NCREIF PREA

Reporting Standards

Handbook
Volume I

March 31, 2014

NCREIF
National Council of Real Estate Investment Fiduciaries

PREA
pension real estate association

Reporting Standards sponsors

National Council of Real Estate Investment Fiduciaries (NCREIF)

NCREIF is an association of institutional real estate professionals which includes investment managers, plan sponsors, academicians, consultants, and other service providers who share a common interest in the industry of private institutional real estate investment. NCREIF serves the institutional real estate community as an unbiased collector and disseminator of real estate performance information, most notably the NCREIF Property Index (NPI).

Pension Real Estate Association (PREA)

Founded in 1979, PREA is a non-profit trade association for the global institutional real estate investment industry. PREA currently lists over 700 corporate member firms across the United States, Canada, Europe and Asia. Our members include public and corporate pension funds, endowments, foundations, Taft-Hartley funds, insurance companies, investment advisory firms, REITs, developers, real estate operating companies and industry service providers. PREA's mission is to serve its members engaged in institutional real estate investments through the sponsorship of objective forums for education, research initiatives, membership interaction and information exchange.

Contents

Acknowledgements

Under the direction of the NCREIF PREA Reporting Standards (“Reporting Standards”) Board, the Reporting Standards Council was responsible for ensuring that this initiative was successfully completed. Past and present members of the Reporting Standards Council who contributed to the success of this initative are:

Reporting Standards Council Chair

- **Ken Greguski**, Executive Director, IPD US

Reporting Standards Council Members

- **John Caruso**, Director of Management Information, Reporting and Analytics, TIAA-CREF
- **Sally Ann Flood**, Partner, Deloitte & Touche LLP
- **Bruce Frank**, Senior Partner, Ernst and Young, LLP
- **Gloria Gil**, Managing Director, Real Estate, University of California Regents
- **Robert Hess,** Director of Research, Grosvenor Fund Management
- **Jamie Kingsley,** Director, Hawkeye Partners
- **Maritza Matlosz**, Director, Real Estate Equity, BlackRock
- **Paul Mouchakkaa**, Managing Director, Morgan Stanley Real Estat
- **Jim Strezewski**, Senior Vice President, LaSalle Investment Management
- **D. Richard Wincott**, Executive Vice President, Altus Group US.-Research, Valuation and Advisory
- **Nathan Zinn,** Senior Investment Manager, Teacher Retirement System of Texas

Reporting Standards, Director of Operations

- **Marybeth Kronenwetter**, President, Real Estate Investment Advisors, Inc.

Note: *This version of the Reporting Standards Handbook Volume I was directed through the Reporting Standards Development Workgroup co-chaired by Jamie Kingsley and D. Richard (Rick) Wincott of the Reporting Standards Council. Workgroup members included Rick Carlson of the 2013 Reporting Standards Board, Bruce Frank of the Reporting Standards Council, Neal Armstrong, Director, Head of Fund Finance-Americas, Alternatives and Real Assets, Deutsche Asset & Wealth Management, and Kelvin Tetz, Senior Manager, Moss Adams LLP. In addition, Sue Marshall, PREA Communications Director edited this document.*

Introduction

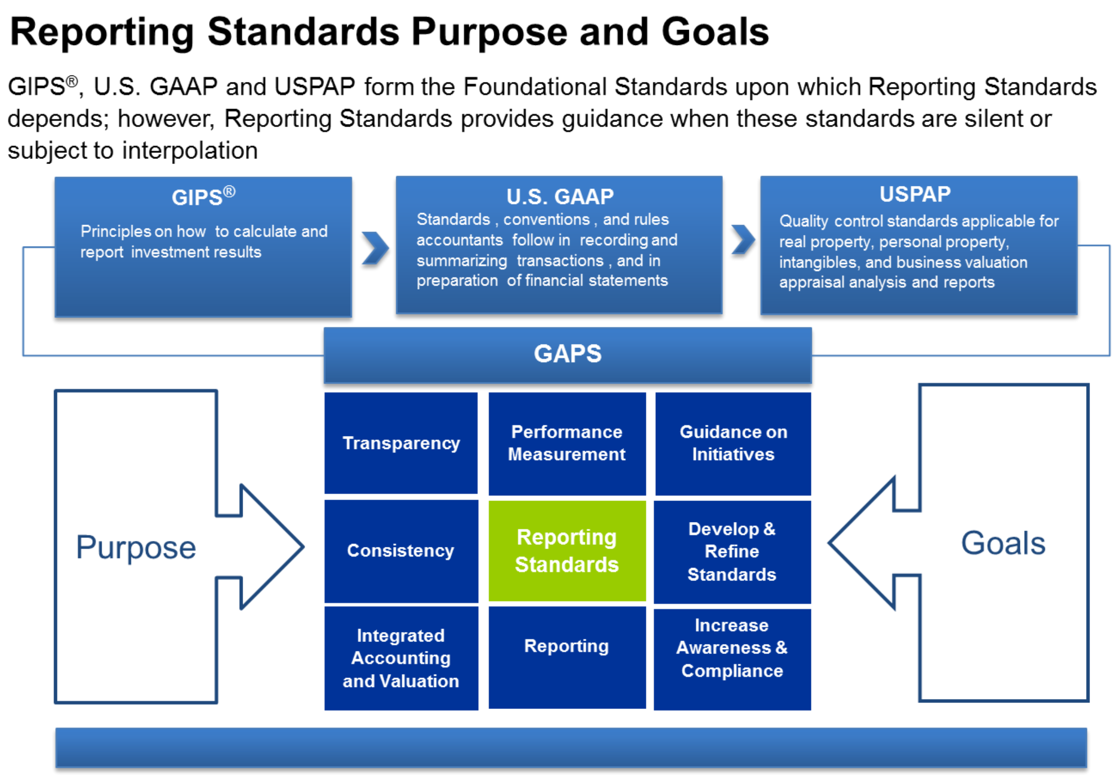
Preface

The Reporting Standards have been developed to promote transparent, consistent and meaningful performance, risk, accounting and valuation reporting. The Reporting Standards build on, but are not intended to replace, established standards issued by authoritative organizations including, but not limited to the following: the **Global Investment Performance Standards (GIPS®)** promulgated by the **CFA Institute**; **accounting principles generally accepted in the United States of America (GAAP)** established by the **Financial Accounting Standards Board (FASB)**; **and the Uniform Standards of Professional Appraisal Practice (USPAP) developed by the Appraisal Standards Board of the Appraisal Institute**. Collectively, these established standards are referred to as the **Foundational Standards** throughout this *Handbook*.

The Reporting Standards include practical guidance that established standard-setting organizations do not specifically address regarding institutional real estate investment reporting. The Standards present a single set of interdisciplinary guidance which facilitate capital formation by providing investors with financial information needed to support informed decision making.

Figure 1 illustrates how Reporting Standards achieves its goals within the context of the **Foundational Standards.**

Figure 1: Reporting Standards purpose and goals



Defined terms

Words appearing in capital letters in the Reporting Standards are defined in the Handbook Glossary.

Applicability

The Reporting Standards apply to the information included in **Account Reports** prepared for private institutional equity real estate investors. The Account Report is the entire periodic (i.e., quarterly and annual) reporting submitted to investors in **Commingled Funds** and **Single Client Accounts** (collectively, **Accounts**). The Reporting Standards were originally designed with a focus on core strategies with many elements applicable to other strategies. The Reporting Standards Board and Council recognize that some standards may pose compliance challenges when applied to other strategies and intend to explore ways to address this in future versions.

Compliance with the Reporting Standards is measured on an Account basis (see Compliance). The Reporting Standards do not apply to firm-level reports. Certain circumstances exist where reporting of the required element is not applicable. In those instances, a response of “Not Applicable” may be appropriate. However, one can claim compliance in this circumstance provided that the Account discloses reasons why the element is not applicable within the Account Report.

Reporting Standards handbook

The two-volume *Reporting Standards Handbook* is designed to facilitate compliance with its standards. The *Handbook* is the single source of all authoritative guidance within Reporting Standards. Volume I contains the Reporting Standards, compliance information, glossary, and the checklists. Volume II is a multi-sectioned document organized into specific manuals that address discipline specific topic areas defined in Volume I.

Sources of additional information

Additional Reporting Standards information is available on the Reporting Standards web site (**http://www.reportingstandards.info**). In addition, participating in the Reporting Standards sponsor groups, NCREIF and PREA, can provide further insights and understanding of the institutional real estate investment industry. Finally, the NCREIF and PREA web sites (**http://www.ncreif.org** and **http://www.prea.org/**) include more information about the Reporting Standards sponsors, as well as research, education opportunities, and other topical publications.

Effective date

The effective date for the 2014 edition of the Handbook is January 1, 2014 excpet for paragraphs PR.04, PR.05, and PR.14-.18 which are effective for fiscal years beginning on or after December 15, 2014, with earlier adoption encouraged.

Reporting Standards

Overview

The Reporting Standards contain the required and recommended elements which are included in quarterly or annual Account Reports to investors.

- Required: Those elements that must be followed, where applicable, in order for an Account Report to be deemed compliant with the Reporting Standards.
- Recommended: Those elements, although not required, which are considered a matter of best practice.

When presenting or disclosing a prescribed Reporting Standards element in any other report or document, the same element-specific requirements are to be followed.

The Reporting Standards foster transparent, consistent, and complete reporting of Account financial and operating information relevant to investors while embracing the underlying principles of the performance measurement, accounting, and valuation-related Foundational Standards.

Performance and risk measurement

The Reporting Standards' performance and risk measurement elements address input calculation, measurement, and presentation. These elements draw upon the GIPS standards for basic ethical principles, such as full disclosure and fair representation of investment performance, and for other specific methodologies and disclosures. The Reporting Standards do not conflict with the GIPS standards. However, the GIPS standards apply on a firm-wide basis only while the Reporting Standards apply more specifically to Account reporting. As such, the performance and risk measurement elements of the Reporting Standards do not incorporate all elements of the GIPS standards. Similarly, the Reporting Standards contain elements which the GIPS standards do not address such as measurements of risk. The ***Reporting Standards Performance and Risk Manual*** included in Volume II of the *Handbook* provides:

- Detailed calculation instructions on time-weighted returns, internal rates of return, and equity multiples
- Sample of performance and risk disclosures
- An illustrative **Closed-end Fund** report

Fair value accounting

The Reporting Standards do not contradict GAAP; rather, compliance with the accounting elements of the Reporting Standards is predicated on compliance with GAAP. The purpose of the accounting elements of the Reporting Standards is to help apply GAAP consistently across the industry, thereby providing useful financial information to the U.S. private institutional real estate community. The ***Reporting Standards Fair Value Accounting Policy Manual***, included in Volume II of the *Handbook*, provides additional guidance to support the required and recommended accounting elements of the Reporting Standards.

Valuation

The development of the property valuation elements of the Reporting Standards resulted from investor requirements to carry assets at fair value and the need for useful information to support transaction decision processes. Generally, the property valuation elements of the standards follow USPAP. The Reporting Standards Valuation Manual is under development and is expected to be released in 2014.

Standards

Standards elements

Required and recommended elements

For all Accounts, the information in the following chart is to be included in the Account Report no less frequently than indicated. (Numbers reference the paragraphs within this section of the Handbook.) The discipline specific manual (i.e. Fair Value Accounting Policy Manual, Performance and Risk Manual and Valuation Manual (available late 2014)) provide additional guidance to support the required and recommended elements contained in the Reporting Standards.

Reporting Standards					
Disciplines	**Element description**	**Frequency**	**Required or recommended element**	**Applicable account type**	**Reference**
Portfolio management	Name or identifier	Quarterly	Required	All	PM.01
	Contact	Quarterly	Required	All	PM.02
	Inception date	Quarterly	Required	All	PM.03
	Structure	Annually	Required	All	PM.04
	Style and strategy	Annually	Required	All	PM.05
	Portfolio diversification by: • Investment/property type • Region/location • Nature of investment (life cycle) • Investment structure	Quarterly	Required	All	PM.06
	Final closing date	Annually	Required	Closed-end	PM.07
	Scheduled termination date	Annually	Required	Closed-end	PM.08
	Management discussion of performance relative to objective	Quarterly	Recommended	All	PM.09
	Who determines application of Reporting Standards policy	Quarterly	Recommended	All	PM.10
Performance and Risk	Total and Component Time-Weighted Return (TWR) - Gross and Net of Fees	Quarterly	Required	All	PR.01
	Disclosures accompanying TWR	Quarterly	Required	All	PR.01.1-01.6
	Benchmark comparisons	Annually	Required	All	PR.02
	Net Asset Value	Quarterly	Required	All	PR.03
	Fund Tier 1 (T1) Total Leverage- at cost	Quarterly	Required	All	PR.04
	Fund T1 Leverage Percentage	Quarterly	Required	All	PR.05
	Since Inception Internal Rate of Return (IRR) - Gross and Net of fees	Quarterly	Required	Closed-end	PR.06
	Since Inception Internal Rate of Return (IRR) - Gross and Net of fees	Quarterly	Recommended	Open-end, Single Client	PR.06
	Disclosures accompanying IRR	Quarterly	Required	All	PR.06.1-06.3
	Paid in capital multiple	Quarterly	Required	Closed-end	PR.07
	Investment multiple	Quarterly	Required	Closed-end	PR.08
	Realization multiple	Quarterly	Required	Closed-end	PR.09
	Residual multiple	Quarterly	Required	Closed-end	PR.10
	Distributions since inception	Quarterly	Required	Closed-end	PR.11
	Aggregate capital commitments	Quarterly	Required	Closed-end	PR.12
	Since inception paid in capital	Quarterly	Required	Closed-end	PR.13
	Fund T1 Leverage Yield	Quarterly	Recommended	All	PR.14
	Weighted average interest rate of Fund T1 Leverage	Quarterly	Recommended	All	PR.15
	Weighted average remaining term of fixed-rate Fund T1 Leverage	Quarterly	Recommended	All	PR.16
	Weighted average remaining term of floating rate Fund T1 Leverage	Quarterly	Recommended	All	PR.17
	Real Estate fee and expense ratio (REFER)	Quarterly	Recommended	All	PR.18
	Unfunded commitments	Quarterly	Recommended	Closed-end	PR.19
	Redemptions for quarter	Quarterly	Recommended	Open-end	PR.20
	Total subscribed commitments	Quarterly	Recommended	Open-end	PR.21
	Total redemption requests	Quarterly	Recommended	Open-end	PR.22
Asset management	Occupancy level by property type	Quarterly	Required	All	AM.01
	Portfolio lease expiration statistics	Quarterly	Required	All	AM.02
	Top 10 tenants	Quarterly	Recommended	All	AM.03

Financial	Condensed Fair Value (FV) GAAP based financial reporting	Quarterly	Required	All	FR.01
	Fair Value (FV) GAAP based financial statements	Annually	Required	All	FR.02
	Financial statement audits	Annually	Required	All	FR.03
	Schedule of Investments	Annually	Required	All	FR.04
Valuation	Valuation policy statement	Annually	Required	All	VA.01
	External Appraisals	Annually	Required	All	VA.01

Portfolio management

Required: All accounts:

PM.01: Name or identifier (Quarterly): The label used to identify the Account.

PM.02: Contact (Quarterly): The name of the person, or persons, responsible for issues relating to Account reporting matters. Frequently, this is the Account's Portfolio Manager.

PM.03: Inception date (Quarterly): The date of the first significant operating, financing, or investing activity into the Account.

PM.04: Structure (Annually):

a. Commingled Fund:
   i. Open-end
   ii. Closed-end
b. Single Client Account (formerly known as Single Investor Investment Account)

PM. 05: Style and Strategy (Annually): In general, a description of Account strategy includes the Account's plan for asset allocations, taking into consideration goals, risk tolerance, and holding period. It also includes, at a minimum, the investment style. The definitions provided below describe investment styles/strategies commonly used in the industry. They have been abstracted from the NCREIF paper *Real Estate Investment Styles: Trends from the Catwalk*[1]*.* This discussion paper contains much more detailed information on the classification of funds by strategy and should be considered by managers when describing Account strategy; however, the fund strategy designation is the responsibility of the Account's management.

a. **Core:** An Account that includes a preponderance of core attributes; the Account as a whole will have low leasing exposure and low leverage. A low percentage of noncore assets is acceptable. As a result, such portfolios should achieve relatively high-income returns and exhibit relatively low volatility.
b. **Value-added:** An Account that generally includes a mix of core investments and noncore investments that will have less stable income streams. The Account as a whole is likely to have moderate lease exposure and moderate leverage. As a result, such Accounts should achieve a significant portion of the return from appreciation/depreciation and are expected to exhibit moderate volatility.
c. **Opportunistic:** An Account of preponderantly noncore investments that is expected to derive most of its return from appreciation/depreciation and/or which is expected to and may exhibit significant volatility in returns. This volatility may be due to a variety of characteristics, such as exposure to development, significant leasing risk, high leverage, or a combination of moderate risk factors.

---

[1] NCREIF Position Paper: Real Estate Investment Styles: Trends from the Catwalk (Chicago: National Council of Real Estate Investment Fiduciaries, Oct. 2003)

PM.06: Portfolio diversification[2] (Quarterly): Calculated as a percentage, the value of real estate assets in each category is divided by the total value of real estate assets. The basis for the calculation must be disclosed (gross real estate assets or net real estate assets).

a. By investment/property type: Suggestions include those in the NCREIF Property Index (Office, Industrial, Retail, Apartment, and Hotel) in addition to Timberland and Agriculture, which NCREIF reports as separate indexes.

   Other investment/property types might include:

   i. Entertainment (e.g., theaters, golf courses, bowling alleys, restaurants, pubs, casinos)

   ii. Health care (properties primarily used for delivery of healthcare services including hospitals and outpatient clinics)

   iii. Land (undeveloped land parcels)

   iv. Parking (parking lots or structures)

   v. Self-storage (self-storage units, single and multi-story, basic or climate- controlled)

   vi. Senior living (Specialized housing designed specifically to accommodate the needs of senior citizens, but whose function is not primarily healthcare. Note: Senior Living facilities without medical care should be classified as apartments.)

   vii. Student housing

   viii. Condo development/conversion

   ix. Homebuilding

   x. Infrastructure (e.g., transport, regulated utilities, communications, social)

   xi. Medical office

   xii. Mixed-use facilities (disclose composition of mixed-use facility)

b. By region/location: NCREIF U.S. geographic divisions (Northeast, Mideast, East North Central, West North Central, Southeast, Southwest, Mountain, and Pacific). If an Account includes non-U.S. investments, include country.

c. By nature of investment (life cycle):

   i. Predevelopment: Raw land or land undergoing property site development

   ii. Development: Property under construction, including preparation and installation of infrastructure

   iii. Initial Leasing: Completed construction that is less than 60% occupied since the end of construction and has been available for occupancy for less than one year

   iv. Operating or Stabilized: Completed construction that has achieved 60% occupied status since the end of construction or has been available for occupancy for more than one year. If stabilized, operating phase

   v. Renovation: Undergoing substantial rehabilitation or remodeling

   vi. Conversion: Undergoing conversion to another property type

[2] NCREIF Property Index and Property Database, Data Collection and Reporting Procedures Manual (Chicago: National Council of Real Estate Investment Fiduciaries, 2011)

vii. Expansion: Undergoing substantial expansion

d. By investment structure: The investment structure is defined as one of the following: wholly owned investments, joint ventures, bonds, senior debt, subordinated debt, mezzanine debt, participating mortgages, commercial mortgage-backed securities, public real estate security, and private real estate operating company.

Required: Closed-end funds only:

PM. 07: Final closing date (Annually): The date of admittance of final investor(s) into the Account.

PM. 08: Scheduled termination date (Annually): The date the Account is scheduled to liquidate, per the Account's legal documents, or if such information is not identified within the Account's legal documents, then the anticipated termination date based on the manager's most recent projection.

Recommended: All accounts:

PM.09: Management discussion of performance relative to objective (Quarterly): A summary discussion of the Account's performance for the quarter including comparisons to established Account objectives and stated investment strategy and parameters.

PM.10: Who determines application of Reporting Standards policy (investment manager or investor) (Quarterly): The Account Report should include a statement indicating whether the investment manager or investor determines whether Reporting Standards policies (e.g., accounting, valuation, and performance) are followed for the Account.

Performance and Risk

Note: *The Performance and Risk Manual* contains additional guidance to support the required and recommended performance and risk elements shown below.

Required: All accounts:

PR.01: Total and Component (Income and Appreciation) Time-weighted Return (TWR), gross (before), and net of (after) fees (Quarterly): The information used to calculate the Account TWR includes the activity from the aggregation of all the investments made by the Account and Account level income and expenses. All period returns (total and component) must be calculated separately using a geometrically linked TWR. Annualized returns must be computed for measurement periods presented that contain more than four full quarters. For periods longer than one year, the sum of component returns may not be the same as the total return. Generally, an Account Report may also include the annualized rolling average one, three and five year return.

Required disclosures: When presenting performance returns within the quarterly or annual Account Reports or, in situations where Reporting Standards-compliant performance elements of TWR are presented in another report, the following disclosures must accompany the presented element.

PR.01.1. Gross of fees: The Account Report must clearly disclose what types of fees are deducted from the gross return to arrive at the net return.

PR.01.2. Net of fees: The Account Report must clearly present the net of fees returns presented for all investor classes. In situations where fees are billed separately (outside of the Account) and/or when different fee arrangements exist for investors within an Account, the Account Report must disclose the impact of these fees on TWR expressed, at a minimum, as a basis points range.

PR.01.3. Period: The definition of period must be disclosed and applied consistently within each metric. Quarterly is the minimum period option.

PR.01.4. Calculation methodology: The performance returns should clearly disclose the calculation methodology, including level (property, investment, Account), use of leverage (leveraged or unleveraged), and fee type (before or after investment management fees).

PR.01.5. Valuation and accounting policy and fees: For each period presented, the Account's valuation policy, types of fees and basis of accounting must be disclosed and be consistent with or made in reference to the information contained with the Reporting Standards' Financial and Valuation information elements. Disclose each type of investment management fee. In addition, the recording methodology (i.e., capitalized or expensed, or billed separately outside of the Account) and the effect on the gross and net of fees performance calculations must be disclosed.

PR.01.6. Treatment of activity before initial contribution: If an Account commences operations and incurs operating activity prior to the initial cash contribution from the investors (e.g., an Account line of credit is used to finance 100% of initial operations), the Account should disclose how this activity is treated in the return calculations.

PR.02: Benchmark comparisons (Annually): A benchmark is a point of reference against which the Account's performance and/or risk is compared.[3] Wherever possible, a benchmark should reflect

---

[3] *Global Investment Performance Standards*, January 2010, Section V, Glossary (substitute "Account" for "Composite")

the investment mandate, objective and strategy of the contractual arrangements provided in the Account documents.

If a benchmark is stipulated, it must be disclosed in the Account Report no less frequently than annually. In certain situations, benchmarks may not be stipulated within the Account documents. In this situation, the Account Report must disclose the reason it does not have a stipulated benchmark. If the Account manager changes the benchmark, the date and reason for the change must be disclosed.

Appropriate comparisons of Account performance to the benchmark must be provided in the Account Report. In addition, the name, source, description, and calculation methodology of the benchmark must be disclosed.

For meaningful comparisons, the benchmark should be calculated using the same since inception date as the Account.

PR.03: Net Asset Value (NAV) (Quarterly): The NAV is the fair value of real estate and all other assets less total liabilities. This is the amount reported in the GAAP fair value-based financial statements.

PR.04: Fund T1 Total Leverage- at cost (Quarterly): Fund T (tier) 1 Total Leverage is the Fund's **Economic Share** of the leverage elements reported on the Fund's statement of net assets for wholly owned and consolidated joint ventures. (As used herein, joint ventures include investments that are other than wholly owned.) It also includes the Fund's Economic Share of the leverage elements that are embedded in investments made by investment companies and unconsolidated equity joint ventures. In addition, Fund T1 Total Leverage must include any Fund-level debt, including but not limited to the drawn balance of subscription lines that have the ability to be outstanding for more than 90 days and/or when the manager has the ability to extend the term, but not other liabilities such as accounts payable or accrued expenses. Fund T1 Total leverage is not reduced by the Fund's cash balances. All T1 Leverage included in this measure must be reported on an unamortized cost basis (i.e., remaining principal balance). A detailed calculation must accompany this element.

PR.05: Fund T1 Leverage Percentage (Quarterly): The Fund T1 Leverage Percentage indicates what proportion of Fund T1 Total Leverage an Account has relative to its **Economic Share** of the total gross assets of the Fund.

When presenting the Fund T1 Leverage Percentage in an Account Report, the Account must provide a reconciliation of total assets (including real estate and all other assets) reported in the financial statements and the total gross assets used for calculation purposes.

If a Fund's total gross assets includes investment(s) where there is no contractual obligation on behalf of the venture partner or owner (e.g. for some minority owned investments) to provide such information, (collectively, "non-transparent investments"), the Fund must disclose what percentage of its total gross assets are reported on a net basis because the leverage associated with those investments is not known. In addition, if the Fund can contractually receive the information but the timing of receipt is after the report date, then the information from that investment(s) can lag by a reasonable time period and appropriate disclosure. In addition to providing the total amount of non-transparent investments, the Account must provide reasons why the information is non-transparent

Required: Closed-end funds: Recommended: All other Accounts

PR.06: Since Inception Internal Rate of Return (IRR), gross and net of fees (Quarterly): The IRR is the annualized implied discount rate (effective compounded nominal rate) that equates the present value of all of the appropriate cash inflows associated with an investment with the sum of the present value of all of the appropriate cash outflows accruing from it and the present value of the unrealized residual investment.

Required disclosures: When presenting IRR within the quarterly or annual **Account Reports** *or, in situations where Reporting Standards-compliant performance elements of IRR are presented in another report, the following disclosures must accompany the presented elements:*

PR.06.1 Gross of fees: The Account Report must clearly disclose what types of fees are deducted from the gross return to arrive at the net return.

PR.06.2. Net of fees: The Account Report must clearly present the net of fees returns presented for all investor classes. In situations where fees are billed separately (outside of the Account) and/or when different fee arrangements exist for investors within an Account, the Account Report must disclose the impact of these fees on IRR expressed, at a minimum, as a basis points range.

PR.06.3. Time period and frequency of cash flows: The Account Report must disclose (a) the time period for the calculation; and (b) the frequency of the cash flows used in the calculation. At a minimum, quarterly cash flows must be utilized.

Required: Closed-end funds

PR.07: Paid-in capital multiple (Quarterly): The Paid-in Capital Multiple, also known as the Paid-in Capital to Committed Capital Multiple, gives information regarding how much of the total commitments have been drawn down.

PR.08: Investment multiple (Quarterly): The Investment Multiple, also known as the Total Value to Paid-in Capital Multiple, provides information regarding the value of the Account relative to its cost basis, not taking into consideration the time the capital has been invested.

PR.09: Realization multiple (Quarterly): The Realization Multiple, also known as the Cumulative Distributions to Paid-in Capital multiple, measures what portion of the return has actually been returned to the investors

PR.10: Residual multiple (Quarterly): The Residual Multiple, also known as the Residual Value to Paid-in Capital Multiple, provides a measure of how much of the return is unrealized.

PR.11: Distributions since inception (Quarterly): This is the amount of all Distributions Paid (regardless of type) from the inception date of the Account through the date of the Account Report.

PR.12: Aggregate capital commitments (Quarterly): This is the total amount committed to the Account by investors.

PR.13: Since inception paid-in capital (Quarterly): Since Inception Paid-in Capital is equal to the amount of committed capital that has been drawn down since Account inception. Paid-in Capital includes distributions that are subsequently recalled by the Account and reinvested into the investment vehicle.

Recommended: All Accounts:

PR.14: Fund T1 Leverage Yield (Quarterly): The Fund T1 Leverage Yield provides an indication of the percentage of net investment income that may be available to pay current loan balances. Whereas the Fund T1 Leverage Percentage provides a measure of exposure to leverage and is sensitive to changes in value, the Fund T1 Leverage Yield provides an indication of an ability to pay (or cover) loan principal balances when due and is not sensitive to changes in value.

PR.15: Weighted average interest rate of Fund T1 Leverage (Quarterly): The weighted average interest rate provides a measure of impact of debt service on income. The amount of leverage used in the calculation must reconcile to Fund T1 Total Leverage (PR.04)

PR.16: Weighted average remaining term of fixed-rate Fund T1 Leverage (Quarterly): Expressed in years and fractional months the weighted average remaining term provides a measure to determine exposure to refinancing risks associated with fixed-rate Fund T1 Leverage. Generally, the classification of a loan as fixed rate debt depends upon what is stipulated in the loan documents without regard to triggers associated with the breach of loan covenants. The portion of the Fund T1 Total Leverage (PR.04) which has a fixed interest rate must be used to calculate the weighted average. A reconciliation of Total Fund T1 Leverage to the amount of Fund T1 leverage which is fixed-rate debt must be provided when this measure is presented.

PR.17: Weighted average remaining term of floating rate Fund T1 Leverage (Quarterly): Expressed in years and fractional months, the weighted average remaining term provides a measure to determine exposure to refinancing risks associated with floating rate Fund T1 Leverage. Generally, the classification of a loan as floating rate debt depends upon what is stipulated in the loan documents without regard to triggers associated with the breach of loan covenants. The portion of the T1 Total Leverage (PR.04) which has a floating rate of interest must be used to calculate the weighted average. A reconciliation of Total Fund T1 Leverage to the total amount of T1 leverage which is floating rate debt must be provided when this measure is presented.

PR.18: Real Estate Fees and Expenses Ratio (REFER) (Quarterly): The REFER is a measure of total fee burden, sometimes called fee drag of Funds and is calculated by dividing the total Fund level fees and expenses for the rolling four quarter period by the Fund's weighted average NAV over the same measurement period. Total Fund level fees and expenses include advisory or management fees, fund expenses and performance-based (incentive) fees. The REFER is presented as a backward-looking metric using actual fees incurred and does not include projected or forecasted data. Types of fees included and a description of the calculation methodology must be disclosed.

Recommended: Closed-end funds only:

PR.19: Unfunded commitments (Quarterly): As of the date of the Account Report, Unfunded Commitments represent the difference between Aggregate Capital Commitments and Aggregate Paid-In-Capital, increased by capital returned to investors which can be reinvested (if applicable).

Recommended: Open-end funds only:

PR.20: Redemptions for quarter (Quarterly): This is the aggregate amount paid to investor(s) exiting the Open-end Fund during the reporting period.

PR.21: Total Subscribed commitments (Quarterly): This is the aggregate total dollar amount of contractual capital subscriptions not yet contributed to an Open-end Fund as of the reporting date. The Account Report for the Open-end Fund should indicate what portion of the amount reported is revocable.

PR.22: Total Redemption requests (Quarterly): This is the aggregate total dollar amount of formal requests that have been received from investors to redeem out of an Open-end Fund but which have not been fulfilled, as of the end of the reporting period. The Account Report for the Open-end Fund should indicate what portion of the amount reported is revocable.

Asset management

Required all accounts:

AM.01: Occupancy level by property type (Quarterly): For those Accounts with **Operating Property**, each quarter the Account Report must include aggregate occupancy level statistics by property type as of the end of the quarter. For those Accounts with investments in other funds, each quarter the Account Report must include aggregate occupancy statistics of each fund in the Account as of the end of the quarter, if this information is provided to the Account's management. If it is not, the Account Report must disclose those funds which do not report occupancy, as well as indicate what percentage of the total Account those funds represent. All Account Reports must include disclosure of which property types and funds are included in the statistic and describe the calculation methodology, e.g., whether they are reporting on percentage leased or physical or economic occupancy. In the event an Account's manager, after using one calculation methodology for reporting purposes elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle. In addition, if the occupancy information in the quarterly report included comparative statistics, then all prior periods presented must be recalculated to the new methodology.

AM.02: Lease Expiration Statistics (Quarterly): For those Accounts with Operating Property, each quarter the Account Report must include aggregate Account lease expiration statistics by property type for each of the next five years, by year. Lease expiration statistics are not required for residential, hotel, self-storage and other property types with leases traditionally 1 year or less in duration.) For those **Accounts** with investments in other funds, each quarter the Account Report must include lease expiration statistics for each fund in the Account as of the end of the quarter, if this information is provided to the Account's manager. If it is not, the Account Report must disclose those funds which do not report lease expiration statistics and indicate what percentage of the total Account those funds represent. All Account Reports must disclose the property types and funds included in the statistics and describe the calculation methodology, (e.g., whether they are reporting the lease expirations by square feet or by rent; also, if rent is used, whether it is base rent or total rent).

In the event an Account's manager, after using one calculation methodology for reporting purposes, elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle.

Recommended: All accounts

AM.03: Top 10 tenants (Quarterly): For those Accounts with Operating Property, each quarter the Account Report should include the top ten (10) tenants in the Account, by annual total rent, as of the end of the reporting period. When reporting Top 10 Tenant information, the Account Report must define what is included in annual rent (e.g., base, percentage, escalations, pass through, etc.).

If confidentiality issues prohibit disclosing tenant names, a general description of the business purpose of the tenant will suffice. For those Accounts with investments in other funds, each quarter the Account Report should include a list of the top ten (10) tenants in the Account, by annual rent, as of the end of the quarter, if this information is provided to the Account. If the information is not provided to the Account's management, the Account Report should disclose which funds do not report the tenancy information, as well as indicate what percentage of the total Account those funds represent.

In the event an Account's manager, after using one calculation methodology for reporting purposes, elects to revise that methodology, the Account Report is required to disclose the change through the annual reporting cycle.

Financial

Note: The Fair Value Accounting Policy Manual contains additional guidance to support the required and recommended financial elements shown below

Required: All accounts

FR.01: Condensed GAAP fair value-based financial statements (Quarterly): The condensed financial statements, at a minimum, must include: a Statement of Assets and Liabilities or equivalent (e.g., balance sheet); a Statement of Operations or equivalent (e.g., income statement) ; a Cash Flow Statement; and a Statement of Changes in NAV. The reference to GAAP fair value-based financial statements does not suggest or require that an Account must qualify under to report investments at fair value. This requirement may be fulfilled by using an Account's primary basis of accounting under GAAP to prepare its financial statements and adding supplemental fair value financial information.

FR.02: GAAP Fair value-based financial statements (Annually): The Account Report must contain GAAP Fair Value-based Financial Statements that are prepared no less frequently than annually. This requirement can be satisfied using an Account's primary basis of accounting under GAAP to prepare its financial statements and adding supplemental fair value financial information.

FR.03: Financial statement audits (Annually): An independent financial statement audit of the GAAP Fair Value -based Financial Statements is required for all Accounts unless precluded or not required by client agreement or fund documents.

FR.04: Schedule of investments (Annually): The Schedule of Investments must separately disclose, at a minimum, the following information for all investments:

- Investment name: The Account's Identifier
- Property type: See Portfolio Diversification (PM.06)
- Investment structure: See Portfolio Diversification (PM.06)
- Acquisition date: The year or date acquired by the Account
- Location: If practical, use City/State, Metropolitan Statistical Area, or Country if outside of the United States. If the investment represents a diversified Account, use Country/Region where the most significant portion of the investment is located.
- Fair value as of statement date: The Account's share of the fair value of the investment as reported in the Account's financial statements, For consolidated joint ventures, this requirement can be met by listing the fair value of the investment at 100% in the Schedule of Investments with an accompanying footnote stating the Account's share of the fair value.
- Size (unaudited): Use square footage or other appropriate measure based upon the nature of the investment (e.g., number of rooms for hotels; acres for land)

Valuation

Note: *The Valuation Manual* (available late 2014) contains additional guidance to support the required and recommended valuation elements shown below.

Required: All accounts

VA.01: Valuation policy statement (Annually): In addition to the required disclosures under GAAP for fair value measurements, the Account Report must contain a statement that the Account's real estate investments are valued in accordance with the Reporting Standards Property Valuation Standards, stated below:

A written Valuation Policy, including methods and procedures, must be maintained and consistently applied. Changes to this policy must be disclosed through the next annual reporting period. The policy must include:

- Internal hierarchy of appropriate management levels responsible for the valuation process
- Process by which external appraisals are conducted
- Frequency of valuations
- External valuer and/or investment manager selection process
- Role of USPAP in the valuation process
- Debt valuation procedures
- Minimum scope and documentation requirements for both external and internal valuations
- Value acceptance and dispute resolution procedures

Direct real estate investment fair values must be reported on a quarterly basis. Quarterly valuations can be completed either internally or externally and approved in writing. This requirement supports quarterly production of the NCREIF Property Index.

a. External valuation requirements

   i. Each direct real estate investment must be valued by an independent, professionally designated property valuer or appraiser at least once every 36 months. Beginning January 1, 2012, the external valuation requirement is at least once every 12 months unless client contracts for a less frequent appraisal, but no less frequently than every 36 months.

   ii. External appraisals completed by independent third-party appraisers must be performed in accordance with USPAP for U.S. investments and either the International Valuation Standards as set forth by the International Valuation Standards Committee (IVSC) or the appropriate authoritative standard in the country in which the property exists.

   iii. Material differences between external valuation and the valuation used in reporting, and the reason for the differences, must be disclosed.

b. Internal valuation requirements

   i. Scope must be sufficient to demonstrate that the value of each property has been appropriately determined. The scope should include, but not be limited, to the following:

      1. Use appropriate, established valuation techniques
      2. Demonstrate independence of valuation process oversight, review, and approval
      3. Contain sufficient documentation for auditors to re-compute the calculations during audit
      4. Reconcile any significant variance from the previous external appraisal

Compliance

Introduction

Compliance with the Reporting Standards improves transparency in real estate valuation, financial and performance reporting, and the ability for investors, consultants, and service providers to analyze and compare investments and Accounts.

Compliance with the Reporting Standards is voluntary and is measured on an Account basis. Account management must take all necessary steps to ensure that an Account Report has satisfied the required Reporting Standards before claiming compliance with such standards. To assist Account Report preparers and users with determining compliance, separate Reporting Standards Checklists for each type of Account have been created and are available on the **Reporting Standards web site.**

Statement of compliance

The Reporting Standards set forth requirements and recommendations to be included in Account Reports. For an Account Report to be compliant with the Reporting Standards, it must contain all of the required elements of the Reporting Standards. As a matter of best practice, adherence to the recommendations of the Reporting Standards is encouraged. Account Reports that have met all of the required elements may include the following compliance statement in an Account Report:

- The ABC Account Report has been prepared and presented in compliance with the Reporting Standards.

Glossary of terms

Account(s)

Commingled Funds, both Open-end Funds and Closed-end Funds and Single Client Accounts

Account Report (see Report)

CFA Institute

The CFA Institute is a global membership organization that awards the CFA (Chartered Financial Analyst) designation. The Institute established and interprets the Global Investment Performance Standards (GIPS).

Closed-end Fund

A Commingled Fund with a stated maturity (termination) date, which may have additional investors after one or more additional closings and the final initial closing of the fund. Closed-end Funds typically purchase a portfolio of properties to hold for a period of time throughout the duration of the fund and, as sales occur, typically do not reinvest the sales proceeds.

Commingled Fund

A term applied to all open-end and closed-end pooled investment vehicles. A Commingled Fund may be organized as a group trust, partnership, corporation, insurance company separate account, or other multiple-ownership entity.

Economic Share

A term used to describe the ownership of the Fund's interest in a particular joint venture investment based on the current period hypothetical liquidation (i.e. waterfall) calculation. (As used herein, joint venture means any investments which is other than wholly owned.) At different points in the life of the investment, the Economic Share may differ from the contractual share for the investment.

Financial Accounting Standards Board (FASB)

The Financial Accounting Standards Board is the designated organization for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports. The FASB is officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants.

Foundational Standards

Standards established by existing authoritative organizations including, but not limited to, valuation standards established through Uniform Standards of Professional Appraisal Practice (USPAP), accounting principles generally accepted in the United States of America established by the Financial Accounting Standards Board (GAAP), and the performance measurement and reporting standards promulgated by the CFA Institute known as the Global Investment Performance Standards (GIPS).

Fund(s) (see Account(s))

Generally Accepted Accounting Principles (GAAP)

The United States Accounting standards established by the FASB. GAAP are the standards, conventions, and rules that accountants follow in recording and summarizing transactions and in preparing financial statements. GAAP, measured at fair value, is the foundational standard for accounting within the Reporting Standards.

Global Investment Performance Standards (GIPS®)

The Global Investment Performance Standards are a set of standardized, industry-wide ethical principles that provide investment managers with guidance on how to calculate and report their investment results to prospective clients. The GIPS standards are sponsored by the CFA Institute. The GIPS standards are the Foundational Standard for performance within the Reporting Standards.

National Council of Real Estate Investment Fiduciaries (NCREIF)

A sponsor of Reporting Standards, NCREIF is an association of institutional real estate professionals which includes investment managers, plan sponsors, academicians, consultants, and other service providers who share a common interest in the industry of private institutional real estate investment. NCREIF serves the institutional real estate community as an unbiased collector and disseminator of real estate performance information, most notably the NCREIF Property Index (NPI).

Open-end Commingled Fund

A Commingled Fund with an infinite life, which allows periodic entry and exit of investors, and typically engages in ongoing investment purchase and sale activities.

Operating Property

Operating Property includes any asset which has been completed and/or placed into service for 12 months or is at least 60% leased, whichever occurs sooner. If an Account's manager uses a different definition for Operating Property, the definition must be disclosed in the Account Report.

Pension Real Estate Association (PREA)

A sponsor of Reporting Standards, PREA is a nonprofit organization whose members are engaged in the investment of tax-exempt pension and endowment funds into real estate assets. PREA's mission is to serve its members engaged in institutional real estate investments through the sponsorship of objective forums for education, research initiatives, membership interaction, and the exchange of information.

Report

Includes the entire periodic (e.g., quarterly and annual) Account Report package submitted to investors.

Single Client Account

Any investment account managed for the benefit of one investor, including co-investments. (Co-investments can be made between an investor and a Commingled Fund or between a single investor and another single investor. Collectively, these co-investments are considered Single Client

Accounts.) Single Client Accounts may include either pools of assets owned by a single entity or individual assets owned by separate sub-tier legal entities.

Uniform Standards of Professional Appraisal Practice (USPAP)

Valuation standards established through Uniform Standards of Professional Appraisal Practice. USPAP is developed, interpreted, and amended by the Appraisal Standards Board. USPAP are quality control standards applicable to real property, personal property, intangibles, and business valuation appraisal analysis and reports. USPAP includes rules of conduct for appraisers, the functions an appraiser must perform during an appraisal and opinions which interpret the standards. USPAP is the Foundational Standard for valuation within the Reporting Standards.