-9.45	1.12	1.11	-0.09	5.44	8.98	0.67
Capital growth (%)	1.34	2.45	-1.45	3.56	-9.45	1.12	1.11	-0.09	3.44	7.98	0.67
Income return	1.34	2.45	-1.45	3.56	-9.45	1.12	1.11	-0.09	2.44	1.98	0.67
Number of asset	1000	1100	1200	1300	1400	1500	1600	1700			
Total market value of assets	100.2	110.4	120.6	130.7	140.8	150.1	151.8	153.2			

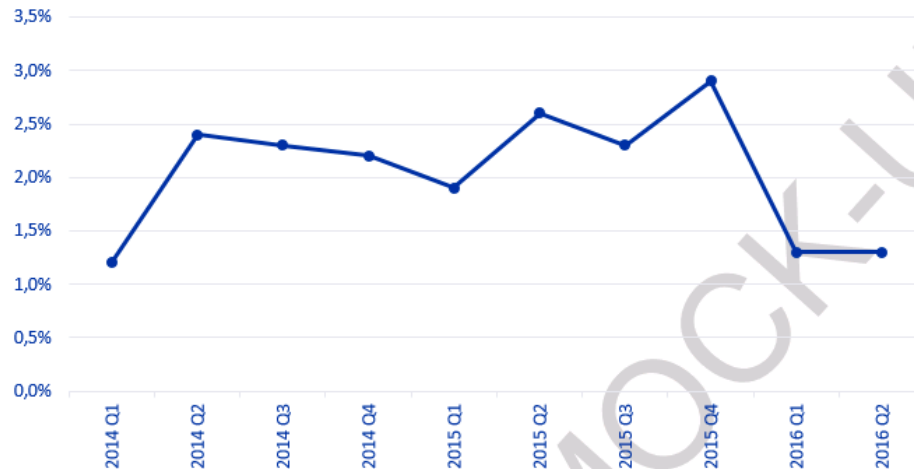
To be published 10 weeks after quarter end  
Available to members and non-members



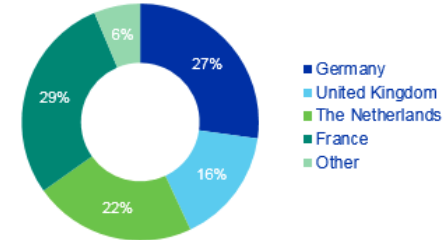
# Full report – available to members only

## All Asset Index

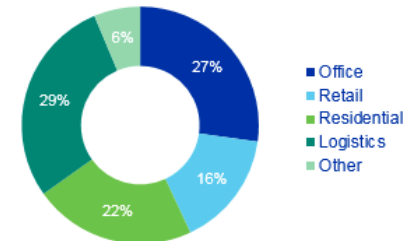
### % Total Return in Local Currency



### Country Allocation (%)



### Sector Allocation (%)



	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	1 year average*	2 year average**	3 year average**
Total return (%)	1.13	1.34	2.45	-1.45	3.56	-9.45	1.12	1.11	-0.09	1.56	1.44	0.98	0.67
Capital Growth (%)	1.13	1.34	2.45	-1.45	3.56	-9.45	1.12	1.11	-0.09	1.56	1.44	0.98	0.67
Income Return (%)	1.13	1.34	2.45	-1.45	3.56	-9.45	1.12	1.11	-0.09	1.56	1.44	0.98	0.67
# of Assets	1,234	2,345	3,456	4,567	5,675	6,789	6,789	6,789	6,789	6,789	* rolling return ** rolling return (annualised)		
Total Value of Assets (€ mln)	90,000	100,000	300,000	350,000	400,000	400,000	400,000	400,000	400,000	400,000			
Average occupancy rate (%)	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5			
% valued mark-to-market	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5			

To be published 10 weeks after quarter end  
Available only to INREV members

# Index Analysis Tool – for data contributors

Online tool with instant  
access

Create own customised  
Indices

Ability to compare own  
assets with Index

Selections by:

Country

Sector

Valuation  
approach

Results shown by:

Geographic  
location

Asset type

Asset lifecycle

Save selection

Export to Excel

Export to PDF

Note: Illustrates only some of the proposed features  
Investors without a direct portfolio are expected to encourage  
their managers to contribute data to the initiative

# Index Analysis Tool selections

Create customised indices based on the following selection criteria

## Geography:

- Country
- City
- Region, etc

## Asset type:

- Offices
- Retail
- Residential, etc

## Asset life cycle:

- Development
- Initial leasing
- Operating, etc

## Ownership type:

- Investor
- Fund manager, etc

## Owner occupied:

- Yes
- No

## Asset size by value:

- <1 mln
- 1-5 mln
- >50 mln, etc

## Valuation standard:

- RICS
- ImmoWertV
- Other m-to-m, etc

## Appraisal type:

- External full
- External desktop
- Internal, etc

## Valuation basis:

- Cost
- Market value

## Accounting standard:

- IFRS
- US GAAP
- Dutch GAAP, etc

## Occupancy rate:

- <50%
- >50%
- 80-100%, etc

## Vehicle type:

- Club deal
- Fund,
- JV, etc

# Descriptive Statistics from Analysis Tool

Get detailed description statistics for any selection of assets

## Returns:

- Total return
- Income return
- Capital return

Quartiles

Number of assets

Value of assets

Average occupancy rate

Weighted average unexpired lease term

Total and average gross/net leasable area

Composition by geographic location

Composition by asset lifecycle

Composition by asset type

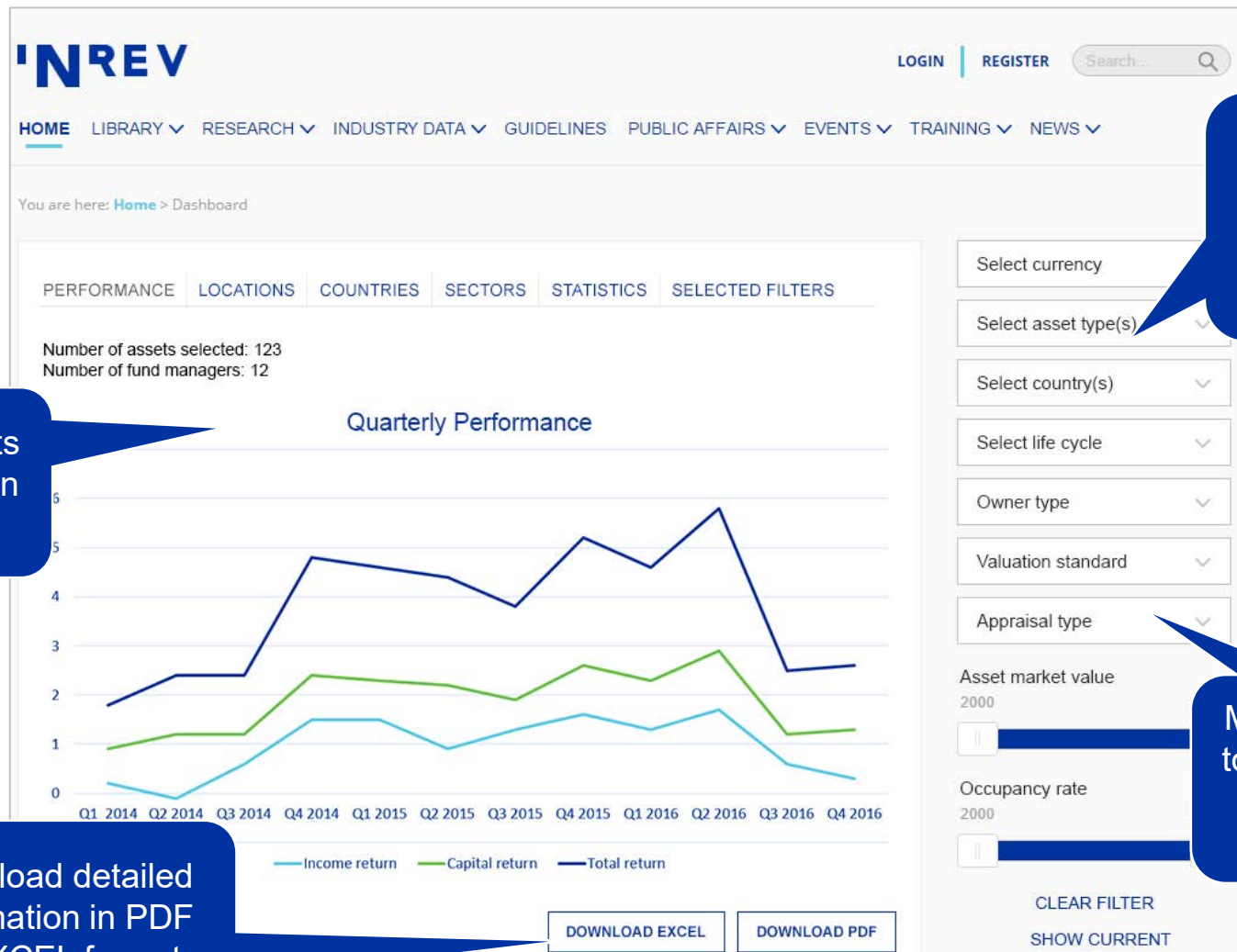
Composition by:

- Accounting standard
- Accounting basis

Composition by:

- Valuation basis
- Valuation standard
- Appraisal type

# Analytical tool online anytime anywhere



Instant results  
will appear on  
screen

Make  
selections to  
create a  
customised  
Index

Download detailed  
information in PDF  
or EXCEL format

More features  
to be added in  
the final  
version

# Geographic visualisation of results



Switch between  
page views:

Charts, statistics,  
etc

Switch  
between  
NUTS0,  
NUTS1,  
NUTS2, etc

Mapped visual of  
assets

Exact locations  
and names will  
NOT be revealed

# Additional options specific to your portfolio

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Exclude own assets

Compare own assets

Performance of own assets

Show location of own assets

Save selection

More analysis options will be implemented based on members' request and are highly dependent on the quality and completeness of data submissions

# Staged process to index production

Call for data

2 weeks after  
quarter end

Member data delivery and validation

Up to 8 weeks after quarter end

INREV validation

Up to 9 weeks after quarter end

Publication of all  
reports and  
update of Online  
Analysis tool

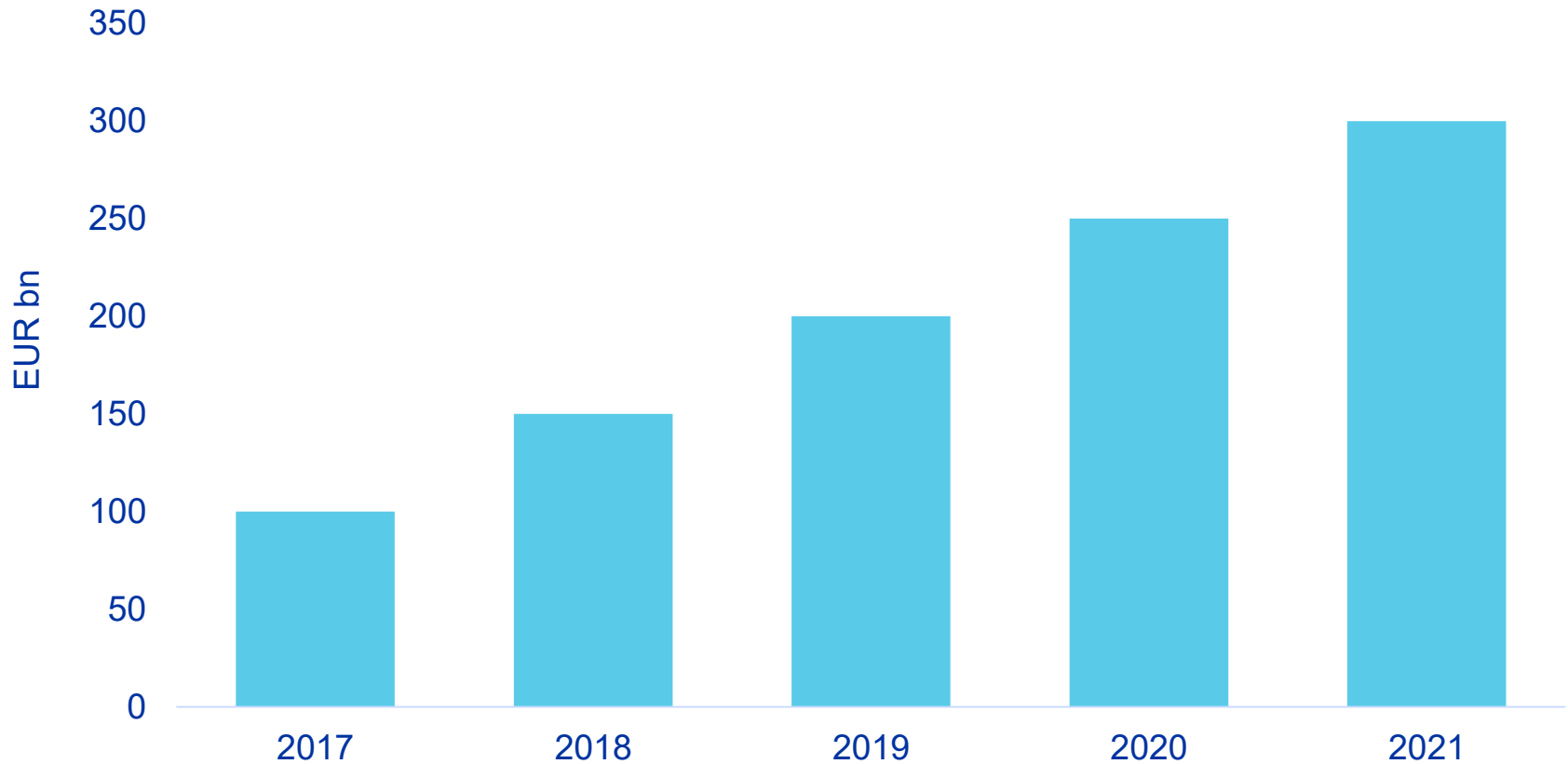
10 weeks after  
quarter end

10 week process to publish the Asset Level Index



# Goal to launch with EUR 100 billion

INREV Asset Level Index projected coverage



\* Estimated from the size of the INREV Quarterly Index

# INREV needs you

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EUR 10,000  
initial  
investment

3 years of  
historical  
quarterly  
data

3 years of  
quarterly  
data going  
forwards

Member support is fundamental to the success  
of this project

# Founding member benefits

	Initial Investment	5 Years after launch	> 5 Years
Founding member	EUR 10,000	EUR 1,250 p.a.	EUR 5,000 p.a.
Non-founding, data contributing member		EUR 5,000 p.a.	EUR 5,000 p.a.
Non-founding, non-data contributing investor* member		EUR 15,000 p.a.	EUR 15,000 p.a.
Non-member		Membership + other conditions above	Membership + other conditions above

\* Investor member without direct real estate portfolio

# Access to information

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	Snapshot	Full Report	Index Analysis Tool
Founding member	Yes	Yes	Yes
Non-founding, data contributing member	Yes	Yes	Yes
Non-founding, non-data contributing fund manager member	Yes	Yes	No
Non-founding, non-data contributing investor member	Yes	Yes	Yes
Non-member	Yes	No	No

# Staged data delivery schedule

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100% of real estate  
assets for specified  
vehicles

1 Nov 2017

100% of real estate  
assets for specified  
vehicles

1 Mar 2018

Use best efforts to provide data for the  
remaining real estate assets

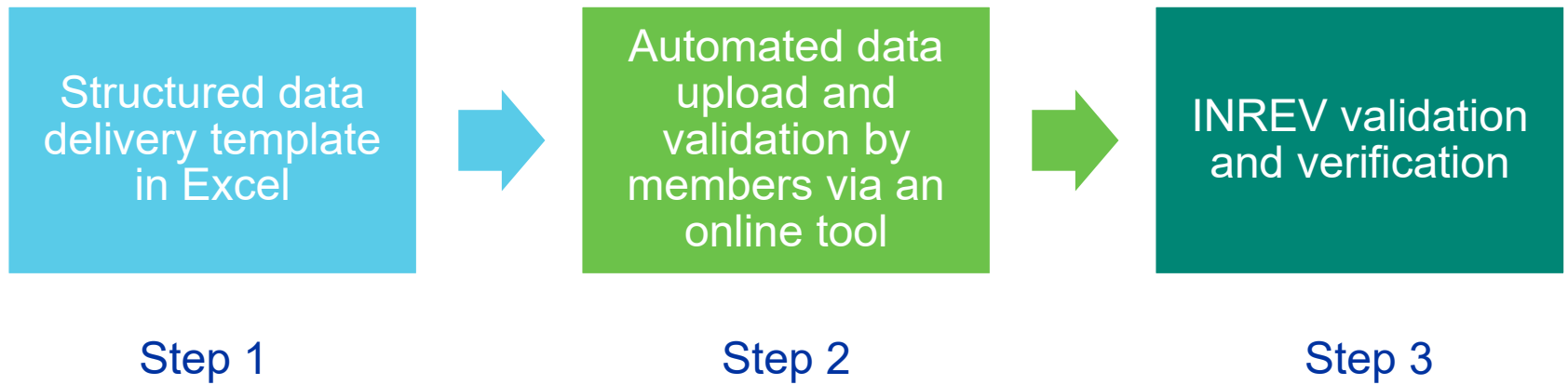
31 Dec 2019

100% of real estate AUM

Use best efforts to provide data for all assets

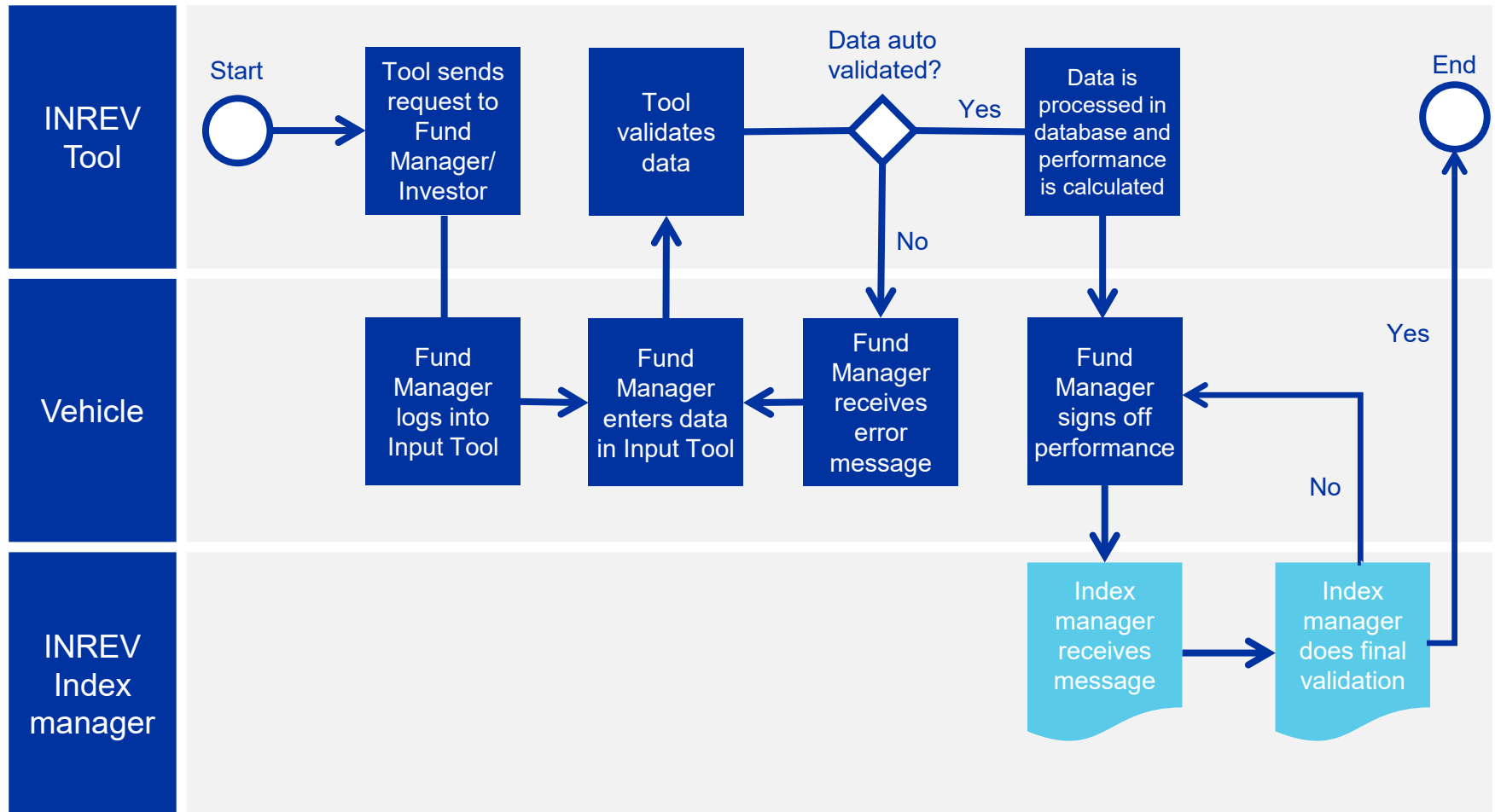
# Easy data delivery and validation

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Continuous support from the INREV team

# 3-step process to ensure quality & integrity



# Structured data collection template

Asset data fields	
1	Asset name
2	Manager/investor internal asset ID
3	Full address
4	GEO code
5	Asset type and subtype
6	Year of original building completion
7	Year of last major refurbishment/redevelopment
8	Asset lifecycle
9	Area unit of measurement
10	Gross leasable area
11	Net leasable area
12	Weighted average unexpired lease term
13	Occupancy rate (%)

Ownership data fields	
14	Fund/investor company name
15	Ownership type
16	Vehicle type
17	Vehicle name
18	Fund structure
19	Fund style
20	Is owner occupied?
21	Ownership share
22	Fund reporting currency
23	Land ownership type
24	Predecessor name
25	Initial acquisition date and price
26	Successor name
27	Final sale date and price
28	Type of disposal
29	Partial sales prices and dates
30	Partial acquisition prices and dates

Financial data fields	
31	Asset currency of reporting
32	Net Operating Income
33	CAPEX
34	Total rental income
35	Other expenses
36	Other income
37	Market value at the end of the quarter
38	Valuation basis
39	Valuation standard
40	Appraisal type
41	Accounting standard
42	Accounting basis
43	Outstanding external debt at end of quarter
44	Debt drawn (external)
45	Debt amortisation (external)
46	Debt repayment (external)
47	Debt servicing costs (external)

**GREEN** – mandatory data fields that change quarterly

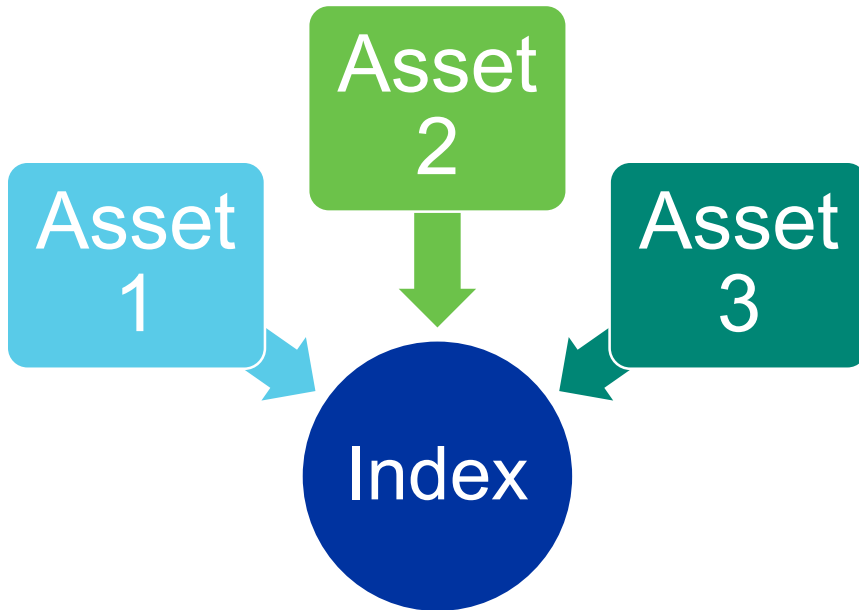
**BLUE** – non-mandatory data fields that change quarterly

Note: The majority of these data fields overlap with the data collection of other major industry data providers



# Confidentiality rules

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An Index can only be created when the sample size meets the following requirements:

- At least 3 assets from at least 3 different data contributors
- A single asset not account for more than 50% of the value of the sample

# Contact Details

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INREV

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