Management Fees and Terms Comparison Study
2021
Research
INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate vehicles for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

As a pan European body, INREV represents an excellent platform for the sharing and dissemination of knowledge on the non-listed real estate industry.

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Executive summary

Scope of the study
The report is based on the regional studies published by ANREV and INREV in 2020. It compares the Total Global Expense Ratios (TGER), Total Expense Ratios (TERs) and Real Estate Expense Ratios (REERs) of 33 non-listed real estate vehicles in Asia Pacific and 87 in Europe.

Reporting TGER for the first time
This is the first time for this comparison study to report on the TGER which is the new global standards ratio adopted by ANREV, INREV and NCREIF-PREA Reporting standards to facilitate comparison of fees and costs between real estate investment vehicles that operate in different regions. On average, TGERs for core and value added funds in Asia Pacific are lower than those in Europe. The average TGER in Asia Pacific is 0.78% while it is 0.95% in Europe.

APAC funds have lower TERs in all styles
The equally weighted average TERs after performance fees in Asia Pacific and Europe respectively, at 0.74% in Asia Pacific and 0.95% in Europe on a GAV basis, and 1.13% and 1.39%, on a NAV basis.

On a weighted average basis, similar results can be observed. The average TERs before performance fees in Asia Pacific are in line with Europe, both on a GAV and NAV basis. The weighted average TERs after performance fees are lower in Asia Pacific at 0.65% vs 0.76% in Europe based on GAV and 1.16% and 1.37% respectively, based on NAV.

In terms of style, Asia Pacific funds with a core or value added investment style exhibit lower TERs than those in Europe, whether on a GAV or NAV basis or before and after performance fees.

In terms of structure, TERs before and after performance fees for open end funds are similar in both regions, while average TER after performance fees for European close end funds are higher than those of their Asia Pacific peers.

Management fees dominate TERs
Management fees are the dominant component of the TERs for core funds, whether based on GAV or NAV, before or after performance fees, comprising 81% of the TER in Asia Pacific compared to 72% for European core funds.

For value added funds in Asia Pacific fund expenses and management fees are in balance, whereas for their European peers management fees account for 55% of the TER.

REERs are higher in APAC
Looking at REERs, the average ratio for all vehicles in Asia Pacific was at 1.04%, and 0.88% in Europe. By style, value added funds in both regions have very similar REERs, 1.29% in Asia Pacific and 1.24% in Europe. However, at 1.00% core funds in Asia Pacific have a higher average REER than in Europe, where it is 0.82%.

> TGERs and TERs for core and value added non-listed real estate funds in Asia Pacific are lower than those in Europe, on average
> Management fees account for more than 70% of core funds’ TERs in both regions
> REERs are on average higher in Asia Pacific than in Europe

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> REERs are on average higher in Asia Pacific than in Europe
Introduction
Introduction

This study compares the fees and cost structures of non-listed real estate investment funds in Asia Pacific and Europe with a focus on the total global expense ratio (TGER), total expense ratio (TER) and real estate expense ratio (REER). The report is based on the regional studies published by ANREV and INREV in 2020.

The Management Fees and Terms Studies are based on data provided directly to ANREV and INREV by fund managers.

The comparison study is now published for the seventh time. For Asia Pacific, the data set contains 33 vehicles that provided information on their 2019 TER including 23 which updated their 2019 REERs. For Europe, 87 non-listed real estate funds delivered data on their TER, of which 81 have provided data on REER.

To ensure data confidentiality, the average fee levels or other statistical indicators are only reported when data is available on at least three funds, managed by a minimum of three fund managers. When a fund manager has reported a range of possible fee levels, for example, 0.5-1.0% of gross asset value (GAV), the average of the range of values (0.75%) has been used in the calculations of the average.

Definitions can be found in the glossary.

It is important to highlight that in 2020, INREV, ANREV, NCREIF and PREA Reporting Standards, introduced the Total Global Expense Ratio (TGER), a new global standard to harmonise the approach for measuring the total fees and costs for real estate investment vehicles. A mapping of TER to TGER is available as part of the fee and expense metrics module of the INREV Guidelines. Conversion of previously reported TERs is not necessarily as TGER replaces TER. For vehicles to be compliant with the INREV Guidelines a transition period expired on 1 January 2021. As a result, the Management Fees and Terms Studies to be conducted from 2022 onwards will only report on TGER.

For more information about fees and expenses, see the INREV Guidelines on Fee and Expense Metrics.

The regional reports for Asia Pacific and Europe are available for download on ANREV and INREV's websites.

Use

The results of the Management Fees and Terms Comparison Study may be used for research and information purposes only.

They may not be used for the following:

- To determine the value of a fund
- To determine the value of a financial instrument
- To determine the amount payable under a financial instrument
- To determine the amount payable under a financial contract
- To calculate performance fees
- To define the allocation of a portfolio

It is important to note that the sample size and its composition varies year by year. As such, historical comparisons should be treated with caution.
Total Global Expense Ratios
The TGER, Total Global Expense Ratio, is the vehicle fees and costs as a percentage of time weighted average GAV. This ratio measures vehicle fees and costs, regardless of domicile, structure and management activities.

When looking at the average TGER by style, the sample is made up of 20 core funds, six value added funds and three opportunity funds in Asia Pacific, while the European sample comprises 75 core funds and 12 value added funds in Europe.

The average TGERs for core and value added funds in Europe are higher than for their counterparts in Asia Pacific, which makes the average TGER for all vehicles in Europe about 20 basis points higher than in Asia (0.78% vs. 0.98%)

The average TGER for core funds in Asia Pacific is 0.74% vs 0.93% in Europe. Similarly the TGER of value added funds is lower in Asia Pacific than in Europe: 1.01% compared with 1.35%
When looking at the average TGER of funds by structure, the sample consists of 20 open end funds and nine closed end funds in Asia Pacific, while there are 57 open end funds and 30 closed end funds for Europe.

By comparing the average TGERs of the two regions side by side, open end funds in Asia Pacific exhibit a marginally higher TGER of 0.74% compared to 0.73% for European open end funds.

On the other hand, at 0.87%, the average TGER of closed end funds is significantly lower in Asia Pacific, compared to 1.48% in Europe.

**Figure 2: TGER by structure**
Section 3

Total Expense Ratios
The TER or Total Expense Ratio represents vehicle fees and costs (including or excluding performance fees) as a percentage of average NAV or average GAV.

Asia Pacific’s sample by style includes 20 core funds, ten value added and three opportunity funds. The European sample includes 75 core and 12 valued added vehicles.

On an equally weighted basis, the average TER for all non-listed real estate funds in Asia Pacific is in line with its European equivalent of 1.21% on a NAV basis, but on a GAV basis, it is lower in Asia Pacific, at 0.74% compared to 0.83% in Europe. From this can be deduced that on average funds in Asia Pacific are higher levered, which is not surprising given the higher share of non-core funds in the Asia Pacific sample.

On a weighted basis, the all vehicles TERs based on GAV and NAV are very similar between the two regions, respectively, 0.63% and 1.13% in Asia Pacific compared with 0.63% and 1.11% for European vehicles.

Looking at TERs by investment style, Asia Pacific funds have lower average TERs for core and value added funds, based on either GAV or NAV. The TER after performance fees based on NAV for value added funds in Asia Pacific and Europe is similar at 1.87% and 1.88%, respectively.

For core funds, the differences in TERs between the regions are smaller reported on a GAV basis, with 0.66% for Asia Pacific compared with 0.80% for Europe, while on a NAV-basis TERs are at 0.86% and 1.06%, respectively.

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
TER by style after performance fees

Considering the effect of performance fees, on an equally weighted basis, non-listed real estate funds in Asia Pacific have, on average, lower TERs than their European counterparts regardless of the basis of the calculation. On a GAV basis, after performance fees, the sample for Asia Pacific reports an average TER of 0.74%, compared with 0.95% for Europe, while on a NAV basis TERs are 0.92% and 1.39%, respectively.

On a weighted average basis, the results show a similar pattern, with funds in Asia Pacific reporting lower TERs of 0.65% on GAV and 1.16% on a NAV basis relative to 0.76% on GAV and 1.37% on NAV for Europe.

Similarly, the average TERs after performance fees for Asia Pacific funds are lower than for the European core and value added funds. The Asia Pacific core funds register 0.70% and 0.92% on a GAV basis and a NAV basis, compared with 0.92% and 1.28% for their European peers, respectively.

The average TER of Asia Pacific value added funds is lower at 0.92% based on GAV and 1.74% based on NAV, compared with 1.81% and 3.18% for Asia Pacific value added funds in 2018. Differences in the average TERs for Asia Pacific value added funds between 2018 and 2019 are partially explained by the fund’s life cycle and lower leverage for more mature funds.

For European value added funds the average TER after performance fees in 2020 is 1.15% based on GAV and 2.11% based on NAV, compared with 1.19% and 1.93% in 2018.

Asia Pacific opportunity funds reported an average TER at 0.59% and 1.36% based on GAV and NAV respectively.

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
For each category, the quartiles were analysed in order to better understand the degree of dispersion across the individual TERs. Dispersion was measured in two ways. Firstly by range, which is the difference between the maximum and minimum TERs. Secondly by interquartile range (IQR), which is the difference between the upper quartile and the lower quartile, and which is less sensitive to outliers than the range or the standard deviation measure.

Assessment by quartiles shows that funds in Europe had a wider interquartile range than those in Asia Pacific across all styles and in terms of both GAV and NAV before performance fees.

A similar conclusion can be drawn when the dispersion is assessed by range, i.e. the difference between the maximum and minimum TERs, which shows that European funds have a wider range relative to those in Asia for both core and value added funds on both GAV and NAV bases.

Figure 5: TER by style and quartiles before performance fees

<table>
<thead>
<tr>
<th></th>
<th>Minimum value</th>
<th>Average value</th>
<th>Maximum value</th>
<th>Interquartile range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core (20)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value added (10)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>All funds (33)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019. Note 2: The TER of Opportunity funds in Asia Pacific and Europe have not been disclosed as they do not reach the minimum confidentiality threshold (3).
When looking at funds by structure, the sample is made up of 21 open end funds in Asia Pacific and 57 in Europe and 12 closed end funds in Asia Pacific and 30 in Europe.

The average TER before performance fees for open end funds in Asia Pacific and Europe are similar, respectively, 0.65% and 0.68% on a GAV basis and both at 0.85% on a NAV basis. After taking into account performance fees, TERs of open end funds in the two regions remain similar: 0.70% in Asia Pacific and 0.72% in Europe on a GAV basis, while both reported 0.92% on a NAV basis.

There are more differences when looking at TERs for closed end funds. At 0.90%, TERs before performance fees are lower for Asia Pacific closed end funds on a GAV basis compared with 1.13% for Europe. The situation reverses when based on NAV as Asia Pacific closed end funds report an average TER of 1.85% vs. 1.78% for Europe. However, when looking at TERs after performance fees, Asia Pacific closed end funds report lower average TERs than their peers in Europe, from both the GAV and NAV perspectives.

In both regions TERs by structure are also largely influenced by the style of the funds as the majority of open end funds are core (Asia Pacific: 20 out of 21; Europe: 56 out of 57).

### Figure 6: TER by structure

![ TER by structure diagram ]

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
For this analysis, the year of first closing is used as a proxy for vehicle vintage. Funds in the sample are grouped into four categories: those with a year of first close prior to 2005, those launched between 2005 – 2008, 2009 – 2014 and those launched in or after 2015.

Asia Pacific and Europe show the same pattern with older funds having lower TERs than funds launched more recently. Funds launched prior to 2005 in both Asia Pacific and Europe have similar average TERs at 0.69% and 0.76% based on GAV, respectively.

European funds first launched between 2005 – 2008 show a marginally higher average TER of 0.78% based on GAV and before performance fees, while the average TER is lower for their Asia Pacific counterparts at 0.57%.

On the other hand, Asia Pacific funds launched after GFC tend to have higher TERs based on NAV, than their peers in Europe, reporting 1.81% and 1.28%, respectively.

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
TER by target gearing

When looking at funds by target gearing, the sample consists of 14 funds in Asia Pacific and 35 in Europe with a target gearing of less than 40%, six funds in Asia Pacific and 25 in Europe with a target gearing between 40% and 60%.

The analysis shows that funds with lower target gearing have a lower TER than funds with higher target gearing in both Asia Pacific and Europe, before and after management fees. This is not surprising since the sample of funds with lower target gearing consists of core style funds.

Funds with a target gearing between 40% and 60% have lower TERs in Asia Pacific compared with Europe before and after performance fees.

Figure 8: TER by target gearing

<table>
<thead>
<tr>
<th></th>
<th>&lt;40% (14)</th>
<th>40%-60% (6)</th>
<th>All funds (21)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TER before performance fees</td>
<td>0.54</td>
<td>0.67</td>
<td>0.74</td>
</tr>
<tr>
<td>TER after performance fees</td>
<td>0.70</td>
<td>0.78</td>
<td>0.84</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>&lt;40% (35)</th>
<th>40%-60% (25)</th>
<th>All funds (87)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TER before performance fees</td>
<td>0.66</td>
<td>0.84</td>
<td>0.83</td>
</tr>
<tr>
<td>TER after performance fees</td>
<td>0.91</td>
<td>1.13</td>
<td>1.95</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019. Note 2: The TER of >60% funds in Asia Pacific has not been disclosed as they do not reach the minimum confidentiality threshold (3).
For this analysis, funds were categorized into three groups based on their reported GAVs and NAVs. For funds in Asia Pacific, US$ was used as the base currency, while for European funds, Euro was used as the base currency. In both regions, smaller funds tend to have higher fees ratios compared with larger funds.

Larger funds (more than 1 billion US$ and Euros) have slightly higher TERs in Asia Pacific based on GAV and NAV and before and after performance fees.

The average TERs of smaller and medium-sized funds are higher in Asia Pacific than in Europe, except for Asia Pacific funds smaller than US$500 million, based on GAV.

**Figure 9: TER by fund size**

![TER by fund size chart](chart)

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
When analysing by country strategy the sample consists of 22 single country strategy funds in Asia Pacific and 39 in Europe and, respectively, 11 and 48 multi country strategy funds.

In both regions single country strategy funds tend to have lower TERs than those with multi country strategies, however, the gap is more pronounced in Asia Pacific than in Europe.

Based on GAV, the TER before performance fees of single country strategy funds in Asia Pacific is 0.61% vs. 0.65% in Europe. Whereas the TER of multi country strategy funds is higher in Asia Pacific 1.01% compared with 0.98% in Europe. The difference is especially obvious when looking at the average TERs based on NAV of multi country strategy funds, which is 1.87% for Asia Pacific and 1.47% for Europe. The TERs after performance fees based on GAV are lower in Asia Pacific than in Europe.

**Figure 10: TER by country strategy**

<table>
<thead>
<tr>
<th>Country Strategy</th>
<th>Based on GAV</th>
<th>Based on NAV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asia Pacific</strong></td>
<td><strong>TER before performance fees</strong></td>
<td><strong>TER after performance fees</strong></td>
</tr>
<tr>
<td>Single country (22)</td>
<td>0.61%</td>
<td>0.88%</td>
</tr>
<tr>
<td>Multi country (11)</td>
<td>1.01%</td>
<td>1.21%</td>
</tr>
<tr>
<td>All funds (33)</td>
<td>0.74%</td>
<td>0.94%</td>
</tr>
<tr>
<td><strong>TER after performance fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single country (21)</td>
<td>0.65%</td>
<td>0.98%</td>
</tr>
<tr>
<td>Multi country (8)</td>
<td>1.21%</td>
<td>1.62%</td>
</tr>
<tr>
<td>All funds (29)</td>
<td>0.74%</td>
<td>1.13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Europe</strong></th>
<th><strong>TER before performance fees</strong></th>
<th><strong>TER after performance fees</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single country (39)</td>
<td>0.65%</td>
<td>0.82%</td>
</tr>
<tr>
<td>Multi country (48)</td>
<td>0.98%</td>
<td>0.96%</td>
</tr>
<tr>
<td>All funds (87)</td>
<td>0.83%</td>
<td>1.18%</td>
</tr>
<tr>
<td><strong>TER after performance fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single country (39)</td>
<td>0.68%</td>
<td>0.85%</td>
</tr>
<tr>
<td>Multi country (48)</td>
<td>1.18%</td>
<td>1.39%</td>
</tr>
<tr>
<td>All funds (87)</td>
<td>0.83%</td>
<td>1.21%</td>
</tr>
</tbody>
</table>

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
When analysed by sector strategy the sample consists of 16 single sector strategy funds in Asia Pacific and 45 in Europe and a further 17 and 42 multi sector strategy funds, respectively.

When assessed by sector strategy, the TERs before performance fees for single sector and multi sector funds are lower in Asia Pacific than in Europe (a difference of five to 12 basis points). TER based on NAV of Asia Pacific multi sector funds is higher than similar strategy in Europe.

After performance fees TERs are higher in Europe than in Asia Pacific for single and multi sector funds both on GAV and NAV basis.

Figure 11: TER by sector strategy

<table>
<thead>
<tr>
<th></th>
<th>Based on GAV</th>
<th>Based on NAV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TER before performance fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single sector (16)</td>
<td>0.65</td>
<td>0.95</td>
</tr>
<tr>
<td>Multi sector (17)</td>
<td>0.83</td>
<td>1.46</td>
</tr>
<tr>
<td>All funds (33)</td>
<td>0.74</td>
<td>1.21</td>
</tr>
<tr>
<td><strong>TER after performance fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single sector (16)</td>
<td>0.70</td>
<td>1.01</td>
</tr>
<tr>
<td>Multi sector (13)</td>
<td>0.79</td>
<td>1.28</td>
</tr>
<tr>
<td>All funds (29)</td>
<td>0.74</td>
<td>1.13</td>
</tr>
</tbody>
</table>

**Asia Pacific**

**Europe**

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
Looking into more details on funds with a single sector strategy, the sample is comprised of six office funds in Asia Pacific and three in Europe, six and 16 retail funds and three and 10 industrial and logistics funds, respectively. For Europe the sample includes another ten residential funds and six funds targeting other sectors.

Retail and industrial and logistics sector funds in Asia Pacific have lower TERs than in Europe when looking at both NAV and GAV basis and before and after performance fees. However, office sector funds have higher, TERs in Asia Pacific compared with Europe both based on NAV and GAV, before and after performance fees.

**Figure 12: TER of single sector strategy funds**

<table>
<thead>
<tr>
<th></th>
<th>Office (6)</th>
<th>Retail (6)</th>
<th>Industrial/Logistics (3)</th>
<th>All funds (33)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TER before performance fees</strong></td>
<td>0.72 0.91</td>
<td>0.53 0.88</td>
<td>0.56 0.69</td>
<td>0.74 1.21</td>
</tr>
<tr>
<td></td>
<td>Based on GAV</td>
<td>Based on NAV</td>
<td>Based on GAV</td>
<td>Based on NAV</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Office (3)</th>
<th>Retail (16)</th>
<th>Industrial/Logistics (10)</th>
<th>Residential (10)</th>
<th>Other sectors (6)</th>
<th>All funds (87)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TER after performance fees</strong></td>
<td>0.53 0.77</td>
<td>0.80 1.07</td>
<td>0.93 1.23</td>
<td>0.61 0.78</td>
<td>0.79 0.94</td>
<td>0.83 1.21</td>
</tr>
<tr>
<td></td>
<td>Based on GAV</td>
<td>Based on NAV</td>
<td>Based on GAV</td>
<td>Based on NAV</td>
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<table>
<thead>
<tr>
<th></th>
<th>Office (6)</th>
<th>Retail (6)</th>
<th>Industrial/Logistics (3)</th>
<th>All funds (29)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TER after performance fees</strong></td>
<td>0.72 0.91</td>
<td>0.55 0.90</td>
<td>0.76 0.99</td>
<td>0.74 1.13</td>
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<tr>
<td></td>
<td>Based on GAV</td>
<td>Based on NAV</td>
<td>Based on GAV</td>
<td>Based on NAV</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Office (3)</th>
<th>Retail (16)</th>
<th>Industrial/Logistics (10)</th>
<th>Residential (10)</th>
<th>Other sectors (6)</th>
<th>All funds (87)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TER after performance fees</strong></td>
<td>0.53 0.77</td>
<td>0.80 1.07</td>
<td>1.01 1.48</td>
<td>1.01 1.48</td>
<td>0.79 0.94</td>
<td>0.95 1.39</td>
</tr>
<tr>
<td></td>
<td>Based on GAV</td>
<td>Based on NAV</td>
<td>Based on GAV</td>
<td>Based on NAV</td>
<td>Based on GAV</td>
<td>Based on NAV</td>
</tr>
</tbody>
</table>

Note: The TER of residential and other sector funds in Asia Pacific have not been disclosed as they do not reach the minimum confidentiality threshold (3).
To better understand the different components, the TERs were analysed by type of fee.

Management fees represent 81% of the fees of core funds in Asia Pacific compared with 72% in Europe, based on GAV or NAV, before and after management fees. The rest is comprised of fund expenses.

For value added funds, fund expenses account for a higher share, 55% in Europe and 50% in Asia Pacific.

Note: The Asia Pacific sample of funds is different between TER before and after performance fees. Four funds were excluded from TER after performance fees calculations as they exercised claw backs in 2019.
The Real Estate Expense Ratio (REER) captures the costs that relate to the management of the real estate assets. The REER is based on inputs to property specific costs including external leasing commissions, property acquisitions, insurance, management, repairs and maintenance, utility costs as well as taxes on property related activities and other miscellaneous / sundry property costs.

Property level costs are presented as a percentage of GAV. The average REER of all vehicles in Asia Pacific was 1.04%, and in Europe the figure was lower at 0.88%.

Looking at style, Asia Pacific core funds have a higher REER than their European counterparts, recording 1.00% and 0.82%, respectively. A similar case is reported for value added funds. The average REER of Asia Pacific value added funds is higher than Europe’s, registering 1.29% and 1.24%, respectively.

Figure 14: REER by style

Note: The REER of Opportunity funds in Asia Pacific have not been disclosed as they do not reach the minimum confidentiality threshold (3).
By looking at the REER by structure, the average open end funds’ ratio of Asia Pacific was 1.00% compared with 0.76% for the same structure in Europe. Whereas closed end funds in Asia Pacific have an average REER of 1.14% compared with 1.11% in Europe.

Considering REER by year of first closing, older funds in Asia Pacific and Europe both recorded the lowest average REER of 0.86% and 0.61%, respectively. The younger the funds the higher their REER tends to be in both regions.

Asia Pacific funds with the vintage period of 2010-2014 was the only group to have the highest average REER, at 1.62%.
REER by size and country strategy

Looking at REER averages by fund size, smaller funds in Asia Pacific had a higher average REER of 1.17% compared with their European peers with 0.86%. The sample for medium-sized (US$500m - US$1 bn) Asia Pacific funds is too small to disclose an average. Similarly, large funds in Asia Pacific also have a higher average REER than their European peers, which is 1.00% vs. 0.76%.

Considering the REERs of funds by target regional strategies, the average REER of single country strategy funds in Asia Pacific was 0.94% whereas in Europe it stood at 0.82%. For multi-country strategy funds in Asia Pacific, the average REER was 1.28%, which was again higher than their European counterparts’ equivalent of 0.93%.

Figure 17: REER by size

Figure 18: REER by country strategy

Note: The REER of funds sized US$500m-US$1b in Asia Pacific has not been disclosed as it does not reach the minimum confidentiality threshold (3).
When broken down by sector strategy, we can observe that single sector strategy funds report a higher average REER in Asia Pacific (1.02%) than in Europe (0.85%). By the same token, multi sector strategy funds in Asia Pacific also show a higher REER than in Europe: 1.07% and 0.91%, respectively.

However, when investigating the details of every single sector, office funds and industrial / logistics funds in Asia Pacific have significantly lower REERs than in Europe, at 0.91% and 0.73%, respectively, compared with 1.30% and 0.94%.

**Figure 19: REER by sector strategy**

<table>
<thead>
<tr>
<th>Region</th>
<th>Single sector</th>
<th>Multi sector</th>
<th>All funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>1.02%</td>
<td>1.07%</td>
<td>1.04%</td>
</tr>
<tr>
<td>Europe</td>
<td>0.85%</td>
<td>0.91%</td>
<td>0.88%</td>
</tr>
</tbody>
</table>

**Figure 20: REER by single sector strategy**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Asia Pacific</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>0.91%</td>
<td>1.30%</td>
</tr>
<tr>
<td>Retail</td>
<td>1.43%</td>
<td>0.85%</td>
</tr>
<tr>
<td>Industrial/Logistics</td>
<td>0.73%</td>
<td>0.94%</td>
</tr>
<tr>
<td>All funds</td>
<td>1.02%</td>
<td>0.92%</td>
</tr>
</tbody>
</table>

Note: The REER of Residential and Other sector funds in Asia Pacific have not been disclosed as they do not reach the minimum confidentiality threshold (3).
Glossary

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.

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. Carried interest represents a re-allocation of equity and should be treated accordingly for accounting, tax or regulatory purposes.

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.

Fund management fee
Also known as Investment Management or Investment Advisory fees, Fund Management fees are typically charged by investment advisors, or managers, for their services regarding the management of the vehicle. They generally cover services such as:

• appointment of third party service providers
• reporting activities to investors
• cash management and dividend payment
• managing the vehicle level structure
• arrangement of financing
• fund administration
• investor relations

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

Audit costs
Costs associated with annual external audit engagements and other audit services provided (both paid to independent third party firms or manager/advisor).

Bank Charges
Costs charged by a financial institution to manage and maintain the cash accounts of the vehicle, or in relation to debt issuance and overdrawing an account. Amounts can be charged on a periodic or transactional basis.

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. Services undertaken by the advisor/manager are passed through as an expense.

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.

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 bookkeeping activities either paid to a 3rd 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.

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.

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 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 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 an disposition program such as general and administrative costs, costs incurred in analysing proposals that are rejected, joint-venture organization costs or fees paid to the manager for execution of the deal.

Project management fee
A fee charged to the vehicle by the advisor, or manager, 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.

For more information visit the Global Definitions Database
Appendix 2

Fee and expense metrics calculation
Fee and expense metrics calculation

Fee and expense metric requirement
Fees and costs should be measured in line with the principles defined under INREV NAV and INREV GAV.

Fees describe charges borne by the vehicle for services provided by the manager and costs describe charges to a vehicle by external service providers. Fees charged by the manager directly to their investors are not taken into account, with the exception of fees charged for services rendered to the vehicle. Where a single fee is charged to cover a variety of activities, the constituent elements will need to be identified, allocated to the appropriate cost category and disclosed appropriately.

Historic Total (Global) Expense Ratio
The TER and TGER are historic or ‘actual’ figure, based on data published annually. Consequently, newly launched vehicles cannot have an historic TER or TGER.

The formulae for TER are:
NAV TER before performance fees = Vehicle fees and costs (excluding performance fees)
Time weighted average NAV

GAV TER before performance fees = Vehicle fees and costs (excluding performance fees)
Time weighted average GAV

NAV TER after performance fees = Vehicle fees and costs (including performance fees)
Time weighted average NAV

GAV TER after performance fees = Vehicle fees and costs (including performance fees)
Time weighted average GAV

The formula for TGER are:

TGER = Vehicle fees and costs
Time weighted average GAV

NAV TGER = Vehicle fees and costs
Time weighted average GAV

The formula for REER is:

REER = Property fees and costs
Time weighted average GAV