



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Best Practices
Recommendations
Q&A **November 2016**



Q&A

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1. Introduction

This document is intended to provide additional information on the Best Practices Recommendations (BPR) guidelines. It includes questions submitted by EPRA-member property company auditors and/or reporting teams and the answers provided by the BPR committee. Hence this guidance should be considered as a 'live' document, to which regular updates will be made as each topic develops. The Q&A is intended to facilitate the wider use of the BPR but is not formally part of the BPR.

I would like to take this opportunity to thank the EPRA finance team and the members of the BPR committee for their contribution in compiling this document. I hope you will find it useful, and I encourage all the members to submit any additional questions they may have via the BPR Adviser Tool. We will be very pleased to assist you.



Jean-Michel Gault

Chairman, EPRA Reporting & Accounting Committee

2. General Recommendations

The following are general considerations for companies applying the BPR.

2.1 Materiality

The BPR calculations reflect the adjustments needed to satisfy the objectives of each performance measure. In making EPRA adjustments companies should apply a level of materiality (materiality threshold) that is consistent with the materiality principle under IFRS, their knowledge of the business and whether or not the inclusion or omission of an adjustment would influence the decisions of users.

2.2 BPR scope - Investment Property Companies

The BPR are specifically developed for investment property companies and accordingly, there is an assumption that the core business of these companies is to earn income through rent and capital appreciation on investment property held for the long term (commercial and residential buildings e.g. offices, apartments, shopping centres). Companies should consider this when interpreting the BPR and when considering the rationale behind the EPRA adjustments. Examples may include:

- **EPRA Earnings:** Exclusion of profits/losses from trading properties. If management considers that trading is a core recurring part of the business activity this could be added back as a company specific adjustment to show 'company adjusted Earnings'.
- **EPRA NIY:** Exclusion of marketing costs. For retail outlets, there may be certain costs labelled as 'marketing costs' that clearly represent day-to-day costs, directly linked to the operation of the property and which will not be recovered via higher future income, or re-charges. Management may therefore view these as deductible costs for the EPRA NIY.

2.3 Reporting the BPR

In order to enhance comparability and transparency we recommend that companies include in their annual reports a summary table with the EPRA performance measures calculated. In addition, companies should provide full calculations (e.g. for EPRA EPS, NAV) and explanations thereof. EPRA does not specifically require that the BPR disclosures, including the EPRA performance measures, should be audited. However, to the extent that they form part of the director's report, auditors are required to check for consistency with the financial statements.

2.4 Interpreting the BPR calculations

For the avoidance of doubt – where a calculation on the table indicates that an entity should 'include' an item, that item should be in the KPI. Similarly, where it indicates 'exclude' – items should not be in the KPI. For example, in the NAV calculations we should replace the book value of investment property at cost and add in the fair value (or simply add in the net difference).

2.5 Overriding principle: disclosure

Where companies are unable to determine the precise treatment of a particular item under the EPRA BPR, EPRA recommend that the companies disclose the approach taken so that this is transparent to users. In this respect, reconciliations of company specific measures and IFRS measures to the EPRA measures are helpful to users and therefore recommended.

3. EPRA Earnings

General description

Why are EPRA Earnings important?

The basis for EPRA Earnings was developed in consultation with preparers, advisors, and institutional investors. Investors and analysts spend considerable time identifying non-core items such as profits/losses from trading, disposals and revaluations to determine the 'core' underlying result. EPRA Earnings is especially important for investors who want to assess the extent to which dividends are supported by recurring income. Like all EPRA performance measures, EPRA Earnings enhances transparency and comparability within the industry by setting clear guidelines for companies to report core recurring income in a consistent and reliable manner.

EPRA Earnings is a measure of the underlying operating performance of an investment property company excluding fair value gains, investment property disposals and limited other items that are not considered to be part of the core activity of an investment property company. It has its basis firmly in IFRS earnings (operational earnings) with limited specific adjustments. It therefore does provide a measure of recurring income, but does not, for example, exclude 'exceptional' items that are part of IFRS earnings. EPRA Earnings is intended to provide a common baseline measure for performance that is relevant to investors in investment property companies. To ensure that all adjustments reflect the net result to the parent company's shareholders taxes and minority interests in respect of all adjustments are also taken out.

Note

- EPRA Earnings is not a pure cash flow measure as it has its basis in IFRS earnings. For example, it includes certain depreciation and amortisation costs.
- The EPRA Reporting and Accounting Committee promotes strict adherence to the EPRA calculation. Consequently, only items specifically identified in the BPR should be adjusted for in calculating EPRA Earnings. All other adjustments, which are not considered part of recurring income, should be made as company specific adjustments outside the EPRA definition (i.e. 'below the line').

Q&A

3.1 Is there an EPRA definition of FFO (Funds from Operations) under IFRS?

No. To avoid confusion with the various FFO measures EPRA has avoided using FFO terminology. EPRA Earnings is similar to NAREIT FFO, with similar adjustments aimed at providing an indication of core recurring earnings, but is not identical because it has its foundations in IFRS rather than US GAAP. For example, EPRA Earnings incorporates both cost accounting and fair value accounting under IFRS (not currently available in US GAAP).

3.2 The EPRA Earnings calculation makes an adjustment to exclude “profits/costs associated with early closeout of financial instruments”. Does this mean that we exclude one-off gains/losses if we realise some interest rate swaps before their maturity and pay out the gain/loss to the counterparty?

Yes, early closeout costs or profits such as those described should be excluded. The only exception to this is the early closeout of financial instruments with a maturity date ending within the current reporting period. In such circumstances, the cost of early closeout of the financial instrument should not be adjusted as the fair value difference would have been recognised in the current year’s earnings through the interest line and therefore including the cost of early closeout should not significantly change EPRA Earnings for that year. This is consistent with the guidance given on the early closeout of debt instruments as outlined in Q3.3 below.

3.3 Given 3.2, how should we treat the cost of early closeout of debt instruments (e.g. bonds)?

The cost of early closeout of debt instruments is very similar to the cost of early closeout of financial instruments for hedging purposes. In the event that a debt instrument (e.g. a bond) is closed out early, this will crystallise any fair value gain or loss within the income statement. These can be large amounts, especially if the debt instrument to be closed out early still has significant time to maturity. Including early closeout costs of debt instruments within EPRA Earnings does not provide consistent comparability across companies, as the closeout cost reflects the NPV of the future years’ interest differential between the market rate of debt and the debt instrument being closed out early, therefore bringing future years’ interest costs into the current year’s earnings.

We therefore confirm that the cost of early closeout of debt instruments should also be adjusted for when calculating EPRA Earnings, consistent with the treatment of the cost of early closeout for hedging instruments.

The only exception to this is the early closeout of debt instruments with a maturity date ending within the current reporting period. In these instances, the fair value difference would have been recognised in the current year’s earnings through the interest line and therefore including the cost of early closeout should not significantly change EPRA Earnings for that year. In such circumstances, the cost of early closeout of the debt instrument should not be adjusted out of EPRA Earnings.

3.4 If a company has a net share settled convertible bond (i.e. bond is not bifurcated into debt and equity, and the instrument is entirely accounted for as debt with a MTM of the whole instrument up to maturity), would the MTM of the convertible bond every period that runs in the P&L be included or excluded from EPRA Earnings?

Following extensive consultations and discussions with various stakeholders, the BPR Committee unanimously agreed in January 2014 that the ‘Mark to Market’ (MTM) changes of convertible bonds as well as any related transaction costs should be adjusted for in calculating EPRA Earnings. Companies that have such instruments must also disclose EPRA Earnings on a diluted basis (in accordance with IFRS and Q 4.10) to take into account the dilution effects of any convertibles that are in the money.

The primary reason for adjusting the MTM changes is that they contribute to increased volatility and are not considered part of core underlying earnings. Furthermore, if the convertible bond does not convert then the volatility will have reflected a cost that while it will net to zero over the life of the instrument will never in fact be incurred by the company. If it does convert, the future (diluted) EPS will reflect the impact of additional shares being issued.

We note that concern remains that the option to convert embedded within this instrument artificially reduces the interest charge.

3.5 Should we adjust for gains/losses due to IFRS 3? We recently purchased 50% of the shares in a property company below NAV and fair valued the property which resulted in an IFRS 3 gain equal to 15-20% of our net income.

When a company enters into a business combination under IFRS 3 and there is a difference (positive or negative) between the price paid and the fair value of net assets acquired, the difference is either goodwill or a discount on acquisition. In all cases, it is important to fully understand why the difference arises. However, any goodwill impairment or discount on acquisition recognised in earnings should be excluded from EPRA Earnings as a one-off item that is not part of recurring operating earnings (adjustment 'v' in EPRA Earnings calculation in the BPR).

3.6 Should we exclude property related unrealised currency valuation gains/losses from IFRS earnings in arriving at EPRA Earnings?

No, EPRA Earnings is intended to reflect any unhedged foreign exchange gains/losses and this includes unhedged positions on property. A currency gain or loss will occur only when a company has acquired a property in a country with a different functional currency [e.g. a UK company (sterling functional currency) acquires a property in France (Euros)] and have not hedged this position. There is no basis for excluding such gains or losses from EPRA Earnings.

Using the example above, ordinarily, a group may set up a company in France to acquire the property, with euro as the functional currency and when it consolidates this company, any exchange differences occur on translation and are therefore recognised directly in equity rather than through earnings. Alternatively, the exposure could be hedged through using euro debt, other euro liabilities or derivatives, such that the currency gains/losses on property will be offset by currency gains/losses on the corresponding liabilities.

3.7 Our results include significant currency gains/losses due to a foreign currency denominated loan held by one of our subsidiaries. We have recognised these currency changes in Net Financial Expenses in IFRS but have excluded these from EPRA Earnings. Is this correct or should we adjust for these in calculating EPRA Earnings?

No – see Q3.6 above. Foreign exchange gains/losses on loans should not be adjusted for as this would indicate a company is only adjusting one element of the position (the liability side) or that it has an unhedged position. There are a number of ways to structure loans to avoid exchange exposure, should a company choose to.

3.8 Our IFRS earnings include income from surrender premiums, should we exclude these in calculating EPRA Earnings?

No, this is not identified as an EPRA adjustment and should not be taken out if it is part of IFRS earnings. As mentioned in the General Description above, EPRA Earnings is not intended to exclude exceptional/non-recurring items if they are part of normal operating results. To the extent that a company's management consider this to be a significant non-recurring item they should adjust for this below EPRA Earnings.

3.9 We have previously interpreted the recommendations so that EPRA Earnings per share should be based on the diluted number of shares – in the same way that EPRA NAV is based on diluted number of shares. Is this correct, and if so why is the treatment for EPRA EPS different to EPRA NAV?

No, EPRA EPS should be calculated on the basis of basic number of shares (in line with IFRS earnings). Companies may additionally report EPRA EPS based on the diluted number of shares although this should be clearly identified as "Diluted EPRA EPS". The main reason for this is that EPRA Earnings and the dividends, to which they give rise, accrue to current shareholders and therefore it is more appropriate to use the basic number of shares. In contrast, future shareholders will be entitled to EPRA NAV which is why EPRA requires this to be based on the diluted number of shares.

3.10 How should we treat deferred tax income due to reductions in the rate of corporation tax? Since this is not a core activity, should this be excluded in arriving at EPRA Earnings?

It depends on what underlying activity the tax impact (arising from the change in tax rate) relates to. However, on the basis that most of what a company does is its 'core' activity, a practical approach would be to leave this in EPRA Earnings. However, if the major tax impact of the rate change was due to an item such as future tax on a disposal, the rate change impact should be excluded.

3.11 Our IFRS results include a one-off write down of deferred tax assets? Can we exclude this from EPRA Earnings as we do not consider this to be part of recurring earnings?

This depends on what the deferred tax relates to. The BPR excludes all deferred tax in relation to future disposals of property and EPRA adjustments (e.g. fair value gains/losses, profits/losses on disposals) and goodwill impairments are also excluded from the calculation (adjustment viii in BPR). Deferred tax and other tax charges are not excluded simply on the basis that they are 'exceptional'.

3.12 Our company recently converted to REIT status and there is a tax charge arising due to the tax on conversion. Should we exclude this from EPRA Earnings?

See Questions 3.10 and 3.11 above. Assuming the REIT conversion charge is intended to settle the latent capital gains on property, the conversion charge should be excluded.

3.13 Should the tax related to share write-downs be excluded in arriving at EPRA Earnings?

This would depend on whether management view the underlying activity of the investment in shares as a 'core' activity. If the acquisition of property (either directly or via shares in a company owning property) is the objective and the tax related to revaluations of the property are taken out of EPRA Earnings, then so should the tax on the share write-downs.

3.14 Should we exclude depreciation on investment property at cost?

The EPRA BPR is based on an assumption that the fair value model is used for investment property. If this is not the case, then yes, depreciation charges on investment property should be excluded for EPRA Earnings.

3.15 Should we exclude depreciation on own-occupied buildings?

No, this is not identified as an EPRA adjustment.

3.16 Should we exclude the fair value movements on non-hedging financial instruments?

No – only changes in the fair value of financial instruments used for hedging purposes and convertible bonds (see Q3.4 and Q4.11) should be excluded.

3.17 A company has a substantial number of PV-projects ('PhotoVoltaics') in operation and under IAS 16 has to show a depreciation component through its result. This item is neutralized in the equity, after which the full revaluation of the solar panels is reflected in a separate line in the reserves. Hence, economically one may argue that part of the revaluation of the solar panels is reflected through P&L although it is technically a non-real estate depreciation as the solar panels are reflected on the balance sheet under 'other fixed assets'. In order to translate the IFRS P&L into our analytical P&L, we essentially make three adjustments: IAS 40 (portfolio result), IAS 16 (depreciation solar panels) and IAS 39 (revaluation of financial instruments) to arrive at the EPRA net result (no further adjustments are required, apart from corrections for joint ventures). Should the depreciation be allocated to (i) 'Changes in value of investment properties, development properties held for investment and other interests'?

The treatment of non-core activities is always a bit tricky. EPRA Earnings "is intended to provide an indicator of the underlying income performance generated from the leasing and management of the property portfolio, but will also include earnings from non-property operating activity should a real estate company be involved in such activity."

Based on that description, we would not expect to have any adjustments for the PV-Projects in the calculation of EPRA Earnings. Company specific adjustments may be made below EPRA Earnings to disclose an Adjusted Earnings.

Companies make an adjustment at the beginning of the calculation to exclude non-real estate activities (if a small proportion). But, we would see this case as being different, because this type of groups includes significant part of other businesses.

Regarding the specific case PV, IAS16 applies to PV assets and the calculation records a depreciation component. But, it seems that there is also a revaluation of these assets. Based on the BPR, we would not adjust the calculation of EPRA Earnings by the amount of the depreciation. The adjustment should be done as a specific one.

3.18 Regarding the instruments that mature beyond the current reporting period (i.e. the period from the date of early closeout to the end of the current reporting period), should the part of the profits/costs corresponding to the ‘current period’ be excluded from the EPRA Earnings?

It is clear in the recommendations that material profits/costs associated with the early closeout of financial instruments used for hedging and/or debt instruments should also be excluded from EPRA Earnings.

The only exception to this is the early closeout of financial instruments or debt with a maturity date ending within the current reporting period. In such circumstances, the cost of early closeout should not be adjusted, as the fair value difference would have been recognized in the current year’s earnings through the interest line and therefore including the cost of early closeout should not significantly change EPRA Earnings for that year.

3.19 A company has an unhedged foreign exchange gain in a joint venture entity associated with an intercompany loan which fully eliminates on consolidation. Under IAS21, the foreign exchange on the loan in the lending entity is recognised in the income statement (rather than in reserves) as it is not deemed to meet the criteria to be included under the net investment in the subsidiary undertaking, because the intercompany loan document contains a fixed repayment date. This has created a FX gain, when on an economic basis no commercial benefit/loss has occurred within the joint venture group. Should this be a valid EPRA Earnings adjustment?

The FX impact on EPRA Earnings needs to be balanced, i.e. if the FX loss is adjusted out of EPRA Earnings, then the FX gain should also be adjusted out.

Further to this, EPRA BPR Q&A (Nov 2016) S.3 (Notes) state that “only items specifically identified in the BPR should be adjusted for in calculating EPRA Earnings. All other adjustments, which are not considered part of recurring income, should be made as company specific adjustments outside the EPRA definition (i.e. ‘below line’)”. This means that any adjustment should be done below the EPRA Earnings, to be part of adjusted earnings specific to the company (company specific adjustment 1).

3.20 A company is undertaking a one-off transaction which involves ‘buying-out’ one of its pension schemes. In effect, the company is settling the pension scheme early and making a payment for another company to take on the pension scheme going forward. Should the loss on early closeout of the pension scheme be considered as a loss on disposal of other non-current investment interests and therefore adjusted out of EPRA Earnings?

EPRA BPR Q&A (Nov 2016) S.3 (Notes) mentions “only items specifically identified in the BPR should be adjusted for in calculating EPRA Earnings. All other adjustments, which are not considered part of recurring income, should be made as company specific adjustments outside the EPRA definition (i.e. ‘below line’)”.

The cost of pension scheme settlement which has to be recorded in the P&L statement is not part of recurring income. In order to be adjusted to the EPRA Earnings it has to be one of the ten adjustments from the Earnings per IFRS financial statements to the EPRA Earnings. In our view, this does not seem to be the case. Therefore, we believe this adjustment should be done below the EPRA Earnings to be part of adjusted earnings specific to the company (company specific adjustment 1).

3.21 Under IFRS 11, if a company determines its joint arrangement not to be a joint venture and accounts for it accordingly as a joint operation, are the costs related to the setup of the structure still to be excluded? Specifically, costs related to legal and other advice in setting up the joint venture SPVs and co-ownership arrangements? “Acquisition costs related to share deals and joint ventures should be excluded.” (BPR3.1.vii) Paragraph vii uses “joint venture” while IFRS uses “joint arrangement” which may be either a joint venture or a joint operation. Should costs related to setting up a structure around a joint arrangement, which is technically not a joint venture under IFRS but which has the intention to operate as such, be excluded even if, strictly speaking, not treated as a share deal under IFRS 3?

EPRA BPR (Nov 2016) 3.1 elaborates “EPRA Earnings is used to measure the operational performance; it excludes all components not relevant to the underlying net income performance of the portfolio”. In the case of joint ventures, BPR 3.1.vii further reinforces the concept by elaborating “acquisition costs related to share deals and joint ventures should be excluded.”

Following the logic of EPRA Earnings and BPR 3.1.vii, we advise to exclude the ‘joint arrangement’ costs as it is not relevant to the underlying net income performance of the company, similar to BPR3.1.vii.

The interesting part would be where to make the adjustment for the ‘joint arrangement’ cost i.e. under a) BPR3.1.vii, or, b) company specific adjustment 1. The BPR Additional Guidance of Nov 2016 is very specific on this, “only items specifically identified in the BPR should be adjusted for in calculating EPRA Earnings” and a joint arrangement can either be a joint venture or a joint operation. Following the strict interpretation, we recommend adjusting the joint arrangement costs ‘below the line’ under company specific adjustment 1. This is due to ‘joint arrangement’ and ‘joint operation’ not being explicitly identified in the list of 10 allowed adjustments for calculating EPRA Earnings.

3.22 A company holds an investment property portfolio and is currently planning to buy some land options. The land options will be held at cost within prepayments and reviewed periodically for impairment. If the company manages to obtain the required planning to develop the land, it will acquire the land and reclassify the costs into investment/development properties, as these will be accounted under IAS40. If the company does not manage to get the planning, that would mean that the land option may need to be impaired and written off to the P&L. The question is whether this write-off to the P&L would be included within EPRA Earnings or adjusted out?

This loss could be seen either as abortive costs or a change in value. In the first case, our understanding is that abortive costs are kept within the EPRA Earnings i.e. included.

In the second case, such a loss will need to be excluded in the EPRA Earnings adjustments. Land options, in our view, is covered under ‘other interests’ as identified under EPRA BPR Nov 2016 Guidelines S 3.1.

We advise the adjustment to be under: 3.1 (i) Changes in value of investment properties, development properties held for investment and other interests.

The reasoning for the write off to be adjusted under 3.1(i) and not 3.1 (ii) lies on the basis that the event triggering the loss is not an active disposal but a potential lack of planning permission. This is supported by the company's periodic review of the option for impairment which will classify it under 'changes in value' (S 3.1 (i)).

3.23 In the BPR Guidelines issued in December 2014, the table for the calculation of the EPRA Earnings quoted in the adjustment (vi) "Changes in fair value of financial instruments and associated closeout costs". However, in the explanation of adjustments below the table, the paragraph explaining the adjustment is named as follows: "Changes in fair value of financial instruments, debt and associated closeout costs". Considering the changes in fair value of debt instruments are included in the Earnings per IFRS statement, we suppose that the idea is indeed to exclude these changes in the calculation of the EPRA Earnings. Could you please confirm?

Indeed, changes in fair value of debt instruments are to be excluded when calculating EPRA Earnings.

3.24 How should one-off costs for acquisitions (advisory fees etc.) be treated if the acquisition is not successful? In case of success, most of transaction costs get capitalized but if the transaction does not come through, there is a one-off loss in the P&L. Is this to be adjusted in the EPRA Earnings?

One-off costs for a failed acquisition are not to be adjusted in EPRA Earnings. Market research, reviewing potential acquisitions and actual costs made in an acquisition process are all part of normal operations. The fact that costs are one-off is not relevant. These kind of costs are part of usual abortive costs. If the amount is very significant, the company may adjust below the EPRA Earnings as 'company specific adjustment'.

3.25 Company A acquires a stake in Company B, which possesses land accounted for as inventory under IAS 2. Company B has a provision for this land. If this provision gets reduced during the period from the acquisition date until the closing date, this results in an income for Company A. Should an income that arises from a provision reversion, be excluded from the EPRA Earnings calculation?

This adjustment should fall in '(i) change in value of investment properties'. When an asset gets depreciated, it is accounted for at fair value and the changes of fair value are recorded as allowance or reversion of the provision. The rationale of EPRA Earnings is to exclude such changes related to fair value adjustments; this reversal is a fair value adjustment.

3.26 Should a company take into account the dilutive effect of a financial instrument, only if this financial instrument is 'in the money'? The IFRS guidance states that we have to include in the diluted EPS calculation a financial instrument conversion, if and only if, the conversion decreases the EPS (dilutive effect).

Convertible bonds' dilutive effect must be taken into account if the instrument is 'in the money'. Consequently, the dilutive effect should not be taken into account if the instrument is 'out of the money'.

Reference: S 3.1 Pg. 6 of the EPRA Guidelines Nov 2016 "Note that where a company has net share settled convertible bonds (not bifurcated between debt and equity instruments) then the disclosure of Diluted EPRA EPS is mandatory and must take into account the dilution effects of any convertible instruments that are in the money."

Please note that if a convertible bond is viewed as dilutive, companies should adjust both the net asset value for the effects of conversion of the bond and the number of potential ordinary shares (the denominator).

3.27 Should a company with extensive tax loss carryforward, which stems from insolvency issues the company faced in the past, make a special adjustment in order to calculate EPRA Earnings?

We advise you to adjust the 'one-off effect of tax loss carry forwards' below the line i.e. under 'company specific adjustment 1'. For EPRA Earnings calculation, it is recommended to only adjust items which are part of the 10 mentioned adjustments. It is not allowed to make any additional adjustments. This is also applicable for future one-off TDCF adjustments.

3.28 How do the BPR Guidelines suggest handling the deferred tax impact from the loss recognition provided against future profits?

The BPR is clear that you should exclude any deferred tax asset or liability in respect of the difference between the fair value and the book value of properties. If the tax asset is included to offset the tax liability linked to valuation uplift, then it is within the BPR Guidelines to exclude both asset and liability related to this.

3.29 If a company's accounts are based on historical cost and not fair value, is there a need to deduct the amortization of the portfolio from the EPRA Earnings?

No, depreciation is not deducted if the historical cost method is used.

3.30 Is it correct for a company to exclude any deferred tax recognised to offset future losses? In effect, there are two stages of deferred tax assets, one to offset the deferred liability and any remaining portion to set against future profits. The aim is not to overstate the company's results this year and vice versa understate next year's results by this unusual circumstance of a non-prescriptive exclusion under EPRA, from what is a non-recurring balance.

Items cannot be excluded just because it is non-recurring, so the fact that it may improve EPRA EPS and NAV this year, but reduce next year is not a determining factor.

The tax losses recognized as an asset to offset against future gains need to be analysed to determine if they will offset against future EPRA or non-EPRA profit. If they will be used to offset future EPRA profit, then they should remain within EPRA NAV and Earnings, however if they can clearly demonstrate they will be used to offset other non-EPRA items e.g. a gain on disposal of a property or other activity that is more capital in activity, then it would make sense to adjust out the impact of recognizing such tax losses accordingly.

3.31 How should the tax on disposals be calculated? Would deducting the tax property value from the IFRS turnover of sold properties and applying the company tax rate on this result be an appropriate method?

In respect of calculating the tax on profit or losses arising on disposal, BPR states:

(iv) Tax on profits or losses on disposals

“The tax charge or credit relating to profits or losses on investment properties, development properties and other investments sold in the period, and profits and losses on sale of trading properties, calculated consistently with (ii) and (iii) above.”

That implies that a company should calculate and exclude the tax which applies to profits or losses on disposals. Although there is no specific guidance, tax would be calculated (whether current or deferred) as the incremental tax, i.e., the difference between the total tax charge which applies to income before tax with and without the profit/ loss on disposal. That rate would be expected to be the notional tax rate unless the profit/ loss is exempted from taxation or the company has significant unvalued tax losses and exclusion only results in a Delta of these unvalued losses.

3.32 Should treasury shares be taken into account for EPRA Earnings calculation?

EPRA Earnings is based on the basic numbers of shares (which is in line with IFRS earnings per share calculations; See BPR Guidance 3.5). IFRS calculates EPS on the basis of outstanding shares (IFRS 33.10). Therefore, exclude treasury shares both under IFRS and EPRA from EPS (no difference in that respect).

3.33 Are both earnings per IFRS and EPRA Earnings calculations taken into account on an annualized basis?

EPRA follows IFRS. IAS 34.11 states: “In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within the scope of IAS 33 Earnings per Share”.

In our view, ‘for that period’ does not mean annualized. So the answer is no.

3.34 In reference to the adjustment ‘Change in Fair Value of Financial Instruments, Debt and Associated early closeout costs’, could you please clarify the following:

Do ‘financial instruments’ only refer to derivatives?

No, it refers to all financial instruments falling under the definition of IAS 32: A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Should derivatives that are designated as hedging instruments in a Cash Flow Hedge relationship, not be included in this adjustment due to its changes in fair value? (recognized in OCI)

EPRA Earnings only indicates what to exclude, not what to include: If changes in fair value of financial instruments are recognized in OCI, they do not have to be adjusted (excluded) for EPRA Earnings calculations, as they are already excluded from the IFRS Statement of Profit and Loss (starting point for EPRA Earnings). Also under IFRS, OCI items always have been excluded from EPS calculations.

Does 'debt' only refer to financial debt? Is it the case that only financial liabilities classified as 'Liabilities at fair value through P&L' could originate this kind of adjustment?

No, not necessarily. For the purpose of calculating EPRA Earnings, all fair value changes need to be excluded from the IFRS Statement of the P&L. So if there are other liabilities reported at fair value, then also their fair value adjustments need to be excluded as they also would not meet the definition of recurring income. But conversely, if fair value changes are directly reported in equity, they do not have to be excluded from the IFRS Statement of the P&L as they were also not included.

3.35 Regarding the adjustments related to deferred tax, should a REIT with a 0% tax rate make any adjustments? Also, what happens if this REIT has some Tax Receivable and Payable accounts due to VAT for the same amounts? Should this be taken into account for any adjustment?

You should only exclude the deferred tax that is in the of P&L statement with respect to these adjustments. Again, you should only exclude something if it was included in the first place. In addition, tax relates to income taxes and not VAT.

4. EPRA NAV

General description

Why is EPRA NAV important?

Investors and analysts want to know the fair value of an investment property company's assets and liabilities, taking into account the specific nature of an investment property company's business model. EPRA NAV provides a measure of the fair value of a company on a long-term basis and therefore it is a useful tool to compare against any investment and/or quoted share price. For example, this may be a good indicator of the extent to which the fair value of the (net) assets of the company is reflected in the share price. Also, through the NAV calculation investors can see the impact of any material revaluations of trading property and other investments held at cost which can help them to assess future profits or losses from sales and/or disposals of these assets.

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. For this reason, deferred taxes on property revaluations are excluded as the investment property is not expected to be sold and the tax liability is not expected to materialise. In addition, the fair value of financial instruments which the company intends to hold to maturity is excluded as these will cancel out on settlement. All other assets including trading property, finance leases, and investments reported at cost are adjusted to fair value.

Q&A

4.1 What is the distinction between EPRA NAV and EPRA NNAV?

The EPRA NAV is intended to reflect the true business of an investment property company (a 'going concern' measure) – where the assumption is that assets are held for the long term. Accordingly, it excludes deferred taxes related to future disposals and the fair value of hedging instruments as both of these are not expected to materialise. The NNAV is a 'spot' fair value measure and incorporates management's view of the fair value of deferred tax and hedging instruments. It also adjusts to fair value debt which is held at amortised cost in EPRA NAV (which reflects the contracted payments).

4.2 In the EPRA NAV calculation, do we add back the deferred tax liability? What is the treatment of any deferred tax asset?

Firstly, identify which temporary differences the deferred tax relates to – as the EPRA NAV only adjusts for property-related items as described in 4.1. For example, the deferred tax related to the temporary difference between the tax value and IFRS value that would only materialise on disposal of a property would be excluded from EPRA NAV as well as deferred tax on the revaluation of financial instruments (hedging instruments and debt) related to property that will only materialise when the property or financial instrument is sold/settled. If an item is identified as an adjusting item, then yes – deferred tax liabilities would be added back and deferred tax assets deducted from EPRA NAV.

4.3 In the EPRA NAV, should we exclude all deferred tax in the balance sheet that is attributable to the properties, or only deferred tax relating to revaluation movements?

The EPRA NAV adjusts for all property-related deferred tax temporary differences that would reverse on sale or other realisation (such as capital gains tax, depreciation differences, capitalised costs etc.). This means a company adjusts for the full nominal tax on fair value vs. tax value – as long as there is no double counting with the tax depreciation adjustment.

4.4 Can we add back property transfer tax to the fair value of property if this is not included in the IFRS fair value and we are able to avoid the transfer tax through a share deal?

No, the EPRA NAV calculation does not include an adjustment for transfer tax. If an entity is convinced that the fair value of the property should reflect a potential transfer tax saving, it should be discussed with the external valuer and auditor and, if appropriate, included in the valuation reported in the balance sheet (since the price buyers pay is affected by the transfer tax to be paid or not).

4.5 Should we fair value own-occupied buildings and other property measured at cost?

Companies should fair value own-occupied buildings and other property (typically operational property not meeting the investment property definition – for example owned hotels or serviced offices) measured at cost under IFRS if this constitutes a material adjustment. The BPR does not explicitly require this as there is an assumption that own-occupied buildings represent an insignificant portion of the portfolio.

4.6 Does the adjustment for joint venture interests also apply for associates?

Yes it does.

4.7 In the EPRA NAV calculation should we exclude/add-back mark-to-market values of financial instruments recognised in Other Comprehensive Income (and deferred taxes on the revaluations)?

A company should exclude the fair value adjustment to all hedging derivatives. This includes derivatives whose fair value adjustment is recorded in 'other comprehensive income' and the deferred taxes on that fair value adjustment.

4.8 Can we exclude the mark-to-market adjustment to the value of financial instruments that are not derivatives (i.e. assets held for trading)?

No – companies should only exclude the fair value adjustments relating to financial instruments used for hedging.

4.9 If a company has a variable to fixed swap (under which it pays 5% interest) which is significantly 'out of the money' and enters into a new fixed to variable swap (receives 2% fixed) – it has effectively locked into a 3% fixed rate since the variable payments cancel out. In this case should the company still take out the MTM value of both swaps (EPRA NAV adjustment) – even though the company has locked into a fixed rate which will not reverse out?

The EPRA BPR is clear that the fair value of hedging instruments should be taken out in the EPRA NAV calculation. If a part of a swap portfolio can be clearly identified as no longer being used for hedging purposes, the fair value of that part should not be excluded in arriving at EPRA NAV as per the BPR guidance. However, if all the instruments are used for hedging purposes (even if there is a degree of offset), the NAV should be adjusted for the fair value.

In the example in the question, whilst we can understand the rationale for including the swaps (that the net position is more akin to securing a fixed rate vs. hedging), the original intention was to hedge the instrument and the reversing swap is a reaction to the market value of that swap – rather than an intention to be actively trading in derivatives. Depending on the terms of the swaps and market conditions, the fair values are unlikely to be equal and opposite and so there would still be volatility in the income statement and the balance sheet. Since the intention is to hold the swaps until the end of their contractual duration (i.e. maturity), any fair value loss on the balance sheet will not crystallise immediately and rather will be incurred over the life of the swap. For these reasons the swaps should be treated as usual for EPRA BPR purposes.

4.10 Should EPRA NAV be calculated on a diluted or a non diluted basis? What is the intention behind the line ‘effect of exercise of convertibles, options’ (table B. EPRA NAV calculation)? Does this mean that all convertible bonds should be adjusted for - including financial instruments that are far out of the money (accretive) i.e. where the conversion price is at a premium?

EPRA NAV should be calculated on a diluted basis i.e. assuming the exercise of all options and convertibles that are dilutive. This is the adjustment that is referred to in the second line of the table (B) in the BPR. If a convertible bond is viewed as dilutive (see below) companies should adjust both the net asset value for the effects of conversion of the bond and the number of potential ordinary shares (the denominator).

Under IAS 33, share options are considered dilutive if they are ‘in the money’ (i.e. the share price is above the conversion price). IAS 33 does not make a similar distinction when assessing the dilutive effect of convertible bonds. This anomaly could lead to a convertible bond being assessed as dilutive even when no rational investor would choose conversion (i.e. the share price is below the conversion price). We would expect companies to follow a similar approach to determine whether convertible bonds are dilutive or accretive and therefore only take into account those that are in the money at the balance sheet date.

Therefore for the purposes of EPRA NAV and EPRA NNAV a convertible bond is viewed as dilutive provided that the following criteria are satisfied:

- a) The convertible bond is dilutive in accordance with IAS 33 para 50 and
- b) The share price at the balance sheet date exceeds the conversion price.

4.11 If a company has a net share settled convertible bond (i.e. bond is not bifurcated into debt and equity, and the instrument is entirely accounted for as debt with a MtM of the whole instrument up to maturity), would the MtM of the convertible bond be excluded from EPRA NAV?

Yes, as EPRA NAV is on a diluted basis (see Q4.10), the mark to market of the convertible debt should be excluded from the net assets. A diluted calculation already treats the debt as if it converts and therefore the mark to market asset or liability would not exist.

4.12 The EPRA BPR notes that the fair value of financial instruments (derivatives) used for hedging purposes should be adjusted for EPRA NAV purposes. This makes sense for interest rate swaps, but should this apply to foreign currency hedging – either fair value hedges or net investment hedges (where the hedged item market value changes are also reflected in the balance sheet)? If the movement in NAV for the underlying item hedged remains within EPRA NAV, then removing the fair value of the derivative hedging this movement would create a mismatch when calculating EPRA NAV, which defeats the purpose of hedging this exposure in the first place. This is different to interest rate swaps as the fair value of the debt is not included in EPRA NAV, therefore removing the fair value of interest rate swap derivatives makes sense as it aligns it with the debt treatment.

We agree that the fair value of derivatives used to hedge currency movements (fair value or net investment hedges) should not be adjusted for when calculating EPRA NAV and should remain within EPRA NAV to offset the movement in the underlying investment being hedged.

4.13 An entity has acquired 50% of a company (non-controlling interest) that is accounted following the equity method at a consolidated level. The asset of this 50% acquired company includes (i) land that is held for sale in the short term and (ii) property intended for sale in the near future. Both land and property are registered under IAS 2 (inventories) and therefore are measured at the lower of cost and net realizable value. Additionally, land includes a significant write-down as the difference between cost and net realizable value. Do these assets have any impact or adjustment for both EPRA NAV and EPRA Earnings purposes? More precisely, should any possible revaluation be taken into account?

EPRA NAV states that adjustments have to be made for non-current assets also as elaborated by Section 3.2(i) of BPR Nov 2016:

- Include the valuation increase/decrease to fair value of any other non-current asset where fair value can be reliably determined. The basis of valuation will need to be disclosed.
- Financial valuation adjustments are however not part of EPRA Earnings, hence it may impact NAV, not Earnings.

4.14 The liability of a 50% acquired company includes a significant intercompany loan provided by its parent company (shareholder). NAV ratio under IFRS calculated at individual level is negative (due to the significant write-down mentioned above and registered in the previous year). Should the intercompany loan be considered as equity instead of liability for EPRA NAV purposes?

If the intercompany loan is not equity under IFRS, it will also not be considered as equity under EPRA.

4.15 Should treasury shares be adjusted in EPRA NAV calculation, as they are considered financial instruments which have a negative impact on equity?

EPRA follows IFRS with respect to classification of equity instruments and number of shares outstanding. Treasury shares are deducted from IFRS equity (according to IAS32) and are not recognized as a financial asset (IAS32 AG 36).

As the BPR does not specifically address the particular case of treasury shares and as it does not fit in the EPRA NNNAV calculation, we would not recommend any adjustment.

4.16 A company has several subsidiaries with latent capital gains and intends to merge with those companies within 12 months. However, the formal decision for the mergers has yet to be taken. On the moment of a merger, the payment of an exit tax becomes due. Instead of booking a deferred tax liability, the company makes a provision for the exit tax. Should these exit tax provisions be added to the company's equity in the calculation of EPRA NAV?

This is more an IFRS-related question. Formally, exit tax only becomes current tax if it is a liability. Until that moment it remains deferred tax and should be excluded from EPRA NAV and EPRA NNNAV. Under IFRS a liability is defined as: - present obligation, - arising from a past event, the settlement of which is expected to lead to an outflow of future economic benefits from the entity. However, if there is an intention to really restructure, we would recommend to make a company specific adjustment to EPRA NAV (thus not to reverse the exit tax liability).

- 4.17 If the financial instrument is ‘in the money’, does a company only have to account for it in the calculation of the NAV, if the effect is dilutive on the NAV? Also, since sometimes the share price is close to the conversion price, it could mean that a financial instrument changes from ‘in the money’ to ‘out of the money’ during the year. This would result to a different way of NAV calculation between two reporting periods.

For EPRA NAV and NNNAV calculation, if the convertible bond is ‘in the money’ then the dilutive effect of the convertible should be taken into effect. On the same logic if the convertible bond is ‘out of the money’ then the dilutive effect should not be applied when calculating EPRA NAV and EPRA NNNAV.

As stated in question 4.10, “We would expect companies to follow a similar approach to determine whether convertible bonds are dilutive or accretive and therefore only take into account those that are in the money at the balance sheet date.”

- 4.18 Company A acquired a stake in Company B, which possessed land accounted for as inventory under IAS 2. Company B aimed to develop a property on this land. At closing date, development of the property has not yet started. Book value (acquisition cost) amounted to €100 million and fair value amounted to €130 million. At the next closing date (one year later), property development has started. Book value of the property development amounted to €115 million and fair value amounted to €150 million. Should Company A include the revaluation in EPRA NAV as ‘revaluation of other non-current investments (i.c)’ in both closing dates?

The revaluation of the development property should be included under EPRA NAV calculation. You can include the revaluation under section B (iii) on page 10 of the EPRA BPR Guidelines (Nov 2016). This is explained in the guidelines under the heading of ‘Revaluation of trading properties’ and states ‘The surplus arising on the revaluation to market value of properties held for trading, which are included in the IFRS balance sheet at the lower of cost and net realisable value.’

- 4.19 Should a convertible that is in the money on the reporting date be treated as equity (exercise assumed)? Consequently, are out of the money convertibles not treated as exercised? Secondly, do you recommend to recognize convertibles at market values (stock price) or at nominal values?

In relation to equity instruments, EPRA’s BPR follows IFRS, both in respect to classification and to valuation. So starting with NAV under IFRS, there is no expectation of any adjustment for convertibles to arrive at EPRA NAV.

- 4.20 Is it the case that preference shares (which will be accounted for as equity) and goodwill created by acquisitions, should be included in EPRA NAV?

- a) Under IFRS, preferred shares can either be classified as debt, equity, or both. EPRA NAV follows IFRS classification of equity. If it is thus equity under IFRS, it is also equity under EPRA NAV. If it is debt under IFRS, it is also debt under EPRA NAV.

- b) The only adjustment EPRA NAV makes in respect of goodwill, is goodwill which relates to deferred tax but only because also the deferred tax itself is eliminated from EPRA NAV. This situation can occur if a company acquires another property company and the deferred tax is negotiated at a discounted rate, e.g. at 50%. On acquisition, if a business combination lies under IFRS 3, the acquiring company needs to top up the deferred tax to 100%. In order to avoid a day one loss, some accounting firms do allow offsetting the top up adjustment by goodwill. It is (only) this goodwill which is eliminated in the EPRA NAV as also the deferred tax is eliminated (see section 3.2. of the EPRA BPR Dec 14).
With respect to b), please do note that positive or negative goodwill charged or credited to earnings, is adjusted though for EPRA Earnings calculation.

4.21 EPRA NAV includes the “effect of exercise of options, convertibles and other equity interest (diluted basis)”. How does this affect the existence of stock options plans in this ratio?

NAV per share is calculated on a diluted basis, including impact of options, convertibles etc. that are dilutive. Dilutive is as in IAS 33. Hence for the purpose of calculating EPRA NAV:

- a) NAV = NAV per financial statements + the NAV effect of the conversion/ exercise of dilutive stock schemes (for example the net cash inflow from issue of new shares under these dilutive schemes) + all other adjustments referred to in 3.2 of the BPR.
b) Number of shares = number of outstanding shares + the number of shares which are considered dilutive under the existing conversion plans, exercise of options etc.

A stock option plan normally has exercise prices. If dilutive and settled in cash: NAV increases with the cash inflow, and the number of shares by the new shares issued under the plan.

5. EPRA NNNAV

General description

Why is EPRA NNNAV (or ‘triple net’ asset value) important?

Investors and analysts are interested in EPRA NNNAV because it indicates the current value of all assets and liabilities. For investors it is particularly important as it allows them to see the impact of deferred tax liabilities and revaluations of debt and financial instruments which are omitted in EPRA NAV. While this is not liquidation NAV, the fair values for property assets and publicly traded debt are often based on mark to market/market values that could be realised. EPRA NNAV therefore is a relatively straightforward and accurate measure of the ‘spot’ fair value.

EPRA NNNAV is similar to EPRA NAV except it includes the fair value of deferred tax liabilities, debt, and financial instruments. The measure can be considered a ‘spot’ measure of the fair value of all assets and liabilities. EPRA NNNAV is not a liquidation NAV as the fair values are not based on a liquidation scenario. For example, the fair values of financial instruments and debts are based on mark to market/fair values which do not necessarily reflect the actual cost of closing out derivatives or redeeming the entire debt.

Q&A

5.1 Are the deferred tax assets/liabilities included in NNNAV intended to be the reported IFRS deferred taxes or all deferred taxes ignoring the initial exemptions to the recognition of deferred tax under IFRS?

The NNNAV should include the fair value of all of the deferred taxes - including the fair value of those deferred taxes not recognised on the balance sheet under the initial recognition exemption in IAS 12 para X. The aim of the EPRA NNNAV adjustment is to strip out the IFRS deferred tax and to include management's view of the fair value of deferred tax.

5.2 The EPRA NNNAV adjustment with respect to deferred taxes indicates that we should reflect the 'gross liabilities without discounting'. Should we not discount the deferred taxes in arriving at management's view of the fair value of the deferred tax liability?

Companies should present management's view of the fair value of deferred taxes (based on the expected method of realisation of underlying property assets). The wording in the BPR assumes that the deferred tax is calculated on the difference between the fair value of the property (which is already discounted) and the tax value. If companies use a different method of determining the fair value, for example, by determining the estimated value of the property on sale compared to the expected tax value at that date, then it is appropriate to discount.

5.3 Do we only fair value publicly traded debt or all debt including bank loans and non-traded debt?

Companies should include the fair value of all debt. EPRA recognises that this may be more difficult to determine in the case of non-traded debt although this can be done, for example, with reference to the latest terms that could be obtained for a similar type of financing, or through discounted cashflow techniques. Note that floating rate debt is usually valued at par, an exception would be where the margin is no longer available in the current market – but fixed rate debt usually has a fair value different to par.

- 5.4 The following table reconciles IFRS NAV to EPRA NNNAV. The BPR itself shows adjustments from IFRS NAV to EPRA NAV and then EPRA NAV to EPRA NNNAV.

| Reconciliation of IFRS NAV to EPRA NNNAV | NAV in thousands euros/ pounds/etc |
|--|--|
| NAV per the financial statements | xx |
| Effect of exercise of options, convertibles and other equity interests | x |
| Diluted NAV, after the exercise of options, convertibles and other equity interests Include: | x |
| (i.a) Revaluation of investment properties (if IAS 40 cost option is used) | x |
| (i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used) | xx |
| (i.c) Revaluation of other non-current investments held at cost | |
| (ii) Revaluation of tenant leases held as finance leases held at cost | x |
| (iii) Revaluation of trading properties held at cost (IAS 2) | x |
| (iv) Revaluation of financial instruments held at cost | (x) |
| (v) Revaluation of debt to fair value | (x) |
| Deferred tax in respect of items (i)-(v) | (x) |
| Fair value of deferred tax ¹ | (x) |
| Include/exclude: | |
| Adjustments (i-vii) above in respect of joint venture/minority interests | (x) |
| EPRA NNNAV | xx |
| EPRA NNNAV PER SHARE | x |
| ¹ Remove the nominal value of the deferred tax (IFRS value) and add back the fair value of deferred tax | |

- 5.5 The guidance for calculating EPRA NNNAV requires the preparer to adjust the EPRA NAV to take account of the fair value of its debt instruments. In the case of net-settled convertible bonds, the instrument appears on the balance sheet at fair value, albeit the fair value is not included in EPRA NAV.

Following the existing guidance, if the bond is dilutive, EPRA NAV should be reduced to reflect the dilution. Thereafter, in the table to adjust to EPRA NNNAV, the fair value of the instrument is also required to be included. Together, the adjustments impair EPRA NNNAV twice for the same instrument.

In reality, the bond will either convert and is treated as equity (and likely be dilutive) or it is debt and will have a mark to market value (i.e. an amount an investor would require to exit the instrument). It cannot be both.

Therefore, for such convertibles I would suggest that if the instrument is in the money, and dilutive, the dilution be reflected in EPRA NAV but no mark-to-market adjustment to EPRA NNNAV. Whereas, if the convertible is not dilutive, no dilution adjustment is made to EPRA NAV but the fair value adjustment is included in EPRA NNNAV.

We agree with your conclusion. Section 3.3 (i) of BPR Nov 2016 Guideline addresses the situation if a company has convertible debt as follows;

“The mark to market of the convertible debt should be excluded from both EPRA NAV and EPRA NNAV as a diluted calculation already treats the debt as if it converts and therefore the mark to market asset or liability would not exist for both metrics.”

In case the convertible debt is non-dilutive, no adjustment is made under NAV whereas under NNAV fair value of the financial instrument is adjusted.

5.6 Should an adjustment in respect of joint ventures be included?

Yes, because the starting point is EPRA NAV which includes the adjustments in respect of joint ventures. It therefore follows indirectly that all other adjustments made to arrive from NAV to NNAV should be made on the same basis.

6. EPRA Net Initial Yield

General description

Why is EPRA Net Initial Yield important?

Net yield is one of the key performance measures used by investment property companies and investors to appraise investments. For investors, the yield that an investment property company achieves is a good indicator of the ‘quality’ of the property portfolio in terms of its ability to generate rents. One of the biggest challenges they face is the wide variation in methods used to calculate yields and the lack of adequate disclosures. The EPRA net yield measures have been developed in order to provide consistent yield definitions that are relevant to investors in investment property companies.

EPRA Net Initial Yield is a measure of the yield based on the annualised cash rents passing at the balance sheet date less non recoverable operating costs (e.g. service charges, property taxes, ground rents) divided by the gross portfolio value.

Q&A

- 6.1 A company has a development site which is currently occupied at below market rent whilst the tenant (former owner) is waiting to move into their new property – at which point the company plans to start the development (in about 3 years). This has been included as a let property in the EPRA vacancy calculation as it is occupied. Should this be excluded from NIY if it is considered to be development property and the rental is only part of the purchase agreement?

The intention behind the EPRA NIY calculation is to show the yield on the ‘completed property portfolio’ excluding ‘undeveloped land’ and ‘construction in progress’. This would normally suggest that if a property is let and that the development has not actually commenced (or planned to commence imminently), it should not be excluded.

If the property is clearly not treated as part of the completed portfolio and treated as development property in other areas of the financial statements (including other BPR

disclosures such as like-for-like rent) then it should not be in the NIY calculation. Similarly, the EPRA Vacancy Rate should be calculated for 'all completed properties' (investment, trading property etc) i.e. property which is 'under development' or not 'lettable' is specifically excluded in the BPR.

We would normally expect that where property is considered a 'development' for the purposes of EPRA NIY then it should be treated accordingly for the EPRA Vacancy Rate calculation and like-for-like rent (i.e. consistent treatment for all metrics).

In this case, we have concerns with the fact that the property is not currently being developed, it is tenanted for a considerable period, and it is included as rented in the EPRA Vacancy measure. Although we appreciate that this is not always clear cut (for example in this case where the rent is below market and the property has been purchased with a view to develop), our general preference is to try and encourage consistency between BPR measures, and our current view is therefore that it would not be appropriate to exclude the property from the NIY calculation.

6.2 The fair values of our properties do not include a deduction for purchasers' transaction costs, which is the common practice in our markets. Should we deduct transaction costs in the EPRA net yield calculation, even though they are deducted in determining the balance sheet fair values?

The value of properties in the EPRA NIY calculation should be 'grossed up' for any purchaser's costs which have been deducted in arriving at the property values. The EPRA NIY reflects how the investment is viewed by the market and represents the yield based on the gross investment (or 'entry price') including purchase costs. In contrast, the IFRS fair value reflects the 'exit price' at which the property could be sold and is after deducting purchaser's costs.

6.3 Investment Property fair values are reported net of transaction costs. Are we required to adjust for purchasers' costs gross up? What is the logic behind this?

See Q6.2 above. The EPRA NIYs are based on the Gross market value including purchasers' costs. They present the yields in relation to the current market value after making appropriate assumptions for the market practices/estimates of transaction costs.

6.4 In our initial yield calculation, we have not deducted repair costs as, according to the external valuer, this is the common practice in our markets. Can repairs be excluded in EPRA Net Yield calculation?

Repair costs are generally considered operating expenses to be deducted in arriving at EPRA NIY and are distinct from capital expenditure (which is not deducted in calculating the EPRA Net Yield). We are not aware of an argument to justify excluding a deduction for repair costs from the NIY calculation.

6.5 Can we deduct marketing costs when calculating EPRA NIY, if these costs are included in our property valuations NRI and therefore our market values?

The EPRA definition is clear that marketing costs are not deducted in arriving at EPRA NIY. The question of whether these constitute day-to-day operating costs is a grey area with retail

centres, where it is common practice to deduct certain costs labelled as marketing costs. It is difficult to be prescriptive on this, but if marketing costs were deducted in the NIY a company would need to be confident that they represent operating costs required to operate the asset on a day-to-day basis rather than marketing of vacant space, for example. If the marketing income is considered 'recurring operational income' and is included in annualised rent, then it would make sense to deduct the marketing costs associated with the marketing income.

6.6 Since the EPRA NIY takes into account rent uplifts (e.g. indexation, reviews) to which the landlord is entitled at the balance sheet date, would it be okay for us to use our 1 year forecast rent as the numerator?

The EPRA NIY is not a forward looking (or "forecast") yield measure. The adjustments described in the EPRA BPR Net Initial Yield calculation (such as inflation, rent review adjustments) relate to rental income to which the company is contractually entitled at the balance sheet date. The approach using forecast earnings would not comply with the EPRA calculation. The issue is that this approach would take into account future budgeted rent increases to which the company is not contractually entitled at the balance sheet date and therefore would not be comparable to those that have applied the EPRA calculation.

6.7 Should we adjust for rent abatements?

The adjustment should be made for all cash incentives (e.g. rent free, discounted rent, etc).

6.8 Regarding the topped-up NIY, should the annualised cash passing rental income include the entry fees / key money and variable rent?

The BPR EPRA NIY guidance clearly states that the annualised cash rent passing should be adjusted for "Estimated turnover rents and car parking income or other recurring operational income... for the avoidance of doubt, excluding key money received and surrender premiums received." The latter are excluded as they are considered non-recurring items.

6.9 Should the variable rent adjustment be calculated on the basis of the past year or on a projected basis?

The BPR does not prescribe how to determine this (for good reason!) so an assessment is needed of whether past year's variable rent gives a reasonable estimate of the future 'recurring' level of variable rent, or if it should be adjusted upwards or downwards accordingly. If in doubt the variable rent passing at the balance sheet date should be used.

6.10 Why do we include trading properties in the Net Initial Yield calculation given that these properties are non-income generating?

The BPR are focused on the most important adjustments which are relevant to investment property companies. There is a working presumption that trading properties form an insignificant portion of the property portfolio of investment property companies and that non income producing properties (such as trading property) are held temporarily. Thus, trading property is included in the valuation since it is relevant to investors who want to see the rent being generated by the whole portfolio.

6.11 Why are doubtful debts expenses excluded if we are sure that they will not be recovered?

EPRA NIY is based on the cash rent passing. Any rental income relating to debtors (doubtful or not) does not form part of the 'annualised rent' used in the yield calculation; hence there is no need to deduct this.

6.12 Why is this referred to as 'Net' Initial Yield?

As outlined in the EPRA BPR the EPRA NIY it is based on the initial (or passing) rental income net of non-recoverable operating costs.

6.13 It is mentioned in the BPR Guidelines that non-recoverable property operating expenses (also named property outgoings) shall be deducted from the calculated rent. Should a company include the cost as property outgoings that are also deducted from the rental income to get the NOI in the P&L (except for the costs that are explicitly excluded in the BPR)? In addition to the enumeration in the BPR this would mean to include e.g. repairs and maintenance.

In this respect the EPRA BPR is clear; all property operating costs are outgoings.

6.14 According to the BPR the rents shall be based on the contract terms (annualised) that are applicable at the end of the period (instead of booked rental income during the period). What shall be the calculation base for the property outgoings? We would use the actually booked amounts of the reporting period, because we consider these numbers more reliable than an estimate. Would that be in line with the intention of the EPRA BPR?

The intention is to also make an estimate, otherwise there could be a huge discrepancy between rents and outgoings. If a contract has been concluded on December 1 for 1000 a month with 90k expenses a month, it would be strange to annualize rent to 12000 and leave outgoings unchanged at 90k. This method would therefore distort NIY calculations.

6.15 Some costs (payroll costs, fees related to the activity of syndicates and costs related to projects on building held in portfolio) are not directly attributable to a building. Therefore, should a company exclude them for the calculation of the EPRA NIY?

The mentioned costs should be excluded from EPRA NIY calculations as these costs are not directly related to operating a property.

6.16 Should a company declare its maintenance costs (collected once a year with a one-off payment) with regard to property costs? Could you provide some examples of maintenance and repair costs?

The costs related to property maintenance are property operating costs, which are to be deducted from the NRI. As the maintenance costs do not contribute to achieving current rents, they should be excluded (deducted) when calculating topped-up NIY.

Maintenance and repairs costs may involve; snow removal, trash removal, janitorial service, pest control, and lawn care etc.

EPRA 'topped-up' Net Initial Yield

General description

Why is the EPRA Topped-up Net Initial Yield important?

The topped-up net initial yield is useful in that it allows investors/analysts to see the yield based on the full rent that is contracted at the balance sheet date. When it is presented alongside EPRA Net Yield it allows users to see the impact of lease incentives on the yield.

This measure is very similar to the EPRA Net Initial Yield except that the cash rent is 'topped-up' to reflect the rent after the expiry of incentives such as rent-free periods and discounted rents.

Q&A

6.17 Is the notional rent that is added to the rent up to the level of the straight-lined rent (the rent in the accounts according to IFRS) or up to the level of the headline rent in the contract that is received after the rent-free period?

The EPRA 'topped-up' NIY is based on the cash rents that will pass at the end of the rent-free period. Because this is based on the rental cash flows and not the accounting rent shown in the income statement, companies should reflect the headline rent as stipulated in the lease contract.

6.18 Is there a limit for the period of rent frees/discounted rent that should be topped up?

No, the BPR states that all leases should be topped up to the expiry of rent frees without a defined limit. However, companies should clearly disclose the period for which the topped up adjustment is applied.

6.19 The EPRA ‘Topped-UP’ NIY requires adjusting for the expiry of the rent-free period. Is a similar adjustment required for straight line rent?

According to the BPR the EPRA ‘topped up’ NIY should be calculated by making an adjustment to the EPRA NIY for the expiry of rent frees or other unexpired lease incentives such as discounted rents. EPRA NIY is based on the (annualised) cash rent passing at the balance sheet date – adjusted for any increases to which the company is contractually entitled at the balance sheet date due to indexation or rent review.

The EPRA BPR use as a starting reference the cash rent passing at the balance sheet date used in the EPRA NIY calculation – not the IFRS figures which would need to be adjusted for the smoothing (rent averaging) to arrive at the full annualised rent on expiry. Accordingly, no adjustment should be made.

6.20 To the extent that the RPI or fixed increase calculations are not included in EPRA NIY, could you please confirm whether these implicit increases to the balance sheet date should be included in the EPRA ‘topped-up’ NIY?

Yields should be calculated over appraisal values, i.e. fair value as at balance sheet date. These are after grossing up for any purchaser’s cost deducted by the appraiser.

Example:

Gross Fair Value shown in appraisal report: 1000

Deducted: purchaser’s cost (2%): 20

IFRS fair value/ Exit value: 980

EPRA gross value: 1000

One thus adjusts for prospective costs and not for retrospective costs.

In this respect, we cannot see how under IFRS any acquisition costs can be capitalized.

7. EPRA Vacancy Rate

General description

Why is the EPRA Vacancy Rate important?

Consistent disclosure of vacancy measures will always be a challenge between companies because property markets around Europe have different characteristics and each measure can serve a different purpose.

In order to encourage the provision of comparable and consistent disclosure of vacancy measures, EPRA has identified a single vacancy measure that can be clearly defined, should be widely used by all participants in the direct real estate market and comparable from one company to the next.

EPRA Vacancy Rate should be expressed as a percentage being the ERV of vacant space divided by ERV of the whole portfolio. Vacancy Rate should only be calculated for all completed properties (investment, trading and including share of joint ventures’ vacancy), but excluding those properties which are under development.

Q&A

7.1 If a company has some vacant space which is being refurbished or renovated, should this be included in the calculation?

The BPR defines vacancy as ‘unrented lettable space’ and only properties ‘under development’ are specifically excluded from the EPRA Vacancy Rate calculation. ‘Lettable’ is defined as “any part of a property that can be leased to a tenant” (BPR page 24). Property under refurbishment is not identified as an item to be excluded in the BPR and should normally be included in the EPRA Vacancy Rate calculation. This is to avoid the risk that companies exclude vacant space from the calculation simply by classifying this as ‘under refurbishment’ which could undermine the credibility and consistency of the EPRA Vacancy Rate.

Nevertheless, we appreciate that there may be exceptional circumstances where the scale of refurbishment is such that the property cannot be considered lettable. For example, if the refurbishment is so extensive and for such a long period of time, then there may be a case for excluding. In this case, we would recommend a company make clear disclosure of its policy where a property has been excluded due to a significant refurbishment or renovation and apply such definitions consistently across the portfolio. For example, if a property has been excluded from EPRA Vacancy because it is a significant refurbishment it should be treated as if it were a development in the like-for-like earnings disclosures and excluded from the EPRA NIY calculation.

7.2 Should we include property vacated in advance of development (pre-development)?

The BPR only specifically excludes development properties from EPRA Vacancy Rate. Therefore, unless the property is currently considered a development property for other BPR metrics (e.g. yield and like for like rent) a pre-development property should continue to be included in the EPRA Vacancy calculation.

7.3 Should we treat as vacant property where the lease is signed but has not yet commenced?

According to the BPR definition any ‘lettable’ space should normally be included in the calculation. If the lease has not commenced as at the Balance Sheet date, then it should be included in the calculation.

If a lease is signed there could be a case for treating this as not ‘lettable’ (and excluded from the calculation) if the timing until the lease commencement would mean that practically the property is not ‘lettable’. Again a company should indicate that the property has been excluded because the lease is signed and considered ‘not lettable’ in the period until commencement. We recognise that there are different views on this, with some considering the property un-lettable once a lease is signed and others considering it lettable, and therefore providing clear disclosure is most appropriate.

7.4 If a company has some properties that are let under temporary arrangements e.g. to recover some of the property costs. Should these be treated as 'vacant'?

According to the BPR definition vacant property is 'unrented lettable space'. Whilst we would normally expect that any rented property should not be treated as 'vacant', this may not be so in the case of short term arrangements e.g. to generate short term income or manage vacant costs while the company may continue to actively market the property for longer term occupation. Our view is that such temporary arrangements are likely to be immaterial and given the highly subjective nature and differences in the types of such arrangements (which may well be genuine lettings), rather than be prescriptive on a specific treatment for all, we would encourage companies to 1) make a reasonable assessment of which temporary arrangements are considered to be let and 2) clearly disclose their policy in relation to short term lets for vacancy purposes. If vacancy includes short term lets (i.e. they are treated as occupied and not vacant) then consistent application with other EPRA metrics needs to apply (e.g. property included in Net Initial Yield and like-for-like rent calculation).

7.5 Is Vacancy Rate a year to date figure or the rate at a specific date (reporting date)?

According to the BPR, companies should "disclose EPRA Vacancy Rate at the reporting date" (page 14) based on the vacant property and the completed portfolio at that date.

7.6 How does EPRA define the ERV (Estimated Rental Value)? Do you have some specific guidance and is the understanding correct, that the ERV excludes compensations or temporary rent reductions?

The EPRA BPR defines estimated rental value as the ERV 'at which space would be let in the market conditions prevailing at the date of valuation (normally the balance sheet date)' (see Glossary Page 22). The EPRA BPR are based on the IFRS accounts and therefore as a general rule we would recommend using the ERV figures used in the IFRS reported valuations.

8. EPRA Cost Ratios

General description

Why are EPRA Cost Ratios important?

EPRA has received feedback that investors and analysts would like to see more transparency over operating costs incurred by property companies – including overheads capitalised, joint venture expenses and management fees. EPRA Cost Ratios encourage the provision of clearer and more comparable disclosure of total costs, as they can be calculated on a consistent basis for property investment companies whose primary business is the long-term ownership, leasing and management of investment property for the accumulation of rental income and capital appreciation.

The purpose of these ratios is to reflect the relevant overhead and operating costs of the business and provide a recognised and understood reference point for analysis of a company's costs. EPRA recognise that there is a wide spectrum of sectors and business models that have long term ownership and management of property as their core activity. This fact, combined with limited requirement by IFRS regarding the classification of operating, administration, overheads and capital costs, results in difficulties in providing clear and consistent information to investors.

Q&A

8.1 Should operating costs charged to tenants be excluded from the cost basis and also from the rental income?

That is correct. The notes (i) and (ii) on page 6 of the EPRA Cost Ratios Guidelines (July 2013), provide comments on these points.

8.2 Should maintenance costs be included in the calculation of the cost ratios?

Correct. The recommendation on page 3 of the EPRA Cost Ratios Guidelines (July 2013) provides comments on this point: "Operating expenses include all property costs which are taken through the income statement such as bad debt expenses, maintenance expenditure, development costs written off, and non-recoverable costs."

8.3 Should staffing costs be included in the calculation of the cost ratios?

Page 18 of the EPRA BPR Guidelines specifically refers to staff costs under the additional disclosure headline as follows:

"As an additional disclosure EPRA recommends that companies disclose the amount of any directly attributable overhead and operating costs capitalised during the year (even if nil). These are costs that would normally be classified as overhead or administrative costs (predominantly staff costs). The disclosed amount should include the proportionate share of joint venture costs capitalised in this manner."

8.4 In the EPRA BPR Guidelines, it is stated that certain expense lines of the IFRS P&L shall be summed up with the exact amounts as they can be found in the IFRS income statement [(i) of the commentary]. "Companies should not exclude items purely because they are considered 'exceptional'. Do you share this point of view regarding the EPRA Cost Ratio calculation?

EPRA agrees with point of view taken.

- 8.5 If a company's vacancy costs are determined by the yearly service charge reconciliation and the reconciliation for a property cannot be finished before all service charge invoices have been sent out, how should this company determine the vacancy costs? Are estimates/approximates allowed?

In absence of a final settlement of service charges best estimate/ approximate is indeed what should be taken into account. Any non-recoverable costs are then a next year expense item.

- 8.6 Should general expenses such as legal advisory services, audit services, asset management fees, etc. be excluded from EPRA Cost Ratio calculation? No revenues assigned to 'Head Office and other' are identified.

These general expenses are not to be excluded. EPRA requires administrative and overhead expenses to be included in Cost Ratio. This is clarified under Section 3.6 (i) of BPR Guidelines Nov 2016 as:

"Include all of the 'overhead' and 'operating' expense lines (including property related expenditure) in the IFRS Income Statement between revenue and the net operating result. Service charge expenses should be recorded net of service charge fees (see item ii) For the avoidance of doubt the following costs are excluded: - Corporate income tax, - Fair value gains/losses, - Discounts on acquisition/goodwill impairments, - Finance costs, - Gains/losses on sale of properties & disposals. Companies should not exclude items purely because they are considered 'exceptional'."

- 8.7 When calculating EPRA Cost Ratios, should a company exclude one-off transaction costs relating to an acquisition and a reduction adjustment regarding goodwill resulted from the acquisition?

Normal operational costs made in the process of an acquisition i.e. market research, reviewing and actual acquisition cost etc. should be included in EPRA Cost Ratios calculation under section 3.1 (i). It is further mentioned that "Companies should not exclude items purely because they are considered exceptional". As elaborated under the same section, goodwill impairment should be excluded.

9. Investment Property Reporting and additional disclosures

General description

The 'Investment Property Reporting' and 'Additional Recommended Disclosures' sections provide further recommendations on the reporting of valuation, investments and other portfolio information.

Investment Property companies should include the following information as part of their reporting:

- **Valuation Information and Procedures:** disclosure of valuation procedures, inclusion of valuation report which reconciles to published figures. Companies should undertake valuations twice a year by an external valuer and fees should not be based on the outcome of the valuation.

- **Investment Assets:** information on completed investment properties: Area in square metres, rent per square metre, market rents (ERV) assuming fully let, Net Rental Income, Market Value, Vacancy rate, top ten tenants by rental income, etc.
- **Development Assets:** Development costs (costs to date/to completion), ERV at the completion of the development, proportion of development let, and lettable area according to region/usage.
- **Like-for-like Rental Growth:** for each geographical/business segment, growth to be shown in absolute amounts and as a percentage (assuming fixed foreign exchange rates), and the size of the total portfolio or investment portfolio on which like-for-like rental growth is based. The proforma in chapter 7 is only intended as guidance; the important thing is that companies disclose some form of like-for-like comparison.

Q&A

9.1 Does EPRA still have a pro forma income statement? Can we use this and can we call it an EPRA income statement?

No. The EPRA BPR have been significantly simplified and refocused on the ‘core’ BPR and as part of this effort the EPRA income statement has been removed from the BPR. However, companies may continue to use the 2009 EPRA BPR for guidance only and provided they take account of the revised IAS 1 requirement to disclose Other Comprehensive Income.

9.2 Are property management costs – expenses for property and facilities management – included in the Net Rental Income calculation (Section 4.3 of BPR requires recording of ‘Net Rental Income’)?

This depends on which property management costs we are referring to. The NRI should deduct property operating expenses that are directly related to a property, e.g. that arise as part of the owner providing the leased building. These will vary depending on the asset (i.e. retail shopping centre vs. offices). Only costs to operate the asset on a day-to-day basis to achieve current rents are deducted, whereas costs that relate to increasing future rental income and general income (leasing fees, rent review fees, internal administration costs, etc.) are not deducted. Generally, property operating costs will include items such as ground rent payable, non-recoverable service charges (permanent shortfall), service charge shortfall related to vacant space, local property taxes (when the property is vacant) and insurance.

9.3 Can we refer to other balance sheet measures as ‘EPRA’ measures (e.g. ‘EPRA net debt’) if the existing EPRA balance sheet adjustments are made?

No – only performance measures specifically identified by the EPRA BPR should be identified as EPRA measures.

9.4 Why are the ‘like for like’ Rent figures changing each year?

According to the BPR, companies should report the comparative like-for-like Net (or Gross) rental income figures i.e. the current year and prior NRI (or GRI) from properties owned throughout the current and prior years. The like-for-like NRI (GRI) figure should not be confused with the total NRI (GRI) reported in the income statement.

Since the properties owned throughout any two given years will normally not be constant from year to year (due to acquisitions, disposals, foreign exchange rates or developments), the like-for-like NRI/GRI will constantly be changing. To enhance comparability, the previous year's like-for-like figures should also be recalculated using constant foreign exchange rates. For a related question on what constitutes developments see Q8.1.

9.5 Based on the BPR, should we include the rental uplift on properties that have been refurbished or renovated? Should LFL rental growth be calculated simply on same sqm basis or should we also exclude properties under refurbishment or renovation?

The BPR currently only exclude property under development. If the nature and size of the refurbishment or renovation is such that management, consider this to be a serious property development (or redevelopment) then it may be excluded. If on the other hand it is a normal refurbishment or renovation (e.g. of worn out property) then it should not be excluded from your like- for-like figures.

9.6 On the table 'Investment Property – Lease Data' (below), what is meant by 'Lease expiry data' and 'Lease review data'. What's the difference between these two notions?

The reference to 'lease expiry' data refers to the end of the lease whereas the 'lease review' data refers to the first break clause. The key aim is to enhance transparency over the leases that are subject to break/expiry in the next few years and therefore potentially subject to rent review or cancellation/expiry. At the end of this document are some examples of the disclosures made by a sample of companies. Please note that the template in the BPR is a 'suggested format' and that different formats may be appropriate (for the purposes of the BPR).

Investment Property - Lease Data

| SEGMENT | Average lease length | | Lease expiry data | | | | | | Lease review data | | | | | | | | |
|----------------------------|----------------------|--|-------------------------------------|-----------|------|----------------------------|---------|------|------------------------------------|---------|------|---|---------|------|------|---------|--|
| | | | Passing rent of leases expiring in: | | | ERV of leases expiring in: | | | Passing rent subject to review in: | | | ERV of passing rent subject to review in: | | | | | |
| | | | To break | To expiry | yr 1 | yr 2 | yrs 3-5 | yr 1 | yr 2 | yrs 3-5 | yr 1 | yr 2 | yrs 3-5 | yr 1 | yr 2 | yrs 3-5 | |
| France - offices | | | | | | | | | | | | | | | | | |
| France - retail | | | | | | | | | | | | | | | | | |
| Segment 1 - France | | | | | | | | | | | | | | | | | |
| Germany - offices | | | | | | | | | | | | | | | | | |
| Germany - industrial | | | | | | | | | | | | | | | | | |
| Segment 2 - Germany | | | | | | | | | | | | | | | | | |
| UK - offices | | | | | | | | | | | | | | | | | |
| UK - retail warehouses | | | | | | | | | | | | | | | | | |
| Segment 3 - UK | | | | | | | | | | | | | | | | | |
| Segment etc | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | |

10. EPRA BPR reporting examples

The following section includes examples of the EPRA BPR used in property company annual reports. They were selected mainly from companies that achieved a Gold award in the 2016 EPRA BPR Awards. The examples are not intended to be pro forma for the BPR, nor an endorsement of the specific formats used.

10.1 EPRA Performance Measures – Summary Table

Befimmo

| EPRA INDICATORS | EPRA DEFINITIONS ¹ | | 31.12.2015 | 31.12.2014 |
|--------------------------------------|--|--|--------------------|--------------------|
| (1) EPRA earnings | Recurring earnings from core operational activities | in € thousand in €/share | 86 282 3.89 | 84 146 3.90 |
| (2) EPRA cost ratio | Ratio of overhead and operating expenses on gross rental income | Incl. direct vacancy costs Excl. direct vacancy costs | 16.62% 12.88% | 19.69% 17.12% |
| (3) EPRA NAV | Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long term investment property business model | in € thousand in €/share | 1 264 109 54.91 | 1 203 893 54.38 |
| (4) EPRA NNAV | EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes | in € thousand in €/share | 1 250 007 54.30 | 1 168 954 52.80 |
| (5) (i) EPRA Net Initial Yield (NIY) | Annualised rental income ² based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs | in % | 5.78% | 5.89% |
| (ii) EPRA Topped-up NIY | This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents) | in % | 5.91% | 5.95% |
| (6) EPRA Vacancy Rate | Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio | in % | 6.35% | 6.50% |
| (7) EPRA Like-for-Like | Like-for-Like Net Rental Growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described | in % | 1.16% | -2.83% |

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EPRA PERFORMANCE MEASURES

| EPRA performance measure ¹⁾ | Page | Table | (x € 1,000) | | per share (x € 1) | |
|---|------|--------|-------------|---------|-------------------|-------|
| | | | 2015 | 2014 | 2015 | 2014 |
| EPRA Earnings | 137 | 1 | 49,189 | 46,461 | 2.58 | 2.44 |
| EPRA NAV | 137 | 2 | 845,355 | 812,447 | 44.41 | 42.68 |
| EPRA NNAV | 137 | 3 | 805,347 | 769,455 | 42.31 | 40.42 |
| EPRA Net Initial Yield (NIY) | 138 | 4 (i) | 4.8% | 5.2% | | |
| EPRA 'topped-up' NIY | 138 | 4 (ii) | 4.8% | 5.3% | | |
| EPRA Vacancy Rate | 140 | 5 | 2.2% | 2.3% | | |
| EPRA Cost Ratio (including direct vacancy costs) | 141 | 6 (i) | 20.0% | 20.3% | | |
| EPRA Cost Ratio (excluding direct vacancy costs) | 141 | 6 (ii) | 19.3% | 19.2% | | |

¹⁾ The EPRA performance measures are calculated on the basis of the definitions published by the EPRA and are included in the list of definitions on page 258.

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Key performance indicators according to the EPRA principles

| | | 30 June 2015 | 30 June 2014 |
|---|-----------|--------------|--------------|
| EPRA Earnings | x €1,000 | 25,499 | 20,315 |
| Recurring earnings from core operational activities | € / share | 2.39 | 2.05 |
| EPRA NAV | x €1,000 | 638,518 | 415,561 |
| Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model | € / share | 45.46 | 40.55 |
| EPRA NNNAV | x €1,000 | 596,052 | 375,220 |
| EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes | € / share | 42.44 | 36.61 |
| EPRA Net Initial Yield (NIY) | % | 5.1 | 5.2 |
| Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser's costs | | | |
| EPRA Topped-up NIY | % | 5.1 | 5.2 |
| This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents | | | |
| EPRA Vacancy Rate | % | 2 | 2 |
| Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio | | | |
| EPRA Cost Ratio (including direct vacancy costs) | % | 22 | 23 |
| Administrative/operational expenses per IFRS income statement, including the direct costs of vacant buildings, divided by the gross rental income, less ground rent costs | | | |
| EPRA Cost Ratio (excluding direct vacancy costs) | % | 22 | 22 |
| Administrative/operational expenses per IFRS income statement, less the direct costs of vacant buildings, divided by the gross rental income, less ground rent costs | | | |

10.2 EPRA Earnings

Unibail-Rodamco

| | 2015 | 2014 |
|--|----------------|----------------|
| EARNINGS PER IFRS INCOME STATEMENT (OWNERS OF THE PARENT) | 2,334.0 | 1,670.5 |
| Adjustments to calculate EPRA Earnings, exclude: | | |
| (i) Changes in value of investment properties, development properties held for investment and other interests | 1,818.8 | 1,314.2 |
| (ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | 84.7 | 82.6 |
| (iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties | | |
| (iv) Tax on profits or losses on disposals | (14.9) | - |
| (v) Impairment of goodwill/Negative goodwill | - | 11.3 |
| (vi) Changes in fair value of financial instruments and associated close-out costs | (362.1) | (446.9) |
| (vii) Acquisition costs on share deals and non-controlling joint venture interests | (1.6) | 0.1 |
| (viii) Deferred tax in respect of EPRA adjustments | (248.6) | (176.8) |
| (ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation) | 177.9 | 14.5 |
| (x) Non-controlling interests in respect of the above | (150.6) | (196.6) |
| EPRA EARNINGS | 1,030.4 | 1,068.1 |
| Average number of shares and ORA | 98,496,508 | 97,824,119 |
| EPRA Earnings per Share (EPS) | €10.46 | €10.92 |
| EPRA Earnings per Share growth | -4.2% | 6.8% |

TLG Immobilien

| in EUR k | 01/01/2015– 31/12/2015 | 01/01/2014– 31/12/2014 |
|---|---------------------------|---------------------------|
| Net income | 130,862 | 88,650 |
| Result from the remeasurement of investment property | -87,856 | -52,694 |
| Result from the disposal of investment property ¹ | -8,088 | -3,291 |
| Result from the disposal of real estate inventory | -771 | -7,320 |
| Taxes on profits or losses on disposals/aperiodic tax | -4,407 | -36,661 |
| Result from the valuation of derivative financial instruments | 848 | 2,129 |
| Acquisition costs of share deals | 0 | 172 |
| Deferred and actual taxes in respect of EPRA adjustments | 34,583 | 59,129 |
| Non-controlling interests | -242 | -62 |
| EPRA Earnings | 64,929 | 50,052 |
| Average number of shares on issue (in thousands) ² | 62,041 | 53,794 |
| EPRA Earnings per share (in EUR) | 1.05 | 0.93 |

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| (in millions of euros) | 12/31/2015 | 12/31/2014 restated | Year-on-year % change |
|---|----------------|------------------------|--------------------------|
| Net profit/(loss) | (180.2) | 172.8 | |
| Net profit/(loss) – Other activities ^(a) | 1.9 | 39.9 | |
| (a) Net profit/(loss) from Property Investment ^(a) | (182.1) | 132.9 | |
| (i) Change in value of investment properties and depreciation allowance | (582.2) | (270.6) | |
| (ii) Profit/(loss) from asset disposals | 128.5 | 98.6 | |
| (iii) Profit/(loss) from acquisitions | (0.3) | | |
| (iv) Tax on profits from disposals and impairments | | | |
| (v) Negative goodwill on acquisition/goodwill impairment | | - | |
| (vi) Change in fair value of financial instruments | 2.2 | (5.3) | |
| (vii) Acquisition cost for shares | | - | |
| (viii) Tax charge related to EPRA adjustments | (37.0) | (0.2) | |
| (ix) Adjustment for equity-accounted companies | (22.6) | (6.6) | |
| (x) Minority interests (Healthcare Property Investment) | 56.4 | 47.0 | |
| (b) Total adjustments | (455.0) | (136.9) | |
| (A-B) EPRA EARNINGS FROM PROPERTY INVESTMENT | 273.0 | 269.9 | 1.2% |
| Average number of diluted shares outstanding used in the calculation | 73,737,524 | 73,735,312 | |
| EPRA EARNINGS FROM PROPERTY INVESTMENT IN EUROS PER SHARE | €3.70 | €3.66 | 1.1% |

(a) The other activities are: property development, discontinued operations and intra-group transactions.

(b) Profit/(loss) from the continuing operations of the Commercial Property Investment and Healthcare Property Investment Divisions.

10.3 EPRA NAV & EPRA NNAV

PSP Swiss Properties

| B. EPRA net asset value (NAV) | (in CHF 1 000) | | 31 December 2014 | 31 December 2015 |
|--|-----------------------|--|-------------------------|-------------------------|
| NAV per the financial statements | | | 3 840 795 | 3 870 473 |
| Effect of exercise of options, convertibles and other equity interests | | | n.a. | n.a. |
| Diluted NAV, after the exercise of options, convertibles and other equity interests | | | 3 840 795 | 3 870 473 |
| Include: | | | | |
| Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used) | | | 10 054 | 8 256 |
| Revaluation of own-used properties | | | 56 | 91 |
| Revaluation of other non-current investments | | | n.a. | n.a. |
| Revaluation of tenant leases held as finance leases | | | n.a. | n.a. |
| Revaluation of trading properties | | | 16 802 | 27 403 |
| Exclude: | | | | |
| Fair value of financial instruments | | | 53 856 | 63 064 |
| Deferred tax | | | 729 038 | 757 540 |
| Goodwill as result of deferred tax | | | n.a. | n.a. |
| Include/exclude: | | | | |
| Adjustments to above in respect of joint venture interests | | | n.a. | n.a. |
| EPRA NAV | | | 4 650 602 | 4 726 827 |
| Number of outstanding shares | | | 45 867 891 | 45 867 891 |
| EPRA NAV per share in CHF | | | 101.39 | 103.05 |

| C. EPRA triple net asset value (NNAV) | (in CHF 1 000) | | 31 December 2014 | 31 December 2015 |
|--|-----------------------|--|-------------------------|-------------------------|
| EPRA NAV | | | 4 650 602 | 4 726 827 |
| Include: | | | | |
| Fair value of financial instruments | | | - 53 856 | - 63 064 |
| Fair value of debt | | | - 17 049 | - 12 866 |
| Deferred tax | | | - 732 524 | - 762 563 |
| EPRA NNAV | | | 3 847 173 | 3 888 334 |
| Number of outstanding shares | | | 45 867 891 | 45 867 891 |
| EPRA NNAV per share in CHF | | | 83.88 | 84.77 |

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2) EPRA NAV

| EPRA Net Asset value - €m | 12/2015 | 12/2014 |
|--|--------------|--------------|
| NAV per the Consolidated financial statements | 1,837 | 1,423 |
| Include: | | |
| (i.a) Revaluation of investment properties (if IAS 40 cost option is used) | 8 | 4 |
| (i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used) | na | na |
| (i.c) Revaluation of other non current investment | 17 | 11 |
| (ii) Revaluation of tenant leases held as finance leases | na | na |
| (iii) Revaluation of trading properties | na | na |
| Exclude: | | |
| (iv) Fair value of financial instruments | 4 | 9 |
| (v.a) Deferred tax | 100 | 73 |
| (v.b) Tax credits on balance | - | - |
| Include/exclude: | | |
| Adjustments (i) to (iii) above in respect of joint ventures interests | na | na |
| EPRA NAV - €m | 1,966 | 1,521 |
| EPRA NAV - Euros cents per share | 61.6 | 47.7 |
| <i>N° of shares (m)</i> | <i>3,189</i> | <i>3,189</i> |

3) EPRA NNNAV

| EPRA Triple Net Asset value (NNNAV) - €m | 12/2015 | 12/2014 |
|---|--------------|--------------|
| EPRA NAV | 1,966 | 1,521 |
| Include: | | |
| (i) Fair value of financial instruments | (4) | (9) |
| (ii) Fair value of debt | (27) | (32) |
| (iii) Deferred tax | (100) | (71) |
| EPRA NNNAV - €m | 1,835 | 1,408 |
| EPRA NNNAV - Euros cents per share | 57.5 | 44.2 |
| <i>N° of shares (m)</i> | <i>3,189</i> | <i>3,189</i> |

Cofinimmo

EPRA Net Asset Value (NAV)

| (x 1,000 EUR) | 2015 | 2014 |
|---|-------------------------|-------------------------|
| NAV per financial statements | 1,860,098 | 1,541,972 |
| NAV per share per financial statements | 88.66 | 85.80 |
| Effect of the exercise of options, convertible debts or other equity instruments | 0 ³ | 0 ³ |
| Diluted NAV, after the exercise of options, convertible debts and other equity instruments | 1,860,098 | 1,541,972 |
| To include: | | |
| (i) Revaluation at fair value of finance lease receivables ⁴ | 50,030 | 53,387 |
| To exclude: | | |
| (i) Fair value of the financial instruments | 85,097 | 125,164 |
| (ii) Deferred taxes | 35,900 | 36,149 |
| (iii) Goodwill as a result of deferred taxes | -70,348 | -72,648 |
| EPRA NAV | 1,960,777 | 1,684,024 |
| Number of shares | 21,006,682 ³ | 17,993,679 ³ |
| EPRA NAV PER SHARE (IN EUR) | 34² | 59² |

EPRA Triple Net Asset Value (NNNAV)

| (x 1,000 EUR) | 2015 | 2014 |
|---|-------------------------|-------------------------|
| EPRA NAV | 1,960,777 | 1,684,024 |
| To include: | | |
| (i) Fair value of the financial instruments | -85,097 | -125,164 |
| (iii) Deferred taxes | 34,448 | 36,498 |
| EPRA NNNAV | 1,910,128 | 1,595,358 |
| Number of shares | 21,006,682 ³ | 17,993,679 ³ |
| EPRA NNNAV PER SHARE (IN EUR) | 90.93 | 88.66 |

10.4 EPRA Net Initial Yield & 'Topped-Up' Initial Yield

British Land

| | 2016 €m | 2015 €m |
|---|---------------|---------------|
| Investment property – wholly-owned | 9,787 | 9,068 |
| Investment property – share of joint ventures and funds | 4,861 | 4,569 |
| Less developments, residential and land | (894) | (1,148) |
| Completed property portfolio | 13,754 | 12,489 |
| Allowance for estimated purchasers' costs | 985 | 784 |
| Gross up completed property portfolio valuation | 14,739 | 13,273 |
| Annualised cash passing rental income | 607 | 575 |
| Property outgoings | (8) | (8) |
| Annualised net rents | 599 | 567 |
| Rent expiration of rent-free periods and fixed uplifts ¹ | 63 | 64 |
| 'Topped-up' net annualised rent | 662 | 631 |
| EPRA Net Initial Yield | 4.1% | 4.3% |
| EPRA 'topped-up' Net Initial Yield | 4.5% | 4.8% |

Derwent London

Net initial yield and 'topped-up' net initial yield

| | 2015 €m | 2014 €m |
|--|------------|------------|
| Property portfolio – wholly owned | 4,954.5 | 4,168.1 |
| Share of joint ventures | 33.9 | 10.5 |
| Less non-EPRA properties ¹ | (855.4) | (679.8) |
| Completed property portfolio | 4,133.0 | 3,498.8 |
| Allowance for: | | |
| Estimated purchasers' costs | 239.7 | 202.9 |
| Estimated costs to complete | 0.1 | 0.1 |
| EPRA property portfolio valuation (A) | 4,372.8 | 3,701.8 |
| Annualised contracted rental income, net of ground rents | 136.1 | 131.7 |
| Share of joint ventures | 1.0 | 0.8 |
| Less non-EPRA properties ¹ | (2.2) | (7.6) |
| Add outstanding rent reviews | 1.7 | 2.2 |
| Less estimate of non-recoverable expenses | (3.1) | (1.9) |
| | (3.6) | (7.3) |
| Current income net of non-recoverable expenses (B) | 133.5 | 125.2 |
| Contractual rental increases across the portfolio | 35.5 | 32.0 |
| Less non-EPRA properties ¹ | (4.9) | (9.3) |
| Contractual rental increases across the EPRA portfolio | 30.6 | 22.7 |
| 'Topped-up' net annualised rent (C) | 164.1 | 147.9 |
| EPRA net initial yield (B/A) | 3.1% | 3.4% |
| EPRA 'topped-up' net initial yield (C/A) | 3.8% | 4.0% |

¹ In accordance with EPRA best practice guidelines, deductions are made for development properties, land and long-dated reversions.

TLG Immobilien

| in EUR k | 31/12/2015 | 31/12/2014 |
|--|------------|------------|
| Investment property | 1,739,474 | 1,489,597 |
| Real estate inventory | 1,104 | 1,477 |
| Properties classified as held for sale | 15,912 | 21,991 |
| Property portfolio (net) | 1,756,490 | 1,513,065 |
| Estimated transaction costs | 125,899 | 103,466 |
| Property portfolio (gross) | 1,882,389 | 1,616,531 |
| Annualised cash passing rental income | 131,097 | 118,832 |
| Property outgoings | -16,533 | -12,818 |
| Annualised net rents | 114,564 | 106,015 |
| Notional rent for ongoing rent-free periods | 280 | 25 |
| Annualised "topped-up" net rent | 114,844 | 106,040 |
| EPRA Net Initial Yield (NIY) in % | 6.1 | 6.6 |
| EPRA "topped-up" Net Initial Yield in % | 6.1 | 6.6 |

10.5 EPRA Vacancy Rate

Citycon

| MEUR | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Annualised potential rental value of vacant premises | 10.2 | 8.6 |
| ∴ Annualised potential rental value for the whole property portfolio | 313.7 | 230.1 |
| EPRA vacancy rate (%) | 3.2 | 3.7 |

Derwent London

Vacancy rate

| | 2015 €m | 2014 €m |
|---|-----------------|-----------------|
| Annualised estimated rental value of vacant premises | 2.5 | 7.1 |
| Portfolio estimated rental value Less non-EPRA properties ¹ | 278.1 (83.6) | 216.5 (43.9) |
| | 194.5 | 172.6 |
| EPRA vacancy rate | 1.3% | 4.1% |

¹ In accordance with EPRA best practice guidelines, deductions are made for development properties, land and long-dated reversions.

Klépierre

EPRA Vacancy Rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole property portfolio (including vacant spaces).

| In thousands euros | France-Belgium | Italy | Scandinavia | Iberia | CEE and Turkey | Netherlands | Germany | TOTAL |
|------------------------------|----------------|---------|-------------|---------|----------------|-------------|---------|-----------|
| Estimated rental value (ERV) | 455,566 | 250,923 | 196,533 | 122,696 | 113,857 | 35,036 | 54,486 | 1,229,096 |
| ERV of vacant space | 13,765 | 5,288 | 8,908 | 7,766 | 5,970 | 1,166 | 4,384 | 47,247 |
| EPRA VACANCY RATE | 3.0% | 2.1% | 4.5% | 6.3% | 5.2% | 3.3% | 8.0% | 3.8% |

10.6 EPRA Cost Ratios

Cofinimmo

| (x 1,000 EUR) | 31.12.2015 | 31.12.2014 |
|---|----------------|----------------|
| (I) Administrative/operational expenses per IFRS income statement | -41,494 | -36,955 |
| Cost of rent-free periods | -3,718 | -2,932 |
| Charges and taxes not recovered from the tenant on let properties | -3,478 | -2,513 |
| Net redecoration expenses | -1,105 | -928 |
| Technical costs | -5,643 | -3,802 |
| Commercial costs | -950 | -1,138 |
| Taxes and charges on unlet properties | -3,451 | -3,922 |
| Property management costs | -15,343 | -14,544 |
| Corporate management costs | -7,806 | -7,176 |
| (V) Share of joint venture expenses | -31 | -32 |
| EPRA COST RATIO (DIRECT VACANCY COSTS INCLUDED) (A) | -41,525 | -36,987 |
| (IX) Direct vacancy costs | 5,059 | 5,219 |
| EPRA COSTS (DIRECT VACANCY COSTS EXCLUDED) (B) | -36,466 | -31,768 |
| (X) Gross rental income less ground rent costs | 205,622 | 198,759 |
| (XII) Share of joint venture gross rental income | 691 | 689 |
| GROSS RENTAL INCOME (C) | 206,313 | 199,448 |
| EPRA cost ratio (direct vacancy costs included) (A/C) | 20.13% | 18.54% |
| EPRA cost ratio (direct vacancy costs excluded) (B/C) | 17.68% | 15.93% |
| * Overhead and operational expenses capitalised (including share of joint ventures) | 1,887 | 2,269 |

Citycon

| MEUR | 2015 | 2014 |
|---|--------------|--------------|
| Include: | | |
| Administrative expenses ¹⁾ | 29.3 | 20.7 |
| Property operating expenses and other expenses from leasing operations less service charge costs | 71.9 | 51.2 |
| Net service charge costs/fees | 13.0 | 16.3 |
| Management fees less actual/estimated profit element | -4.3 | -2.0 |
| Other operating income/recharges intended to cover costs less any related profit | -9.9 | -4.9 |
| Share of joint venture expenses | 5.5 | 6.4 |
| Exclude: | | |
| Ground rent costs | -4.3 | -1.8 |
| Service charge costs recovered through rents but not separately invoiced ²⁾ | -50.6 | -42.6 |
| Share of joint venture investment property depreciation, ground rent costs and service charge costs recovered through rents but not separately invoiced | -1.9 | -3.5 |
| EPRA Costs (including direct vacancy costs) (A) | 48.4 | 39.9 |
| Direct vacancy costs | -4.3 | -3.6 |
| EPRA Costs (excluding direct vacancy costs) (B) | 44.2 | 36.3 |
| Gross rental income less ground rent costs ²⁾ | 270.2 | 230.2 |
| Less: service fee and service charge cost components of Gross Rental Income ²⁾ | -50.6 | -42.6 |
| Add: share of joint ventures (Gross rental income less ground rent costs less service fees in GRI) | 19.4 | 17.5 |
| Gross Rental Income (C)²⁾ | 239.0 | 205.1 |
| EPRA Cost Ratio (including direct vacancy costs) (A/C) | % | 20.3 |
| EPRA Cost Ratio (excluding direct vacancy costs) (B/C) | % | 18.5 |

1) Non-recurring transaction costs of EUR 7.5 million are excluded from the administrative expenses in 2015. Administrative expenses are net of costs capitalised of EUR 2.3 in 2015 and EUR 1.5 million in 2014. Citycon's policy is to capitalise, for example, expenses related to property development projects and major software development projects.

2) Citycon has changed its income statement format to exclude turnover row and to reclassify maintenance rents (EUR 53.4 million 2015 and EUR 42.6 million in 2014) from the gross rental income to service charges. This change didn't impact the EPRA Cost Ratio calculations.

Colonial

| E. EPRA Cost Ratios | | 12/2015 | 12/2014 |
|--|------------|--------------|--------------|
| <i>Figures in €m</i> | | | |
| (i) Administrative/operating expense line per IFRS income statement ⁽¹⁾ | | 35 | 35 |
| (ii) Net service charge costs /fees | | 23 | 21 |
| (iii) Management fees less actual/estimated profit element | | 0 | (1) |
| (iv) Other operating income/recharges intended to cover overhead expenses less any related profits | | (0) | (0) |
| (v) Share of Joint Ventures expenses | | 0 | 2 |
| Exclude (if part of the above): | | | |
| (vi) Investment Property depreciation | | na | na |
| (vii) Ground rent costs | | na | na |
| (viii) Service charge costs recovered through rents but not separately invoiced | | (5) | (2) |
| EPRA Costs (including direct vacancy costs) | A | 52 | 54 |
| (ix) Direct vacancy costs | | (9) | (9) |
| EPRA Costs (excluding direct vacancy costs) | B | 43 | 45 |
| (x) Gross Rental Income less ground rent costs - per IFRS | | 231 | 211 |
| (xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) | | (6) | (3) |
| (xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs) | | 0 | 9 |
| Gross Rental Income | C | 225 | 217 |
| EPRA Cost Ratio (including direct vacancy costs) (A/C) | A/C | 23.3% | 25.1% |
| EPRA Cost Ratio (excluding direct vacancy costs) (B/C) | B/C | 19.1% | 20.9% |

10.7 CAPEX disclosure

Unibail-Rodamco

| <i>(€Mn)</i> | 2015 | | 2014 | |
|--|----------------|----------------|----------------|----------------|
| | 100% | Group Share | 100% | Group Share |
| Acquisitions ⁽¹⁾ | 137.7 | 127.6 | 412.6 | 273.4 |
| Development ⁽²⁾ | 507.8 | 422.2 | 450.0 | 399.3 |
| Like-for-like portfolio ⁽³⁾ | 513.9 | 407.7 | 511.4 | 434.5 |
| Other ⁽⁴⁾ | 172.6 | 137.6 | 155.1 | 129.7 |
| CAPITAL EXPENDITURE | 1,332.1 | 1,095.1 | 1,529.2 | 1,236.9 |

PSP Swiss Properties

| H. EPRA cap ex | (in CHF 1 000) | | 2014 | 2015 |
|---|----------------|--|----------------|----------------|
| Property related cap ex | | | | |
| Acquisitions | | | 71 940 | 6 679 |
| Development (ground-up/green field/brown field) | | | 64 144 | 98 703 |
| Like-for-like portfolio | | | 48 522 | 21 516 |
| Capitalised interests | | | 2 257 | 3 320 |
| Capital expenditure | | | 186 863 | 130 218 |

British Land

| | 2016 | | | 2015 | | |
|-------------------------------------|------------|--------------------------|------------|------------|--------------------------|------------|
| | Group | Joint ventures and funds | Total | Group | Joint ventures and funds | Total |
| Acquisitions | 238 | - | 238 | 147 | - | 147 |
| Development | 104 | 58 | 162 | 64 | 83 | 147 |
| Like-for-like portfolio | 99 | 6 | 105 | 67 | 23 | 90 |
| Other | 25 | 15 | 40 | 25 | 8 | 33 |
| Total property related capex | 466 | 79 | 545 | 303 | 114 | 417 |

10.8 Like-for-like Rental Income

Aedifica

Investment properties - Rental data (x €1,000)

| | 30 June 2015 | | | | | | |
|---|---------------------------|---------------------------|-------------------------------------|--------------------------------|--|------------------------------|--------------------------|
| | Gross rental income | Net rental income | Lettable space (in m ²) | Contractual rents ³ | Estimated rental value (ERV) on empty spaces | Estimated rental value (ERV) | EPRA Vacancy rate (in %) |
| Segment | | | | | | | |
| Senior housing | 34,081 | 33,828 | 340,400 | 41,038 | 0 | 45,803 | 0 |
| Apartment buildings | 11,900 | 6,959 | 101,626 | 11,866 | 1,118 | 12,356 ⁴ | 9 |
| Hotels and other | 3,986 | 3,949 | 37,377 | 4,538 | 32 | 4,264 | 1 |
| Non-allocated | 0 | -473 | | | | | |
| Intersegment Items | -114 | -115 | | | | | |
| Total marketable investment properties | 49,853 | 44,148 | 479,403 | 57,442 | 1,150 | 62,423 | 2 |
| Reconciliation to income statement | | | | | | | |
| Properties sold during the 2014/2015 financial year | 0 | 0 | | | | | |
| Properties held for sale | 0 | 0 | | | | | |
| Other Adjustments | 0 | 0 | | | | | |
| Total marketable investment properties | 49,853¹ | 44,148² | | | | | |
| | 30 June 2014 | | | | | | |
| | Gross rental income | Net rental income | Lettable space (in m ²) | Contractual rents ³ | Estimated rental value (ERV) on empty spaces | Estimated rental value (ERV) | EPRA Vacancy rate (in %) |
| Segment | | | | | | | |
| Senior housing | 24,565 | 24,546 | 235,232 | 28,725 | 0 | 32,809 | 0 |
| Apartment buildings | 12,024 | 7,126 | 101,626 | 12,425 | 947 | 12,238 ⁴ | 8 |
| Hotels and other | 4,132 | 4,094 | 39,208 | 4,564 | 63 | 4,312 | 1 |
| Non-allocated | 0 | -69 | | | | | |
| Intersegment Items | -108 | -106 | | | | | |
| Total marketable investment properties | 40,613 | 35,591 | 376,065 | 45,714 | 1,010 | 49,359 | 2 |
| Reconciliation to income statement | | | | | | | |
| Properties sold during the 2013/2014 financial year | 0 | 0 | | | | | |
| Properties held for sale | 0 | 0 | | | | | |
| Other Adjustments | 0 | 0 | | | | | |
| Total marketable investment properties | 40,613¹ | 35,591² | | | | | |

1. The total "gross rental income" defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the "net rental income" of the consolidated IFRS accounts.

2. The total "net rental income" defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the "property operating result" of the consolidated IFRS accounts.

3. The current rent at the closing date plus future rent on leases signed as at 30 June 2014 or 30 June 2015.

4. This ERV does not take into account a furnished occupancy.

Capital and Countries Properties

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

| Like-for-like net rental income | 2015 €m | 2014 €m | Increase/ (decrease) |
|--|--------------|------------|-------------------------|
| Covent Garden | 34.8 | 33.3 | 4.4% |
| Earls Court Properties | 17.6 | 17.3 | 2.1% |
| Venues | 19.3 | 15.3 | 26.0% |
| Other | (0.5) | - | |
| Total like-for-like net rental income | 71.2 | 65.9 | 8.0% |
| <i>Like-for-like investment and development property</i> | 71.2 | 65.9 | 8.0% |
| <i>Like-for-like trading property</i> | - | - | |

Foncière des Réaions

| (€M) | Surface (m ²) | Number of assets | Rental income 2014 100% | Rental income 2014 GS | Rental income 2015 100% | Rental income 2015 GS | Change (%) | Change (%) LFL | % of rental income |
|--------------------------------|------------------------------|---------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|---------------|----------------------|--------------------------|
| Paris Centre West | 91,092 | 12 | 30.5 | 30.6 | 35.5 | 35.7 | 16.6% | 1.1% | 15.0% |
| Southern Paris | 77,551 | 11 | 31.7 | 26.9 | 30.4 | 25.7 | -4.3% | 0.9% | 10.8% |
| North Eastern Paris | 121,329 | 6 | 20.4 | 20.4 | 20.6 | 20.6 | 0.9% | 0.7% | 8.6% |
| Wester Crescent and La Défense | 191,044 | 20 | 63.7 | 57.2 | 58.5 | 51.5 | -10.0% | 2.7% | 21.6% |
| Inner suburbs | 372,273 | 23 | 21.9 | 20.4 | 40.8 | 31.5 | 54.1% | -0.9% | 13.2% |
| Outer suburbs | 115,770 | 49 | 15.7 | 15.7 | 12.8 | 12.8 | -18.7% | -1.8% | 5.4% |
| Total Paris Region | 969,060 | 121 | 183.8 | 171.2 | 198.6 | 177.7 | 3.8% | 1.1% | 74.7% |
| Major Regional Cities | 411,687 | 74 | 33.7 | 33.7 | 30.8 | 30.8 | -8.6% | -0.3% | 13.0% |
| Other French regions | 492,267 | 179 | 33.2 | 33.2 | 29.4 | 29.4 | -11.3% | 0.2% | 12.4% |
| TOTAL | 1,873,013 | 374 | 250.7 | 238.2 | 258.9 | 238.0 | -0.1% | 0.8% | 100.0% |

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