INREV

Management Fees and Terms Study **2024**

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.

INREV
ITO Tower, 8th floor
Gustav Mahlerplein 62
1082 MA Amsterdam, The Netherlands
+ 31 (0)20 235 86 00
research@inrev.org | www.inrev.org

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Executive summary

The average reported Total Global Expense Ratio (TGER) for 2023 was 0.94% based on GAV and 1.72% based on NAV

Core funds, older funds, large funds, and those with single country and single sector strategies report lower TGERs

Management fees were more consistent compared to the vehicle costs. Large core funds had lower vehicle costs

Core funds and large funds reported lower Real Estate Expense Ratios (REERs), however they were relatively consistent across sector strategies

Large funds have lower TGERs
This year's study, based on a sample of 91 funds, recorded an average[1] TGER of 0.94% based on GAV and 1.72% on NAV for the reporting year 2023. When considering the size of vehicles, the value-weighted average TGER was 0.80% based on GAV and 1.09% based on NAV. This indicates that larger vehicles have lower TGERs, on both NAV and GAV basis. The highest TGERs are found among the recently launched closed end funds, which are typically smaller in size and tend to have higher gearing levels.

Core – Open end funds report lower expense ratios
When considering both style and structural characteristics, Core - Open end funds exhibit a lower average TGER, with 0.79% based on GAV and 1.07% based on NAV, and a narrower range compared to core closed end funds and non-core closed end funds. Core funds, irrespective of size, continue to show limited variations in TGERs. However, size does have an impact, as large core funds have lower average TGERs. On the other hand, non-core funds, generally smaller in size, display a higher average and a wider range of TGERs.

TGER declined for Non-Core funds in 2023
This year's equally-weighted TGER based on GAV declined by 7 bps from 1.01% in 2022 to 0.94% and the TGER based on NAV declined by 3 bps from 1.75% to 1.72%[2]. The decline was particularly noticeable for the Non-core funds. The equally-weighted TGER based on GAV for Non-core declined by 35 bps from 1.81% in 2022 to 1.46%, while the TGER based on NAV declined by 49 bps from 4.30% to 3.81%. The driver for the decline for Non-Core funds is performance fees, which reduced from 0.48% of GAV in 2022 to 0.00% of GAV in 2023.

Multi country and Multi sector funds show higher TGERs
Funds with a multi country strategy have higher TGERs as they operate in multiple jurisdictions, regardless of if they follow a single sector or multi sector strategy. Similarly, multi sector funds are more expensive, independent of whether they are single country or multi country. Multi country – Multi sector strategies exhibit the highest TGERs overall. Within the different Multi country strategies the Multi Country – Nordic funds, predominately comprised of multi sector funds (18 out of 20), recorded the highest average TGER and the largest dispersion.

ODCE funds exhibit lowest TGERs for Multi sector – Multi country strategies
At 1.00% on GAV and 1.37% on NAV, the average TGER for the 16 ODCE funds is higher compared to the 55 core funds excluding ODCE funds equivalents of 0.73% and 1.07%, respectively. This is partially due to the fact that many of the other Core funds follow a Single country and/or a Single sector strategy. On the other hand, TGERs for ODCE funds are low compared to the average for all other 22 funds with a Multi country – Multi sector strategy. For the Multi country – Multi Sector funds excluding ODCE, the average TGER is 1.49% on GAV and 3.71% on NAV. Variations in size are likely to have an impact because the ODCE funds with an average GAV of €2.6 billion are larger in size compared to the average GAV for other Multi country – Multi sector funds (€1.0 billion).

Besides country strategy, the style and fund size have an impact on REERs
This year's study, based on a sample of 88 funds, recorded an average equally-weighted REER of 1.04% based on GAV for the reporting year 2023. The 2023 equally-weighted REER based on GAV increased by 10 bps from 0.94% reported in 2022 to 1.04%. The increase of the REER is likely to be linked to increased real estate expenses due to the relatively high inflation in 2023 and lower capital values (and GAVs) due to negative capital growth.

1 In this report, the average corresponds to an equally weighted average, unless stated otherwise

2 It is important to note that the sample size and its composition varies year by year. As such, a historical comparison should be treated with caution.

Chapter 1

Introduction

The INREV Management Fees and Terms Study explores the fee and cost structures within the European non-listed real estate vehicles, with a primary focus on Total Global Expense Ratios (TGERs) and Real Estate Expense Ratios (REERs). It is important to highlight that in 2020, INREV, ANREV, NCREIF and PREA, introduced the Total Global Expense Ratio (TGER) as a new global standard aimed at streamlining the measurement of total fees and costs associated with non-listed real estate investment vehicles.

The study was initiated in 2007 and is now published annually, in September-October. This year's study includes 91 out of a sample of 341 vehicles that reported performance for 2023 in the INREV Data Platform and provided information on their actual fees for 2023.

These 91 vehicles collectively represent a total net asset value (NAV) of €119.3 billion and gross asset value (GAV) of €167.2 billion as of the end of 2023 and are managed by 38 managers. A comparison between the samples of this year's Management Fees and Terms Study and the previous 2018, 2020, 2022 and 2023 editions is included in the Appendix 4.

Due to insufficient information, three vehicles are excluded from the analysis of REERs.

In 2023, an additional analysis was conducted to provide the latest insights into management fees of the European open end diversified core equity (ODCE) funds, which is now an annual publication. In 2024, the first release of the Global ODCE Management Fees Publication was published, providing the first global comparison of the Total Global Expense Ratio (TGER) and produced by the Global Alliance – a joint initiative established by ANREV, INREV and NCREIF.

The results of this study are based on data provided by managers directly to INREV. INREV does not use publicly available information, and both members and non-members can provide data for the study. INREV would like to thank all participants of the Management and Fees Terms Study 2024. For more information about fees and expenses, see the INREV Fee and Expense Metrics guidelines module.

Use

The results of the Management Fees and Terms Study do not meet the legal criteria for a "benchmark" under the Benchmarks Regulation (2016/1011/EU).

A benchmark is defined under the regulation as any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.

INREV indices can be used for market comparison purposes or for other purposes that do not violate the limitations set out in applicable laws and regulations. In case of uncertainty, you should seek legal advice.

It is important to note that the sample size and its composition varies year by year. As such, a historical comparison should be treated with caution.

Chapter 2

Total Global Expense Ratios

Non-Core funds reported lower TGERs in 2023

Total global expense ratio (TGER) represents vehicle-level fees and costs before tax, including fund management fees, performance fees and vehicle costs (before tax) expressed as a percentage of the average gross asset value (GAV) or the average net asset value (NAV).

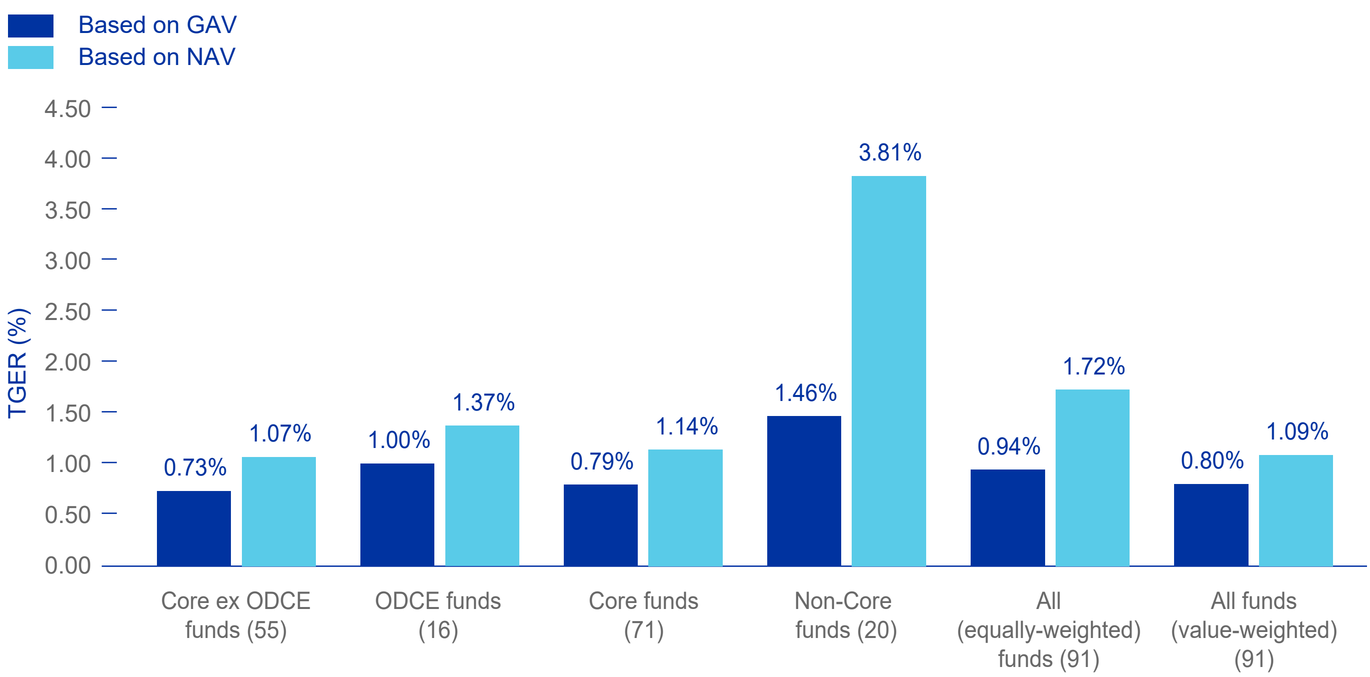
For the reporting year 2023, the equally-weighted average TGER stands at 0.94% based on GAV, while on a value-weighted basis[3] it is 0.80% across the 91 funds participating in the study. The equally-weighted TGER based on NAV is notably higher at 1.72%, while on a value-weighted basis the equivalent is 1.09%. This indicates that larger funds have lower TGERs compared to smaller ones.

This year's equally-weighted TGER based on GAV declined by 7 bps from 1.01% in 2022 to 0.94% and the equally-weighted TGER based on NAV declined by 3 bps from 1.75% to 1.72%. The decline was particularly noticeable for Non-core funds. The equally-weighted TGER based on GAV for Non-core funds fell by 35 bps from 1.81% in 2022 to 1.46% and the TGER based on NAV declined by 49 bps from 4.30% to 3.81%. The Non-Core sample in 2023 includes 18 value added and two opportunistic style funds, all except one are closed end by structure.

For Core funds the TGER showed small changes in 2023, the equally-weighted TGER based on GAV declined by 3 bps from 0.82% in 2022 to 0.79%, however, the equally-weighted TGER based on NAV remained unchanged at 1.14%. Out of the 83 that participated in last year's study, 76 are included in this year's study and 15 additional funds that didn't participate in last year's study. Due to differences in sample size and composition, it is important to note that historical comparison should be treated with caution.

3 Value-weighted is based on the fund's Gross Asset Value and Net Asset Value, respectively.

Figure 1: Average TGER by Style[4]



4 In this report, average corresponds to an equally-weighted average, unless stated otherwise.

Core – Open end funds exhibit lowest TGERs

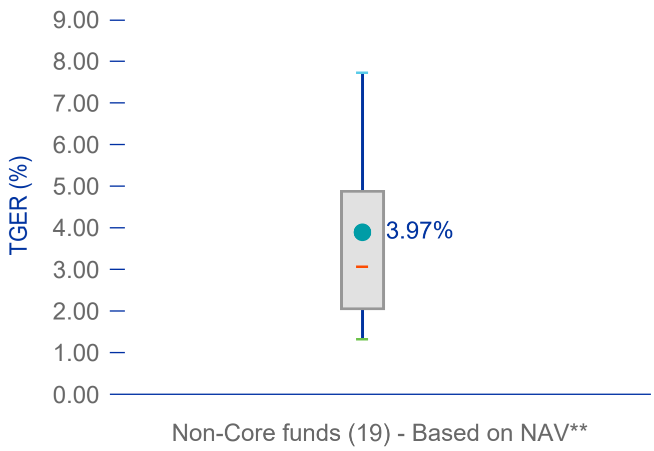
With a sample of 56 funds, the group of Core – Open end funds exhibits the lowest equally-weighted average TGERs, with 0.79% based on GAV and 1.07% based on NAV. This group includes the European open end diversified core equity (ODCE) funds, which tend to be relatively large in size, invest pan-Europe and across sectors and attract investors targeting passive, diversified, low risk strategies.

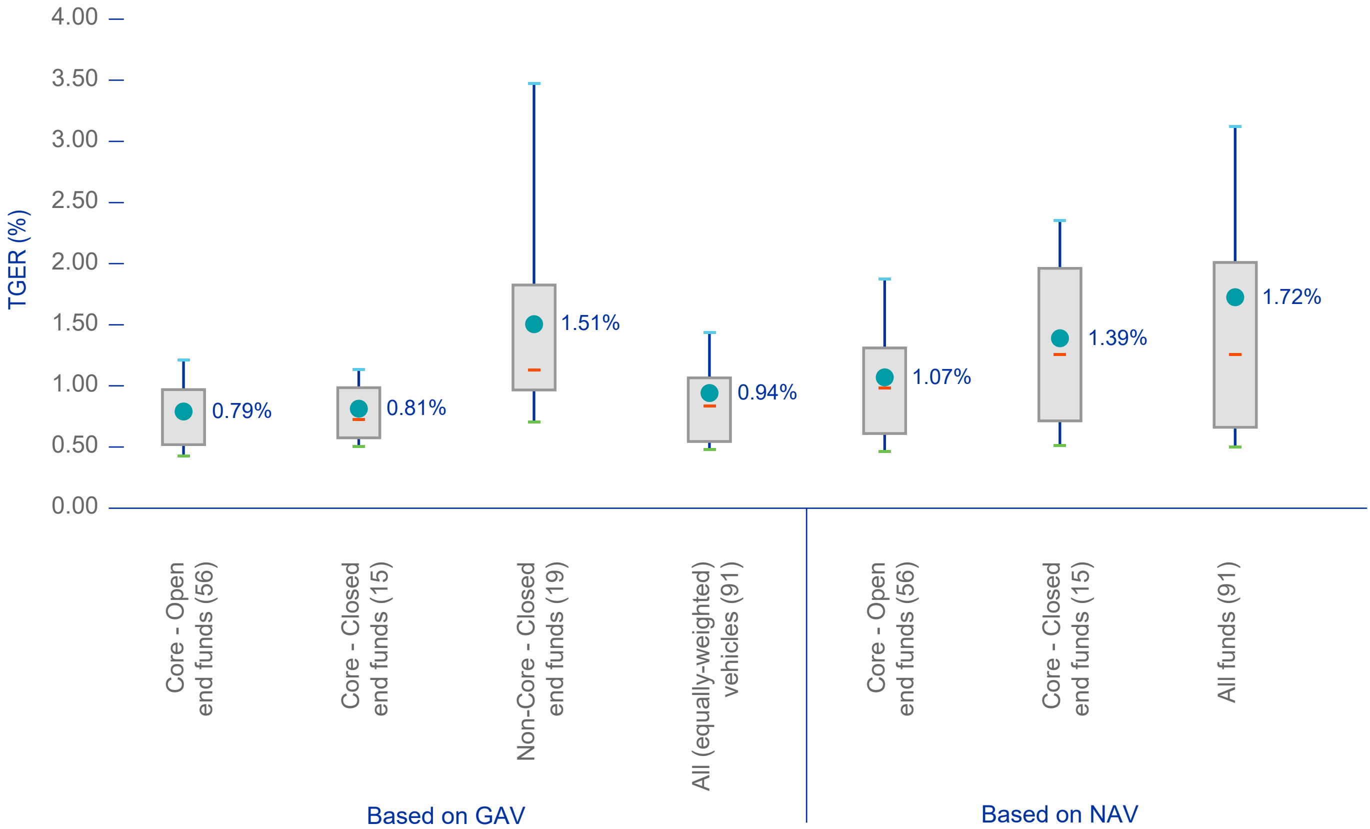
As a group, Core – Closed end funds (sample of 15) show a similar average TGER, 0.81% on GAV and have a similar range to Core – Open end funds. The TGER based on NAV for Core – Closed end funds stood at 1.39%, higher than the 1.07% equivalent for Core – Open end funds.

Non-Core Closed end funds exhibit the highest level and widest range of TGERs with an average of 1.51% based on GAV. This could be attributed to more intensive asset management, as well as a shorter lifetime of the funds. The average TGER based on the NAV for the overall Non-Core Closed End funds group is high, at 3.97%. This could be explained by the relatively high average equally-weighted gearing of 51%, relative to 30% for Core - Closed end funds, and an even lower equivalent for the Core - Open end funds, at 18%.

Figure 2: TGER by style and structure*

Tenth percentile
Median value
Ninetieth percentile
Average
Interquartile range





** For the analysis by style and structure, the sample of 91 funds is split into three categories: Core – Open end funds (56) Core – Closed end funds (15) and Non-Core – Closed end funds (19). The total sample does include one Non-Core – Open End fund.*

*** The Non-Core funds (19) - Based on NAV are shown separately for better visualisation purposes.*

Younger vintage groups report higher TGERs

TGERs differ based on the year of the fund's initial closing. Funds with more recent vintages - specifically those closed between 2013 and 2017, and after 2017- generally show higher TGERs, both in terms of range and average. These variations are more noticeable when TGERs are calculated based on NAV, indicating that funds with a first close after 2012 typically use higher leverage. For funds with the initial closing before to 2008, the reported average gearing is 18%. At 18%, this figure is the same for funds in the 2008-2012 vintage group but increases to 32% for those funds first closed between 2013 and 2017. The highest reported average gearing is observed for funds closed after 2017, standing at 35%.

Beyond variations in gearing the average fund size differs by year of first closing. The average GAV for funds launched before 2008 is €3.0 billion compared to the average GAV of €1.2 billion for funds closed after 2017. The average fund size for the other two groups 2008-2012 and 2013-2017 was €2.2 billion and €1.3 billion respectively.

There are notable differences in composition across the groups. Older vintage groups mainly comprise of open end funds, as most closed end funds liquidate as time passes. By contrast, younger vintage groups are a mix of open end and closed end structures.

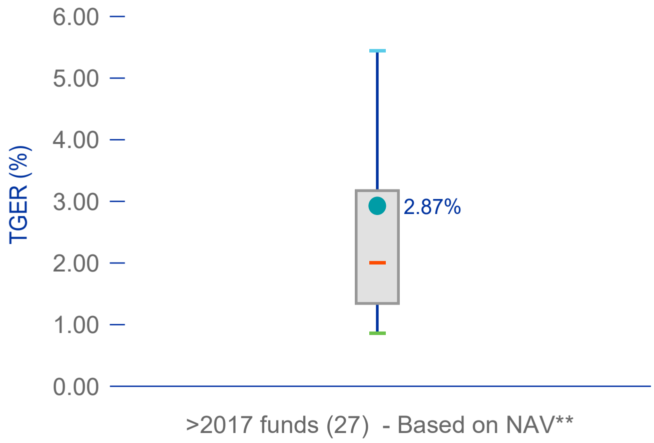
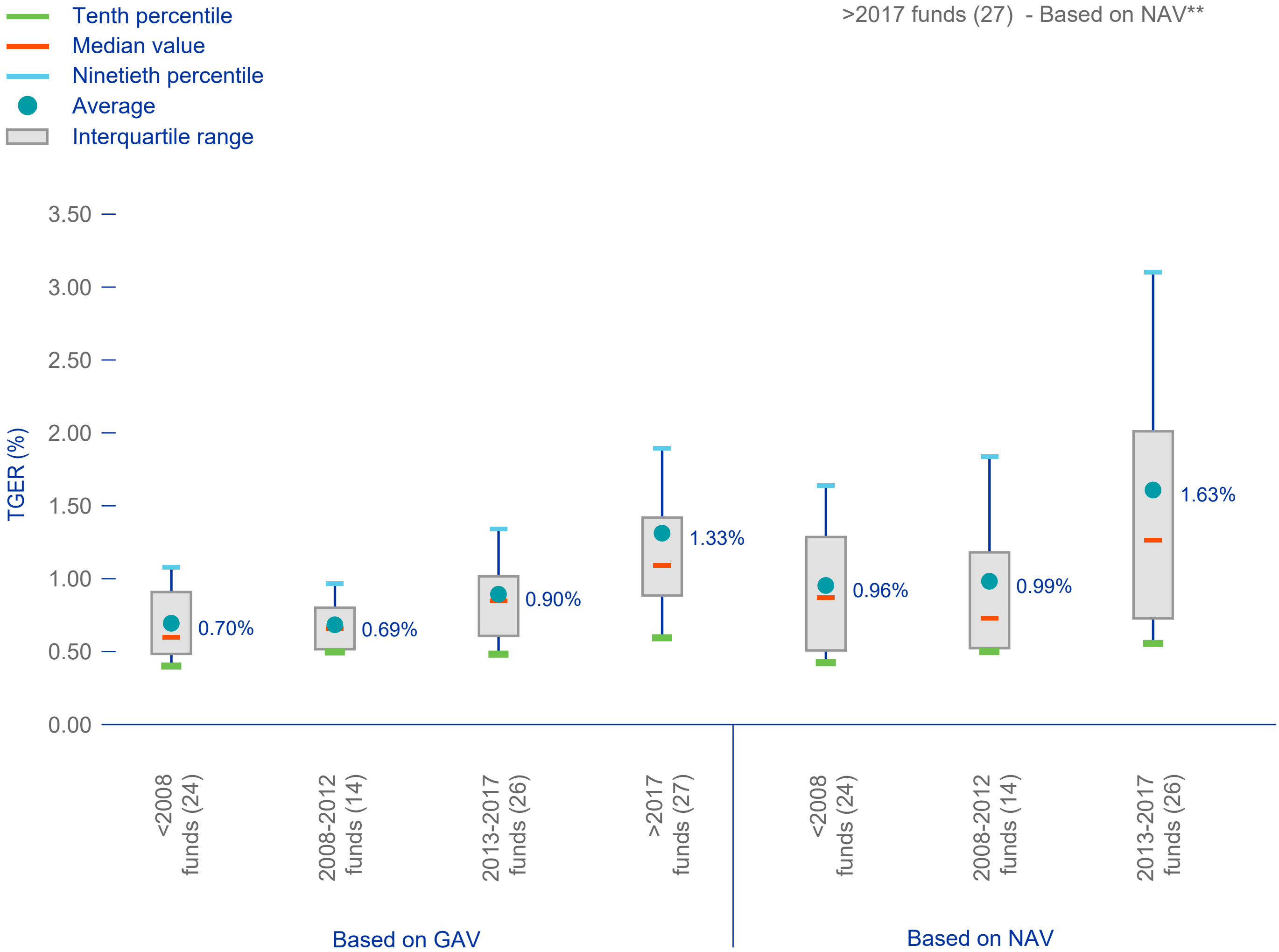


Figure 3: TGER by year of first closing*



** For this analysis, the year of the first closing is used as a proxy for fund vintage. The 91 funds that are included in the sample are grouped into four categories: those that first closed before 2008 (24), funds that first closed between 2008 – 2012 (14), funds that closed first between 2013 – 2017 (26) and funds that first closed after 2017 (27).*

***The >2017 funds (27) - Based on NAV are shown separately for better visualisation purposes.*

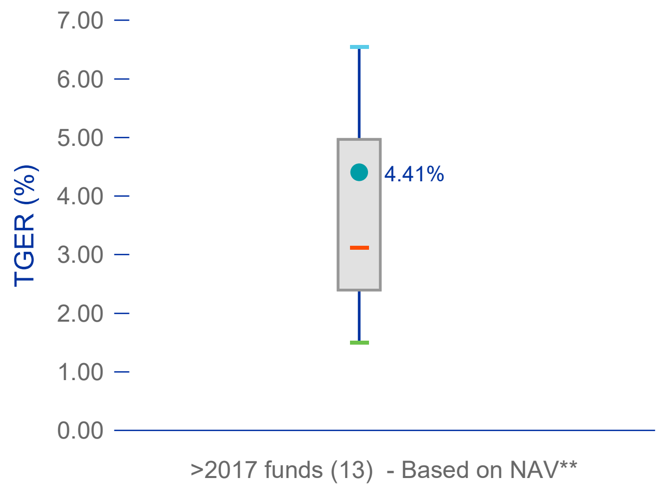
Older Closed end funds report lower TGERs

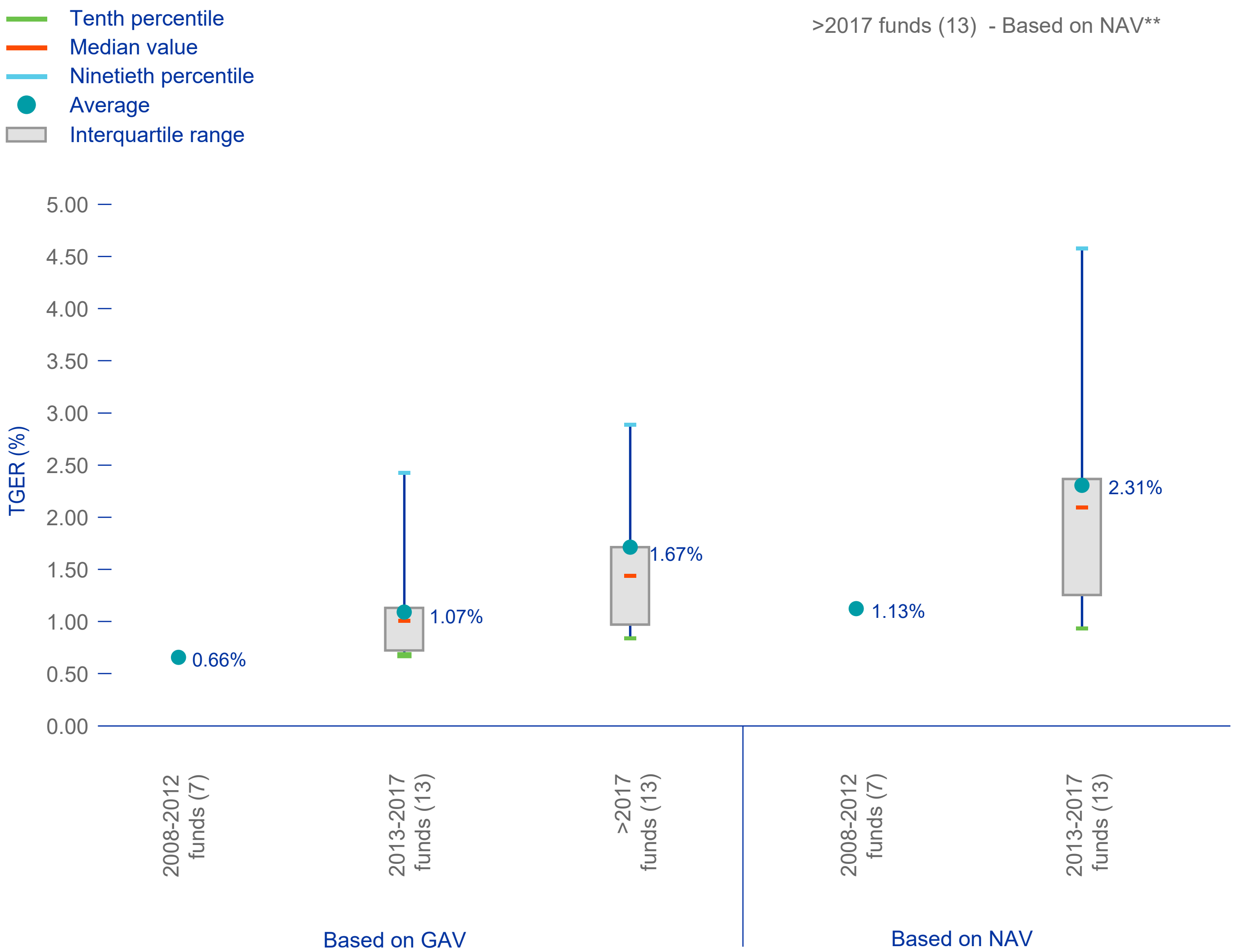
Closed end funds report substantial variation in TGERs by the first year of closing. Those with the first closing post-2017 exhibit a high average TGER of 1.67% based on GAV, with an interquartile range of 74 bps. The next highest average TGER of 1.07% is for funds first closed between 2013 and 2017 based on GAV. For this group, the interquartile range is notably narrower at 41 bps when calculated based on GAV.

This significant gap in average TGERs can be partially attributed to differences in the composition of vintage groups. The 2008-2012 vintage group is primarily made up of core funds, whereas most funds closed after 2017 are Non-Core funds. Generally, Non-Core funds have shorter lifespans than Core funds.

When considering average TGERs based on NAV, the picture changes due to gearing. Funds closed after 2017 exhibit an average TGER of 4.41%, an increase from the 1.67% based on GAV. Additionally, the 2013-2017 group shows an average TGER of 2.31%, an increase from the 1.07% based on GAV.

Figure 4: Closed end funds: TGER by year of first closing*





** For this analysis, the year of the first closing is used as a proxy for fund vintage.*

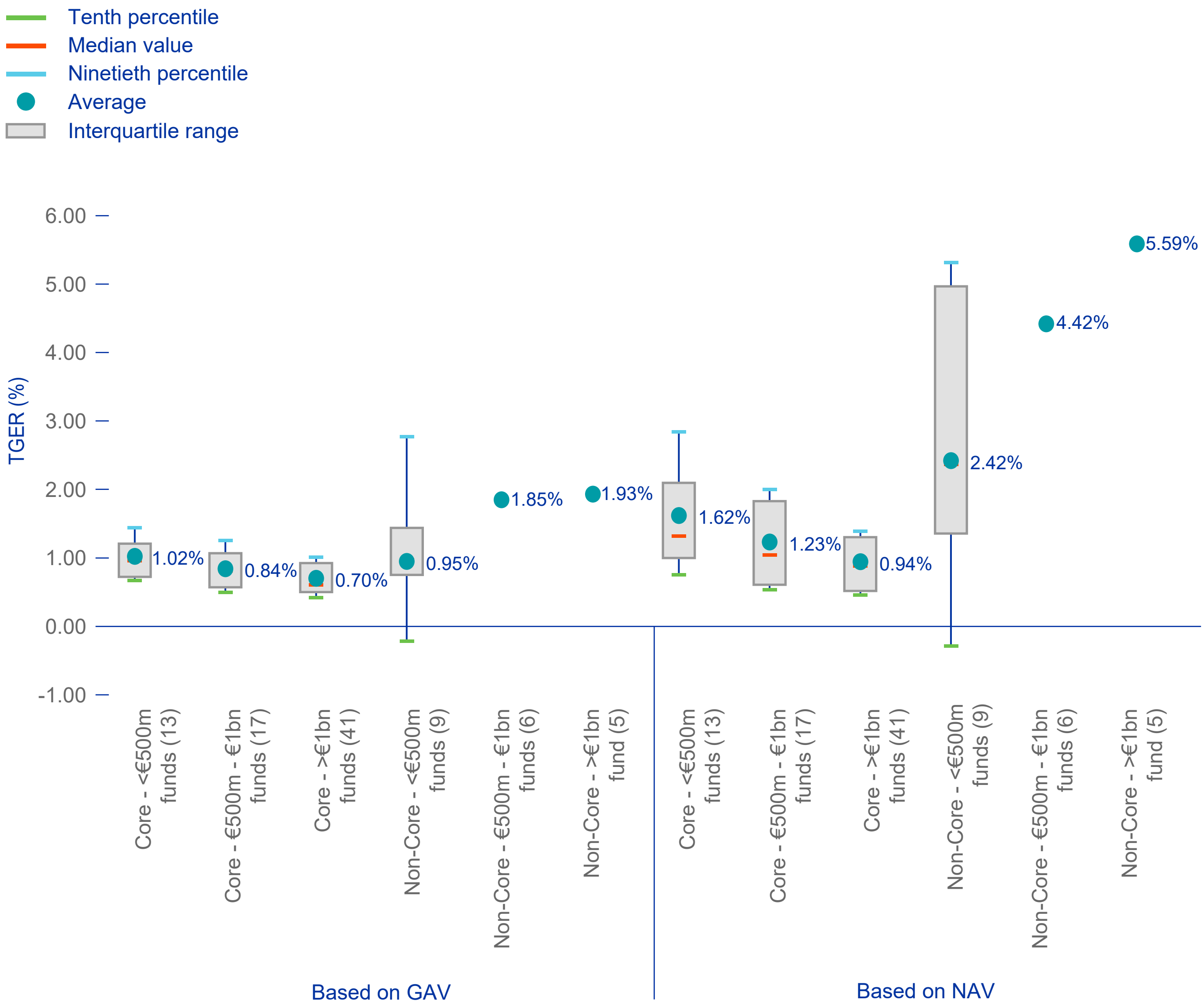
***The >2017 funds (13) - Based on NAV are shown separately for better visualisation purposes.*

Large Core funds report lowest TGERs and smallest dispersion

Across all sizes, Core funds consistently display lower TGERs compared to their Non-Core counterparts. Notably, Core funds with a GAV exceeding €1 billion showed the narrowest range of TGERs and the lowest average TGER on GAV (0.70%). However, fund size alone does not fully account for the differences in TGERs. Smaller Core funds with a GAV below €500 million report an average TGER based on GAV of 1.02%, which is slightly above the 0.95% for their Non-Core peers.

Non-Core funds with a GAV of less than €500 million show the largest range of TGERs, both based on GAV and NAV. It needs to be noted that one of the funds in this category did have a negative performance fee which is impacting the average as well. For these funds, the average TGER based on GAV is lower compared to the equivalent for the other two Non-Core fund size categories reporting TGERs of 1.85% and 1.93% based on GAV respectively. While for Core funds larger funds did report lower TGERs the opposite seems to be the case for Non-Core funds.

Figure 5: TGER by style and fund size*



** The sample is grouped into four categories based on the fund's 2023 year-end GAV: Core funds with a GAV of less than €500 million (13), Core funds with a GAV between €500 million and up to €1 billion (17), Core funds with a GAV larger than €1 billion (41), Non-Core funds with a GAV of less than €500 million (9), Non-Core funds with a GAV between €500 million and up to €1 billion (6), and Non-Core funds with a GAV larger than €1 billion (5).*

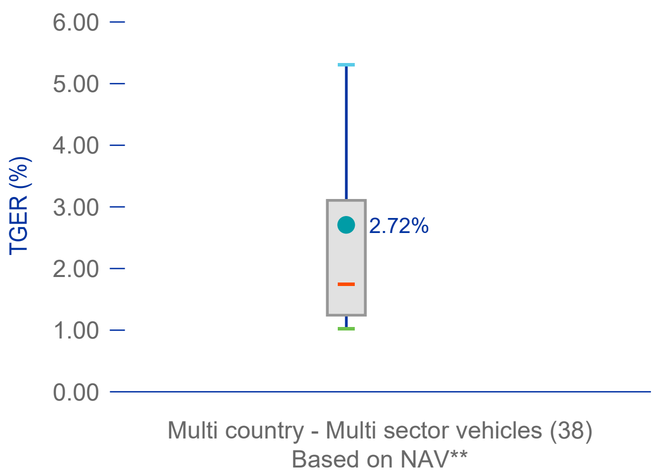
Single sector and Single country strategies have lower TGERs

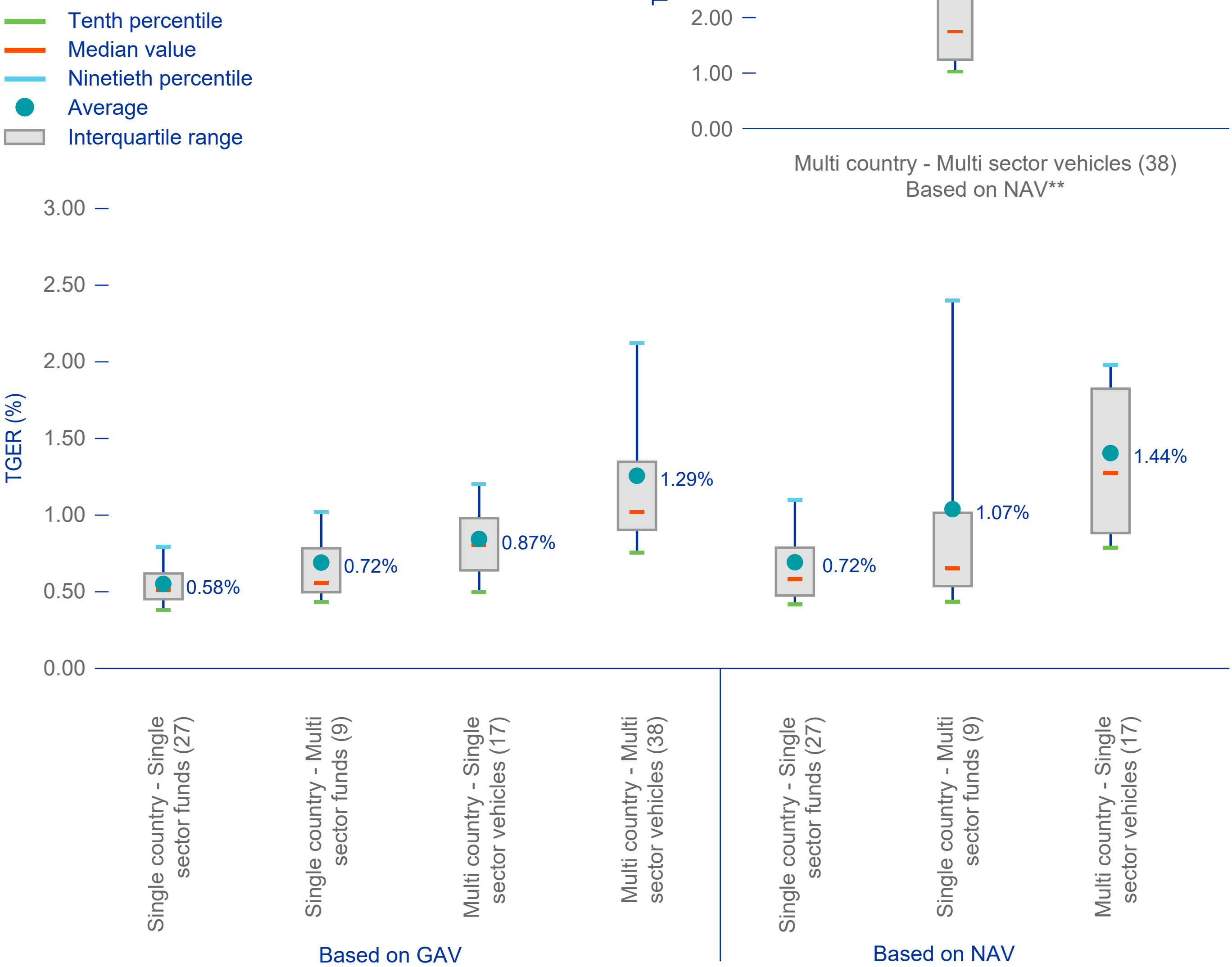
Funds with Single country strategy, whether Single or Multi sector, report lower average TGERs compared to their Multi country counterparts. This is likely due to the absence of additional costs associated with operating across multiple jurisdictions. Additionally, Single country funds exhibit narrower return ranges than Multi country funds. The differences between the two groups become more pronounced when measured based on NAV, with Multi country funds showing higher average leverage.

Sector strategies also influence TGER variations. Single sector funds exhibit lower average TGERs regardless of the country strategy. However, the impact of the Single sector versus Multi sector strategy is smaller than the impact of the Single versus Multi country strategy. The highest average TGER is for the Multi country - Multi sector funds, which include the [European ODCE funds], designed for smaller and medium sized investors.

The lowest average TGERs based on GAV are for Single country - Single sector funds, with both the lowest results and narrower ranges. Their interquartile and interpercentile ranges are 17 bps and 42 bps, respectively. The narrow range might also be explained by the large geographical concentration in this category, 21 out of the 27 have a Netherlands focused strategy.

Figure 6: TGER by country and sector strategy*





By combining country and sector strategies, the sample can be split into four groups: those funds that follow a Single country – Single sector strategy (27), funds that follow a Single country – Multi sector strategy (9), funds that follow a Multi country – Single sector strategy (17) and funds that follow a Multi country – Multi sector strategy (38).

***The Multi country – Multi sector vehicles (38) - Based on NAV are shown separately for better visualisation purposes.*

UK focused funds report slightly higher TGERs than those focused on the Netherlands

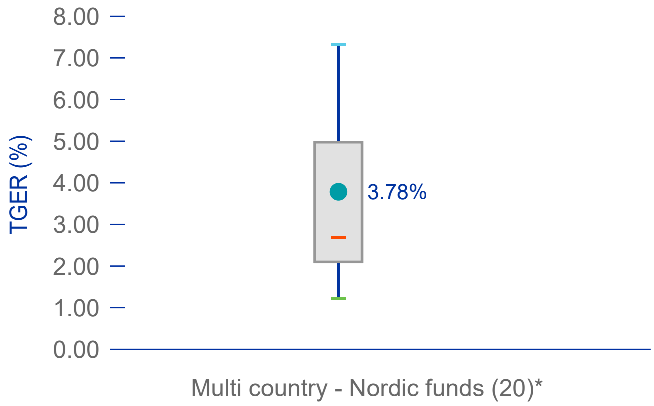
The Netherlands focused funds demonstrate a small spread of TGERs as a percentage of NAV, with an interquartile range of 16 bps and an interpercentile range of 30 bps. Their average TGER stands at 0.52% based on GAV. This is likely related to the relative uniformity of type of funds in the Dutch market, which all are Core Single sector strategy funds, and, for the vast majority, have an open end structure. The eight UK focused funds report slightly higher average TGERs than the Netherlands focused funds based on GAV and NAV.

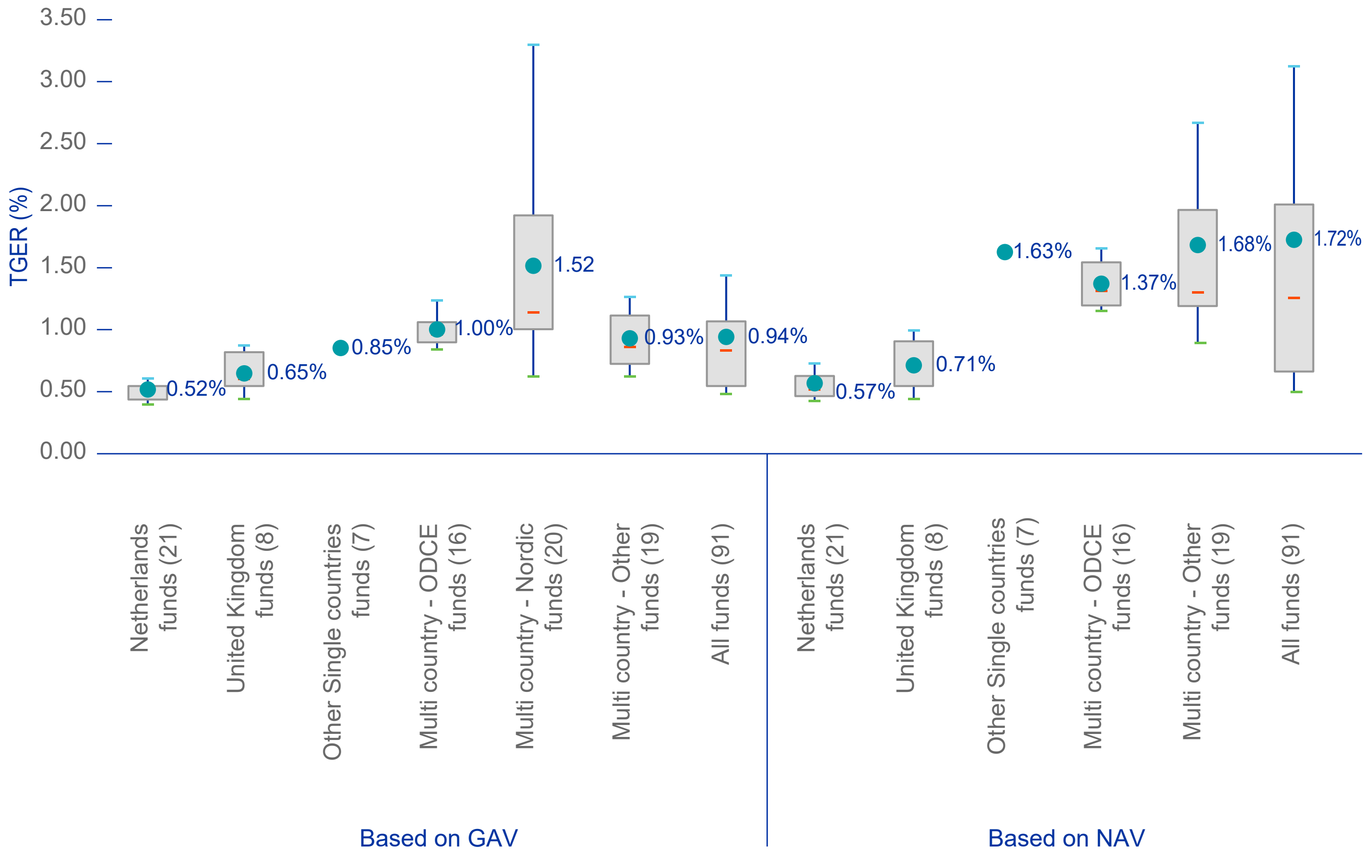
The other single country funds include those with strategies to invest in Finland (2), Portugal (2), Ireland (2) and Sweden (1) and are comprised of Core (4) and Non-Core (3) funds. The Other single country funds show higher TGER than the Netherlands and UK focused funds, but lower than Multi country funds.

Multi country funds exhibit higher TGERs compared to Single country funds. This is largely due to the diverse nature of Multi country funds that invest across several jurisdictions, leading to more complex cost dynamics. The Multi Country – ODCE funds have similar TGERs to the Multi country – Other funds. While the ODCE funds are all diversified by sector, the majority of the Multi country – Other funds (15 out of 19 funds) follow a single sector strategy. The Multi Country – Nordic funds reported the highest TGER and have predominantly a multi sector strategy (18 out of 20 funds).

Figure 7: TGER by country strategy

Tenth percentile
Median value
Ninetieth percentile
Average
Interquartile range





The Multi country – Nordic funds (20) - Based on NAV are shown separately for better visualisation purposes.

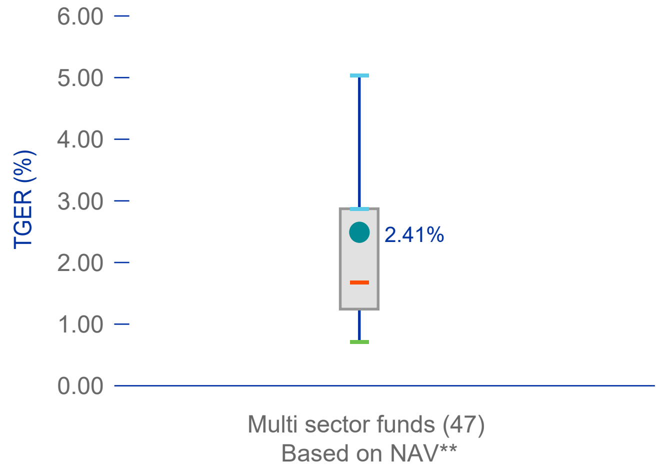
Multi sector funds have higher TGERs compared to Single sector funds

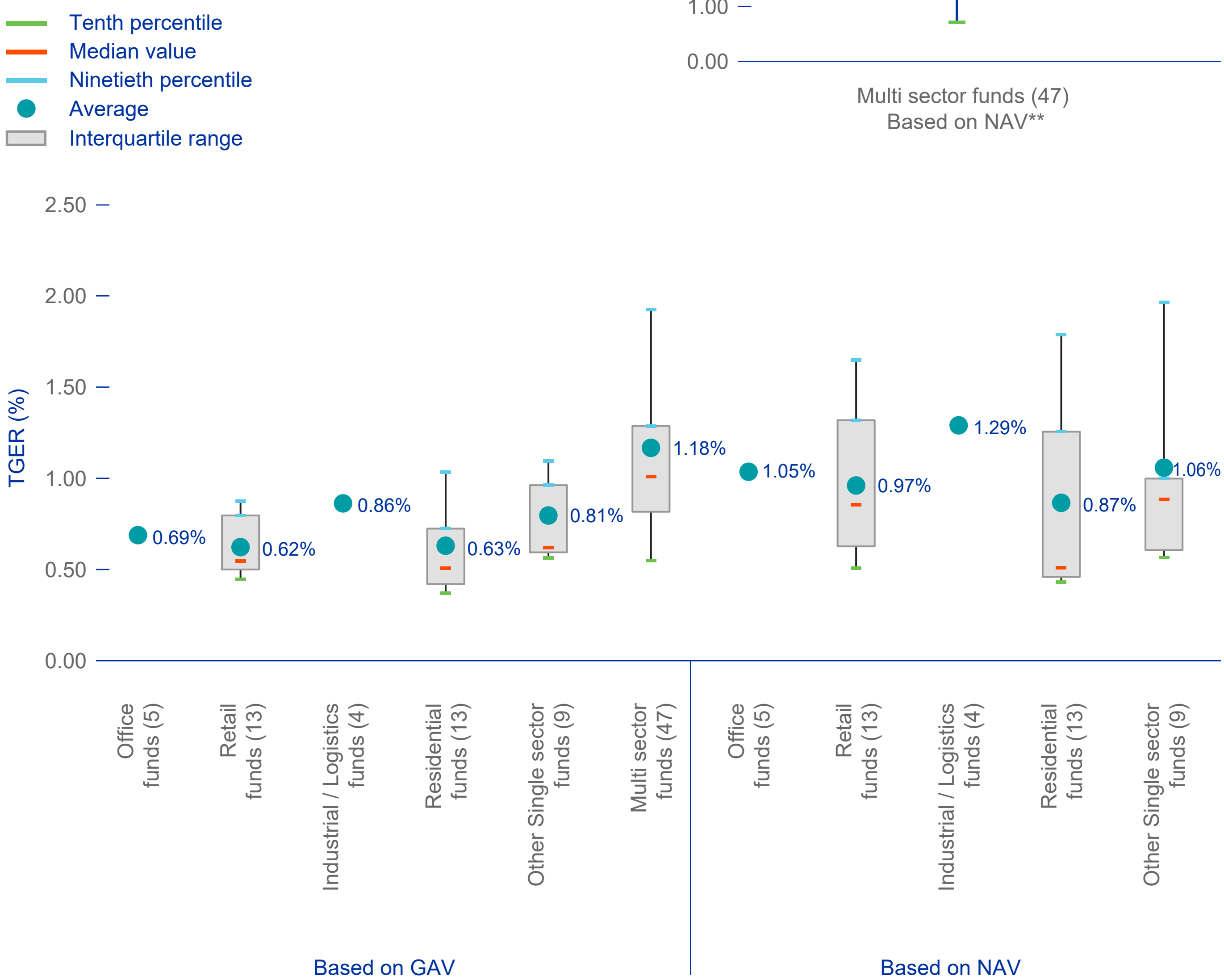
The average TGER across the 44 Single sector strategy funds (0.69% on GAV, 1.00% on NAV) is below the equivalent of Multi sector funds. The highest average TGERs for Single sector funds are reported for Industrial/logistics funds (0.86% on GAV, 1.29% on NAV), followed by the Other single sector funds reporting a TGER of 0.81% based on GAV and 1.06% based on NAV. The nine Other single Sector funds encompass Health Care (4), Aged Care (2), Student Housing (1) and Other single sector funds (2).

Retail focused funds display below-average TGERs at 0.62% on GAV and 0.97% on NAV compared to the other single sector strategies, with a narrow dispersion of 30 bps between the lowest and highest quartiles based on GAV. Funds investing in Residential properties report an average TGER of 0.63% on GAV and 0.87% on NAV.

Most Single sector residential, office and retail funds in the sample follow a single country strategy, contributing to the lower TGERs, while all Industrial/ logistics funds adopt a Multi country strategy.

Figure 8: TGER by sector strategy*





**Ranges of TGERs are only displayed for those categories that meet the required minimum of eight funds. Where this requirement is not met, only the average TGER is displayed.*

***The Multi sector funds (47) - Based on NAV are shown separately for better visualisation purposes.*

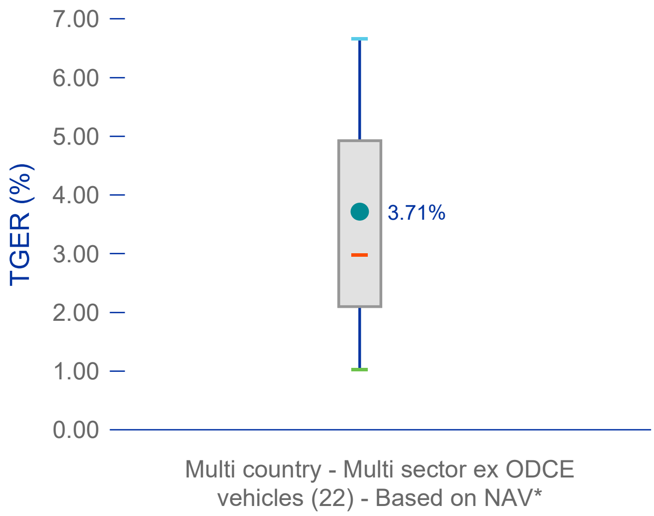
Little dispersion in TGERs amongst European ODCE funds

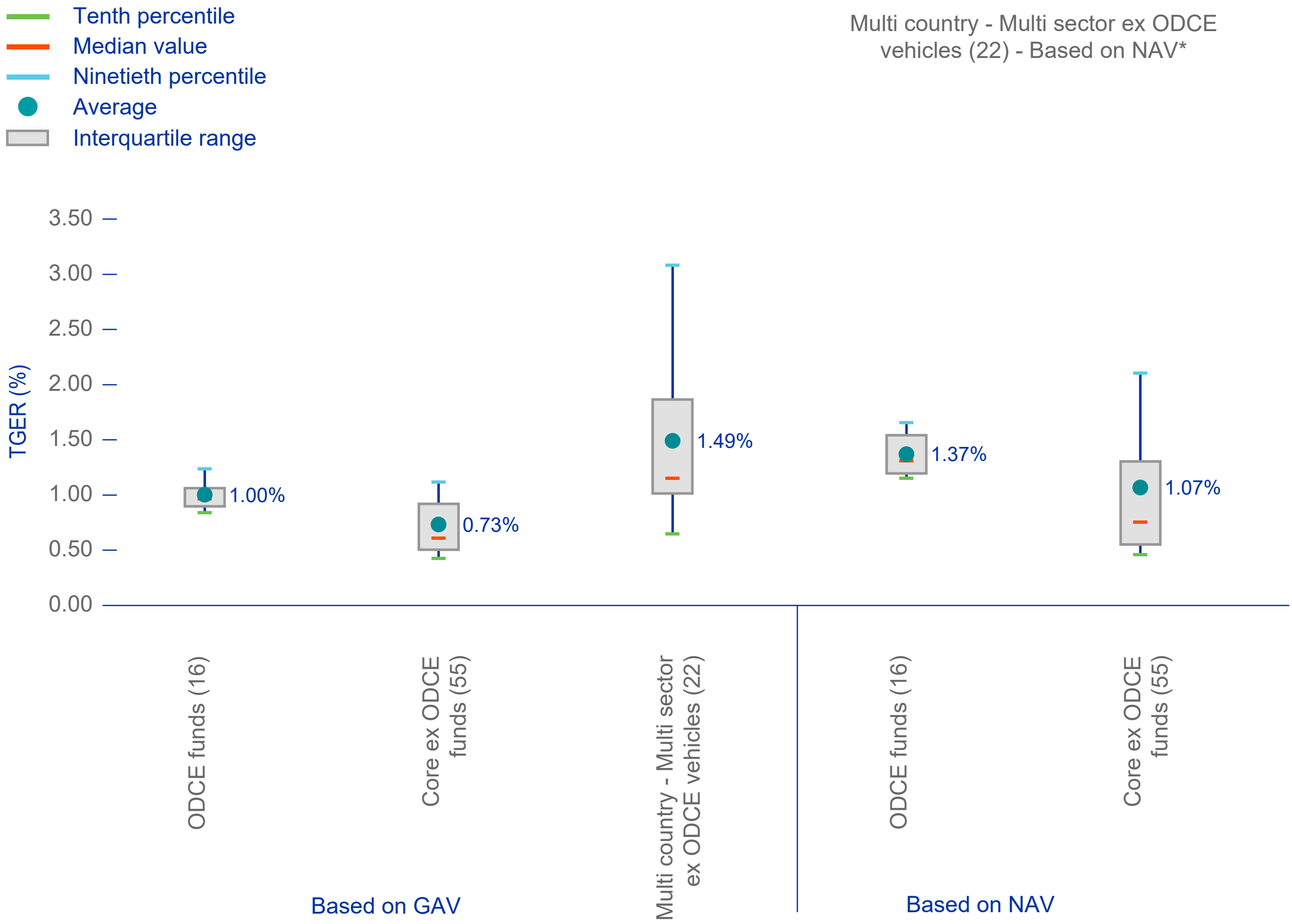
European ODCE[5] funds combine a mix of characteristics related to both lower and higher TGERs. These funds have a Core - Open end structure and their relatively large average size is typically associated with lower TGERs. That said, their Multi country - Multi sector strategy is linked to higher expense ratios.

For 2023, ODCE funds reported an average TGER of 1.00% on GAV. This is higher than the Core funds excluding the ODCE funds group, at 0.73%. Despite this, TGERs of the ODCE funds show narrow interquartile and interpercentile ranges of 16 bps and 40 bps based on GAV, respectively, indicating uniformity in fees and vehicle costs. In contrast, the Core funds excluding the ODCE funds group displays wider interquartile and interpercentile ranges of 41 bps and 69 bps based on GAV, respectively.

All individual ODCE funds report significantly lower TGERs than the average for other Multi country – Multi sector funds, where the average TGER is 1.49% on GAV and 3.71% on NAV. The Multi country – Multi sector excluding ODCE funds category comprises a mixture of Closed end and Open end funds, with a generally smaller average size (GAV €1.0 billion at the end of 2023) than the €2.6 billion average for the ODCE funds.

Figure 9: TGER for ODCE Funds





The Multi country – Multi sector ex ODCE vehicles (22) - Based on NAV are shown separately for better visualisation purposes.

5 More information about the criteria for ODCE inclusion and their performance is available on https://www.inrev.org/market-information/indices/odce-index

Chapter 3

TGER split by components

Management fees contribute approximately two-thirds of TGER

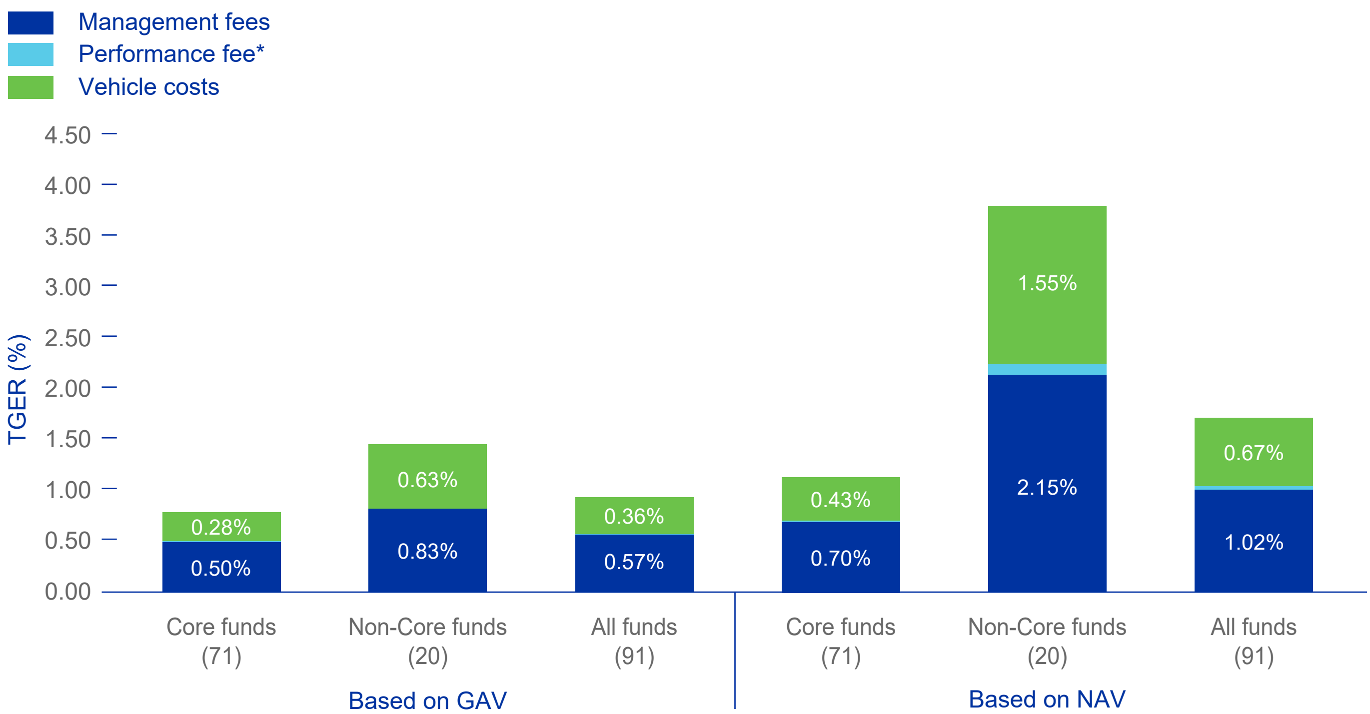
TGER is the sum of management fees, performance fees and vehicle costs (before tax) expressed in relation to gross or net asset value. To better understand the contribution of the components, the average TGER across the 91 funds that reported to the study is split into the contribution of different fees and costs.

For the 91 funds included in the sample, management fees are the largest component on an equally-weighted basis. Its share is 61% of the total average TGER based on GAV and 59% based on NAV. Broken down by underlying elements and on a value-weighted basis, 75% of the total management fees comprise fund management fees, while the remaining 25% is spread across vehicle level asset management fees, property acquisition fees, property disposition fees, financing debt arrangement fees and unspecified fees. Management fees were a larger component of the total TGER for Core funds (63% based on GAV) compared to Non-Core funds (57% based on GAV).

Across the contributing 91 funds, 34 indicated that a performance fee is applicable. Of the 34, only seven provided a value. The number of funds reporting performance fees (7) stayed the same compared to last year, while the overall sample of funds increased from 83 to 91. The seven funds with a performance fee in this year's study comprise four Core and three Non-Core funds. On an equally-weighted basis, the performance fees were 2% of the total average TGER based on NAV, which was significantly lower compared to the previous year (9%)[6]. The decline in performance fees is linked to the unfavourable market conditions in 2023.

Vehicle costs form the second largest contribution to the value-weighted average TGER for all funds. They account for 38% of the average TGER on GAV and 39% on NAV across the 91 funds covered in this year's study (see a more granular vehicle cost analysis on page 20).

Figure 10: Average TGER split by fee and cost type



**Performance fee, promotes and carried interest*

6 Historical comparison should be treated with caution as sample size and its composition vary year by year.

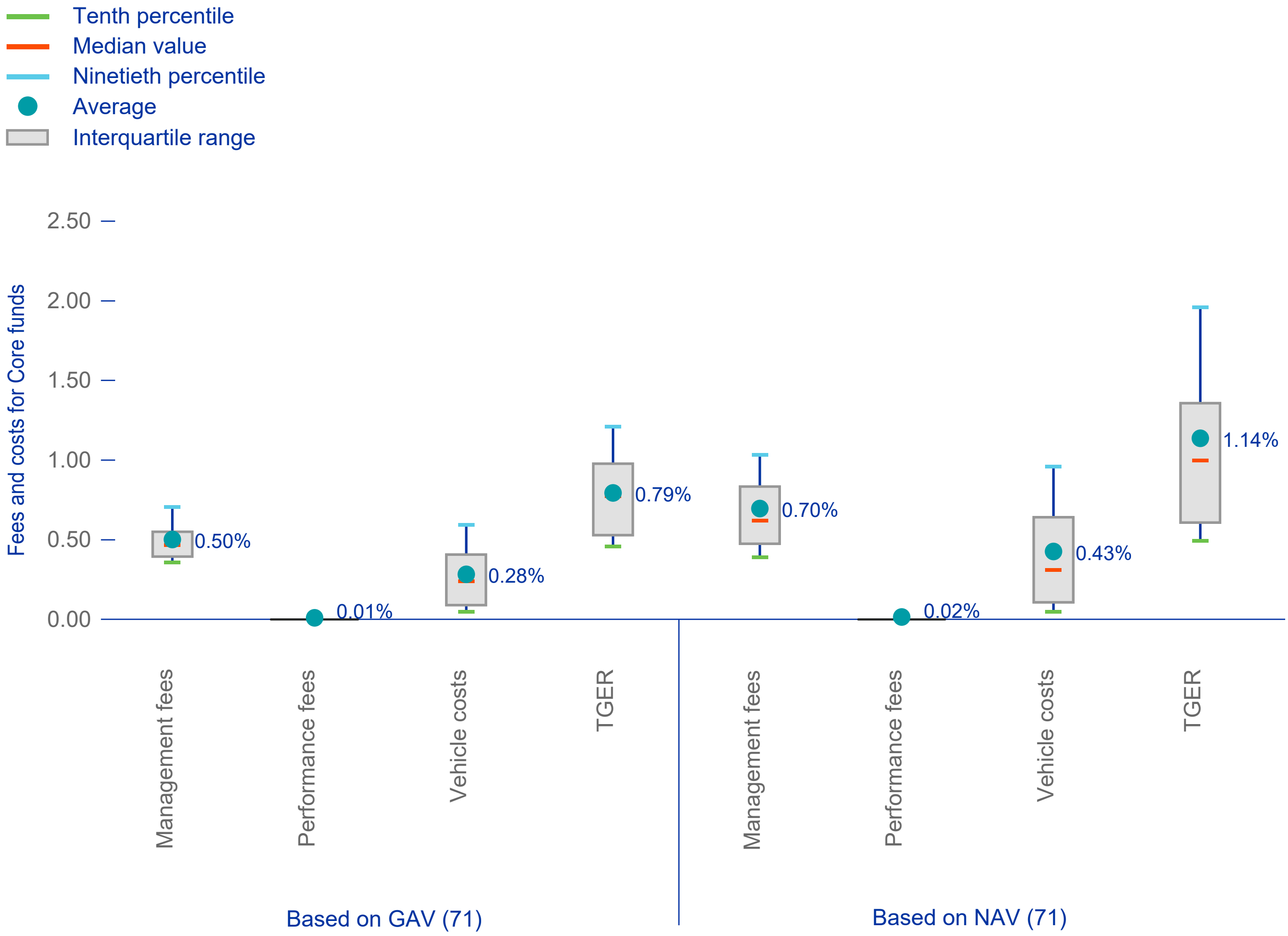
Low dispersion in management fees for Core funds

On an equally-weighted basis, the average management fees for the group of Core funds are 0.50% based on GAV and 0.70% based on NAV. The management fees show a small dispersion with an interquartile range of 15 bps based on GAV and 36 bps on NAV.

From a sample of 71 Core funds, 19 indicated a performance fee is applicable. Of those 19, only four provided a value. This year, on an equally-weighted basis, the average performance fee dropped to 0.01% of the GAV and 0.02% based on NAV. As a comparison[7], the average performance fees based on GAV and NAV were exactly the same for the 2022 results.

On an equally-weighted basis, vehicle costs for Core funds amount to an average of 0.28% on GAV and 0.43% on NAV. In contrast to management fees, the range for vehicle costs shows more dispersion, with an interquartile range of 32 bps on GAV and 53 bps on NAV.

Figure 11: Fees and costs for Core funds



7 Historical comparison should be treated with caution as sample size and its composition vary year by year.

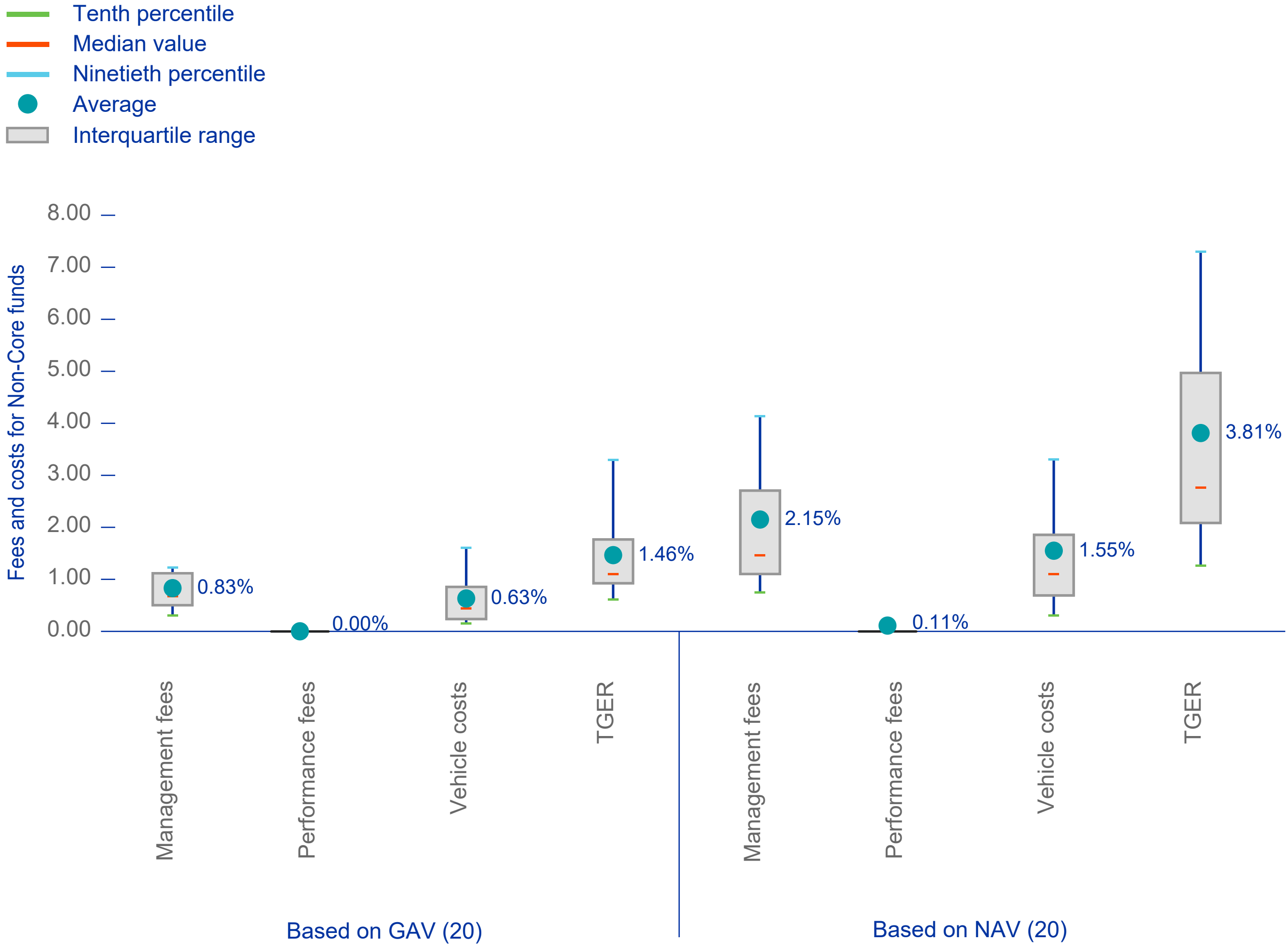
Hardly any performance fees for Non-Core funds in 2023

On an equally-weighted basis, the average management fees for Non-Core funds are 0.83% based on GAV and 2.15% based on NAV. The management fees show a sizeable dispersion with an interquartile range of 61 bps based on GAV and 160 bps on NAV, which is a lot wider spread compared to Core funds (15 bps and 36 bps, respectively).

From a sample of 20 Non-Core funds, 15 indicated a performance fee is applicable. Of those 15, only three provided a performance fee value. On an equally-weighted basis, the average performance fee this year is 0.00% based on GAV and 0.11% based on NAV. As a comparison[8], the performance fees were 0.48% based on GAV and 0.71% based on GAV for the 2022 results.

On an equally-weighted basis, vehicle costs for Non-Core funds amount to an average of 0.63% on GAV and 1.55% on NAV. The range for vehicle costs is similar to the dispersion of the management fees with an interquartile range of 62 bps on GAV and 116 bps on NAV.

Figure 12: Fees and costs for Non-Core funds



8 However, is important to note that the sample size and its composition varies year by year and therefore, a historical comparison should be treated with caution.

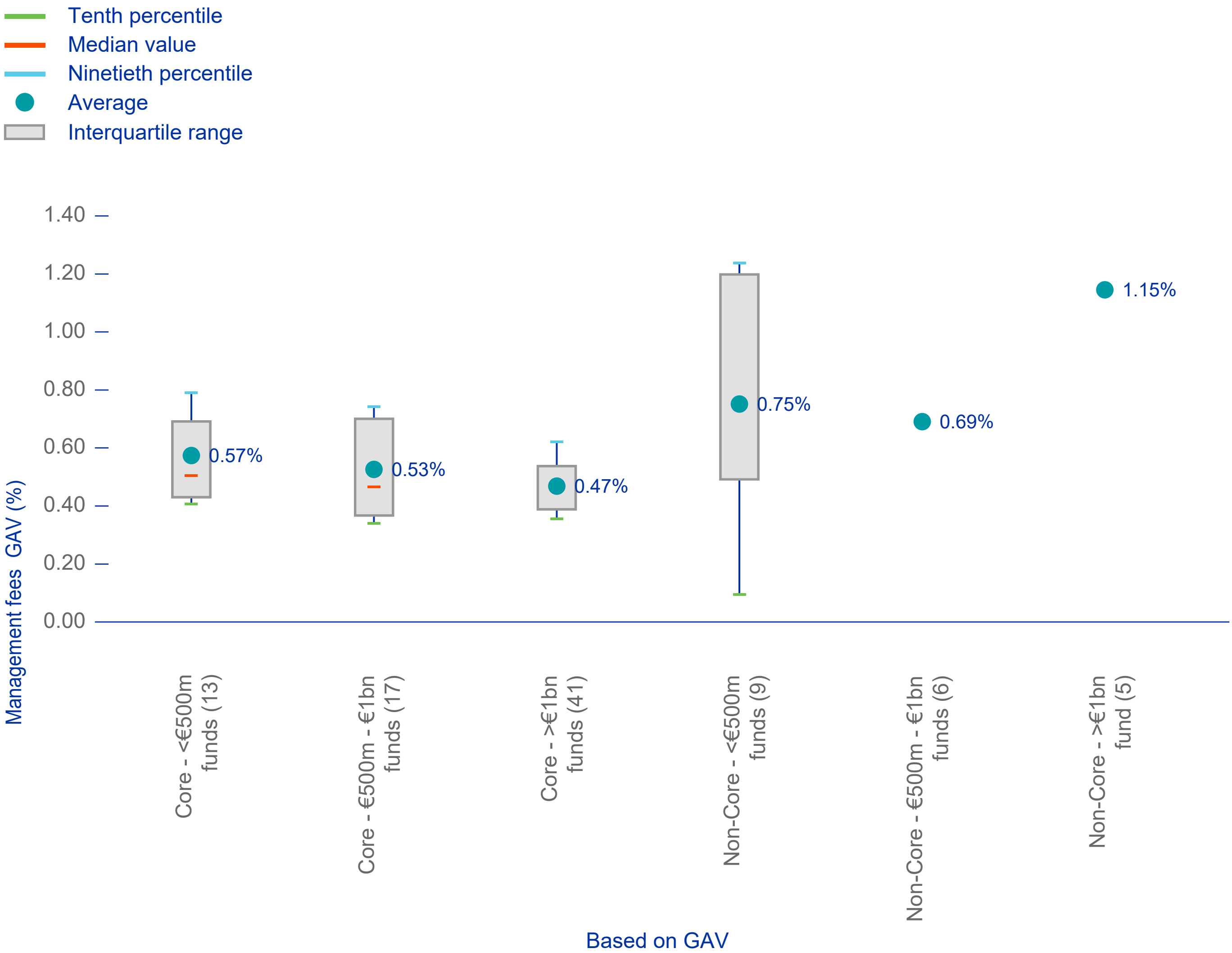
Fund size has a limited impact on management fees

The management fees based on GAV declined by 2 bps, from 0.59% in 2022 to 0.57% in 2023, and by 4 bps from 1.06% to 1.02% based on NAV, respectively. Because most management fees are linked to the NAV and/or equity committed, they are not impacted by market conditions, hence, there is little change compared to the previous year.

Fund size has a limited impact on management fees. At 0.57% based on GAV, the average management fees for funds with GAV below €500 million were the highest for the Core funds. The interquartile and interpercentile ranges based on GAV for this group were 26 bps and 38 bps, respectively. The lowest interquartile and interpercentile ranges in management fees were recorded by the group Core funds with GAV of above €1 billion, standing at 15 bps and 27 bps on GAV, respectively.

Overall, the management fees for Non-Core funds were higher. This could be attributed to more intensive asset management. The nine funds within the Non-Core below €500 million group posted an average management fee of 0.75% based on GAV and recorded the highest spread between quartiles of 71 bps.

Figure 13: Management fees by style and fund size*



** The sample is grouped into four categories based on the fund's 2023 year-end GAV: Core funds with a GAV of less than €500 million (13), Core funds with a GAV between €500 million and up to €1 billion (17), Core funds with a GAV larger than €1 billion (41), Non-Core funds with a GAV of less than €500 million (9), Non-Core funds with a GAV between €500 million and up to €1 billion (6), and Non-Core funds with a GAV larger than €1 billion (5).*

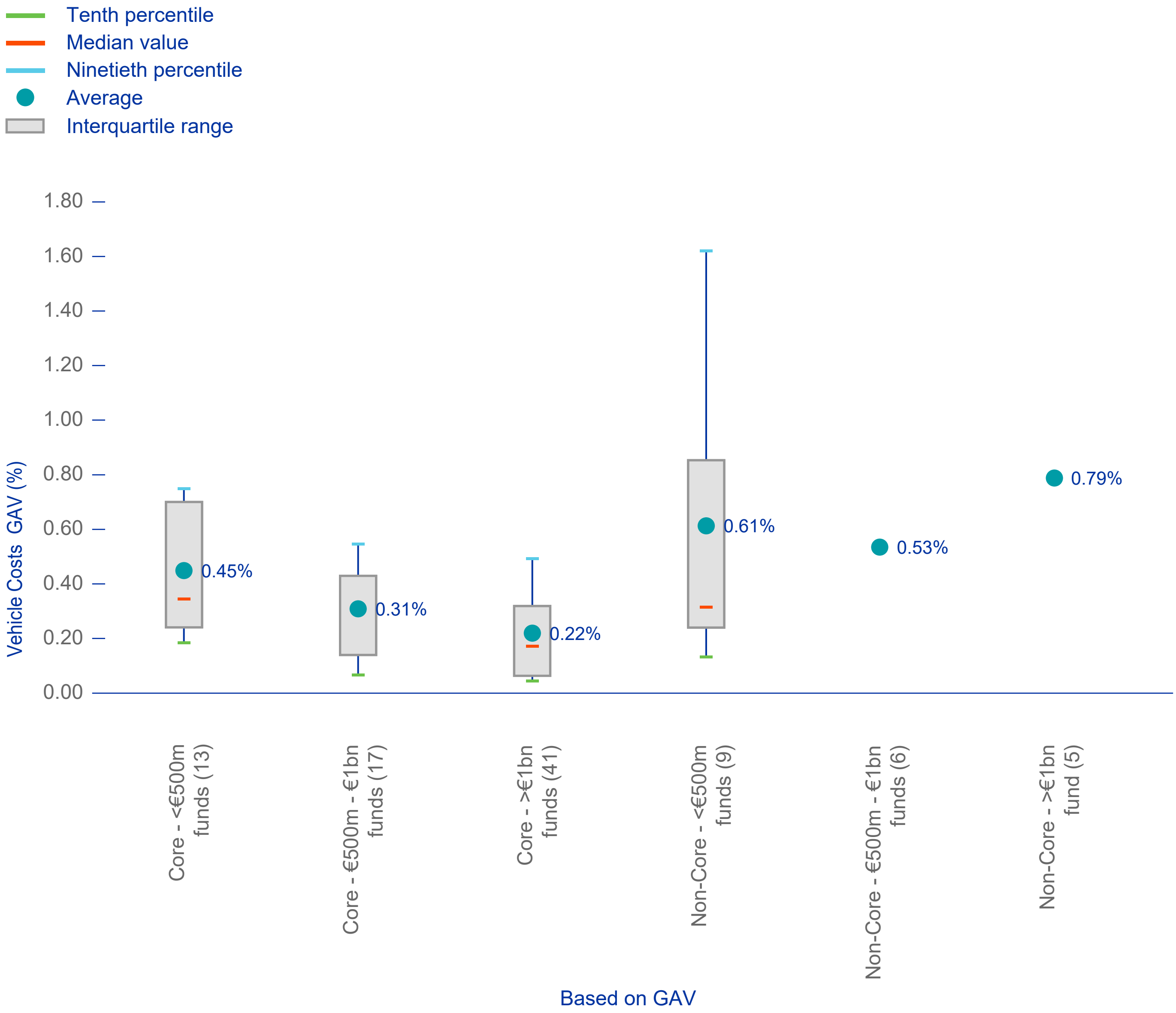
Vehicle costs for large Core funds half the average level of their smaller peers

The vehicle costs based on GAV increased by 4 bps from 0.32% in 2022 to 0.36% and by 13 bps from 0.54% to 0.67% based on NAV. Most vehicle costs don't have a direct linkage with the funds' NAV or GAV, so they might have increased due to the negative capital growth in 2023.

The Core funds below €500 million had the highest average vehicle costs for Core funds of 0.45% based on GAV. For this group, the interquartile and interperentile ranges were 46 bps and 56 bps, respectively. The lowest average was recorded by the group Core above €1 billion with 0.22% on GAV, half the average level of their smaller peers. For this group, the spread between the quartiles was the smallest with 26 bps.

Similar to the management fees, the highest averages for the vehicle costs were recorded by Non-Core funds. The average vehicle costs for the Non-core below €500 million funds was 0.61% based on GAV. The interquartile and interpercentile range of vehicle costs for the Non-core below €500 million group were 61 bps and 149 bps, respectively – a much larger dispersion compared to all the Core groups.

Figure 14: Vehicle Costs by style and fund size*



** The sample is grouped into four categories based on the fund's 2023 year-end GAV: Core funds with a GAV of less than €500 million (13), Core funds with a GAV between €500 million and up to €1 billion (17), Core funds with a GAV larger than €1 billion (41), Non-Core funds with a GAV of less than €500 million (9), Non-Core funds with a GAV between €500 million and up to €1 billion (6), and Non-Core funds with a GAV larger than €1 billion (5).*

Professional services are the highest vehicle cost

The value-weighted vehicle costs are lower than the equally-weighted vehicle costs, highlighting that larger funds in general have lower vehicle costs as a percentage of GAV.

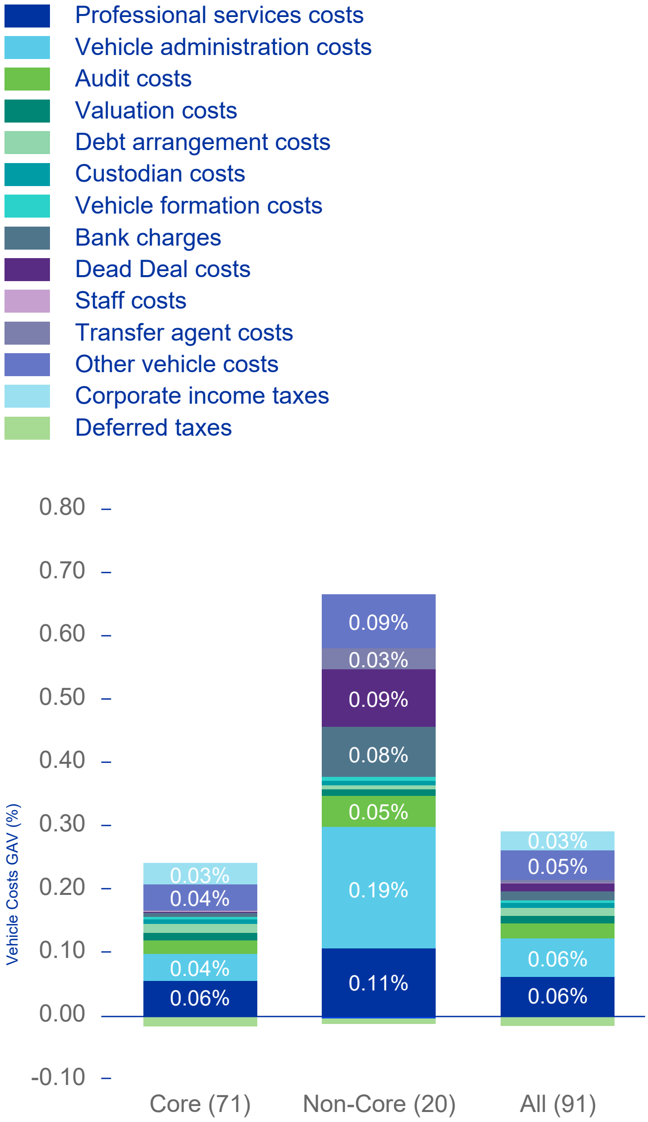
On a value-weighted basis, the professional service costs are the largest cost component for all funds and are 6.3 bps of the GAV. The professional services typically comprise of costs for professional advice and could include (increased) costs related to ESG and might involve costs for building certifications, data collection, strategy, and analysis. Moreover, transparency is paramount, typically entailing third-party audits and compliance with several reporting standards.

Beyond professional services, vehicle administration costs, audit costs, valuation costs, debt arrangement costs, bank charges and dead deal costs also exceed 1 bps of the GAV at the all funds level. The other vehicle costs are 4.7 bps and are comprised of actual costs that could not be included in the other cost categories or, in certain instances, simply could not be provided with more granularity.

All the data in the study is reported on a before tax basis, including the TGER. However, tax could be an additional vehicle level cost for funds and comprises of corporate income taxes as well as deferred taxes. The average corporate income tax is relatively high, with 2.9 bps of the GAV at the all funds level but differs considerably by jurisdiction. The average deferred tax is -1.4 bps of the GAV at the all funds level. The negative value for deferred taxes arises from a few varying valuations of assets for tax and financial reporting purposes, leading to a reduction in deferred tax liability when capital values decrease.

Core vehicles exhibit the lowest vehicle costs on a value-weighted basis, with 0.21% of GAV before tax and 0.23% of GAV after tax. Non-Core vehicles exhibit higher vehicle costs, with 0.67% of GAV before tax and 0.66% of GAV after tax.

Figure 15: Vehicle costs by detailed costs type (value-weighted)*



*The detailed data on the REER in the chart could be found in Excel supplement available on the INREV website.

Chapter 4

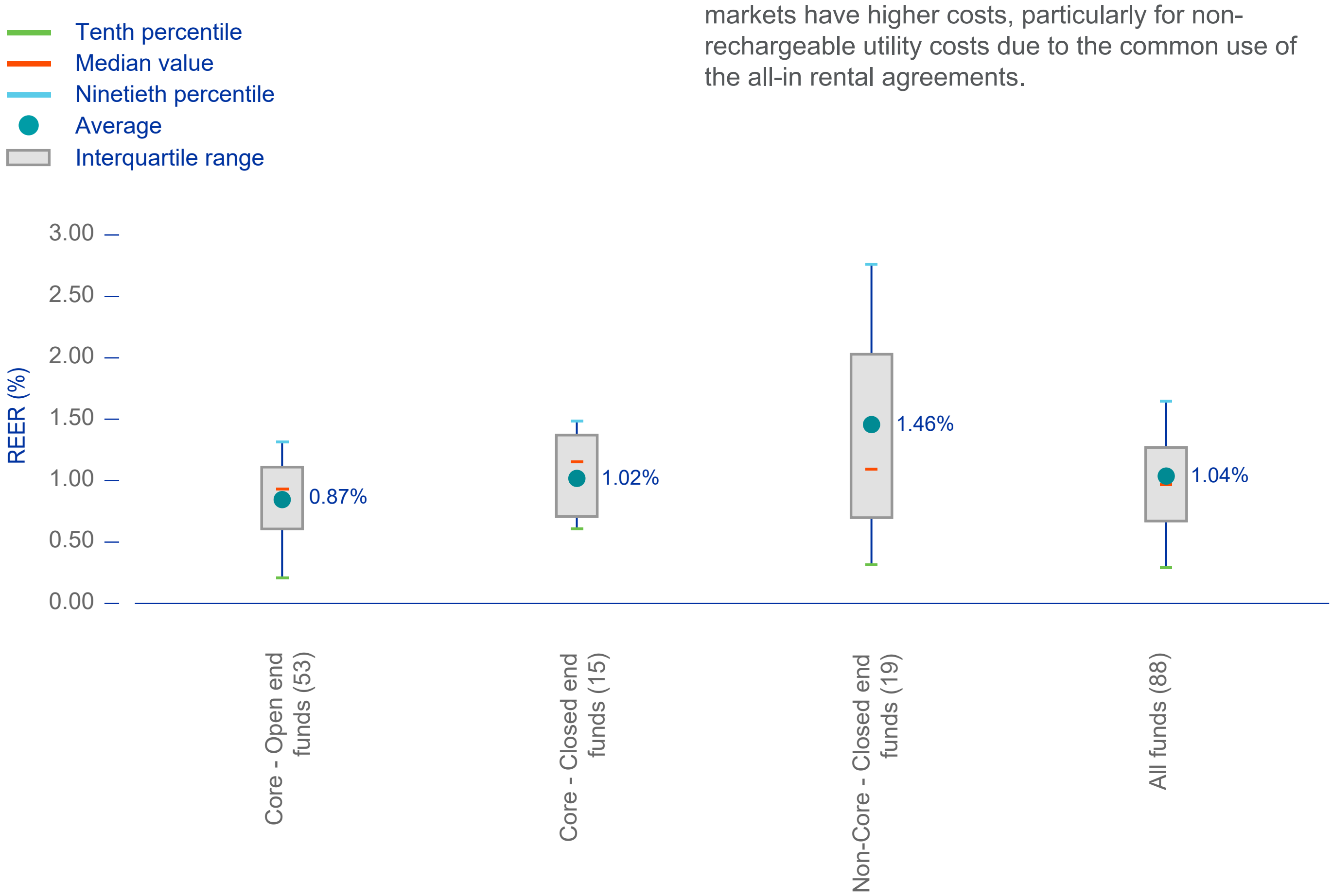
Real Estate Expense Ratios

Core - Open end funds report lowest average REER

This section of the report focuses on the Real Estate Expense Ratio (REER) and is based on a sample of 88 funds that provided data on their real estate expenses for the reporting year 2023.

The REER is based on incurred property specific costs, including external leasing commissions, property acquisitions, insurance, property management, repairs and maintenance, utility costs, as well as taxes on property related activities. Property level costs are presented as a percentage of GAV.

Figure 16: REER by style and structure*



This year's equally-weighted REER based on GAV increased by 10 bps from 0.94% in 2022 to 1.04%. The increase of the REER is likely to be linked to the increased real estate expenses due to the relatively high inflation in 2023 and lower capital values (and GAV) due to negative capital growth. The Core – Open end funds show the lowest equally-weighted average REER of 0.87%, followed by the Core – Closed end group (1.02%) and the group of Non-Core Closed end funds (1.46%). As a group, Core – Open end funds show the narrowest range of REERs. The range for Core – Closed end funds is slightly higher, while the Non-Core Closed end funds have the largest dispersion.

One of the reasons that the Non-Core funds have higher REERs is the large concentration of funds active in the Nordic markets, including both single country and regional strategy funds. In general, those markets have higher costs, particularly for non-rechargeable utility costs due to the common use of the all-in rental agreements.

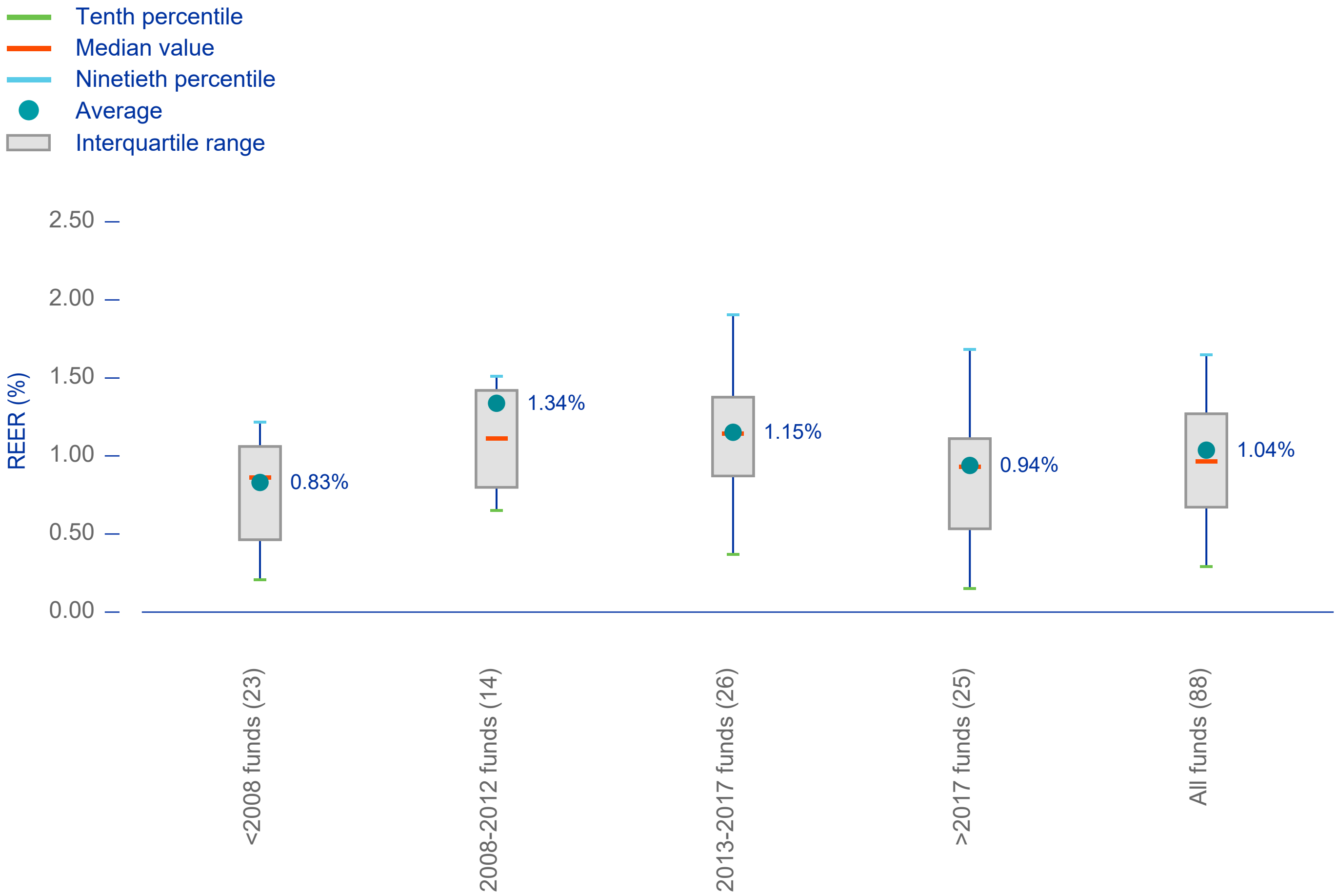
For the analysis by style and structure, the sample of 88 funds is split into three categories: Core – Open end funds (53), Core – Closed end funds (15) and Non-Core – Closed end funds (19). The total sample includes one Non-Core – Open End fund.

Oldest funds report lower REERs and similar ranges for different vintage groups

REERs can vary based on the year of a fund's first closing. The funds which were first closed before 2008 recorded the lowest average REER of 0.83%. Funds closed between 2008 – 2012 and 2013 – 2017 display higher REERs. Meanwhile, funds that first closed after 2017 show lower REER levels. The ranges of REERs based on the quartiles are very similar across the different groups with ranges of between 50 to 62 bps.

It is important to note that two funds are categorised as Net Lease hardly have any operating costs, as well as three Long Lease funds, which are known for their low costs. These five funds are included in the REER analyses and contribute to the dispersion, particularly affecting the tenth percentile.

Figure 17: REER by year of first closing*



**The year of the first closing is used as a proxy for fund vintage. The 88 funds that are included in the sample are grouped into four categories: those that first closed before 2008 (23), funds that first closed between 2008 – 2012 (14), funds that closed first between 2013 – 2017 (26) and funds that first closed after 2017 (25).*

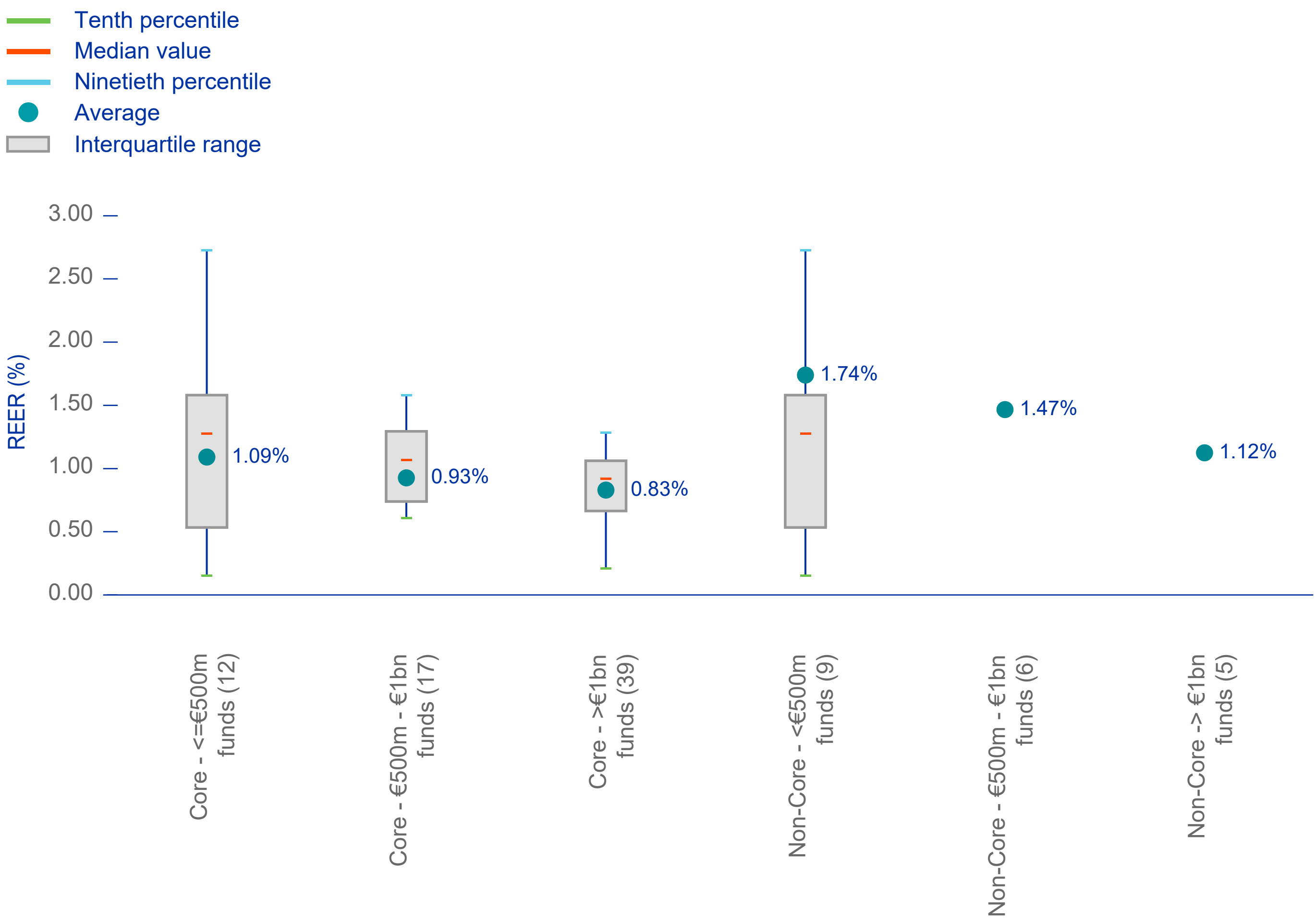
Large Core funds display lowest REERs, similar to the TGERs

Large Core funds based on GAV have the lowest average REER, at 0.83%. They also reported the lowest TGERs. Like the TGER, the REER for Core funds with a GAV between €500 million to €1 billion was higher than for the large funds but lower than for Core funds with a GAV of less than €500 million.

REERs are the least dispersed for the group of Core funds with a GAV of above €1 billion, with an interquartile range of 40 bps. This suggests consistency and uniformity in operating expenses among larger Core funds. These ranges increase to 56 bps for Core funds with a GAV between €500 million to €1 billion, indicating more variability in expense ratios. The highest range is shown by the Core funds with a GAV of less than €500 million, with an interquartile range of 105 bps. This reflects a broader spectrum of cost management approaches and/or cost structures but may also be due to the asset-specific impact in smaller portfolios.

Overall, Non-Core funds report a substantially higher average REER. One of the reasons that the Non-Core funds have higher REERs is likely to be related to the large concentration of funds active in the Nordic markets (see the Core - Open end funds report lowest average REER section of the report). However, size matters for Non-Core funds as well, as funds with a GAV of above €1 billion have a lower average REER compared to their smaller peers.

Figure 18: REER by style and size

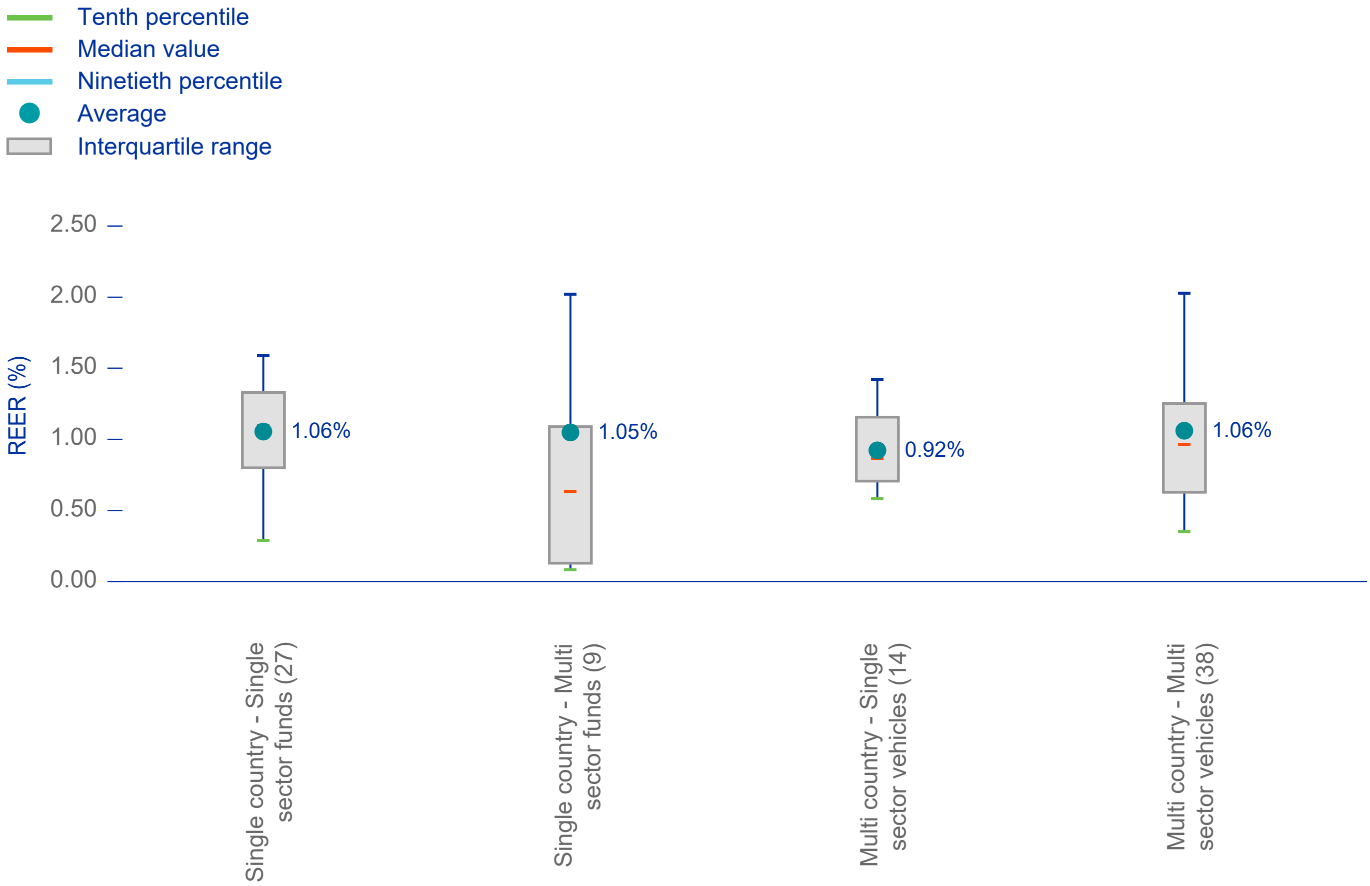


Multi Country - Single Sector funds the most homogenous group in terms of REERs

The average REERs are very similar for the different country and sector strategies. The Multi country – Single sector funds show an average REER of 0.92%, compared to 1.06% for the Multi country – Multi sector funds. On the other hand, the most homogenous group in terms of REERs is the Multi country – Single sector, with interquartile and interpercentile ranges of 45 bps and 84 bps, respectively.

The dispersion in terms of REER is the widest for the Single Country – Multi sector funds based on the interquartile range. It is important to note that three funds are categorised as Long Lease funds which are known for their low costs. These funds are included in the REER analyses and contribute to the dispersion.

Figure 19: REER by country and sector strategy



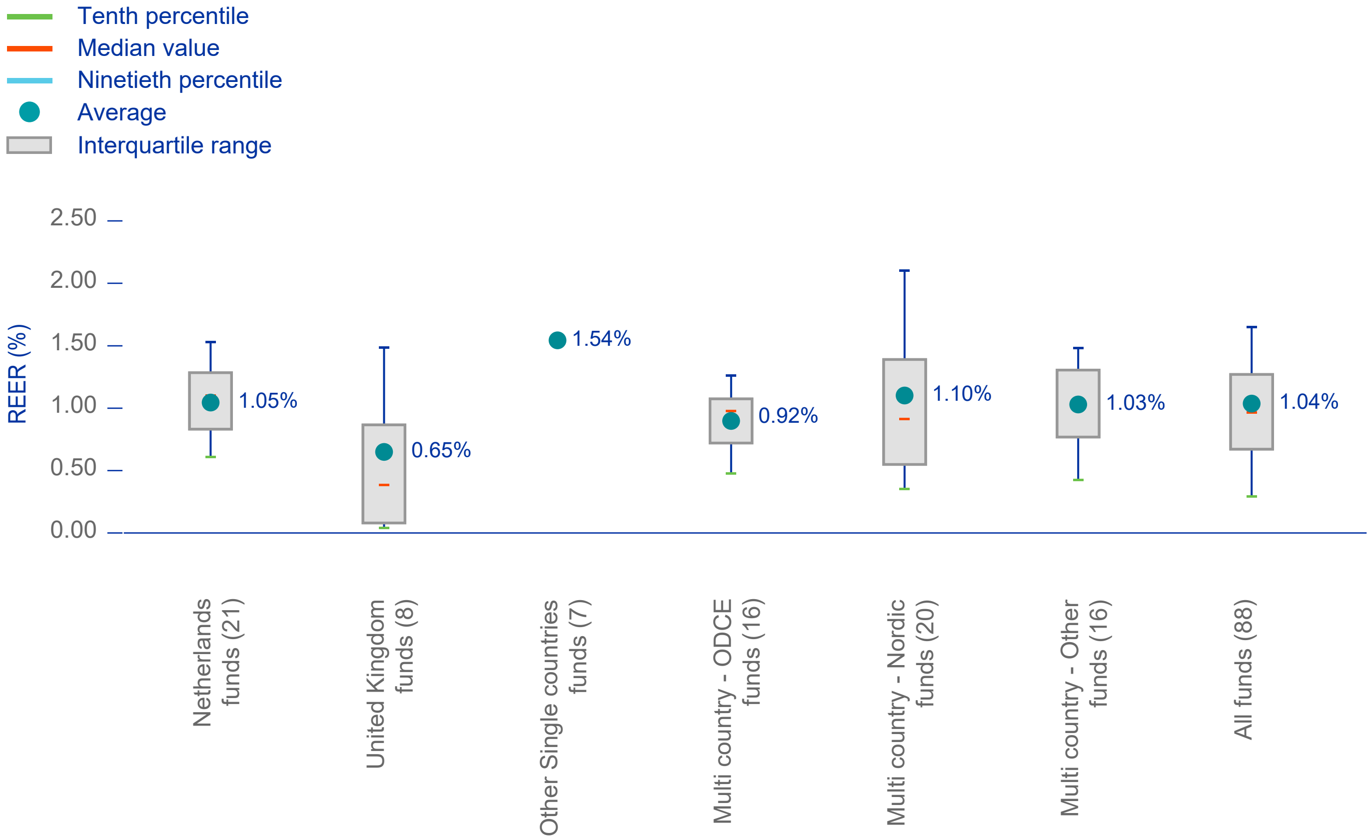
UK focused funds have lowest REERs amongst single country funds

The single country strategies in this report include the Netherlands focused funds, those focusing on the UK and the Other single country funds, as well as Multi country funds. The Other single country funds include seven funds with strategies to invest in Finland (2), Portugal (2), Ireland (2) and Sweden (1), and comprise of four Core and three Non-Core funds.

Across all funds, REER variations are relatively modest, with an average REER of 1.04%. The different multi country fund groupings also reported similar levels of average REERs, although the range for the Multi country – Nordic was wider compared to all the other categories.

The Netherlands focused funds (21 out of the 36 single country funds) reported an average REER of 1.05%. The Netherlands focused funds, which are all single sector funds, show homogeneity as the interquartile and interpercentile ranges are 45 bps and 92 bps, respectively. This suggests a degree of consistency in real estate expenses. The UK focused funds are an exception to this, displaying a notably lower average REER of 0.65%. This is due to the nature of the rental agreements in the UK, where more expenses are usually paid by tenants and net lease agreements are common. It is important to note that within the UK sample, three funds are categorised as Long Lease funds.

Figure 20: REER by country strategy

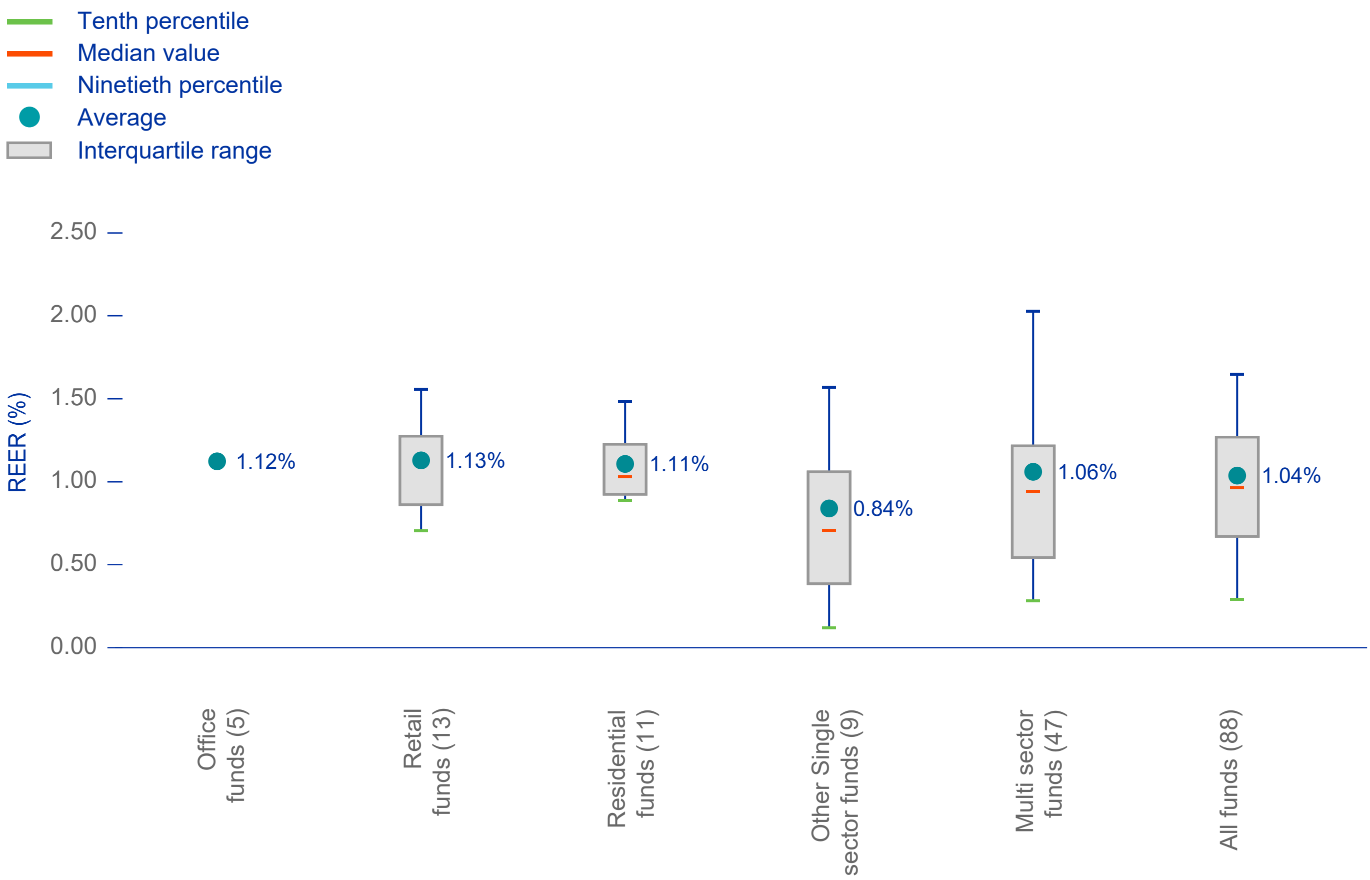


Consistency of REERs across main sectors but high dispersion for alternative sectors

On average, REERs across all sector strategies except for the Other Single sector funds exhibit a relatively consistent average, fluctuating between 1.06% for Multi sector funds and 1.13% for Retail funds. The Other Single sector funds report a lower average REER of 0.84%.

The interquartile and interpercentile ranges of residential funds are the smallest, at 30 bps and 59 bps, respectively, emphasising the consistency in expense ratios for the sector. Other single sector (encompassing four health care, two aged care, one student housing and two other funds) and multi sector funds show similar interquartile and interpercentile ranges.

Figure 21: REER by sector strategy



Maintenance cost consistent between Core and Non-Core funds

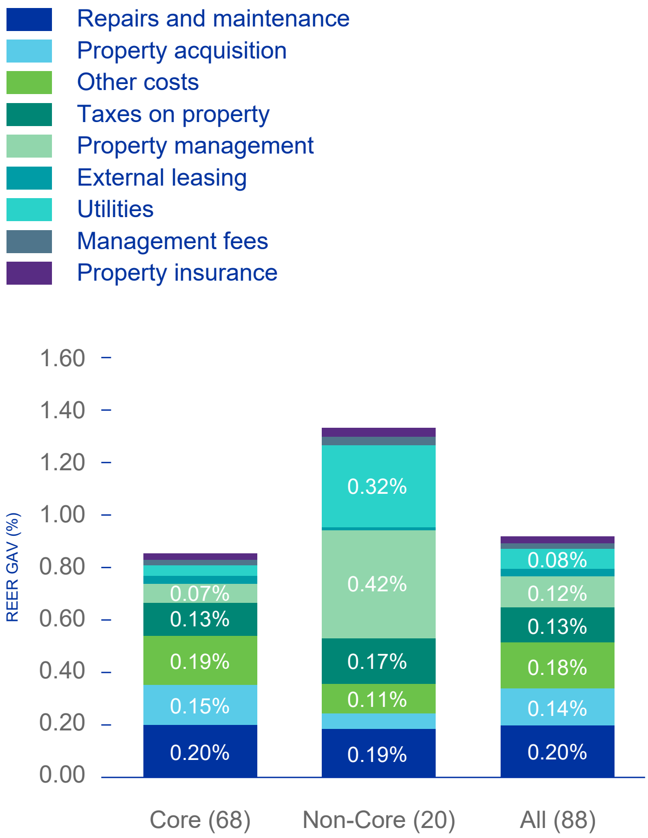
The value-weighted analysis of REER contribution by detailed cost type reveals that Non-Core funds exhibit the highest REER as a percentage of GAV, at 1.34%. In contrast, Core funds have a lower REER as a percentage of GAV, with an average of 0.86%.

The largest cost component is the repair and maintenance costs. For all funds, these are 0.20% of the GAV or 22% of the real estate expenses. The repair and maintenance costs are relatively similar for Core and Non-Core funds. The second largest specific component is the property acquisition costs. Even though the investment market was quiet in 2023, the costs of the previous years' acquisitions take time to reduce due to the amortised nature of how they are calculated.

The Other remaining real estate expenses are 0.18% of the GAV for All funds. These costs include expenses that could not be included in the other cost categories or, in some cases, simply could not be provided with more granularity.

The difference in utility costs between Core and Non-Core funds is noticeable. Non-Core funds have relatively high utility costs at 0.32%, ranking as the highest cost bracket. This difference is particularly notable in the Nordics, where utility costs are known to be consistently high, linked to the costs split between landlord and tenant as defined in the rental agreements. Utility costs are significantly lower for Core funds, representing only 0.04% of the REER.

Figure 22: REER by detailed cost type (value-weighted)*



**The detailed data on the REER in the chart could be found in Excel supplement available on the [INREV website](#).*

Appendix 1

Participants

a.s.r. real estate
abrdn
Achmea Real Estate
Altera Vastgoed N.V.
Amvest Management B.V.
Ardstone
Areim AB
AXA IM Alts
Barings
Bouwinvest Real Estate Investors
CBRE Investment Management
DEAS Asset Management
DNB Real Estate Investment Management
DWS
Europa
FIL Investments International
GELF Management (Lux) Sàrl
Genesta
Heitman Real Estate Investment Management
Hines
Invesco Real Estate Europe
IPUT plc
LaSalle Investment Management
M&G Real Estate
Morgan Stanley Real Estate Investing
Niam AB
Northern Horizon Capital A/S
NREP
Nuveen Real Estate
Octopus Investment
PATRIZIA
PGIM Real Estate
Prologis Management Services S.a.r.l
Sirius Capital Partners
Sonae Sierra SGPS
Tishman Speyer
UNITE UK Student Accommodation Fund
Vesteda

Appendix 2

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.

Asset management fee and fund management fee could be 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

Fund management fee and asset management fee could be combined.

Audit costs
Costs associated with 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 a 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.

Appendix 3

Fund 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 considered, except for 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.

The formulae for TGER are:

TGER based on GAV = Vehicle fees and costs before tax / Time weighted average GAV

TGER based on NAV = Vehicle fees and costs before tax / Time weighted average NAV

The formula for REER is:
REER = Property fees and costs / Time weighted average GAV

Appendix 4

Sample comparison 2017 – 2019 – 2021 – 2022 – 2023

TER / TGER

Category	2017	2019	2021	2022	2023
All sample	155	90	68	83	91
Style					
Core	113	75	55	67	71
Value added	28	12	10	14	18
Opportunity	3	3	3	2	2
Other	11				
Structure					
Open end	82	57	39	52	57
Closed end	62	33	29	31	34
Other	11				
Country strategy					
Multi country	71	49	45	47	55
Single Country	73	41	23	36	36
Germany	15	2	1		
Netherlands	17	19	15	20	21
United Kingdom	21	15	1	5	8
Other	20	5	7	11	7
Sector strategy					
Multi Sector	69	45	31	39	47
Single Sector	75	45	37	44	44
Office	10	3	3	6	5
Retail	34	16	13	15	13
Industrial / Logistics	8	10	6	4	4
Residential	11	10	10	11	13
Other	12	6	5	8	9
Target gearing					
<40%	36	35	54	63	60
40% - 60%	52	27	14	18	21
>60%	7	3		2	2
Other	11				
Size					
<€500m	78	32	24	27	22
€500m - €1bn	40	28	15	15	23
>€1bn	26	30	29	41	46
Other	11				

TER / TGER (€ bn)	2017	2019	2021	2022	2023
Total NAV	80.6	87.5	91.1	115.0	119.3
Total GAV	103.5	112.6	123.6	153.5	167.2

REER

Category	2017	2019	2021	2022	2023
All sample	111	82	68	81	88
Style					
Core	81	69	55	65	68
Value added	22	12	10	14	18
Opportunity	3	1	3	2	2
Other	5				
Structure					
Open end	54	53	39	50	54
Closed end	52	29	29	31	34
Other	5				
Country strategy					
Multi country	51	45	45	47	52
Single Country	55	37	23	36	36
Germany	10	1			
Netherlands	16	19	15	20	21
United Kingdom	15	13	1	5	8
Other	14	4	7	11	7
Sector strategy					
Multi Sector	47	42	31	38	47
Single Sector	59	40	37	43	41
Office	9	3	3	6	5
Retail	28	14	13	15	13
Industrial / Logistics	6	7	6	3	3
Residential	8	10	10	11	11
Other	8	6	5	8	9
Target gearing					
<40%	27	34	54	61	57
40% - 60%	41	22	14	18	21
>60%	4	3		2	2
Other	5				
Size					
<500m	54	25	24	27	21
500m - 1bn	34	28	15	15	23
>1bn	18	29	29	39	44
Other	5				

REER (€ bn)	2017	2019	2021	2022	2023
Total NAV	55.0	78.4	76.8	100.6	105.7
Total GAV	71.7	99.9	102.5	131.4	145.5

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