EPRA | REPORTING

European Public Real Estate Association

Best Practices Recommendations

October 2010

EPRA Reporting & Accounting Committee

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1. Introduction

Please find enclosed the EPRA Best Practices Recommendations (BPRs) from EPRA's Reporting and Accounting Committee. These recommendations include significant changes compared to our recommendations from July 2009.

The development of the EPRA BPR in the years since its conception were originally driven by the need to provide property companies with additional guidance on how to interpret and apply IFRS accounting consistently across Europe. Now that IFRS accounting is reasonably well established in Europe, the requirement for this detailed guidance is less important.

Following extensive discussions with the investment community and property companies, the decision was taken to focus the development of the EPRA BPR on those areas of reporting that are seen to be of most relevance to investors and where more consistent reporting across Europe would bring the greatest benefits in the overall transparency of the sector.

In order to further promote the adoption of the EPRA BPRs by European property companies, the decision was also taken to considerably reduce the number of recommendations and provide a clear prioritisation of these recommendations. Accordingly, the structure of the EPRA BPR now reflects this objective and set out recommendations in the following categories:

- **Section 3 - EPRA Performance Measures:** deemed to be of key importance for investors and where more consistent and widespread disclosure is sought.
- **Section 4 - Core EPRA Recommendations:** general reporting and investment property disclosures.
- **Section 5 - Additional disclosures:** guidance on further disclosures covering valuation disclosure, management narrative and governance information.

These recommendations are effective for annual accounts for accounting periods beginning on or after January 01, 2010. Compliance with the recommendations will be a basis for EPRA's Best Annual Report awards in 2011. We recommend that property companies utilising these recommendations refer readers to the EPRA webpage for additional background on the EPRA BPRs. The BPRs are a 'live document' and accordingly, additional issues will be addressed by EPRA's Reporting & Accounting Committee, and changes in IFRS need to be incorporated as they occur.

We hope that the recommendations continue to advance EPRA's efforts to make the financial statements of public real estate companies clearer, more transparent and comparable across Europe.

Thank you to all who have contributed to areas of improvement to last year's recommendations. A copy of the 2010 BPR is also available online on: www.epra.com/representations.jsp

Peter van Rossum
Chairman - *Reporting & Accounting Committee*
September 2010

2. EPRA BPR – General Recommendations

2.1 Introduction

Following extensive discussions with the investment community and property companies, the decision was taken to focus the development of the EPRA BPR on those areas of reporting that are of most relevance to investors and where more consistent reporting across Europe would bring the greatest benefits in the overall transparency of the sector.

The recommendations in this section relate to general reporting best practice and set a framework for property investment companies to prioritise disclosures under the new EPRA BPR. The EPRA Performance Measures, the Core Recommendations and the Additional Disclosures are not expected to be part of the audited financial statements, but will generally be part of the Directors' Report. As such it is the auditor's obligation to ensure consistency with the audited financial statements, rather than to opine on them.

The EPRA recommendations should be applied unless they are considered to be immaterial. The relevance of information is affected by its nature and materiality. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial information. Thus, materiality provides a threshold or cut-off point.

2.2 Language of financial reporting

Recommendations:
Financial reports and associated management statements, footnotes and tables/exhibits of real estate companies should be issued in English.

English should also be used on relevant websites and on press releases.

2.3 Compliance with EPRA BPR

Recommendations:
Companies should include in their annual reports, a summary table similar to the one on page 6, which includes the EPRA Performance Measures calculated. Detailed explanations of these EPRA Performance Measures (EPM) are included in Section 3.

Companies should clearly indicate within their management report or website which EPRA BPR have been disclosed and where a user can find these disclosures within the report.

The EPRA BPR Checklist provided in Annex 1 may be helpful in this respect.

3. EPRA Performance Measures

Summary Table

Companies should provide a summary table showing the EPRA Performance Measures (EPM) in a prominent place in the Annual Report showing the following items.
After the first year of implementation, companies should provide the information for the current and prior year.

EPRA Performance Measure	Definition	Page Ref.	Purpose
1 **EPRA Earnings**	Recurring earnings from core operational activities.	Page 7	A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
2 **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.	Page 9	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
3 **EPRA NNNAV**	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Page 11	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate entity.
4 **(i) EPRA Net Initial Yield (NIY)**	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) purchasers' costs.	Page 13	A comparable measure around Europe for portfolio valuations. In the past, there has been debate about portfolio valuations across Europe. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y. Companies should provide detail on the calculation of the measure and reconciliation between the EPRA NIY and 'topped-up' NIY in the recommended format as shown in Section 3.4.
(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).	Page 14	
5 **EPRA Vacancy Rate**	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	Page 15	A "pure" (%) measure of investment property space that is vacant, based on ERV.

3.1 EPRA Earnings and EPRA Earnings Per Share

Issue:
Earnings reported in the income statement as required under IFRS do not provide stakeholders with the most relevant information on the operating performance of the underlying property portfolio under management.

Rationale:
For real estate investment companies, a key measure of a company's operational performance and the extent to which its dividend payments to shareholders are underpinned by earnings is the level of recurring income arising from core operational activities. Unrealised changes in valuation, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of the company's underlying operational performance.

Recommendation:
Real estate companies should disclose EPRA Earnings in accordance with the requirements below. EPRA Earnings represents the earnings from the core operational activities (recurring items for the company). It is intended to provide an indicator of the underlying performance of the property portfolio. Therefore it excludes all components not relevant to the underlying and recurring performance of the portfolio, including any revaluation results and results from sales of properties.

EPRA Earnings is similar to NAREIT FFO. The measures are not exactly the same - as EPRA Earnings has its basis in IFRS and FFO is based on US-GAAP.

A. EPRA Earnings & Earnings Per Share	Earnings in thousands euro/pounds etc
Earnings per IFRS income statement	**xxx**
Adjustments to calculate EPRA Earnings, exclude:	
(i) Changes in value of investment properties, development properties held for investment and other interests	x
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	x
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties.	x
(iv) Tax on profits or losses on disposals	x
(v) Negative goodwill / goodwill impairment	x
(vi) Changes in fair value of financial instruments and associated close-out costs	x
(vii) Acquisition costs on share deals and non-controlling joint venture interests	x
(viii) Deferred tax in respect of EPRA adjustments	x
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	x
(x) Minority interests in respect of the above	x
EPRA Earnings	**xxx**
EPRA Earnings per Share (EPS)	x
Company specific adjustments:	
(a) Company specific adjustment 1	yyy
(b) Company specific adjustment 2	yyy
Company specific Adjusted Earnings	**yyy**
Company specific Adjusted EPS	**y**

Explanation of adjustments

The adjustments (i) to (x) are the required adjustments to determine EPRA Earnings.

Companies should not make any other adjustments to arrive at EPRA Earnings. Should companies wish to make other adjustments to arrive at an underlying performance measure appropriate for their business model, they should do that 'below EPRA Earnings' and they should use a different name for that measure such as "Adjusted Earnings".

For example, should trading be considered a part of the company's core business, companies can make an adjustment, below EPRA Earnings, to calculate the company-specific earnings measure. Companies should clearly disclose the additional adjustments made and the reasoning for these adjustments.

(i) Changes in fair values of investment properties, development properties held for investment and other investment interests
The gain or loss in the Income Statement arising in the period from the revaluation of investment properties, development properties held for investment purposes and other investment interests held as non-current assets at their fair value.

(ii) Profits or losses on disposals of investment properties, development properties held for investment purposes and other non-current and current investment interests
The profit or loss on disposal of investment properties, development properties held for investment and other current and non-current investment interests.

(iii) Profits or losses on sale of trading properties
Property trading is not considered to be a core activity of property investment companies. Therefore results from property trading should be adjusted to arrive at EPRA Earnings.

(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.

(v) Negative goodwill / goodwill impairment
The excess of the fair value of assets acquired over their cost of acquisition, which IFRS requires to be recognised immediately in the income statement, together with any impairment charges in respect of positive goodwill and amortisation of intangibles.

(vi) Changes in fair value of financial instruments and associated close-out costs
The surplus or deficit arising in the period from the mark to market of financial instruments which are used for hedging purposes. Whether the company has chosen to apply hedge accounting under IFRS is irrelevant. Material profits/costs associated with the early close out of these financial instruments should also be excluded from EPRA Earnings.

(vii) Acquisition costs
Acquisition costs related to share deals (IFRS 3) and joint venture interests are, under IFRS, recognised in the profit and loss account when incurred. Property-related acquisition costs are first capitalised and subsequently recognised in the profit and loss account as a revaluation movement. To achieve consistency, acquisition costs related to share deals and joint venture interests should be excluded to arrive at EPRA Earnings.

(viii) Deferred tax and current tax in respect of EPRA Adjustments

Companies should exclude the deferred tax charge or credit in the period which only relates to the above items and which would not crystallise until or unless the property, investment or financial instrument is sold. This would typically include deferred tax on revaluation surpluses and tax depreciation (in the UK capital allowances) on real estate which could reverse on disposal of the asset. Companies should also exclude any current tax relating directly to the above adjustments to the extent that they are considered material.

(ix) Adjustments in respect of Joint Ventures

Adjustments (i) to (viii) above should also be applied to the net result from joint ventures, unless already included under the proportional consolidation method.

(x) Impact on minority interests

The impact of possible minority interests in relation to the above adjustments should be taken into account.

3.2 EPRA Net Asset Value (NAV)

Issue:

Net Asset Value is a key performance measure used in the real estate industry. However, NAV reported in the financial statements under IFRS does not provide stakeholders with the most relevant information on the fair value of the assets and liabilities within an ongoing real estate investment company with a long-term investment strategy.

Rationale:

The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Similarly, trading properties are adjusted to their fair value under EPRA's NAV measure.

Recommendation:

Real estate companies should disclose EPRA NAV.

B. EPRA Net Asset Value	NAV in thousands euro/pounds/etc
NAV per the financial statements	**xxx**
Effect of exercise of options, convertibles and other equity interests[1]	x
Diluted NAV, after the exercise of options, convertibles and other equity interests	**xxx**
Include:	
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	x
(i.b) Revaluation of investment property under construction (IPUC)[2] (if IAS 40 cost option is used)	x
(i.c) Revaluation of other non-current investments	x
(ii) Revaluation of tenant leases held as finance leases[3]	x
(iii) Revaluation of trading properties[4]	x
Exclude:	
(iv) Fair value of financial instruments[5]	x
(v.a) Deferred tax	x
(v.b) Goodwill as a result of deferred tax	x
Include/exclude:	
Adjustments (i) to (v) above in respect of joint venture interests	
EPRA NAV	**xxx**
EPRA NAV per share	**x**

[1] The impact of any such instruments on equity should be taken into account.
[2] Difference between development property held on the balance sheet at cost and fair value of that development property.
[3] Difference between finance lease receivables held on the balance sheet at amortised cost and the fair value of those finance lease receivables.
[4] Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties.
[5] Net of derivative assets and liabilities stated in balance sheet.

Explanation of adjustments

(i) Revaluation to fair value of investment properties, development properties held for investment and other non-current investments.
If the option under IAS 40 has been used to account for investment properties at cost, this adjustment includes the revaluation of the asset to fair value in accordance with the valuation option under IAS 40.

Include the valuation increase/decrease to fair value of any non-development properties held at cost under IAS16.

Include the valuation increase/decrease to fair value of any other non-current investment where fair value can be reliably determined. The basis of valuation will need to be disclosed.

(ii) Revaluation of tenant leases held as finance leases
The surplus or deficit arising on the revaluation to market value of tenant leases which are accounted for as finance leases.

(iii) Revaluation of trading properties
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.

(iv) Fair value of financial instruments
Exclude the net mark to market adjustment to the value of financial instruments (market value less acquisition price paid or received) which are used for hedging purposes and where the company has the intention of keeping the hedge position until the end of the contractual duration. Whether the company has chosen to apply hedge accounting under IFRS is irrelevant.

The logic for this adjustment is that, under normal circumstances, the financial derivatives which property investment companies use to provide an economic hedge are held until maturity and so the theoretical gain or loss at the balance sheet date will not crystallise. This adjustment is therefore excluded under EPRA's NAV measure on a similar basis that, for example, deferred tax on revaluation surpluses is not expected to crystallise. Note that under EPRA's NNNAV measure, both the fair value of financial derivatives and the fair value of debt are reflected in arriving at a "spot" fair value NAV.

(v) Deferred tax
(a) Exclude any deferred tax included in the financial statement under IFRS in respect of the difference between the fair value and book value of investment property, development property held for investment or other non-current investments as this would only become payable if the assets were sold. Deferred tax assets or liabilities in respect of these items are included in calculating the EPRA Triple Net Asset Value (NNNAV) (see below).

The deferred tax liability relating to the above items (iii) and (iv), which would not crystallise until or unless the property or financial instrument is sold, should also be added back.

Any deferred tax relating to property depreciation allowances (in the UK capital allowances) that could reverse on disposal of the property should be excluded.

(b) Where goodwill is included on the balance sheet as a result of a deferred tax liability that is eliminated as a result of this adjustment, the goodwill should be excluded.

3.3 EPRA Triple Net Asset Value (NNNAV)

Issue:
Net Asset Value is a key performance measure used in the real estate industry. While EPRA's NAV is designed to provide a consistent measure of the fair value of a company's net assets on a going concern basis, some investors and users of annual reports like to use a "spot" measure of NAV which shows all assets and liabilities at their fair value.

Rationale:
The objective of the EPRA NNNAV measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV.

While some users refer to the NNNAV measure as a 'liquidation NAV', this term is not appropriate because, in many cases, fair values do not represent liquidation values; eg. fair values of derivatives are usually based on a mid-market estimate rather than the actual cost of closing out derivatives; similarly, the fair value of debt does not necessarily represent the cost of redeeming all outstanding debt instruments.

Recommendation:
Real estate companies should disclose EPRA NNNAV.

C. Triple Net Asset Value (NNNAV)	NAV in thousands euros/pounds etc
EPRA NAV	**xxx**
Include:	
(i) Fair value of financial instruments	(x)
(ii) Fair value of debt[1]	(x)
(iii) Deferred tax[2]	(x)
EPRA NNNAV	**xxx**
EPRA NNNAV per share	**x**

[1] Difference between interest-bearing loans and borrowings included in balance sheet at amortised cost, and the fair value of interest bearing loans and borrowings.
[2] Adjustment to fair value should be based on evidence observed in the market.

Explanation of adjustments

(i) Fair value of financial instruments
This reinstates, and is equal to, the adjustment (iv) in table B above. The reason for reinstating is that EPRA NNNAV is an approximation of fair value NAV.

(ii) Fair value of debt
A mark to market adjustment measured in accordance with IAS39 in respect of all debt not held in the balance sheet at its fair value.

(iii) Deferred tax
Provision for deferred tax in respect of the latent capital gains tax, or similar according to each country's tax rules, arising on the revaluation of investment, development and trading properties and other investments to market value. In calculating the deferred tax, consideration should be given to the market norm in which properties are disposed of and the related tax rules. For example, in some countries properties are purchased and sold directly, and in others via the sale of shares in a corporate vehicle which owns the property. Where there is not a predominant form of sale, deferred tax should be calculated assuming the higher tax liability.

Deferred tax should be provided in respect of tax depreciation allowances (in the UK capital allowances) that potentially become payable on disposal of property.

The fair value of the deferred tax is the company's assessment and is based on the expected method of realisation of the underlying assets and liabilities and should be calculated based on gross liabilities without discounting.

3.4 EPRA Net Initial Yield and EPRA "topped-up" NIY

Issue:
EPRA has received consistent feedback from investors and analysts that there is too much variation in the nature and extent of yield disclosures and that yield measurements used are not consistently defined.

Rational:
Consistent disclosure of yield measurements such as net initial yield, "topped-up" yields and equivalent yields will always be a challenge between companies because each measure serves a different purpose depending on the user and the local property market.

In order to encourage the provision of comparable and consistent disclosure of yield measures across Europe, EPRA has identified two yield measures that can be clearly defined, widely used by all participants in the direct and indirect European real estate market and should be largely comparable from one company to the next and with market evidence.

Recommendation:
Real estate companies should disclose two complimentary yields: EPRA Net Initial Yield and EPRA "topped-up" Net Initial Yield - to incorporate an adjustment in respect of the expiration of rent-free periods (or other lease incentives). Companies should clearly set out the calculation of these measures, including reconciliation between the two measures at a portfolio level using the format set out on page 14.

Companies are also encouraged to provide information to enable any other published yields to be reconciled to these yield measures.

EPRA Net Initial Yield (NIY)

EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the balance sheet date (but adjusted as set out below), less non-recoverable property operating expenses, divided by the gross market value of the property.

EPRA NIY should incorporate annualised rental income based on the cash rents passing at the balance sheet date, adjusted to include:

- CPI indexation adjustments (where applicable) to which the company is contractually entitled as at the balance sheet date based on latest published index or valuer's assumption.
- Increases in rental income to which the company is contractually entitled and relating to rent reviews arising before the balance sheet date, as determined by the external valuer.
- Estimated turnover rents and car parking income or other recurring operational income. For avoidance of doubt, excluding key money received and surrender premiums received.
- A deduction for non-recoverable property operating expenses, including:
  - service charge, local property taxes or insurance shortfalls relating to vacant space
  - permanent shortfall on service charge or operating expenses (such as ground rents)
  - other direct property management costs whether externalised or internalised, (such as shopping centre management expenses), net of the part recovered under the service charge.
- For avoidance of doubt, the following operating costs are not deducted in arriving at the EPRA Net Initial Yield:
  - letting and rent review fees (including letting fees payable to brokers)
  - provision for doubtful debtors
  - marketing costs
  - eviction costs.

EPRA "topped-up" NIY

The EPRA "topped-up" NIY is calculated by making 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).

For the avoidance of doubt:

- Where a property has been let but the cash rent passing is reduced due to the existence of unexpired lease incentives, the EPRA "topped-up" NIY includes the annualised cash rent that will apply at the expiry of the lease incentives.
- Permitted adjustments are only those that are contractually agreed and fixed at the balance sheet date and do not include future indexation uplifts, rent reviews or rental uplifts which are intended to compensate for future inflation.

In addition, both EPRA Yields should:

- Be based upon the property gross market value (including gross-up for estimated purchaser's transaction costs).
- Be disclosed for the entire completed portfolio. Segmental disclosure and supplementary disclosure of the yields for individually significant assets or sub-elements of the portfolio, is encouraged.
- Exclude undeveloped land and construction in progress, both from the numerator and the denominator.
- Clearly show the relationship between the properties included within the EPRA NIY calculation and the balance sheet and NAV calculation.
- Be separately provided in respect of any significant properties within joint ventures, to the extent not included within the overall portfolio disclosure.
- Be reconciled to any other company specific yield measures.

D. EPRA NIY and "topped-up" NIY disclosure[1]		In thousands euros/pounds etc	
Investment property - wholly owned		x	
Investment property - share of JVs/Funds		x	
Trading property (including share of JVs)		x	
Less developments		(x)	
Completed property portfolio		xxx	
Allowance for estimated purchasers' costs		x	
Gross up completed property portfolio valuation	**B**	**xxx**	
Annualised cash passing rental income		x	
Property outgoings		(x)	
Annualised net rents	**A**	**xx**	
Add: notional rent expiration of rent free periods or other lease incentives[2,3]		x	
Topped-up net annualised rent	**C**	**xxx**	
EPRA NIY	**A/B**		**x%**
EPRA "topped-up" NIY[4]	**C/B**		**x%**

[1] Disclosure of EPRA net yield calculations on a segmental basis is encouraged.
[2] Adjustment for unexpired lease incentives such as rent-free periods, discounted rent periods and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive.
[3] Companies should disclose the period over which their rent-frees expire in a footnote (or the weighted average if management's view is that this gives a clearer picture).
[4] Companies who choose to publish additional yields are encouraged to provide a reconciliation showing the specific adjustments from the EPRA NIY to this company specific yield.

3.5 EPRA Vacancy rate

Issue:
EPRA has received consistent feedback from investors and analysts that there is too much variation in the nature and extent of vacancy disclosures, and that measures used are not consistently defined.

Rationale:
Most companies disclose information about their vacancy rate (sometimes referred to as the void rate), but there are a variety of different practices in use. 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.

Recommendation:
Real Estate companies should disclose EPRA Vacancy Rate at the reporting date.

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.

EPRA encourages companies to provide additional commentary and analysis to explain any significant or distorting factors or likely future trends in the Vacancy Rate.

4. Investment Property Reporting

4.1 Accounting basis under IAS 40

Issue:
IAS 40.30 allows real estate companies to choose either the fair value model or the cost model as their accounting policy for its investment properties.

Rationale:
It is EPRA's aim to encourage uniform and comparable performance reporting by real estate companies. Fair value accounting will enhance uniformity, comparability and transparency of financial reporting by real estate companies.
Fair value accounting is an appropriate approach to calculate NAV.
Cost accounting is based upon historical events and decisions. Fair value accounting allows performance benchmarking with direct property market indices, such as IPD.

Recommendation:
Real estate companies should account for their property investments based upon the fair value model.
Where real estate companies decide not to follow the above recommendation and instead account for their investment properties based upon the depreciated cost model, the rationale for this should be clearly explained in the notes to the accounts.

4.2 Valuation information

Issue:
The description of and disclosure on the valuation procedures adopted by the company should lead to increased confidence in the valuation result and an increase in the prevalence and credibility of external valuations.

Rationale:
IAS 40 (para 75) does not specifically require a company to use an external valuer. It is EPRA's aim to encourage the use of external valuations, since the credibility of valuations will increase when an external valuation is carried out and the external valuer is independent and objective. Valuation credibility is also enhanced if valuations are undertaken in accordance with recognised standards.

Valuation fees that are dependent upon the outcome of the valuation are in conflict with independency and objectivity of the valuer.

Inclusion of a summary of the valuer's report or a table which reconciles the amounts provided by the valuers to the amounts included in the financial statements would add further credibility to the process.

Recommendation:
Companies should use an external valuer at least annually to determine the valuation of the entire investment portfolio and should disclose the names of the firms undertaking the valuations. Valuations should be in accordance with the International Valuation Standards.
Real estate companies should disclose the basis for the valuer's fees.

Companies should either provide a summary of the valuation report/certificate approved by the valuer or a table which reconciles the amounts provided by the valuers to the amounts included in the financial statements.

4.3 Investment assets

Recommendation:
Real estate companies should include information on completed investment properties (and trading properties and joint venture interests where they are material) in their management narrative or in an exhibit. Including:

- Information on sub-portfolios as appropriate (e.g. appropriate sector, region or city):
  - Area in square metres at the period end
  - Average rent per square metre as at the period end
  - Annualised rent based on contractual rents passing as at the period end (adjusted on the same basis used for the EPRA Net Initial Yield calculation referred to in section 3.4)
  - Market rents (ERV) assuming the properties are fully leased at the period end
  - Net rental income for the period - see glossary for definition
  - Market Value
  - Vacancy by ERV - see glossary for definition
  - Analysis of lease expiration profile
  - Top ten tenants by rental income
  - Rental income breakdown by tenant business sector.

- A list of the major properties owned, containing the following information for each major property/building in the portfolio:
  - Location
  - Land Area
  - Lettable building space
  - Type of property (e.g. the respective proportion of office/retail/residential/storage, etc.)
  - Vacancy by ERV
  - Acquisition Date
  - Percentage of ownership (and commentary on control provisions)
  - Form of ownership (e.g. fee or leasehold ownership)
  - Year of construction completion/major refurbishment.

4.4 Development assets

Issue:
Development activities can represent a source of significant value creation for property companies but can also comprise a greater financial risk than the ownership of existing rented assets. It is important therefore to provide sufficient information to enable investors to gain a clear understanding of the potential risks and opportunities associated with the development assets.

Rationale:
From January 01, 2009, Investment Property under Construction (IPUC) falls under IAS 40.
The valuation of development property which is not IPUC is described in IAS 16.
Additional information on development property is required to obtain a clear understanding of the development assets and related project risks.

Recommendation:
Real estate companies should include the following information in their management narrative on development assets:

- Information on the overall development programme and sub-portfolios as appropriate (e.g. appropriate sector, region or city):
  - Development costs, including costs to date (with a reconciliation to the balance sheet value) and estimated costs to completion
  - Estimated rental value at the completion of the development based on current market rents
  - Proportion of the development which has been let as at the balance sheet date
  - Breakdown of lettable area according to regions and usage (e.g. office, residential, etc.).

- The above information should be provided for any individually significant development project, along with the following:
  - Location
  - Type of property (e.g. the respective proportion of office/retail/residential/storage/etc.)
  - Lettable building space
  - Expected date of completion
  - Percentage of ownership (and commentary on control provisions)
  - Status (e.g. planning permission/under construction/letting status, etc.).

The information contained in the management narrative above is also relevant to the final value of the completed building, and should therefore be consistent with the recommendations described in Section 4.3.

Suggested formats for the clear presentation of this information are included in Section 7.

4.5 Like-for-like rental growth reporting

Issue:
Headline rental growth in general is a poor indicator of the performance of a real estate company's portfolio, as many of the changes in headline growth may stem from acquisitions or from completion of development projects.

Rationale:
Information on the growth in rental income other than from acquisitions and disposals, allows stakeholders to arrive at an estimate of organic growth. This can be used to measure whether the reversions feed through as anticipated, and whether the vacancy rates are changing.

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. 2009 like-for-like income growth thus compares the rental income of the stabilised portfolio with exactly the same portfolio in 2008.

Rental income growth may be derived from several categories, including:
- The effect of indexation to inflation or another price index;
- The effect of an increase/decrease in the vacancy rate of the stabilised portfolio;
- The effect of increase/decrease in non-recoverable property outgoings;
- The effect of renegotiating rents with existing or new tenants.

Recommendation:

- Real estate companies should disclose the like-for-like rental growth for each significant sector of the portfolio and each geographical business segment at least twice a year.
- To enhance comparability, growth figures should be calculated year-on-year. Real estate companies should publish the growth in absolute amounts, applying fixed foreign currency exchange rates, as well as on a percentage basis.
- In addition, real estate companies should describe the size, in value, of the total portfolio or investment portfolio on which the like-for-like rental growth is based.
- Companies should disclose the basis and assumptions underlying the like-for-like information.

In Section 7, a recommended template for like-for-like rental growth reporting is included on page 24.

4.6 Additional portfolio information

Issue:

Additional information and disclosure on property statistics is useful for investors and analysts. Where real estate companies currently provide such disclosures, it is often inconsistent in format with other companies and measures are calculated in different ways, resulting in lack of comparability of data.

In order to be useful for investors and analysts, additional property statistics information should be comparable between real estate companies providing this information. EPRA recognises that strategic or competitive reasons may prevent some real estate companies from publishing additional information and the extent to which a company may wish to publish additional information should remain a management decision.

Recommendation:

EPRA recommends additional information and disclosure on the following property portfolio statistics.

Portfolio information	Ref - Section 7
Rental data	Page 26
Valuation data	Page 27
Development and redevelopment property	Page 28
Lease data	Page 29

A suggestion for the format in which this information could be provided is presented in Section 7.

5. Additional Recommended Disclosures

5.1 Management review and narrative

5.1.1 General

Issue:
For financial statements, IAS 1.9 encourages enterprises to include a (financial) review by management, which describes and explains the main features of the enterprise's financial performance and financial position.

Rationale:
The financial performance and position of real estate companies require substantial additional narrative information.

Recommendation:
In their financial statements, real estate companies should include a management review and narrative including the elements as described in IAS 1.9.
Additional elements to be included are discussed below.

5.1.2 Strategy information

Issue:
Information of strategic nature is highly valuable if it is comparable between companies, but some strategic information may be sensitive and confidential.

Rationale:
EPRA's recommendation is that disclosure with respect to strategy information is enhanced to clearly inform shareholders and users of financial accounts as to what the company intends to do, how it intends to do it, and to back it up clearly with relevant information and statistics. The strategy statement should also include detail on the prior reporting year's strategy and achievements.

Recommendation:
Real estate companies should include a 'strategy segment' in their management review and narrative. This segment should cover the following elements and subjects:

- Corporate vision/ mission.
- Review of the strategy for the year under review, such as:
  - Review of activities for the year under review
  - Review of strategy statement from the prior reporting year
  - Success in following prior reporting years' strategy
  - Problems in year under review
  - Any key personnel changes and impact on strategy
  - Discussion of activities regarding principal properties.
- Current position, such as:
  - Position in current principal markets
  - What is the principal nature of the business? How will that change?
  - Discussion of principal asset classes (locations - countries/cities; property types; activity types such as investment, trading, facilities management, etc.)
  - Discussion of service activities - current and proposed.

- Market outlook, such as:
  - Principal issues
  - How do economic and market conditions impact on business?
- Strategy for coming reporting year(s), such as:
  - Principal developments, and stage of development
  - General strategic direction
  - What are the company's principal financial objectives (e.g. maximise asset value, return on equity, earnings per share)?
  - What is the company looking to do with properties: trade, invest, manage, etc?
  - Is the company expanding/selling - any specific sales planned?
  - How do activities tie in with financial objectives?
  - Discussion of principal asset classes
  - Any corporate activities planned?
  - Funding objectives - types of funding, gearing levels, rating objectives
  - Any key personnel changes proposed and likely impact on strategy
  - Human Resources strategy.
- Challenges envisaged in the coming reporting year(s).

5.2 Supervisory Board and Executive Board information

Recommendation:
Real estate companies should provide additional information on the members of the Supervisory Board and Executive Board.
For each of the members of the Executive Board, the following information should be provided:

- Name
- Age
- Gender
- Nationality
- Expiration of current term
- Title/ Role
- Are they on the audit/ remuneration committee?
- Other interests/ directorships
- Photograph

For each of the members of the Supervisory Board and non-Executive Directors, the following information should be provided, in addition to the information as set out in the previous bullet:

- Main employment
- Relevant work history, including prior directorships and any relationships with major shareholders

6. Glossary

Development property
Property under development at the reporting date for the purpose of inclusion in investment property at completion.

EPRA Net Initial Yield (NIY)
See detailed definition in Section 3.4

EPRA "topped-up" Net Initial Yield (NIY)
See detailed definition in Section 3.4.

Equivalent yield
The theoretical IRR of the cash flows from a particular property or portfolio, assuming the property becomes fully occupied and that all rents revert to the current market level (ERV) at the next rent review date or lease expiry. No future rental growth is allowed for. The equivalent yield is sometimes described as the weighted average yield between the initial and the reversionary yield.

Estimated rental value (ERV)
The estimated rental value at which space would be let in the market conditions prevailing at the date of valuation (normally the balance sheet date). See also Market Rent.

Gross rental income
Rental income for the period from let properties reported under IFRS, after taking into account the net effects of straight-lining for lease incentives, including rent free periods. Gross rental income will include, where relevant, turnover-based rents, surrender premiums, car parking income, key money received, and interest receivable on finance leases.

Investment Property Under Construction (IPUC)
Property that is being constructed or developed for future use as investment property under IAS 40.

Lease incentive
Any consideration or expense borne by the property company, in order to secure a lease.

Lettable space
Any part of a property that can be leased to a tenant.

Like-for-like
See Section 4.5.

Market rent (also known as 'ERV')
See ERV above.

Market value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Net rental income
Gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

Passing rent
The annualised cash rental income being received as at a certain date, excluding the net effects of straight-lining for lease incentives. For the avoidance of doubt, where no rent is currently being paid due to operation of a rent-free period, the passing rent will be shown as zero.

Property operating expenses
The expenses relating to operating property for a certain period of time for the account of the landlord (including service charges not recoverable because of vacancy).

Reversion
The estimated change in rent at review, based on today's market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).

Reversionary yield
The ERV of the property or portfolio less property operating expenses, expressed as a percentage of the market value of the property increased with (estimated) purchaser's transaction costs.

Service charge expenses
The amounts paid and/or accrued by the landlord relating to lettable space for which it has been agreed with tenants to recover these amounts from the tenants periodically.

Service charge income
The amounts received and/or accrued by the landlord in respect of service charge expenses.

Trading property
Property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.

Turnover rent (or Sales-based rent)
Any element of rent (to be) received which varies with the level of turnover of a tenant.

EPRA Vacancy Rate
See Section 3.5.

Vacant space
Unrented lettable space.

7. Portfolio Information Proformas

Investment Property – Like-for-Like Net Rental Income

SEGMENT	Current Year NRI				
	Properties owned throughout the 2 years (€m)	Acquisitions (€m)	Disposals (€m)	Development property (€m)	Exchange translation difference (€m)
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					

Reconciliation:

Total as above	
Adjustments	
Total per income statements	

		Prior Year NRI				
	Total net rental income (€m)	Properties owned throughout the 2 years (€m)	Acquisitions (€m)	Disposals (€m)	Development property (€m)	Total net rental income (€m)

X			X
X / (X)			X / (X)

Investment Property – Rental Data

SEGMENT	Gross rental Income for the period (€m)	Net rental Income for the period (€m)	Lettable space (Sq. m)	Passing Rent at period end (€m)	Estimated rental value at period end (€m)	Vacancy Rate at period end %
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 Portfolio						

Reconciliation to Income Statement:

Total as above	X	X
Add: income on redevelopments	X	X
Other adjustments	X / (X)	X / (X)
Gross rental income / Net rental income per income statement		

Investment Property – Valuation Data

SEGMENT	Market Value of property (€m)	Valuation Movement[1] in the year (€m)	EPRA NIY (%)	Reversion (%)
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 Portfolio				

[1] After allowing for capex and disposals

Reconciliation:

Add: Value of investment properties under redevelopment	X
Other adjustments	X / (X)
Investment property value per balance sheet	

Development and Redevelopment Property

PROPERTY	Cost to date (€m)	Costs to complete (€m)	Future interest to be capital-ised (€m)	Forecast total cost (€m)	Forecast comple-tion date	Lettable space	% Let	ERV on comple-tion
1 Show each develop-ment and redevelop-ment where the fore-cast net rental income is equal to, or more than, 2% of last year's total net rental income of the company								
2 Other projects (in total)								
Total								

Reconciliation:

Total cost to date as above	X
Less: Redevelopment properties included as investment property in the balance sheet	(X)
Add: Revaluation surplus already taken	X
Other adjustments	X / (X)
Total development properties per balance sheet	

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														

8. EPRA BPR Checklist

EPRA BPR Checklist Summary table

ref	Recomendation	EPM	Core	Additional Disclosure
2.	**EPRA BPR - General Recomendations**			
2.2	**Language of financial reporting**			
	Financial reports in English		×	
	Websites and press releases in English		×	
2.3	**Compliance with EPRA BPR**			
	Include summary table similar to the one on page 6 which includes the EPRA Performance Measures		×	
	Clearly indicate within management report or website which EPRA BPR have been disclosed and where a user can find these disclosures within the report		×	
3.	**EPRA Performance Measures**			
3.1	**EPRA Earnings and EPS**			
	Disclose EPRA Earnings and EPRA Earnings per Share in accordance with the recommendations in Section 3.1	×		
3.2	**EPRA NAV**			
	Disclose EPRA NAV	×		
3.3	**EPRA NNNAV**			
	Disclose EPRA NNNAV	×		
3.4	**EPRA Net Initial Yield (NIY) and 'topped-up' NIY**			
	Disclose EPRA NIY and 'topped-up' NIY using a format comparable with that included in Section 3.4 on page 13	×		
3.5	**Vacancy Rate**			
	Disclose EPRA Vacancy Rate	×		
4.	**Investment Property Reporting**			
4.1	**Accounting basis under IAS 40**			
	Account for their property investments based upon the fair value model		×	
	Where real estate companies decide not to follow the above recommendation and instead account for their investment properties based upon the depreciated cost model, the rationale for this should be clearly explained in the notes to the accounts		×	
4.2	**Valuation information**			
	Use an external valuer at least annually to determine the valuation of the entire investment portfolio and disclose the names of the firms undertaking the valuations		×	
	Valuations should be in accordance with the International Valuation Standards		×	
	Disclose the basis for the valuer's fees		×	
	Either provide a summary of the valuation report/certificate approved by the valuer or a table which reconciles the amounts provided by the valuers to the amounts included in the financial statements		×	

ref	Recomendation	EPM	Core	Additional Disclosure
4.3	**Investment assets**			
	Information on completed investment properties in their management narrative or in an exhibit in accordance with 4.3 including:		×	
	Information on sub-portfolios as appropriate (e.g. sector, region or city)		×	
	A list of the major properties owned, containing the information detailed on page in 4.3 for each major property/building in the portfolio		×	
4.4	**Development assets**			
	Information in management narrative on development assets, as detailed on 4.4		×	
4.5	**Like-for-like rental growth reporting**			
	Disclose the like-for-like rental growth for each significant sector of the portfolio and each geographical business segment at least twice a year		×	
	Growth figures should be calculated year-on-year. Publish the growth in absolute amounts, applying fixed foreign currency exchange rates, as well as on a percentage basis		×	
	Describe the size, in value, of the total portfolio or investment portfolio on which the like-for-like rental growth is based		×	
	Disclose the basis and assumptions underlying the like-for-like information			
4.6	**Additional portfolio information**			
	Disclose the following additional information on property portfolio as follows:			
	Rental data (in accordance with Section 7)		×	(×)
	Valuation data (in accordance with Section 7)		×	(×)
	Development and redevelopment property (in accordance with Section 7)		×	(×)
	Lease data (in accordance with Section 7)		×	(×)
5.	**Additional Recomended Disclosures**			
5.1	**Management review and narrative**			
5.1.1	In their financial statements, real estate companies should include a management review and narrative including the elements as described in IAS 1.9			×
5.1.2	Real estate companies should include a ‘strategy segment’ in their management review and narrative, including the information detailed in 5.1.2			×
5.2	**Supervisory Board and Executive Board information**			
	Real estate companies should provide additional information on the members of the Supervisory Board and Executive Board, in accordance with 5.2			×

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