Trends in Investor Reporting
2021

Professional Standards

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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Compliance at new record high

The 2021 INREV Trends in Investor Reporting study results show the highest ever level of compliance with the INREV Guidelines. This is due to increasing awareness and adoption of the INREV Guidelines across investment vehicle processes and in reporting to investors. With an aggregated average compliance of 90% across the Reporting, Property Valuation, INREV NAV, Fee and Expense Metrics and Performance Measurement modules, this year's study shows a considerable improvement compared to the 2019 study (85%).

The average level of compliance for the Reporting module reached 88%, with the Fund Documentation for Reporting Framework section showing a compliance score of 92%, while the Manager's Report section displayed a compliance score of 90%. Investment managers are disclosing more and more details in addition to their regular financial statements and are sharing explicit and timely information with their investors when it comes to significant events that have an impact on their business.

Compliance with the Sustainability Reporting section reached 85%, notably higher than in the 2019 study (73%). This significant improvement indicates that reporting on ESG initiatives has become common practice in the industry and ESG issues are considered in the strategies, processes and actions established by the committees and boards of the investment vehicles.

The best adopted module by all participants was Property Valuation. As in previous years, the level of compliance was the highest of all the modules, this year reaching 99%. This indicates that the valuation process is carefully set, monitored and its results are properly disclosed and integrated in reporting to investors.

Study participants reported a 94% average level of compliance with the Performance Measurement module, which was added to the study for the first time this year and became the second-highest scoring module.

As evidenced in their reporting packages, 93% of investment vehicles adopted INREV NAV within their vehicle policy, reflecting their focus on providing more useful disclosures in financial statements. Responding to investors' requirements for specific, clear, and comprehensive information, investment managers are showing a clear commitment to meeting these expectations.

The compliance level for the Fee and Expense Metrics module reached 85%. While most respondents (85%) have already adopted the Total Global Expense Ratio (TGER), there is still room for improvement with respect to the level of adoption of the Real Estate Expense Ratio (REER), which stands at 78% compliance.

ESG goes mainstream

Compliance with the Sustainability Reporting section of the Reporting module (85%) demonstrated a continuing improvement compared to the 2019 results (73%). The increase in Environmental, Social and Governance (ESG) disclosures shows that most participants report their objectives and/or strategy on ESG. On the other hand, there is a need to further improve disclosures and focus on more detailed targets, especially regarding intensity ratios for energy, greenhouse gas emissions, water and waste. This highlights the importance of increasing transparency on these topics.

Respondents shared common views on the main drivers of ESG integration: investor demand, lowering risks and ensuring long-term performance, and compliance with regulations. While compliance with regulations and achieving Net Zero Carbon targets are the priority ESG topics for the industry, they are also the most complex issues to address. Data availability and a lack of consistent regulations and frameworks are seen as the most important challenges.

ODCE funds

Among all the funds responding to this year's INREV Trends in Investor Reporting study, 12 are Open End Core European Institutional non-listed real estate funds (ODCE Index funds), representing approximately 25% of total participants. The ODCE compliance score (90%) was in line with the average compliance score of the overall study sample. Nevertheless, ODCE funds showed higher compliance scores for INREV NAV and Performance Measurement modules and for the Sustainability section of the Reporting module. These higher compliance scores were driven by additional disclosures and explanatory notes for key assumptions used as part of INREV NAV calculations as well as when computing income and capital returns in accordance with the Performance Measurement module. ODCE funds also outperformed the total sample on Sustainability reporting, as a result of additional disclosures of environmental data.

While compliance with the Property Valuation module was the same as for the entire study sample (99%), the average scores of ODCE funds for Reporting and Fee and Expense Metrics modules were slightly lower than the average compliance with these modules among all respondents.

Investment Manager Profile

The 2021 study also provides insight into the operations, risk management, and strategy of the participating funds. The governance frameworks continue to improve from the previous years' surveys, with more active oversight, a higher frequency of committee meetings, including newly established ESG committees, as well as increasing female representation on the Boards of Directors.

The top five risks identified by investment managers have evolved since 2019, with Climate/Environmental and Cybersecurity being the new entrants for 2021 due to the importance of ESG requirements and working restrictions resulting from the effect of COVID-19.

Investment managers continue to outsource operational functions to third-party service providers, in order to focus their expertise more on their core business. At the same time, investment in technological advancements showed an upward trend, as in earlier years, with investment managers concentrating on enhancing big data capabilities and visualisation, followed by ESG data collection and reporting.

Section 1

Investor Reporting

1. Investor Reporting

About the study

INREV members can participate in the Trends in Investor Reporting study every two years. Participants receive individual feedback on their reporting performance while contributing to the overall results and market averages. This year's sample comprises 48 funds (42 in 2019 and 41 in 2017) from 33 investment managers (31 in 2019 and 33 in 2017). Five major modules of the INREV Guidelines were reviewed and analysed, while funds with different structures and strategies participated, providing a diverse spectrum of viewpoints.

For details of the study and the review approach, please see Appendix 1.

Record levels of compliance

The average compliance score for the INREV Guidelines continued to improve compared to previous studies. The overall compliance score reached its highest level this year at 90% (85% in 2019 and 80% in 2017).

> 100% of INREV Trends in Investor Reporting interviewees stated that the INREV Guidelines improve transparency in the non-listed real estate industry and allow them to compare against their peers.

The average compliance with the INREV Reporting module stands at 88%, up from 85% in 2019, reflecting a strong commitment among investment managers to meet their investors' needs for comparability and transparency of information and to facilitate their decision-making processes through relevant disclosures.

This year's analysis focused on five different modules under the INREV Adoption and Compliance framework. The Performance Measurement module was included in the study for the first time to further improve transparency on compliance with the industry guidelines. The modules are as follows:

- Reporting
- INREV NAV
- Property Valuation
- Fee and Expense Metrics
- Performance Measurement (new)

In addition to the modules listed above, the INREV Sustainability Best Practice recommendations were reviewed with the objective of bringing further transparency to how the industry approaches ESG integration.

> Among participants in the current year's study, 66% represented open end fund structures and the remainder represented closed end structures.

Reporting

The INREV Reporting are divided into nine sections (Table 1.1). As seen in the table, the highest compliance scores in the Reporting module were to be found in the Fund documentation for reporting framework section (92%) and the Manager's Report section (90%). Specifically, the strong compliance score was driven by managers' continuing efforts to be more transparent to investors. This has been achieved by including any significant activities affecting the vehicle's overall performance during the year, together with industry-relevant KPIs, including the INREV NAV disclosures.

In addition, the mandatory Sustainability section in the Reporting module saw a compliance score of 85%, a significant improvement compared to previous years (73% in 2019 and 55% in 2017). This year's Trends in Investor Reporting study includes a specific section on ESG combining both mandatory sustainability reporting guidelines and best practice recommendations. Please refer to the Sustainability section for further details.

While the result for the Property Report section is higher, at 83%, than previously (79% in 2019), there is still room for improvement. The slightly lower compliance for this section of the Reporting module is driven by fewer disclosures related to property-level activities or events that may have had a significant impact on the fair value of the assets held in the portfolio. For more details, including previous years' compliance results for the Reporting module, please see Appendix 3.

The study indicated that 95% of the participants shared quantitative data with investors through their Annual Report or via the INREV SDDS.

Table 1.1: Reporting Data Module Compliance

INREV Reporting Module by section	Compliance Score
Module Average	**88%**
Fund documentation for reporting framework	92%
Content and frequency of reporting	89%
General vehicle information, organisation and governance	87%
Capital structure and vehicle-level returns	85%
Manager's Report	90%
Property Report	83%
Risk Management	89%
Sustainability	85%
Other disclosure requirements	85%

INREV NAV

Consistent with prior years' findings, INREV NAV remains one of the most relevant and relied upon ways of supporting performance comparison across peer groups and of valuing investment units for accounting purposes at the investor level.

The INREV NAV guidelines aim to provide consistency and transparency between vehicles that report under different accounting standards. In the current year's study, 25% and 75% of the participating funds reported under Local GAAP and IFRS accounting standards, respectively.

This year's Trends in Investor Reporting study indicates that the highest compliance score within the INREV NAV module was to be found in the Fund Documentation section (97%). This strong compliance score was driven by additional disclosures in financial statements to provide investors with insights regarding the valuation methodologies applied, their frequency, and overall details of the valuation process.

The INREV Standard Data Delivery Sheet (INREV SDDS) standardises the information exchanged between an investment manager and an institutional investor. Managers are encouraged to enter their vehicle details in a standardised template which can be sent directly to the investors, enhancing efficiency and raising the accessibility of key valuation, financial and cash flow information. To find out more, visit inrev.org/standards.

'Being able to evaluate the performance and to benchmark against our peers provides us with insightful information and lets us assess where we stand in the non-listed market with limited market data.'

- Participant from UK

> ‘We try to be the best and fully comply with the INREV Guidelines to position ourselves as industry leaders.’
>
> *- Participant from Germany*

Within the INREV NAV module, the NAV Disclosure section (90%) shows that there is still room for improvement around disclosure of key assumptions used in the INREV NAV computation. Specifically, additional disclosures in the following areas are recommended:

- description of impairment and reasons for booking related expenses/costs, and

- disclosure of the exit strategy related to the underlying real estate investment and disposal costs likely to be incurred as part of the transaction.

For more information about INREV NAV including guidelines and tutorials, please visit the INREV website.

Property Valuation

The Property Valuation module is designed to promote best practices in the valuation process. Specifically, the module covers the end-to-end valuation process, including the appointment of an external valuer, valuation reports and vehicle documentation.

In the current study, the Property Valuation module achieved the highest score among all modules (99%), significantly above the average compliance score for all modules (90%). This indicates that nearly all participants value their investments under fair value, with valuations mainly performed by external valuers. The module also had the smallest gap between the highest-scoring sub-section (Process of Valuation – 99%) and the lowest scoring sub-section (Fund Documentation – 96%).

Fee and Expense Metrics

The Fee and Expense Metrics module provides guidelines for standardised disclosures of fees and costs and calculation of key metrics, such as the Total Global Expense Ratio (TGER) and Real Estate Expense Ratio (REER), for non-listed real estate vehicles.

The aim of this module is to support the comparability and presentation of fee and cost structures between different non-listed vehicles, (e.g. funds with different accounting standards, domicile, investment structures) while analysing them in the context of fund style, investment strategy and associated underlying risks.

The average overall compliance score for the Fee and Expense Metrics module improved significantly from prior years’ results (85% in 2021 vs 71% in 2019 and 62% in 2017).

INREV Guidelines compliance by module

REPORTING	**88%**
INREV NAV	**93%**
PROPERTY VALUATION	**99%**
FEE AND EXPENSE METRICS	**85%**
PERFORMANCE MEASUREMENT*	**94%**

**Newly added section for 2021 Trends in investor reporting*

This year's analysis shows the highest compliance score within the Fee and Expense Metrics module for the Fee and Expense Metrics Framework section (91%). This reflects consistent classification for the purposes of fee and expense metrics, with the reported amounts and metrics being in line with the principles defined under INREV NAV and INREV GAV.

On the other hand, the compliance scores for TGER and REER were 85% and 78%, respectively. Specifically, 92% of the participants confirmed annual disclosure of historical TGER (96% for REER and 92% for both ratios), while 44% confirmed disclosure of forward-looking TGER accompanied by disclosures of the estimates used in the metrics (20% for REER and 20% for both ratios).

TGER represents vehicle fees and costs as a percentage of time-weighted average INREV NAV or INREV GAV. It is the first global industry standard launched by INREV together with NCREIF, PREA and ANREV in 2020 to facilitate comparison of fees and costs between real estate investment vehicles that operate across different regions of the globe. REER represents property fees and costs as a percentage of time weighted average INREV GAV.

While TGER relates to the operating costs borne by the vehicle, REER captures the costs relating to the management of real estate assets.

'We have been leveraging INREV Reporting Guidelines since the inception of the fund in 2016. We want to ensure our investors and managers are speaking the same language while offering investors an ability to evaluate and benchmark their investments' performance.'

- Participant from the Netherlands

Disclosure of these ratios is not required under accounting standards, but these key metrics are being tracked by investment managers for monitoring purposes and reported to investors.

Nevertheless, there is an increasing tendency to include these ratios in the audited financial statements, indicating the growing importance of the INREV Fee and Expense Metrics guidelines for financial reporting.

In order to further improve the overall compliance score, additional disclosures of the forward-looking TGER and REER for anticipated stabilised period of the vehicle and the management's estimates used in the calculations are recommended.

Performance Measurement

The guidelines on Performance Measurement have been developed in response to the increasing demand for standardised performance measures for non-listed real estate vehicles.

The level of discretion of an investment manager in determining cash flows into and out of a vehicle, and any investment restrictions, may vary significantly depending on the vehicle type. Some performance measures may therefore be less relevant for certain vehicles.

For example, investment managers of closed end vehicle have discretion over capital calls and distributions, while investment managers of open end vehicles need to accommodate new issues and redemptions which may interfere with the portfolio strategy. In this context, money-weighted returns are more relevant for closed end funds, whereas time-weighted returns are more relevant for open end funds.

In this year's study, 66% of participants had an open end fund structure, with the remaining 34% being closed end. The average overall compliance score for the module was 94%.

This year, the highest compliance score within the Performance Measurement module was to be found in the Calculation Principles section (99%). This reflected annual calculations of performance measures aligning with the NAV calculation, disclosure of time-weighted returns regardless of the vehicle type (closed end or open end), and fair value measurement of the underlying investments.

In this module, there is scope for improvement to the Time Weighted Returns section (93% compliance), which could be enhanced by including disclosure of total returns and income returns since the inception of the vehicles on an annualised basis. More specific disclosure of the following items is recommended for closed end funds:

- An unrealised multiple or residual value to paid-in capital multiple ('RVPI'),
- An investment multiple or total value to paid-in capital multiple ('TVPI'),
- Realisation multiple or cumulative distributions to paid-in capital multiple ('DPI'), and
- Points of reference with the same vintage year or inception year, if available and meaningful.

Sustainability

Sustainability reporting for non-listed real estate vehicles is continuously evolving. Compliance with the Sustainability Reporting section of the Reporting module was 85%, marking a notable increase from the 73% recorded in the 2019 study and the 55% recorded in 2017. The increase in ESG disclosure reflects that most participants started to report their ESG objectives and/or strategy.

Specifically, the Sustainability Reporting guidelines and best practice recommendations include four sections: two mandatory reporting sub-categories focusing on sustainability strategy and objectives, and the sustainability portfolio and environmental data (85% average compliance for both); and two additional best practice recommendations extending over the topics mentioned above (88% average compliance for both).

Opportunities for further compliance

As part of the study, a selected number of investment managers were interviewed and asked to provide reasons for lower compliance scores and any challenges they anticipate in attempting to improve their overall level of compliance for the future. Among the interview responses, it was stated that:

- Required disclosures are not always relevant to all vehicle structures;
- ESG is one of the main focal points investment managers are prioritising to improve their overall compliance.

The interviews confirmed that investment managers consider the INREV Guidelines as one of the most important frameworks for providing further transparency in the non-listed

The INREV Sustainability Reporting guidelines form a disclosure framework for delivering meaningful data to increase visibility and insight into a fund's ESG efforts and for detailing the next course of action for improvements.

It is mandatory to report on INREV Sustainability Reporting section of the Reporting module annually in order to claim compliance with the INREV Guidelines.

INREV also provides Sustainability Best Practice recommendations to enable investment managers to advance their reporting on ESG integration in greater detail.

'We are discussing ESG topics more frequently than ever, but just like any other investment manager, there are significant challenges due to lack of data accessibility and availability. Data collection and identifying true benchmarks to assess our portfolio have been extremely difficult.'

- Participant from Nordics

real estate industry. The guidelines are often used as an objective rating tool for comparison with peers and setting individual targets.

It is clear from Table 1.2 that the overall compliance score has continued to improve over the last three studies, indicating that participating funds made constant efforts to comply and provide insightful information to their investors.

In particular, the average compliance score for the Fee and Expense Metrics module and Sustainability section of the Reporting module have improved significantly (20% and 16%, respectively), compared to the study conducted two years ago.

Table 1.2: Overall average compliance score comparison against prior year studies

INREV Guidelines compliance by module	2017	2019	2021
Reporting	79%	85%	88%
INREV NAV	87%	94%	93%
Property Valuation	97%	98%	99%
Fee and Expense Metrics	62%	71%	85%
Performance Measurement*	n.a.	n.a.	94%
Overall Average	**80%**	**85%**	**90%**
INREV Sustainability guidelines			
Sustainability - Mandatory	55%	73%	85%
Sustainability - Best Practice Recommendations*	n.a.	n.a.	88%

**Newly added sections for 2021 Trends in investor reporting*

Section 2

ODCE

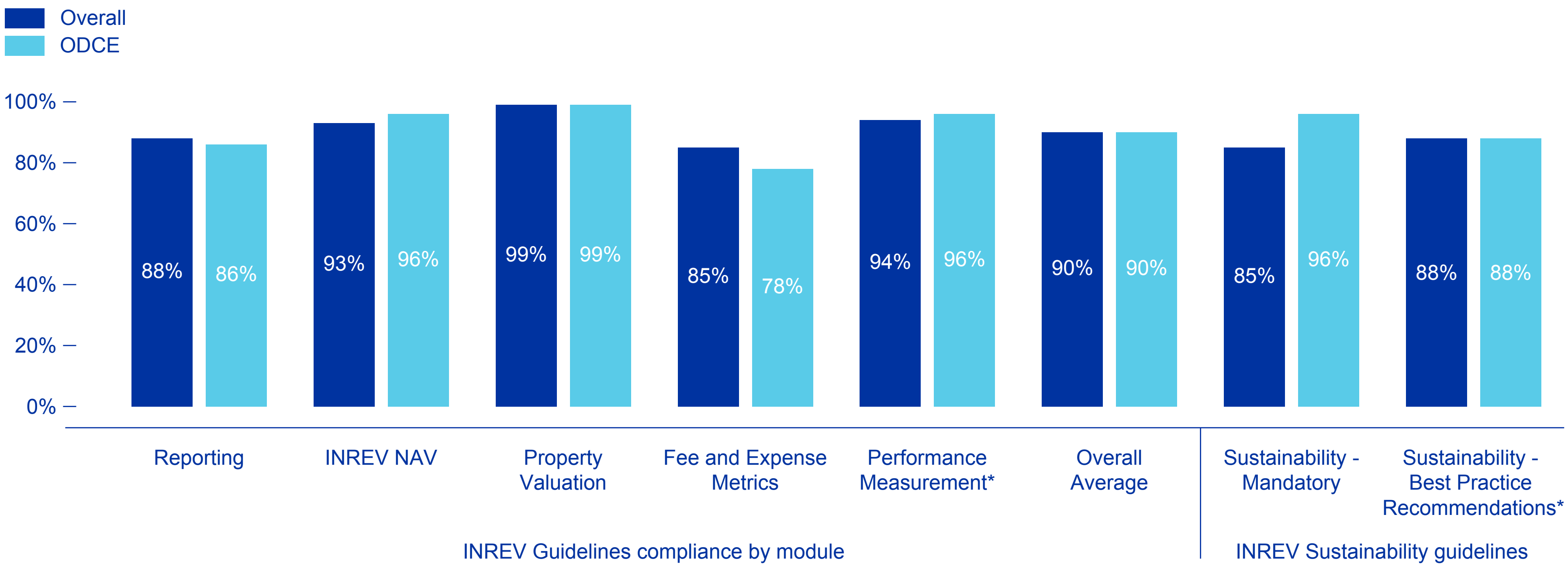
2. ODCE

Among the funds responding to this year's INREV Trends in Investor Reporting study, 12 were Open End Diversified Core European Institutional Non-listed real estate Equity funds (ODCE Index), representing approximately 25% of total participants. The Index comprises open end core commingled equity real estate funds that have a diversified strategy to invest across Europe and across multiple sectors. The mission of the Index is to be a relevant and informative measure of the performance of the institutional core diversified pan-European open end real estate vehicle market for the benefit of participants that invest, advise or manage within this peer group. To find out more, visit inrev.org/market-information.

All 12 ODCE funds participating in the study have a multi-country strategy across a number of sectors, and the vast majority are reported under IFRS, while the rest are reported under local GAAP. In addition, all but two of the funds obtain and review quarterly external appraisal reports for their investment properties.

Responses from the 12 funds were assessed separately in order to provide an ODCE specific average for the compliance with the INREV Guidelines. The average compliance score of the ODCE funds (90%) was in line with the compliance score of the overall sample (90%) included in this year's study. Nevertheless, ODCE funds recorded higher compliance scores for the INREV NAV and Performance Measurement modules as well as the Sustainability Reporting section of the Reporting module. While compliance with the Property Valuation module was the same as

Table 2.1: ODCE compliance score comparison against overall sample average compliance score



**Newly added sections for 2021 Trends in investor reporting* for the whole sample (99%), ODCE funds' average scores for the Reporting and Fee and Expense Metrics modules were slightly lower than for the overall sample (see table 2.1).

ODCE funds scored a higher compliance rate for the INREV NAV module than the overall sample due to additional disclosures and explanatory notes of key assumptions used as part of the INREV NAV calculation (e.g. impairment of acquisition expenses and set up costs, adjustments to the carrying value of subsidiaries with negative equity, and estimates of disposal costs). With regards to the Performance Measurement module, the higher compliance score was attributable to additional disclosures and calculations of the capital return, total return, and income return since inception on an annualised basis.

Although the average Reporting module score for ODCE funds was slightly below the overall average, a higher compliance score was achieved for the Capital Structure and Vehicle-level Returns (90% vs. 85%) and Sustainability (96% vs. 85%) sections. This was due to additional disclosures on the status of investor commitments and capital invested in the fund, the degree of implementation and compliance with current ESG regulatory requirements, and reporting of environmental data.

Among the challenges identified by the investment managers of ODCE funds during the interviews, the biggest hurdle in adopting new ESG requirements was seen to be a lack of clarity in current regulatory initiatives and data accessibility (see the ESG section of the report for further details).

The ODCE funds' compliance scores were below the overall average in four sections of the Reporting module: the Manager's Report section (84% vs. 90%), Fund documentation for reporting framework (89% vs. 92%), Property Report (81% vs. 83%) and Other Disclosure requirements (50% vs. 85%).

The lower compliance score for the ODCE funds as compared to the overall average in the Fee and Expense Metrics module (78% vs. 85%) is mainly due to lower levels of disclosure regarding forward-looking TGER and REER, including the associated underlying estimates used to calculate the metrics for the anticipated stabilised period of the funds.

Section 3

ESG

3. ESG

Over the last years, the non-listed real estate industry has acknowledged the importance of integrating ESG considerations in investment decisions to reduce risk and to reflect the sustainability agenda of investors. Investment managers increasingly communicate their performance on a wide range of ESG topics with investors through sustainability reporting.

One of the main drivers of increased sustainability reporting is the need for investors to assess the ESG risks within their investments. Another key driver is represented by the new regulatory developments. Following the European Commission's Sustainable Finance programme, several regulatory and policy initiatives that impact non-listed real estate investing have been developed in recent years, including the Sustainable Finance Disclosure regulation (SFDR) and the EU Taxonomy. These initiatives focus on setting standards related to investments labelled as 'green' and adopting requirements on the accurate assessment and disclosure of climate change risk and sustainability measures to investors. There is a clear policy goal of encouraging the transition towards a sustainable economy, which is already having an impact on sustainability reporting.

> 'Compliance with ESG requirements is one of our top priorities, but we are facing many challenges starting from understanding and interpretation of the new ESG regulatory requirements.'
>
> *- Participant from Portugal*

In addition to regulatory developments, it has also become clear that having a high level of resilience in the context of sustainability can be an advantage when it comes to crisis management. Many ESG issues, especially climate change, can lead to future threats for the real estate industry.

Investors have become more environmentally conscious and are taking a far more comprehensive approach to their investments. There is a growing awareness and preparedness to manage and mitigate the physical risks of climate change and those associated with the transition to a low carbon economy and to move their portfolios towards Net Zero Carbon. These developments bring investment managers a clear duty to integrate ESG factors into their management decisions and regularly report on their progress to investors.

In accordance with these sustainability trends, sustainability reporting for non-listed real estate vehicles is continuously improving as evidenced by this year's study results. Compliance with the Sustainability Reporting section of the Reporting module was 85%, marking a notable increase from the 73% recorded in the 2019 study and the 55% recorded in 2017. The increase in ESG disclosure reflects that most participants started to report their objectives and/or strategy on ESG to comply with the new regulatory disclosure requirements as they adapt their investment strategy by integrating sustainability factors and risks.

> 'With rapid changes in the regulatory requirements and additional regulatory developments in the ESG space, it's difficult to commit to investment decisions without having a clear view over the information contained in the regulation.'
>
> *- Participant from the Netherlands*

ESG Regulations

Some 80% of the study participants indicated that their funds are currently in compliance with the new sustainability regulations, and approximately 63% of the investment managers stated that their funds have been classified as Article 8 funds or a combination of Article 6, 8 and 9 funds of the SFDR.

ESG data availability and the lack of consistent regulations and frameworks are seen as the most important issues when reporting and adopting the classification requirements under SFDR (66% of respondents mentioned either one or both in the study).

ESG data collection is one of the biggest challenges the industry is facing, given the introduction of the new regulatory requirements. In line with the results of the study, the limitations of data collection in providing measurable environmental data figures were also highlighted during the interviews. Specifically, the challenges include a lack of transparency on energy, GHG emissions, water, and waste data measurement, due to data confidentiality restrictions and/or the inaccessibility of tenant data.

Investment managers mentioned during the interviews that they are leveraging green lease clauses and smart metering, and they are engaging with tenants to enable more data sharing for the purposes of measuring the total building resource use. In addition, some participants mentioned that they use ESG software solutions for data management systems. The Carbon Risk Real Estate Monitor (CRREM) was also mentioned as a tool to support investment managers with the Net Zero Carbon implementation journey.

> 'Adoption of SFDR requirements is very important to us and social investing is something we think about, but it's difficult to not prioritise our fund's performance for our current investors'
>
> *- Participant from UK*

Another challenge mentioned by the interviewees was the availability of benchmarks for sustainability metrics that allow an asset's performance to be compared to the market. Some of those interviewed said that they participate in the Global Real Estate Sustainability Benchmark (GRESB) and prepare an annual ESG report in compliance with the INREV Sustainability Reporting guidelines. Comparison of ESG performance against peers is seen as a valuable exercise in gathering insights and improving sustainability metrics management.

Lack of clarity in the new regulatory requirements was stated as another obstacle, suggesting that more guidance on how to interpret the regulations would be valuable[1].

Some of the participants indicated that their organisations have developed new ESG policies to further support regulatory compliance, while also offering dedicated ESG training and encouraging day-to-day interaction between the ESG and acquisition departments to enhance practice in this area. In addition, ESG committees have been set up, with monthly or quarterly meetings in place to ensure changes in the regulatory framework are considered (see Investment Manager Profile).

1 To help the industry navigate the requirements of the SFDR, INREV summarised the key provisions and obligations that became effective per 10 March 2021 (https://www.inrev.org/news/inrev-news/are-you-prepared-sfdr)

> 'Industrial assets with a single tenant are manageable, but we simply cannot obtain sufficient information for residential assets with 100 different tenants.'
>
> *- Participant from Germany*

Net Zero Carbon Buildings

Global energy-related emissions need to reach Net Zero by 2050 in order to limit the global temperature rise to 1.5 °C. Real estate is at the centre of efforts to achieve the 1.5 °C target and decarbonise energy supply and consumption.

Approximately 80% of the respondents have either defined a Net Zero Carbon strategy at portfolio and/or asset level or are working towards developing a Net Zero Carbon strategy to balance the emissions emitted as a result of all activities associated with the development, ownership and servicing of a building.

During the interviews, alternative investments in infrastructure and forestry assets were highlighted as a way of balancing carbon emissions, while asset-based solar panel investments were seen as a way to generate on-site renewable energy.

However, it was also viewed as challenging to achieve Net Zero Carbon by solely relying on internal renewable energy sources, meaning that there could be value in investing in external renewable energy solutions such as wind turbines. With the demand for greater compliance with sustainability standards, interviewees also expect to see a continuing rise in impact investing that involves a commitment to green energy and the reduction of carbon emissions.

Another challenge when implementing a Net Zero Carbon strategy is when the building has been acquired as a standing investment, since the embodied carbon is fixed and cannot be influenced anymore.

The participants also highlighted during the interviews a need for more qualified staff to implement ESG strategies and asset level data monitoring. Investment managers are looking into hiring more ESG experts to help them with these initiatives, including sustainability reporting.

In addition, Diversity, Equity and Inclusion (DEI) as well as health and wellbeing are also considered important ESG aspects, although they are poorly monitored at the moment, according to the majority of respondents.

‘Our organisation has a responsibility and opportunity to contribute to sustainability in our investments and corporate operations. Our vision recognises that ESG factors are fundamental to our business and drive long-term outperformance in the real asset portfolios we manage.’

- Participant from the Netherlands

Section 4

Investment Manager Profile

4. Investment Manager Profile

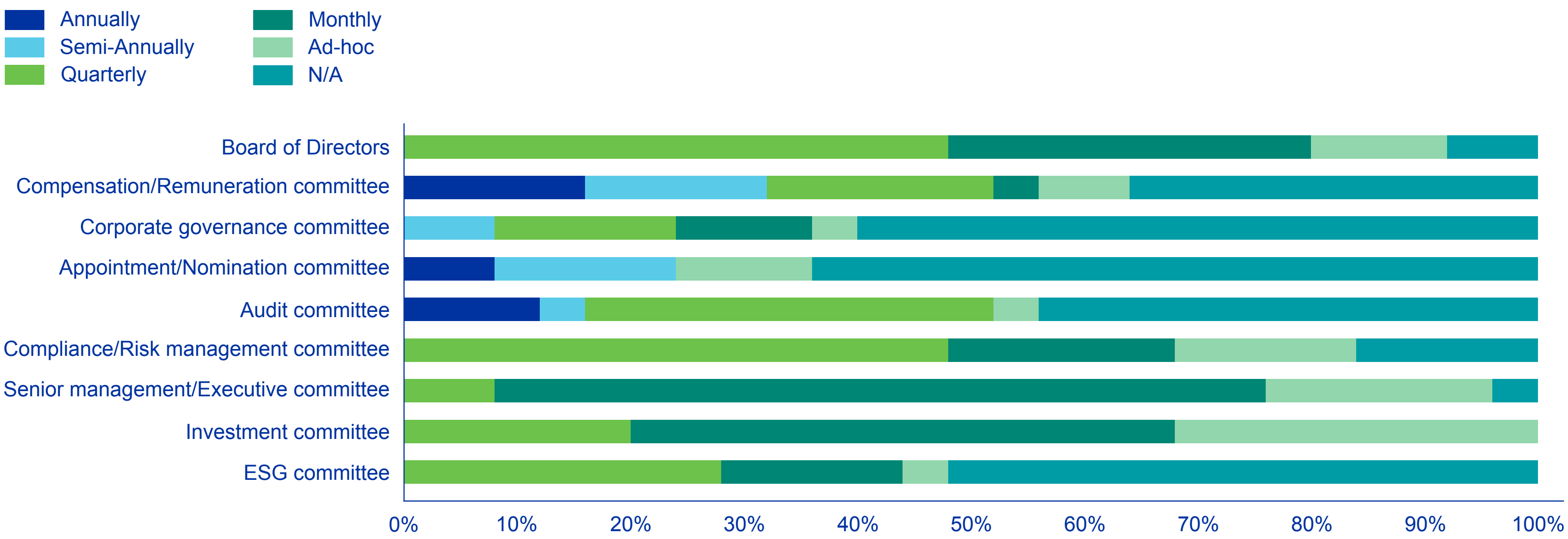
Consistent with previous studies, a separate survey was included to gain insights into the operations, risk management and strategy of the participating funds. The Investment Manager Profile survey for this year's study was completed by 24 separate investment managers who oversee 34 different funds.

As part of the investment management organisation, recurring meetings are held between different committees and Boards of Directors, signalling a focus on governance frameworks. The purpose of these meetings is to support as well as oversee the management of the vehicle on issues across its operations and strategy implementation. Figure 4.1 shows the frequency of meetings for committees and Boards of Directors. These include different operational functions such as ESG, investment, compliance, audit and compensation.

70% of the participating investment managers indicated that their fund's Board of Directors includes at least one female member. According to the responses, women make up between a quarter and a half of directors and approximately 42% of managers. Gender equality and a focus on DEI were stated as important topics by all participants.

All participating investment managers are regulated entities subject to AIFMD, and approximately 92% of them have a dedicated risk management function.

Figure 4.1: Frequency of committees and Board of Directors meetings



When analysing the five most important priorities in terms of risk management, there is a slight change in focus as compared to the 2019 study. The top five priorities are now ranked as follows:

Figure 4.2: Top five risks identified by investment managers

- ↑ OPERATIONAL, INCL. SECURINGFUTUREINCOME
- = MARKET, INCL. STRATEGIC SECTOR ALLOCATION
- ↓ REGULATORY
- NEW CLIMATE/ ENVIRONMENTAL
- NEW CYBERSECURITY

UP, DOWN OR SAME FROM 2019

The analysis suggests there is no 'one solution that fits all', as different funds and investment managers have their own unique risk appetite. As seen in Figure 4.2, Climate/ Environmental together with Cybersecurity have been newly identified as top five risks in this year's study, replacing Liquidity and Credit/Counterparty risks from the previous study. This reflects again a higher emphasis on ESG, and changing working conditions as a result of COVID-19.

Investment managers continue to outsource operation functions to third parties in order to focus most of their internal resources on their core responsibilities. The major advantages of outsourcing that were cited by participants include reducing risks and costs, additional flexibility with internal staffing, and delegation of administrative functions to a third party with more expertise.

Top three most outsourced operation functions:

- Regulatory Reporting: AIFMD Depositary (75%)
- Regulatory Reporting: Local country periodic specific filings (58%)
- Accounting and Administrative: Property Accounting (58%)
- Accounting and Administrative: Vehicle Accounting (58%)

Top three most in-house operation functions:

- Investor Services: Investors Reporting (88%)
- Regulatory Reporting: Managers regulatory reporting (88%)
- Accounting and Administrative: Cash Management/Treasury (79%)

Yardi, SAP, MRI, Argus and Microsoft Excel are the most utilised software solutions/tools supporting operational functions. In addition, there are a few funds that rely on internally developed tools to support such functions.

'Our digital transformation strategy will revolutionise the day to day operations of our firm. We understand the importance of investing in technology, keeping up to date and is an ongoing journey that requires flexibility and adaptability from top to bottom to create an overall evolution and global integration at firm level."

- Participant from Luxembourg

Investment in technology is another key area where investment managers are thinking ahead, on the basis that automation and a streamlined operation process will create additional efficiency and transparency. Figure 4.3 lists the top five technology investments that managers are anticipating making within the next 12 months.

As seen in Figure 4.3, the most anticipated technology investment is to enhance big data capabilities and visualisation (88%), followed by ESG data collection and reporting (79%) and risk management, including vehicle structuring, portfolio management and valuation (79%). In response to heightened cybersecurity risk, further investments in IT security (71%) are expected, as are some improvements in the treasury process (33%).

Figure 4.3: Top five target technology investments within next 12 months

Technology investment targets	
Enhancing big data capabilities and visualisation	88%
ESG data collection and reporting	80%
Risk management, incl. vehicle structuring, portfolio management and valuation	80%
IT security	72%
Treasury	36%

Section 5

Conclusion

Conclusion

This year's Trends in Investor Reporting study reached another milestone with a record high overall average compliance score of 90% across the Reporting, Property Valuation, INREV NAV, Fee and Expense Metrics and Performance Measurement modules. The INREV Guidelines provide a key reporting and governance framework, and this study offered new insights into the strengths and areas of improvement that investment managers should consider when reporting to investors. It also provided relevant comparisons for non-listed real estate vehicles regarding average compliance with the industry guidelines.

The results show that investment managers continue to focus on providing reliable and consistent reporting to investors. This includes performance measures that allow investors to better understand and compare the performance across different vehicles. The Performance Measurement module was one of the new additions to this year's study and it displayed the second-highest compliance score at 94%.

ESG was highlighted as one of the main focal points investment managers are prioritising in their business. They are looking for further guidance and clarity relative to the new wave of sustainability regulations. Beyond regulatory compliance, many of the participants are seeking long-term opportunities in reaching their sustainability objectives, including moving towards Net Zero Carbon.

This is also reflected in the top five risk management priorities where Climate/ Environmental was cited as increasingly urgent.

Investments in technology such as ESG data collection, management, and analysis are essential to investment managers as they look at digital tools and solutions to support the organisation's sustainability journey.

Investment managers also recognise the importance of sound governance and have in place various committees and boards which meet regularly, including dedicated ESG committees.

Outsourcing of operational functions to third parties continues to expand as this enables investment managers to focus most of their internal resources on their core responsibilities.

Investor reporting remains a valuable tool for communicating information and insights on non-listed real estate investment vehicles at a time when investors are seeking to identify and assess climate risk, and to integrate ESG into their investments.

Having timely and effective ESG reporting in place where investors can easily access and understand both the financial as well as the non-financial performance of their investment can also address the increased need for ESG-related information from other stakeholders, such as tenants and regulators.

Appendix 1

Review Approach and Sample

Appendix 1: Review approach and sample

1. Purpose

The objective of this review is to provide insight into current market practices of investor reporting trends across non-listed real estate vehicles investing in Europe, and specifically to what extent non-listed funds' reporting complies with the requirements and recommendations of the INREV Guidelines. In addition, it is important to obtain feedback and market insight to ensure that the INREV Guidelines stay relevant and improve where additional guidance may be needed for different fund types and structures.

The outcome of the analysis will assist INREV to support the promotion of best market practices in several ways:

- It gives insight into the level of compliance with the INREV Guidelines, and provides detailed feedback to each participant on which steps need to be taken to comply with the Guidelines;
- The results of and the feedback gathered through the study and interviews can be used as input to update the INREV Guidelines, and tailor them to specific vehicle strategies and structures where needed.

The review focused on each funds' individual investor reporting format, which typically comprises an annual report and to what extent such reporting complies with the relevant parts of the INREV Guidelines.

Results from this year's review of 2020 annual reports have been determined based on a scoring scheme that reflects disclosures within each of the five modules of the INREV Guidelines included in the scope of the review. These are Reporting (Fund documentation for reporting framework, Content and frequency of reporting, General vehicle information, organisation and governance, Capital structure and vehicle-level returns, Manager's Report, Property Report, Risk Management, and Sustainability and Other disclosure requirements), INREV NAV, Property Valuation, Fee and Expense Metrics, Performance Measurement, and Sustainability section.

The review has been conducted and analysed with the support of the PwC Luxembourg team under the basis of a quantitative research study in which the degree of adoption was determined based on scores for each of the requirements and recommendations of the respective guidelines. Where possible, qualitative factors were considered to further assess requirements and different degrees of adoption for different fund types. The approach is designed to ensure a high level of consistency and fairness across the funds participating in the review.

Some of the guidelines relate to specific topics or issues which may not be relevant for all participating funds. For example, not all funds have assets under development or hold an interest in a jointly controlled entity. Therefore, the recommended disclosures on these items were viewed as not applicable for these funds. In appraising the level of non-compliance, an item marked as "not applicable" has not been included in the compliance ratio for the specific section.

In the INREV Guidelines, a distinction is made between the Manager's Report, the Property Report, and the other Financial Reporting disclosures. This distinction was not feasible for the reports of some investment managers. A number of financial reports are published in a free form in which investment managers' reports are included. In such cases, we have taken into consideration the various reports as a whole and checked whether the requirements of the INREV Guidelines have been detailed in the free-form report.

The review was carried out between October and November 2021 with the support of the PwC Luxembourg team. For each participating fund, the review process included the following steps:

- Investment managers delivered their main investor reporting documents, for example, the fund's 2020 annual report, fourth quarter 2020 report, and any other applicable documents or investor presentations to PwC Luxembourg;
- The reports were received and reviewed by the PwC Luxembourg team, who completed a compliance assessment over the relevant INREV Guidelines;
- Investment managers were requested to fill in the INREV online Self-Assessment

Tool. Where relevant, the PwC Luxembourg assessment was compared to the Self-Assessment of the investment manager;

- When no material reporting changes occurred for the funds that were previously included in the 2019 study, investment managers were permitted to roll forward their previous results through the INREV online Self-Assessment Tool;

- The PwC Luxembourg team held interview calls with selected investment managers to discuss the study results, including a comparison of their compliance score against the average, areas of improvement, and wider discussions over investment strategy, ESG, technology investments, and any other trending topics in the non-listed real estate sector;

- Investment managers will be provided with individual feedback for their funds shortly after the publication of the study. The feedback will comprise of their compliance scores for each module of the INREV Guidelines that was in scope for this year's study.

2. Sample

As of Q2 2021, the INREV Universe comprises 516 vehicles. For the purposes of this review, INREV sent requests to 190 investment managers (142 in 2019), to participate in this study, and to submit their latest annual report and other reports if applicable.
Information was received from 33 investment managers, with reports for 48 funds. The number of funds included in this year's study increased compared to the previous years (42 funds from 31 investment managers were received in 2019, 41 funds from 33 investment managers were received in 2017) resulting in 192 overall assessments completed and reviewed.

It is important to note that historical comparisons should be treated with caution as the sample size and its composition vary year by year.

Out of the 48 funds sample for which information was received, all funds were included in the study. Among the documents received from investment managers were annual and (sometimes) quarterly reports as well as a self-assessment checklist assessing compliance with each of the respective modules of the INREV Guidelines.

In order to avoid the overweight of responses from specific investment managers over others in the sample, no more than three reports from the same investment manager were obtained and considered as part of the sample.

The sample of 48 funds represents 9% of the total INREV Universe (518 different funds), which is on the same level as the study conducted in 2019.

Approximately 52% of the participating funds are domiciled in Luxembourg, 33% in the Netherlands, 4% in the UK, and remaining in Sweden, Norway, Ireland, Jersey, and the United States.

As seen in Figure A.1, in this year's study there was a higher number of value-add funds and a lower number of opportunity funds, as compared to the study in 2019 and 2017.

Figure A.1: Fund style as a proportion of the population

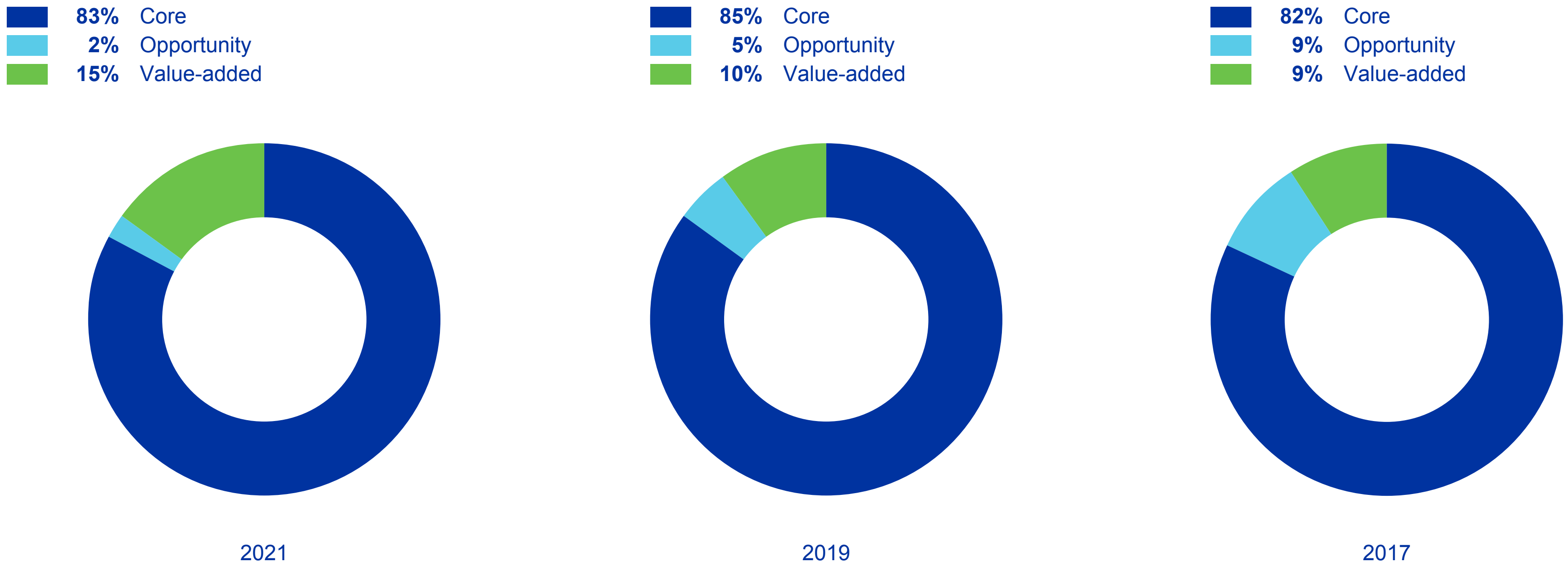


Figure A.2 shows the sample for this year's study by fund structure, strategy, and domicile. As evidenced in the table, the majority of the funds are domiciled in Luxembourg (52%). Some 65% are open end funds, while 83% of the funds have a core strategy. In addition, Figure A.3 through Figure A.5 further highlight the breakdown of respondents in the 2021 study by accounting standards, investment strategy – country, and investment strategy – sector.

Figure A.2: Number of respondents by fund style and Reporting standard

Vehicle Structure	Manager Defined Style	Vehicle Domiciliation	Number of Funds	Percentage of Funds
Open end	Core	Ireland	1	2%
		Luxembourg	19	40%
		Netherlands	9	19%
		Norway	1	2%
		United States of America	1	2%
Closed end	Core	Luxembourg	4	8%
		Netherlands	4	8%
		United Kingdom	1	2%
	Value-added	Luxembourg	2	4%
		Netherlands	3	6%
		Sweden	1	2%
		United Kingdom	1	2%
	Opportunity	Jersey	1	2%
		Total	**48**	**100%**

Figure A.3: Accounting Standards

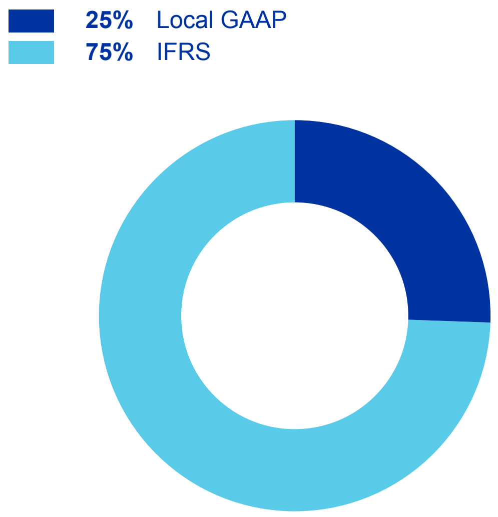


Figure A.4: Investment Strategy - Target Region

		Multi-Country			Single-Country					Total
		Europe	Western Europe	Nordic	Netherlands	United Kingdom	Germany	Sweden	Ireland	
Core	Open end	18	-	1	9	-	-	-	1	29
	Closed end	-	3	2	3	1	-	-	-	9
Opportunity	Open end	-	-	-	-	-	-	-	-	-
	Closed end	-	-	-	-	-	1	-	-	1
Value-added	Open end	-	-	-	-	-	-	-	-	-
	Closed end	-	1	3	-	1	-	1	-	6
		18	4	6	12	2	1	1	1	45

*information available for 45 funds out of the 48 participating funds

Figure A.5: Investment Strategy - Target Sector

		Multi-Sector	Single-Sector					Total
			Retail	Residential	Industrial/ Logistics	Health Care	Office	
Core	Open end	15	3	7	3	1	-	29
	Closed end	2	4	1	1	-	1	9
Opportunity	Open end	-	-	-	-	-	-	-
	Closed end	1	-	-	-	-	-	1
Value-added	Open end	-	-	-	-	-	-	-
	Closed end	5	1	-	-	-	-	6
		23	8	8	4	1	1	45

*information available for 45 funds out of the 48 participating funds

Appendix 2

Compliance with INREV guidelines by section

Appendix 2: Compliance with INREV guidelines by section

Fund documentation for reporting framework

Purpose: This section of the reporting module of the INREV Guidelines sets out the high-level basis for a fund's reporting framework, and defines key terms included within the reports.

Overall Compliance level: 92% (88% in 2019)

Insight: This section was generally very well complied with by most investment managers. A few discrepancies were however seen among the respondents regarding the interpretation of the guideline's RG01 and RG02. While managers usually provide at least one interim report to investors in addition to the annual report, some reports lacked the definition of terms or the calculation methodology of KPIs. Overall, the compliance score improved for RG01 (95% in 2019) and remained same for RG02 (81% in 2019).

For the first question, the compliance score for the interim reports was slightly lower with 97%, which can be argued that this information is being included in the annual report, therefore information was disclosed only once as part of the annual report unless there are material changes. Similar comment can be made for the KPI section for the group of participants that didn't manage to reach the adherence to these guidelines.

Advice for better compliance: When the basis, frequency and timing of reporting is stated in the funds' constitutional documents, it is suggested that fund managers also refer to this document in their ongoing reporting. When terms or KPIs are applied and disclosed in the reports, a definition of these terms is recommended to be included in the respective report.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
RG01	Does the vehicle documentation include the basis, the frequency and timing of the preparation of the annual/interim reports?	99%
RG02	Are terms or KPIs not already included in definitions defined in the annual report?	81%

Content and Frequency of Reporting

Purpose: This section of the reporting guidelines sets out the statements and items that should be included within reports to investors, particularly the annual report.

Overall Compliance level: 89% (91% in 2019)

Insight: This section shows an overall compliance level of 89%, which is one of the highest scoring sub-module among the Reporting Module sections. It can also be noted that 76% of responding funds disclosed sufficient information to comply with at least 80% of the 'Content and frequency of reporting' section requirements. Even though the overall compliance for this section is high, compliance with respect to RG09, disclosure of the level of compliance on a module-by-module basis, only managed to reach 53%. According to investment managers, the level of compliance on a module by module basis is not disclosed in the annual report as investors are more interested in adherence to the guideline and applicable requirements are reflected within their reporting package. In addition, particular details and disclosures of compliance with INREV guidelines are presented within their interim reporting and/or quarterly releases to their investors.

Advice for better compliance: In order to comply with RG09, investment managers are recommended to list the INREV Guidelines modules and indicate their degree of compliance to the corresponding modules.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
RG09	Does the annual report disclose the level of compliance with INREV guidelines on a module by module basis? This should include any relevant explanations, reconciliations and calculations.	53%

General vehicle information, organisation and governance

Purpose: This section of the reporting guidelines sets out the key underlying information of the fund and its organisation that should be circulated to investors, and includes both strategic information, and an explanation of both fund and vehicle level governance.

Overall Compliance level: 87% (80% in 2019)

Insight: This section shows an overall compliance level of 87%, which is slightly below the overall average of the Reporting Module sections. It can also be noted that 70% of responding funds disclosed sufficient information to comply with at least 80% of the 'General Vehicle Information, Organisation and Governance' section requirements. The reason for a compliance level below the overall average reporting module compliance of 80% is primarily due to RG16 and RG17. The low compliance level can be explained by the fact that only a few investment managers have fully adopted the INREV corporate governance best practices. It is worth mentioning that 88% of the investment managers disclose a fund governance framework without specific compliance score. The interviews gave us additional insight on this point as some investment managers prepare, in addition to their regular investor reporting, a compliance report that is presented to investors once a year during the shareholders meeting.

Advice for better compliance: We recommend investment managers to disclose information regarding the compliance to their corporate governance framework. We also advise investment managers referring to and considering adoption of the INREV corporate governance best practices when designing and implementing an oversight framework. Finally, in order to assess their corporate governance against best practices, investment managers are encouraged to use the INREV corporate self-assessment tool.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
RG16	Does the annual report include the level of adoption of INREV corporate governance best practices?	49%
RG17	Does the annual report include a description of the level of compliance with the corporate governance framework defined in the fund documentation?	59%

Capital structure and vehicle-level returns

Purpose: This section of the reporting guidelines sets out the required disclosures investment managers would need to consider in relation to a fund's capital structure, its flows i.e. subscriptions/calls, redemptions/ distributions etc., returns and the impact of fees on performance.

Overall Compliance level: 85% (87% in 2019)

Insight: This section shows an overall compliance level of 85%, which is below the overall average of the Reporting Module sections. It can also be noted that 68% of responding funds disclosed sufficient information to comply with at least 80% of the 'Capital structure and vehicle-level returns' section requirements. The compliance level of 85%, is explained by the fact that most of the requirements, such as drawn and undrawn commitments, together with share class NAV's and distributions made during the year constitute information usually presented in the audited financial statements, as they are also mandatory requirements within the reporting framework.

With a level of compliance standing at 78%, RG23 scored lower than the section average. While investment managers fully disclose the fund's key returns, they do not necessarily compare it to targets, benchmarks or relevant indices.

RG26 has a low level of compliance mainly due to a missing summary of the fee structure of the fund. While most investment managers disclose the main fee charges incurred during the year as a figure in the reports, not all disclose the direct impact of those fee structures on returns.

Advice for better compliance: If investment managers believe that finding a relevant benchmark or indices for their fund is not possible, we recommend comparing the fund's performance against its targeted return.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
RG23	Does the annual report summarise and comment on key investor returns and related metrics including comparison with targets, benchmarks and relevant indices?	78%
RG26	Does the annual report summarise / the interim report describe material changes on how the vehicle's fee structure impacts the vehicle's capital structure and vehicle level returns?	77%

Managers' report

Purpose: This section of the reporting guidelines sets out what information investment managers need to include in their reports, the effects of macro-economic factors and significant events affecting the fund, its performance and fees.

Overall Compliance level: 90% (92% in 2019)

Insight: This section shows an overall compliance level of 90%, which is above the overall average of the Reporting Module sections. It can also be noted that 66% of responding funds disclosed sufficient information to comply with at least 80% of the 'Managers' Report' section requirements. The Managers' Report section of the reporting guidelines concentrates on information and a narrative relevant to providing investors with a thorough understanding of the overall performance of the fund and factors that may affect performance in the future.

With a 65% compliance level, RG32 is the guideline with the lowest score within this section. Most investment managers disclose and discuss the performance of the current period in comparison to the previous year but not to the last five years.

Advice for better compliance – RG32: Compliance to RG32 requires that investment managers disclose and discuss current fund's performance not only to the prior year but within an analysis over the last five years. This would allow investors to have a better view and understanding of the long-term performance of the fund.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
RG32	Does the annual report discuss the current period performance in the context of the last five years?	65%

Property report

Purpose: This section of the reporting sets out what information investment managers should include in their reporting, such as portfolio allocation and valuation, developments in rental and property value, concentration and occupancy of properties, and the impact of operating costs and capital expenditure on the fund.

Overall Compliance level: 83% (79% in 2019)

Insight: This section shows an overall compliance level of 83%, which is below the overall average of the Reporting Module sections. It can also be noted that 58% of responding funds disclosed sufficient information to comply with at least 80% of the 'Property Report' section requirements. The Property Report section of the reporting guidelines concentrates on reporting performance at the asset level. The requirements in this area focus on the different nature of various assets, from development properties to fully mature investment properties.

The disclosures regarding acquisitions and disposal of the year are well complied with, showing above 90% compliance rate. The compliance with the other property related information (developments and property value, concentration and occupancy of properties, and the impact of operating costs and capital) remained strong with 80%+ compliance score.

Area of improvement include disclosure of unobservable inputs utilized as part of the valuation model (i.e., tenant incentives, rent free period, expected rental values), which currently has an average compliance score of 55%.

Advice for better compliance: Compliance with RG45 requires that investment managers disclose and present changes in the unobservable inputs based on market trends for new lease terms. Material changes in the property value driven from changes in the market leasing activities (i.e., higher/lower rental incentives and/or expected market rent) will provide further insights for the investors.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
RG45	Describe recent leasing renewal activity, including incentives given, rent-free periods and tenant improvement programs and expected future changes by reference to market trends in new lease terms.	55%

Risk management

Purpose: This section of the Guidelines sets out the organisation of the risk management function, the principal risks faced by the fund and vehicles, and the financing structure at both levels.

Overall Compliance level: 89% (88% in 2019)

Insight: This section shows an overall compliance level of 89%, which is slightly below the overall average of the Reporting Module sections. It can also be noted that 72% of responding funds disclosed sufficient information to comply with at least 80% of the 'Risk Management' section requirements. 100% of the respondents disclose material changes to the principal risks and exposures faced by the vehicle (i.e. interest rate, liquidity, market risks) as well as the vehicle's overall financing structure.

Almost all funds have embedded risk management frameworks, illustrating major risk exposures in their reports. In addition to this, as continuous improvement compared to 2019 analysis, the level of compliance with risk management policies is also presented in the reports (88%). In most cases, our sample did not show any specific breaches for the period under review, however, in case of breaches occurred, the funds usually will mention them in their report, in particular in their compliance report, with the inclusion of remedial plans.

Sustainability

Purpose: The guidelines consist of mandatory sustainability reporting requirements. This section of the INREV Guidelines includes also references to other industry standards which are implemented in the non-listed real estate industry; GRESB, GRI and EPRA.

Overall Compliance level: 85% (73% in 2019)

Insight: This section shows an overall compliance level of 85%, which is below the overall average of the Reporting Module but shows significant improvement compared to the previous study (73% in 2019). Also note that 74% of responding funds disclosed sufficient information to comply with at least 80% of the 'Sustainability Report' section requirements

While more and more funds disclose their approach towards sustainability in their reports, room for an improvement still exists. Specifically, additional disclosures over the degree of compliance with current ESG legislation requirements, and measurable environmental data are recommended for better compliance. As some of the interviewed investment managers explained, there are still major challenges over the data accessibility and clarity of the new regulatory requirements to improve the overall compliance.

Advice for better compliance: We encourage investment managers to include more information regarding ESG issues in their annual reports, while also considering increasing their focus on the measurement of sustainability and the ESG impact of their investments.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
ESG-LTS 1.1	Do you describe the vehicle's overall approach to ESG and its embedment in the corporate governance framework?	91%
ESG-ENV 1.1	Do you disclose the following environmental data: absolute like-for-like data, intensity (for main asset classes), or explain why not available? This disclosure should detail for the following measurables: energy, GHG emissions, water, and waste.	83%

INREV NAV

Purpose: INREV NAV reflects a more accurate economic value of the investment units based on their fair value of the underlying assets and liabilities, as at the balance sheet date, and as adjusted for the spreading of costs that will benefit different generations of investors.

Overall Compliance level: 93% (94% in 2019)

Insight: This section shows an overall compliance level of 93%, which is above the overall average of the INREV compliance score. Also note that 62% of responding funds disclosed sufficient information to comply with at least 80% of the 'INREV NAV' section requirements.

100% of respondents indicated that the IFRS NAV is adjusted for reclassification of shareholders' loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a fund and the effect of undistributed dividends recorded as a liability. In addition, participants scored average compliance score of 86% while including explanatory notes and a description of key assumptions (i.e. basis of the fair value of indirect investments, details of the methodology used for fair value of financial assets and liabilities, description of impairments and reasons for booking set up costs, an estimate and disclosure of the amount of disposal costs based on exit strategy) for NAV computation.

High compliance rate over INREV NAV indicate great results of offering comparable information among the peers to investors, which adds further transparency and relevancy within the real estate industry.

Advice for better compliance: Consistently evidenced high compliance rate in the INREV NAV module during 2021 and 2019 studies further evidence investment managers are applying heavier emphasis over the importance of INREV NAV to provide more clarity in the non-listed real estate sector which is further evidenced and reflected within financial reporting.

Property valuation

Purpose: Property valuations should be reliably, consistently and independently arrived at in compliance with regulations, undertaken by a professionally qualified valuer and transparently reported to investors.

Overall Compliance level: 99% (98% in 2019)

Insight: This section shows an overall compliance level of 99%, which scored the highest compliance score among all modules of the INREV Guidelines. Note that 70% of responding funds disclosed sufficient information to comply with at least 80% of the 'Property Valuation' section requirements. High compliance scores further emphasis that funds across Europe consider Property Valuation guideline as one of the most important for their financial reporting purposes and internal review processes.

Advice for better compliance: Reflected in a record score of 99%, the property valuation guidelines have been very well incorporated within the funds' reporting. In line with the guidelines, funds appoint an independent external valuer to estimate the fair value of their investments in accordance with the International Valuation Standards (IVS). The questionnaire as well as the subsequent interviews confirmed that the valuation usually results in a single number and deviations from property valuations as determined by the external property valuers are quite rare. The process of appointment and re-appointment of the external valuer is reviewed at least every three years, and it appears that for majority of funds responding in this questionnaire the external valuation is scrutinised by the manager's formalised internal valuation review and approval process.

Fees and expense metrics

Purpose: Fees and costs should be measured in line with the principles defined under INREV NAV and INREV GAV. TER and REER should be disclosed annually.

Overall Compliance level: 85% (71% in 2019)

Insight: This section shows an overall compliance level of 85%, which is below the overall average compliance score of the INREV Guidelines. Note that 40% of responding funds disclosed sufficient information to comply with at least 80% of the 'Fees and Expense Metrics' section requirements. The overall compliance score of 85% improved significantly compared to prior year (71% in 2019) which indicates that the investment managers are focusing on creating comparable and relevant fees and expense metrics for the investors.

The INREV Total Global Expense Ratio (TGER) and Real Estate Expense Ratio (REER) metrics have been historically less adopted by investment managers. In the 2019 study only 68% of the funds reported a TGER, and 72% a REER, which improved significantly during the year with approximately 92% of participants disclose historical TGER and 96% of participants disclose REER. However, it is evidenced that forward Expense Ratios are less adopted by investment managers with 43% participants disclose forward looking TGER and 11% disclose forward looking REER.

The TGER ratio is seen more relevant for core fund strategies than for value add or opportunistic funds. The REER that provides the measure of the property expenses over the weighted average GAV is becoming more used by investment managers. In addition, note that forward looking ratios are based on estimation bases for stabilised operation, which are less relevant to some of the core open end fund participants.

Advice for better compliance: We advise investment managers to compute both TGER and REER and include the ratios both in their quarterly as well as in their annual report regardless of investor requests. Also, information in connection with the metrics used, as well as frequency of such disclosure should be included in the vehicle documentation. As evidenced by our study, there is increasing interest in including these ratios within the audit scope.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
FEM09	The forward-looking TGER and NAV TGER should be accompanied by disclosure of the estimates used to calculate this metric.	44%
FEM11	The forward-looking REER and NAV TGER should be accompanied by disclosure of the estimates used to calculate this metric.	20%

Performance Measurement

Purpose: To provide support to investment managers when computing and reporting historic performance measures of a fund, and to increase consistency in the reporting of performance to investors.

Overall Compliance level: 94% (new in 2021)

Insight: This section shows an overall compliance level of 94%, which is above the overall average compliance score of the INREV Guidelines. Note that 42% of responding funds disclosed sufficient information to comply with at least 80% of the 'Performance Measurement' section requirements. Performance measures and the level of disclosures may vary depending on the style of the vehicles. Some performance measures may not be appropriate for some vehicles. For instance, investment managers of close end vehicles have discretion over capital calls and distributions, while investment managers of open end vehicles need to accommodate new issues and redemptions which may interfere with the portfolio strategy. In this context, money weighted returns are more relevant for closed end vehicles whereas time weighted returns are more relevant for open end vehicles.

Advice for better compliance: The module includes detailed computation formulae as well as examples to facilitate implementation. We advise investment managers to disclose total return, capital return, and income return since inception on an annualised basis.

Noteworthy Requirements:

INREV Guideline	Study question	Compliance
PM03	A total return on a time weighted basis should be disclosed in the annual report. This measure should be provided on a one, three, five and ten year period (where the track record exists) and since inception on an annualised basis.	94%

Appendix 3

Detailed cumulative compliance

Appendix 3: Detailed cumulative compliance

Table A.6: Year on year changes in the reporting section

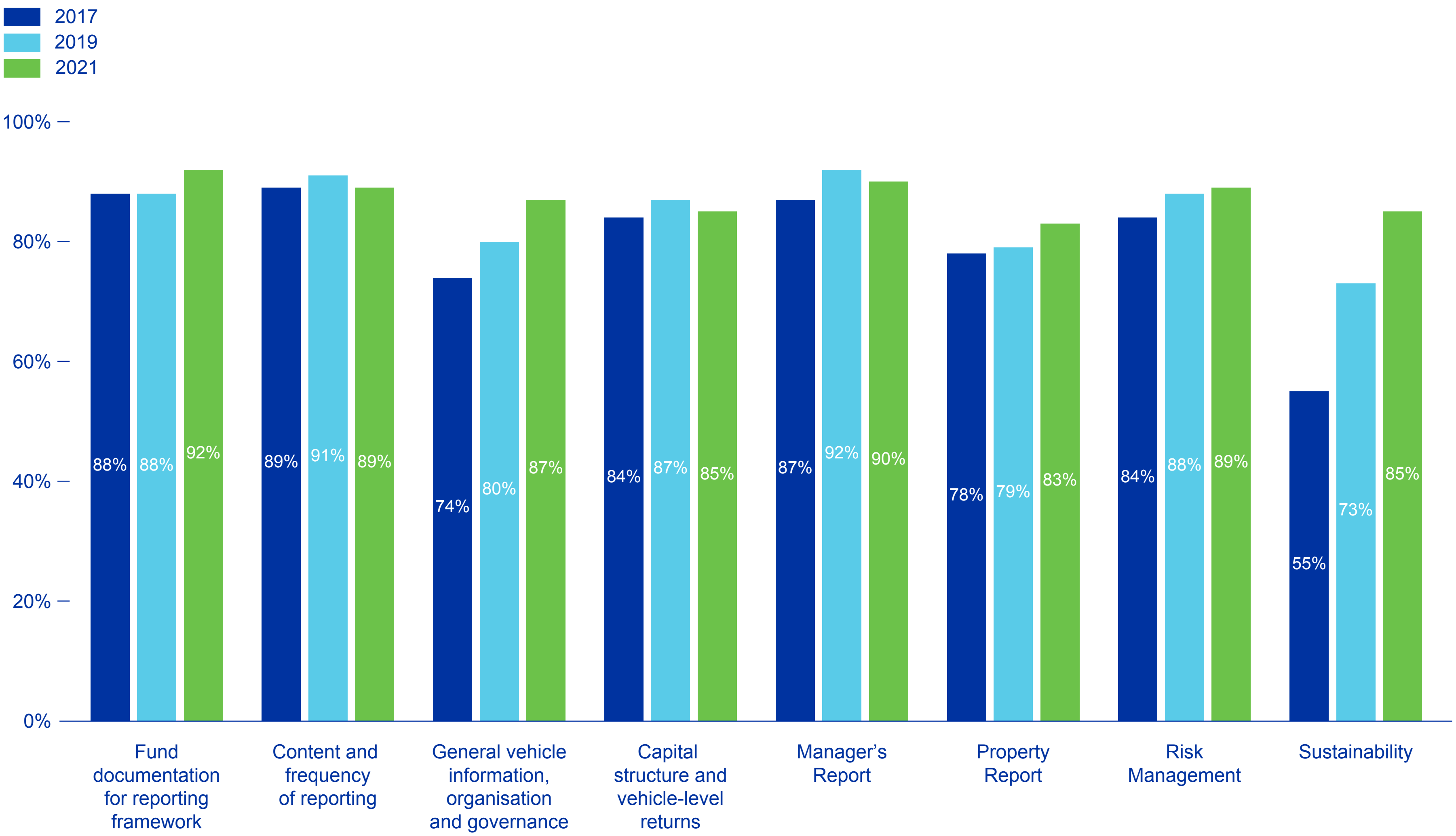


Figure A.7: Cumulative level of compliance within the Reporting Module

Sections of Reporting Guidelines		Compliance Score									
		Above 95%		Above 90%		Above 80%		Above 70%		Above 60%	
		# of funds	% of funds	# of funds	% of funds	# of funds	% of funds	# of funds	% of funds	# of funds	% of funds
Fund documentation for reporting framework	92%	35	70%	35	70%	35	70%	35	70%	42	84%
Content and frequency of reporting	89%	16	32%	23	46%	38	76%	46	92%	46	92%
General vehicle information, organisation and governance	87%	19	38%	24	48%	35	70%	38	76%	41	82%
Capital structure and vehicle-level returns	85%	19	38%	24	48%	34	68%	39	78%	40	80%
Manager's Report	90%	25	50%	30	60%	33	66%	39	78%	42	84%
Property Report	83%	13	26%	18	36%	29	58%	35	70%	38	76%
Risk Management	89%	19	38%	25	50%	36	72%	39	78%	42	84%
Sustainability	85%	36	72%	36	72%	37	74%	37	74%	40	80%
Other disclosure requirements	85%	22	44%	22	44%	22	44%	22	44%	22	44%
Overall Average Compliance Score	**88%**	17	34%	24	48%	34	68%	46	92%	46	92%

Figure A.8: Cumulative level of compliance within all modules

Modules of the INREV Guidelines		Compliance Score									
		Above 95%		Above 90%		Above 80%		Above 70%		Above 60%	
		# of funds	% of funds	# of funds	% of funds	# of funds	% of funds	# of funds	% of funds	# of funds	% of funds
Reporting	88%	17	34%	24	48%	34	68%	46	92%	46	92%
INREV NAV	93%	27	54%	29	58%	31	62%	33	66%	33	66%
Property Valuation	99%	29	58%	34	68%	35	70%	35	70%	35	70%
Fee and Expense Metrics	85%	13	26%	15	30%	20	40%	20	40%	21	42%
Performance Measurement	94%	15	30%	17	34%	21	42%	24	48%	24	48%
Sustainability - Mandatory	85%	36	72%	36	72%	37	74%	37	74%	40	80%
Overall	**90%**	22	44%	28	56%	41	82%	48	96%	48	96%

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