



# EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION



# 2016

**16 March 2017**

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## Statement by the Chairman

Looking back at 2016 and my first year as EPRA Chairman, I am happy to report several very positive developments despite a cloudy outlook for the world economy and geopolitics.

In June 2016, the FTSE EPRA/NAREIT Developed Europe Index reached the 100 constituents milestone and has passed the EUR 200 billion market capitalisation level. Worldwide, the expansion in the listed real estate market has been also impressive, as the market capitalisation of the Global Developed Index reached EUR 1.28 trillion as at 31 December 2016.

Listed real estate's share of the global equities market has tripled since the trough of the market cycle in 2009. Investors have been drawn to our sector in particular because of the attractiveness of the dividend income-producing model of the REIT regime. We have also improved our financial and sustainability reporting standards, both in terms of transparency and quality. In Europe, that is in no small part due to EPRA leadership in encouraging companies to implement the Best Practices Recommendations.

The election of President Trump in the U.S., as well as the direction of Brexit negotiations, may have an impact on the businesses of some EPRA members, but it does not necessarily mean the trends in European economies will be negative. Indeed, we could have some pleasant surprises on the upside.

It has been a great pleasure for me to take over the chairmanship at EPRA from September 2016 and to continue the good work done by my predecessor Luciano Gabriel. I look forward to working alongside EPRA's members in supporting the growth of our industry in these challenging times. I would also like to thank David Atkins (Hammerson), Wenceslao Bunge (Credit Suisse) and Luciano Gabriel (PSP Swiss Property), whose mandates as Board members have ended. In their places, I am very pleased to welcome Jean-Edouard Carbonnelle (Cofinimmo), Pere Viñolas Serra (Inmobiliaria Colonial), Henrik Saxborn (Castellum), Hans Op 't Veld (PGGM) and Simon Robson Brown (CBRE Securities).

Finally, on behalf of the Board of Directors and all members of EPRA, I would like to warmly thank Philip Charls, as he steps down as CEO after a decade of service to the association, for his leadership in driving strong growth in all areas of its operations, and welcome Dominique Moerenhout as our new CEO.

A handwritten signature in black ink, appearing to read 'Cuvillier', written over a horizontal line.

**Christophe Cuvillier**  
EPRA Chairman



## Statement from the CEO

2016 was a great year for EPRA and the listed real estate industry.

The changes to benchmark stock market indices GICS (Global Industry Classification Standard) in September 2016 established listed real estate, including REITs, as a stand-alone equities industry sector. EPRA research suggests that this might contribute to a reduction in the short-term volatility in the shares of REITs and listed property companies generally. Most importantly, this development could attract an estimated EUR 75 billion in capital inflows to the sector over time. FTSE Russell has consulted on a similar move for the Industry Classification Benchmark (ICB).

These growth opportunities are reflected in another recent development in the sector: the REIT legislation currently under development in Poland. Our association has been advocating for a Polish REIT regime from the very beginning. We are talking here about the eighth largest economy in Europe, and a market of 38 million people. Economic growth in Poland is projected to be 3.4% in 2017 against an average of 1.5% for the Eurozone area, so this is definitely a market to watch closely.

Over the course of 2016 we focused on improving professional standards and the transparency of financial reporting in our industry. These efforts have brought great improvement in compliance with the EPRA Best Practices Recommendations. Some 46 companies have achieved our highest Gold standard Award for implementation of the BPRs over the past year, a 44% increase from 2015. Among these, 43 are EPRA Index constituents, representing almost two-thirds of the Index by market cap.

EPRA has also finalised and implemented its BPR copyright legal framework project. This means that our industry-leading BPR reporting now rests on a solid copyright base and it will help us in maintaining and improving their quality and further build investors' confidence in the benchmark standards.

The importance of sustainability considerations in listed companies operations is also on the rise. When the first sustainability BPR survey was carried out five years ago, only 18% of firms achieved an EPRA Award. In 2016 that rose to 36%, and the vast majority of those companies – 71%, achieved the highest gold standard. Alongside these achievements, the European listed sector is consistently being highly placed in theGRESB global rankings, which assess the environmental, social and governance performance of real assets around the world. On the advocacy side, EPRA has been involved in the consultations on the EU's environmental performance of buildings.

Regarding other dossiers, the public affairs team has been advocating on the Anti-Tax Avoidance Directive with EU institutions and taking part in the OECD's discussions on the base erosion and profit shifting regulation (BEPS).

We are looking at an uncertain period, with general elections in the Netherlands, France and Germany in 2017, and populist sentiment growing across Europe. But REITs are first and foremost an income story and they have been delivering stable income with the average dividend yield for European REITs at about 4.2% over the last five years (as at 31 December 2016).

It is clear that investors did not like the Brexit vote. We have seen a sharp decline in the market capitalisation of British listed property stocks, but if you look at the average annual dividend

yield of UK firms, it stands at around 3.5%, which remains a highly attractive level in the current low interest rate environment.

Overall the European listed real estate industry has never been stronger and I am happy to be leaving the association in very good shape. EPRA's finances are on a solid footing to continue to support our work on behalf of the membership. Thanks to the EPRA organising committee and the solid backing of our sponsors, we had another successful Annual Conference in Paris, with a record attendance.

As I step out of the door, I would like to warmly thank the EPRA membership, chairmen, Board and committee members for their generous help and support, but above all, I want to applaud the entire EPRA team for their continuing commitment, passion and hard work, in making another year a great success for the association.

A handwritten signature in black ink, appearing to read 'Philip Charls', with a long horizontal flourish extending to the right.

**Philip Charls**  
**EPRA CEO**

To the members of the European Public Real Estate Association

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of the European Public Real Estate Association, which comprises the consolidated balance sheet as at 31 December 2016 and the consolidated statement of operating income and expense for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management using the European Public Real Estate Association's accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result").

### *Management's responsibility for the consolidated Financial Statements*

Management is responsible for the preparation of these consolidated financial statements in accordance with the European Public Real Estate Association's accounting policies and procedures, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the international standards on auditing (ISA) as issued by the IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

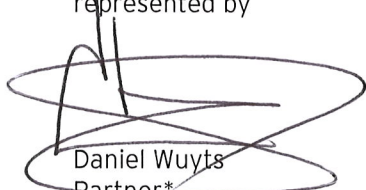


*Opinion*

In our opinion, the consolidated financial statements of the European Public Real Estate Association are prepared, in all material respects, in accordance with the European Public Real Estate Association's accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result") as disclosed in the Notes to the consolidated financial statements.

Diegem, 15 March 2017

Ernst & Young Bedrijfsrevisoren BCVBA  
represented by



Daniel Wuyts  
Partner\*

\*Acting on behalf of a BVBA/SPRL

Ref: 17/DW/0075



# Consolidated Financial Statements\*

31 December 2016

\*subject to approval by the AGM on 5 September 2017

**Balance sheet as at 31 December 2016**

(after profit appropriation)

<b>Assets</b>	31 December 2016		31 December 2015	
	€	€	€	€
<b>Fixed assets</b>				
<i>Intangible fixed assets</i>	(1)	183.677		315.229
website and database				
<i>Tangible fixed assets</i>	(1)			
Other fixed operating assets		57.844		49.288
<i>Financial fixed assets</i>	(1)			
Rental guarantee Brussels		46.305		46.305
<b>Current assets</b>				
<i>Accounts receivable</i>				
Debtors	(2)	1.404.598	1.123.243	
Amount receivable from				
Taxes and social insurance contributions '(3)		63.067	10.981	
Other accounts receivable	(4)	<u>114.091</u>	<u>92.698</u>	
		1.581.756		1.226.922
<i>Cash at banks and in hand</i>		4.752.563		6.050.040
		<u>6.622.145</u>		<u>7.687.784</u>



<b>Equity and liabilities</b>	31 December 2016		31 December 2015	
	€	€	€	€
<b>Equity</b>				
Other reserves		4.863.715		5.393.698
Undistributed earnings		43.600		43.600
<b>Provisions</b>				
Income equalization account (5)		1.171.267		1.141.524
Provision staff		85.922		605.191
<b>Current liabilities</b>				
Creditors	229.492		246.153	
Taxes and social insurance contributions (6)	101.013		164.941	
Remuneration and holiday pay (7)	127.136		92.677	
		457.641		503.771
		6.622.145		7.687.784

**Statement of operating income and expense for the year 2016**

	2016		2015	
	€	€	€	€
<b>Revenue</b>				
Membership fees	1.645.444		1.629.383	
Turnover Conference	323.549		256.500	
Sponsorship fees	342.000		292.000	
Investor outreach Asia	59.552		41.750	
FTSE index (8)	<u>3.121.354</u>		<u>3.160.359</u>	
		5.491.899		5.379.992
<b>Expense</b>				
Cost of conference	482.610		205.644	
Wages and salaries (9)	3.774.602		2.495.100	
Provision staff (10)	(519.269)		605.191	
Depreciation on tangible fixed assets (11)	211.092		204.156	
Other operating costs (12)	<u>1.608.343</u>		<u>1.319.292</u>	
		5.557.378		4.829.383
<b>Operating result</b>		(65.479)		550.609
Interest income and similar income	19.735		54.922	
Interest expense and exchange rate GBP	<u>228.773</u>		<u>8.831</u>	
		(209.038)		46.091
<b>Result from ordinary activities before taxation</b>		(274.517)		596.700
Taxation on result from other income	<u>18.205</u>		<u>0</u>	
		18.205		0
<b>Result after taxation</b>		(292.722)		596.701
Non recurring /Exceptional costs (13)	237.262		291.108	
Non recurring /Exceptional income	<u>0</u>		<u>6.494</u>	
		237.262		284.614
<b>Result after exceptional costs</b>		(529.984)		312.087

## Notes

The association was founded in the Netherlands on 12 October 1999.

The object of the association is to promote the European quoted real estate sector.

In June 2009 the association set up a BVBA and VZW in Belgium and moved its activities to Belgium. In 2012 the identities in the Netherlands were liquidated.

In 2013 the Hong Kong branch was set up

The figures in the consolidated financial statements are the results of the Belgian and Hong Kong activities.

### Principles for the valuation of assets and liabilities and the determination of the result

#### **General**

The principles in respect of the valuation of assets and liabilities and determination of the result are based on historical cost.

Insofar as not stated otherwise, monetary assets and liabilities are shown at nominal value.

#### **Intangible fixed assets**

The fixed operating assets are valued at acquisition cost. Depreciation is calculated according to the straight-line method on the basis of useful life. The rates of depreciation for database and website is 33,33 %

#### **Tangible fixed assets**

The fixed operating assets are valued at acquisition cost. Depreciation is calculated according to the straight-line method on the basis of useful life. The rates of depreciation for leasehold improvements of the office in Brussels is 11,11 %.

furniture 11,11 % - blackberry 50 %

The other fixed assets are depreciated at 20 % and 33,33 %.

#### **Financial fixed assets**

The rental guarantee is valued at nominal value.

#### **Accounts receivable**

Accounts receivable are stated at nominal value less allowances for doubtful debtors. Allowances for doubtful debts are booked on an individual basis (case-by-case)

The exchange rate for open invoices on 31-12-2016 from British Pounds to Euro is 1,1733

#### **Cash at banks and in hand**

Cash at banks and in hand are stated at nominal value.

#### **Provisions**

The income equalization accounts are the deferred revenues of the invoiced memberships for the year 2016 and is valued at nominal value

#### **Current liabilities**

The current liabilities are stated at nominal value.

## Balance sheet as at 31 December 2016

### Fixed assets

#### *Intangible fixed assets* (1)

	website & database €	Total €
Balance as at 1 January 2016	809.460	809.460
Investments	54.438	54.438
Accumulated depreciation	<u>(680.221)</u>	<u>(680.221)</u>
Book value	183.677	183.677

#### *Tangible fixed assets*

Other fixed operating assets	Computer and automatisation + furniture €	Leasehold improvements €	Total €
Balance as at 1 January 2016	122.534	72.439	194.973
Accumulated depreciation	<u>(106.467)</u>	<u>(39.652)</u>	<u>(146.119)</u>
Book value	16.067	32.787	48.854
Movements in book value			
Investments	34.361	-	34.361
Depreciation	<u>(16.752)</u>	<u>(8.619)</u>	<u>(25.371)</u>
Balance	17.609	(8.619)	8.990
Balance as at 31 December 2016			
Investments	156.895	72.439	229.334
Accumulated Depreciation	<u>(123.219)</u>	<u>(48.271)</u>	<u>(171.490)</u>
Book value	33.676	24.168	57.844

#### *Financial fixed assets*

	31 Dec. 2016 €	31 Dec. 2015 €
Rental guarantee Brussels	46.305	46.305

**Current assets**

***Accounts receivable***

*Debtors* (2)

	31 Dec. 2016	31 Dec. 2015
	€	€
Nominal value of outstanding accounts receivable FTSE	1.221.510	914.837
Nominal value of outstanding accounts receivable members	183.089	208.406
	<u>1.404.598</u>	<u>1.123.243</u>

***Taxes and social insurance contributions (3)***

	31 Dec. 2016	31 Dec. 2015
	€	€
Turnover tax (vat)	25.383	10.981
Wagebill Tax	37.684	-
	<u>63.067</u>	<u>10.981</u>

***Other accounts receivable*** (4)

	31 Dec. 2016	31 Dec. 2015
	€	€
Prepaid rent Brussels	25.702	24.638
Reuters paid in advance	6.964	-
Interest receivable	24.570	25.377
Advance study contribution to society	40.000	-
Advance conference	16.855	42.683
	<u>114.091</u>	<u>92.698</u>

**Equity**

*Other reserves*

The result of the financial year is added to the other reserves.

**Provisions**

*Income equalization account* (5)

	31 Dec. 2016	31 Dec. 2015
	€	€
Membership fee 2016 received in advance	-	1.141.524
Membership fee 2017 received in advance	1.171.267	-
	<u>1.171.267</u>	<u>1.141.524</u>

**Current liabilities**

*Taxes and social insurance contributions*

	31 Dec. 2016	31 Dec. 2015
	€	€
Income taxes to pay	15.671	-
Wage tax BVBA Belgium	72.254	129.194
Social security Belgium	12.961	35.236
Tax on interest Belgium	127	511
	<u>101.013</u>	<u>164.941</u>

*Remunerations to pay*

	31 Dec. 2016	31 Dec. 2015
	€	€
Net wages and holiday pay	127.136	92.677
	<u>127.136</u>	<u>92.677</u>

**Statement of operating income and expense for the year 2016****Revenue (8)**

	2016	2015
	€	€
FTSE index	3.121.354	3.160.359

\* Index revenues includes ETF fees from Blackrock.

This relates to the timing and source of AUMs for funds that benchmark to the FTSE EPRA/NAREIT series. The fees from the outstanding invoice equaled GBP 200.000 in 2016.

Based on current FX this would equal EUR 234.660.

**Wages and salaries (9)**

	2016	2015
	€	€
Gross wages and salaries (*)	3.774.602	2.495.100

The difference between 2015 and 2016 is explained as:

\* severance pay to previous staff members

pension plan adjustments

EPRA promotions and salaries increase in 2016

**Provision staff (10)**

	2016	2015
	€	€
Provision for deputy CEO		605.191
Severance pay deputy CEO	(519.269)	

**Depreciation on tangible fixed assets (11)**

	2016	2015
	€	€
Website and database	185.751	195.774
Furniture	1.964	6.715
Computer and automatisaton	14.788	-
Leasehold improvements	8.619	9.167
Bad debts	-	(7.500)
	211.122	204.156

**Other operating costs** (12)

	2016	2015
	€	€
Communication (*)	329.246	234.305
Meetings and events	97.281	96.264
Travel costs	271.672	287.794
Research (*)	207.975	168.556
Office cost	306.396	288.555
Advisory (*)	395.773	243.818
	<u>1.608.343</u>	<u>1.319.292</u>

(\*) communication: Newsletter production costs increased due to 5 full issues, new EPRA brand and new designer.

(\*) advisory includes CEO recruitment costs

**Exceptional costs - due to special activities and branch Hong Kong (13)**

	2016	2015
	€	€
Consultancy advocacy	44.808	61.867
Asia outreach	120.110	125.113
Advertising	72.343	104.128
	<u>237.261</u>	<u>291.108</u>



