



## Vision Project 2018

---

# Contents

---

Executive summary	3
Introduction	4
Methodology	5
Outcomes	6
Conclusions	7



# Executive summary

- > INREV's balance of services and member representation make INREV unique
- > INREV will cater for new and evolving (global) market players
- > While strengthening global strategic partnerships, Europe and Real Estate will remain the focus

Reaching its 15-year anniversary, INREV decided to conduct a thorough self-review. A diversified sample of 62 members reflecting the make-up of the membership, were interviewed. The results were put through different levels of consultation, confirmation and approval by the member advisory councils, the INREV team and current and past management board members.

The conclusions were that business models are expanding their outreach from a pan-European strategy to a global strategy, and that global players are entering the market at an increasing rate.

INREV is being utilised across its different service areas, and the balance between them is highly valued. This combination of services and the balance of member types is identified as INREV's unique position in the market. The opinion about entering other asset classes is divided between those supporting an opportunity, and those aiming to prevent quality and focus from being diluted.

Finally, the need to increase the membership fee is generally accepted and understood based on the evolution of the organisation, the increase in products offered and inflation.

These outcomes will be reflected in the 2019-2022 Business Plan where we will retain a European focus and strengthen our global relevance through relationships with global partners. Also, to reflect

changes within the market players, the INREV investor definition will be reviewed. INREV's range of services will continue to be offered and developed further.

INREV will maintain its focus on real estate and Europe while developing partnerships and supporting other asset classes as a global effort. The Membership Fee will be re-evaluated in line with INREV's continuity plan and future ambitions, but the introductory fee will remain.

**INREV will maintain  
its focus on real estate  
and Europe**



# Introduction

Since INREV's launch in 2003, a lot has been achieved. Although the non-listed market, and the broader real estate and investment markets, have gone through enormous changes, INREV has responded. A full research agenda has been established with annual, quarterly and regional indices. A full set of integrated Guidelines, and more global standards have been developed in co-operation with ANREV, NCREIF and PREA. Finally, highly rated events and training are offered. However, did we do enough?

Member characteristics, business models and the focus of many of our members have changed. To a certain extent, INREV's focus remains on real estate funds, despite our expanding remit since 2013. Finally, mega trends such as urbanisation, technology, digitalisation and consolidation, as well as increasing regulations such as MiFID II, will have an impact on our members and as such, on INREV.

All these factors have led INREV to conduct a thorough review process, to understand, adapt and include our members' needs and changes; future-proofing INREV membership for the next 15 years and beyond.

This document provides further detail in the first section about the methodology used in the project. The outcomes of the project are then presented in six subsections. The first one observes changes and challenges in business models in the last 15 years. The second one outlines the characteristics of current market players. The third section assesses the usage of INREV services and tools and their preferences, if any. In the fourth subsection, members were asked why they joined and why they remained part of INREV.

Then, the topics covered by INREV are analysed, in terms of type of assets and region, in the context of an increasingly globalised industry. Finally, the one size fits all membership fee is discussed.

On the final section, the next steps for INREV are highlighted. These are the resulting steps based on the outcomes of the interviews and following consultation, which will be included in INREV's long-term strategy, the INREV Vision and in the INREV Business Plan 2019-2022.

*A thorough self review, to understand, adapt and future proof INREV*



# Methodology

A sample of 62 members were selected to reflect the proportional composition of our member base, in terms of type, size and domicile, excluding academic members. Phone interviews were conducted, based on a set of questions and topics. These topics were: changes in business models and characteristics, views of INREV's role, INREV services, membership and fees, and mega trends expected to impact our industry in the future.

Following the two and a half months of interviews, a summary of the results was presented to the Investor Advisory Council (IAC) and the Fund Manager Advisory Council (FMAC) for their feedback. The outcome of the interviews, and the feedback of the respective councils was discussed in a combined meeting of the IAC and FMAC at the Annual Conference. These results were discussed and reviewed internally to be included in our long-term strategy, the INREV Vision. This INREV Vision was presented to current and past Management Board members where it was finalised and later approved by the Management Board as the basis for the INREV Business Plan 2019-2022.

**A diversified sample of 62 members reflect the make-up of our membership.**



# Outcomes

The aggregated results of the interviews, have been summarised in the following sections.

## Changes and challenges in business models

Investors expressed a shift in investors' business models; where some venture into managing third party capital as well as mixed changes in strategy. They saw a shift from direct to indirect investment, but also an increase in preference for joint ventures and club deals enabling the desired control. They also experienced diversification investing abroad and acquiring other business.

Although consolidation was not seen as a trend at the investor side, several expressed significant growth. They coincided in an increase of new capital entering the real estate market, mainly from within the EU and the US, especially via JVs and clubs and via in-house fund structures.

Managers and advisors recognised an urge for control and regulation as the driver behind the increase of separate accounts and joint ventures. However, they still expected the fund model to remain the largest part of the business and they thought that one of the biggest challenges in the future for these models will be finding the right partners.

Although most managers had doubled or more in size, they had not changed their model drastically. They agreed that new capital is entering the market from the US but also from Asia. Similarly, diversification had expanded the horizon from pan-European strategies to global strategies as well as ventures into other real estate sectors and asset classes like debt and infrastructure.

In terms of challenges to their business model, increased regulation was the overarching concern. Investment managers felt that risk management, reporting and database system demands attached to

regulation, were overwhelming for smaller managers. Similarly, the knowledge gap and lack of homogeneity in regulation and taxation had become an obstacle when entering new or global markets.

## Characteristics of current market players

Although traditional market players are still part of the industry such as pension funds, life insurers, public bodies, family offices and investment banks, their shares in the market have changed. Family offices with institutional characteristics, have gained more presence and are expected to increase further.

Managers are focused on large to medium size investors for alternative non-listed vehicles such as joint ventures while smaller investors would be pooled into commingled funds. Smaller US investors were dissuaded by the cost and complexity of tax and regulatory regimes across Europe.



## Usage of INREV resources in business decision making

The Due Diligence Questionnaire is used by nearly all interviewees, confirming its status as the industry standard. In general, INREV standards and guidelines are valued and used. Investors also use the Standard Data Delivery Sheet and they requested managers to use them. Nonetheless, new global investors entering the market have a more opportunistic focus and are unaware of these INREV resources. Also, some national standards do not allow full use of these tools.

INREV research is used as a reference point and to track the market tendencies, with many large members using additional detailed research provided by fund managers' in-house research teams. Indices are used but a core focus limits their use.

The Public affairs representative role was highly-regarded and supported by all although, participation and usage of services are by nature, needs specific. The quality and professionalism of training and events is also well valued, particularly the Annual Conference, although many would like it to have more seats.

## Why INREV?

Irrespective of their role in the market, the interviewees had joined INREV to access information, to support the building of standards and transparency, to shape the industry, to learn and openly discuss with their peers, to network with their peers, and to be part of a community. All, still forming the foundations of our Mission Statement.

They all agreed that the balance of services and member types place INREV in a unique position and that this balance must be retained and protected. The sense of community around INREV is highly valued.

## INREV topic coverage

Following our members expanding horizon in terms of asset classes and regional focus, both topics were questioned separately. Many saw potential in covering a need for standards and transparency in other real asset classes, while others were concerned that this could dilute the progress made in real estate, and others preferred cooperation.

In terms of global coverage and presence, the consensus was that INREV has already been tackling the global trend accordingly. Europe must remain the focus and existing partnership could be strengthened to continue catering for the evolution of the global non-listed real estate market.

## Membership fee re-evaluation

Although the current one size fits all model is well taken, improvement possibilities were also suggested. An increase in products and services as well as inflation were well recognised, and a fee increase was understood by many.

Discount for smaller investors or non-European investors was proposed as an incentive to join, although views were mixed on the topic. Based on increasing global cooperation with ANREV and NCREIF, a global fee was also suggested.



# Conclusions

The results of this project, or INREV's Vision will be part of INREV's Business Plan for 2019- 2022 in the following decisions.

## Maintaining a European focus in a global context

INREV will strengthen its cooperation with its regional strategic partners while holding a European focus. This will not result in a global membership fee discount for the time being, but global services will be strengthened in line with regional relevance and services.

## Redefining to adapt

The INREV definition of an investor will be reviewed to broaden its scope, reflecting the changing market. This

definition will not include crowdfunding or one-building funds, but it will include family offices/ high-net worth individuals and charities / endowments. This definition will also affect global investors.

## Strengthening INREV's unique position

The combination of six different services areas will continue to be offered and further developed. Stronger marketing will support these to reach members and non-members in Europe and globally. Also, INREV's training program will be boosted to educate new market entrants from Europe as well as global investors investing into Europe. A data platform linked to global standards and research will support good quality data, adapting to data-based needs.

## Real estate rather than real assets

Services will be extended for all non-listed vehicles and all styles while exploring partnerships or support of real asset associations.

## Membership Fees

Institutional investors will still have access to an introductory fee, and an annual fee increase after 15 years of a constant €10,000 contribution has been accepted and will be further explored.

INREV will also look into the possibility of a 'Research Subscription', to allow investors and others with a research (only) budget to join INREV.







CORPORATE



RESEARCH



INDUSTRY  
DATA



PUBLIC  
AFFAIRS



PROFESSIONAL  
STANDARDS