EPRA REPORTING

European Public Real Estate Association

Best Practices Recommendations

Additional Guidance

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Best Practices Recommendations

Additional Guidance

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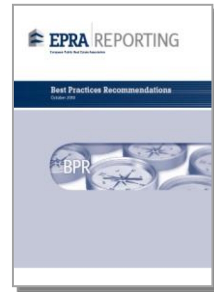
1. Introduction



We have developed this additional guidance to clarify issues arising from the Best Practices Recommendations (BPR). Although the BPR try to be prescriptive, they are principles based and considerable effort has been made to clearly explain the rationale behind each of the recommendations.

While the BPR are aimed at investment property companies, whose primary business activity is the long-term ownership and management of rental income producing investment property, EPRA recognises that there are many business models used by property companies and that they operate in different regulatory environments. In some cases it may therefore be appropriate for companies to make their own specific adjustments, although these should clearly be identified as being outside the EPRA definition (i.e. 'below the line').

The additional guidance is intended to facilitate the wider use of the BPR but is not formally part of the BPR. To aid users, we have tried to follow the same order and coverage of the key sections of the BPR. Since this is a 'live' document, regular updates will be made as each topic develops. We would encourage users to contact us with further questions so that through their consideration, we will broaden the overall understanding and implementation of the BPR.

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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 consider 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 recharges. 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.

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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').

FAQS

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 close out 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 close out costs or profits such as those described should be excluded. The only exception to this is the early close-out of financial instruments with a maturity date ending within the current reporting period. In such circumstances, the cost of early close-out 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 close-out should not significantly change EPRA earnings for that year. This is consistent with the guidance given on the early close-out of debt instruments as outlined in Q3.3 below.

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

The cost of early close-out of debt instruments is very similar to the cost of early close-out 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 close-out costs of debt instruments within EPRA earnings does not provide consistent comparability across companies, as the close-out 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 close-out of debt instruments should also be adjusted for when calculating EPRA earnings, consistent with the treatment of the cost of early close-out for hedging instruments.

The only exception to this is the early close-out 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 close-out should not significantly change EPRA earnings for that year. In such circumstances, the cost of early close-out 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 un-hedged foreign exchange gains/losses and this includes un-hedged 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 un-hedged position. There are a number of ways to structure loans to avoid exchange exposure, should a company choose.

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.

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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.

FAQS

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

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 NNNAV 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 dfferences 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

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 NNNAV 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.

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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.

FAQs

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.

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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		**xxx**
Effect of exercise of options, convertibles and other equity interests		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) (if IAS 40 cost option is used)	x
(i.c)	Revaluation of other non-current investments held at cost	x
(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)
(vi)	Deferred tax in respect of items (i)-(v)	(x)
(vii)	Fair value of deferred tax [1]	(x)
Include/exclude:		
Adjustments (i-vii) above in respect of joint venture/minority interests		(x)
EPRA NNNAV		**xxx**
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

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6. EPRA Net Initial Yield and ‘topped-up’ 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.

FAQs

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 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 Net Yield. 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 the forecast 2012 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.

7. Topped-up Net Initial Yield

General description

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

The topped-up net initial 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.

FAQs

7.1 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.

7.2 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.

7.3 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.

8. Vacancy Rate

FAQs

8.1 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 22). 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.

8.2 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.

8.3 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.

8.4 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).

8.5 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 15) based on the vacant property and the completed portfolio at that date.

8.6 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.

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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.

FAQs

9.1 Does EPRA still have a proforma 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 to them

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

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10. EPRA BPR examples

The following section includes examples of the EPRA BPRs used in property company annual reports. They were selected mainly from companies that achieved a Gold or Silver award in the 2013 EPRA Annual Survey. The examples are not intended to be proformas for the BPR, nor an endorsement of the specific formats used. For the full survey and other examples, you can access the report here.

10.1 EPRA Earnings

Mobimo

	A EPRA Earnings & EPRA Earnings Per Share	2012
	Earnings as per IFRS income statement	**76,323**
(i)	Changes in value of investment properties, development properties held for investment and other interests	–36,889
(ii)	Profits or losses on disposal of investment properties, development properties held for investment and other interests	66
(iii)	Profits or losses on the sales of trading properties including impairment charges in respect of trading properties	–9,696
(iv)	Tax on profits or losses on disposals	2,886
(v)	Negative goodwill/goodwill impairment	n/a
(vi)	Changes in fair value of financial instruments and associated close-out costs	135
(vii)	Acquisition costs on share deals and non-controlling joint venture interests	n/a
(viii)	Deferred tax in respect of EPRA adjustments	9,189
(ix)	Adjustments to positions (i) to (viii) in respect of joint ventures	–614
(x)	Minority interests in respect of the above	–32
	EPRA Earnings	**41,367**

British Land

Calculation of EPRA earnings and EPRA earnings per share

	2012 £m	2011 £m
Profit for the year after taxation	480	840
Exclude:		
Group – deferred tax	(3)	(12)
Joint ventures and funds – non-underlying current tax	(1)	
Joint ventures and funds – deferred tax	(1)	3
Group – net valuation movement (including result on disposals)	(146)	(313)
Joint ventures and funds – net valuation movement (including result on disposals)	(72)	(270)
Amortisation of intangible assets		10
Fair value movement on non-hedge accounted derivatives	2	(3)
EPRA earnings	**259**	**255**
Mark-to-market on liquid investments (held for trading assets)	3	(8)
Non-recurring items	3	4
Underlying earnings	**265**	**251**

Hammerson

Calculation of EPRA earnings and EPRA earnings per share

	2012 £m	2011 £m
Profit for the year after taxation	480	840
Exclude:		
Group – deferred tax	(3)	(12)
Joint ventures and funds – non-underlying current tax	(1)	
Joint ventures and funds – deferred tax	(1)	3
Group – net valuation movement (including result on disposals)	(146)	(313)
Joint ventures and funds – net valuation movement (including result on disposals)	(72)	(270)
Amortisation of intangible assets		10
Fair value movement on non-hedge accounted derivatives	2	(3)
EPRA earnings	259	255
Mark-to-market on liquid investments (held for trading assets)	3	(8)
Non-recurring items	3	4
Underlying earnings	265	251

PSP Swiss Property

A. EPRA EARNINGS & EPRA EARNINGS PER SHARE (EPS) (in CHF 1 000)	2011	2012
Earnings per IFRS income statement	**403 994**	**368 631**
Adjustments to calculate EPRA earnings		
Exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 325 068	– 266 851
Profits or losses on disposal of investment properties, development properties held for investement and other interests	– 4 227	– 130
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 3 277	– 12 793
Tax on profits or losses on disposals	2 072	2 843
Negative goodwill/goodwill impairment	n.a.	n.a.
Changes in fair value of financial instruments and associated close-out costs	n.a.	n.a.
Acquisition costs on share deals and non-controlling joint venture interests	n.a.	n.a.
Deferred tax in respect of EPRA adjustments	72 092	59 724
Adjustments to above in respect of joint ventures	n.a.	n.a.
Minority interests in respect of the above	n.a.	n.a.
EPRA earnings	**145 586**	**151 424**
Average number of outstanding shares	42 978 982	44 876 202
EPRA EPS in CHF	**3.39**	**3.37**

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Cofinimmo

EPRA EARNINGS AND EPRA EARNINGS PER SHARE (x €1,000)	Result (x €1,000) 2012	2011
IFRS earnings per income statement	**98,072**	**118,539**
Adjustments to calculate EPRA Earnings, to exclude:	**23,758**	**-5,335**
(i) Changes in fair value of investment properties and properties held for sale	-12,197	9,603
(ii) Gains or losses on disposal of investment properties	-1,414	-6,644
(v) Goodwill impairment	7,100	6,900
(vi) Changes in fair value of financial instruments (IAS 39)	24,344	9,561
(vii) Costs & interests on acquisitions and joint ventures	4,413	10,321
(viii) Deferred taxes in respect of EPRA adjustments	596	-39,287
(x) Minority interests in respect of the above	917	4,212
EPRA Earnings	**121,830**	**113,204**
Number of shares	16,015,572	15,194,088
EPRA Earnings per share	**7.61[1]**	**7.45**

Great Portland Estates

Basic, diluted and EPRA earnings per share

	Profit/ (loss) before tax 2012 £m	Tax 2012 £m	Profit/ (loss) after tax 2012 £m	Earnings/ (loss) per share 2012 pence
Basic and diluted	155.2	–	155.2	50.2
Surplus from investment property (see note 10)	(97.2)	–	(97.2)	(31.5)
Surplus from joint venture investment property (see note 11)	(46.0)	–	(46.0)	(14.9)
Movement in fair value of derivatives (see note 7)	2.2	–	2.2	0.7
Movement in fair value of derivatives in joint ventures (see note 11)	1.7	–	1.7	0.6
Charge on 2010 cancellation of derivatives (see note 7)	1.5	–	1.5	0.5
EPRA earnings	17.4	–	17.4	5.6

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Capital & Counties

14 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share	Earnings £m
Basic earnings	**153.7**
Dilutive effect of share option awards[2]	1.7
Dilutive effect of contingently issuable shares[2]	–
Dilutive effect of matching nil cost options[2]	–
Diluted earnings	**155.4**
Basic earnings	153.7
Adjustments:	
Gain on revaluation and sale of investment and development property	(123.3)
Write down of trading property	0.1
Fair value movement on derivative financial instruments	(14.1)
Costs of termination of derivative financial instruments	14.5
Current tax adjustments	(0.3)
Deferred tax adjustments	17.4
EPRA adjusted earnings	**48.0**
Exceptional other income	(0.8)
Profit on sale of available for sale investments	(30.5)
Remeasurement of deferred consideration	4.2
Write down of trading property	(0.1)
Impairment of other receivables	–
Demerger costs	–
Current tax adjustments	0.3
Deferred tax adjustments	(11.6)
REIT entry charge	–
Underlying earnings	**9.5**

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10.2 EPRA NAV & EPRA NNNAV

Unibail–Rodamco

EPRA NNNAV calculation (all figures are Group share and in €Mn)	31/12/2011		30/06/2012		31/12/2012	
	€Mn	€/share	€Mn	€/share	€Mn	€/share
Fully diluted number of shares		95,296,018		97,216,853		98,449,794
NAV per the financial statements	11,636		11,693		12,903	
ORA and ORNANE	170		210		0	
Effect of exercise of options	291		453		421	
Diluted NAV	12,097		12,356		13,324	
include						
Revaluation intangible assets	134		199		284	
exclude						
Fair value of financial instruments	281		336		426	
Deferred taxes on balance sheet	879		875		943	
Goodwill as a result of deferred taxes	(287)		(259)		(259)	
EPRA NAV	**13,105**	**€137.50**	**13,507**	**€138.90**	**14,718**	**€149.50**
Fair value of financial instruments	(281)		(336)		(426)	
Fair value of debt	(183)		(302)		(496)	
Effective deferred taxes	(435)		(428)		(455)	
Impact of transfer taxes estimation	253		263		280	
EPRA NNNAV	**12,459**	**€130.70**	**12,704**	**€130.70**	**13,621**	**€138.40**
% of change over 6 months		**2.9%**		**0,0%**		**5.9%**
% of change over 1 year				**2.9%**		**5.9%**

Corio

RECONCILIATION ADJUSTED NAV AND NNNAV

	Total (€ million)		Per share (€)	
	2012	2011	2012	2011
Equity balance sheet	4,082.5	4,206.0	42.44	45.57
Fair value of financial instruments	1.6	1.8	0.02	0.02
Deferred tax (nominal)	272.2	287.0	2.83	3.11
Goodwill as a result of deferred tax	-56.6	-58.4	-0.59	-0.63
Adjusted NAV	**4,299.7**	**4,436.4**	**44.70**	**48.07**
Fair value of financial instruments	-1.6	-1.8	-0.02	-0.02
Change loans to market value	-297.6	-40.8	-3.09	-0.44
Deferred tax (EPRA)	-37.4	-42.6	-0.39	-0.46
NNNAV (EPRA definition)	**3,963.1**	**4,351.2**	**41.20**	**47.15**
Share price period end			34.32	33.61
Premium/Discount to NNNAV			-16.7%	-28.7%

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Klepierre

(in millions of euros)	**12/31/2012**
Consolidated shareholders' equity (group share)	**2 210**
Unrealized capital gains on holdings (duties included)	4 032
Fair value of financial instruments	413
Differed tax on asset values on the balance sheet	306
Reconstitution NAV	**6 961**
Duties and fees on the sale of assets	-327
EPRA NAV	**6 634**
Effective taxes on capital gains	-210
Fair value of financial instruments	-413
Fair value of fixed-rate debt	-108
Liquidative NAV (EPRA NNNAV)	**5 903**

Intu Properties

3. EPRA NAV

			2012
	Net assets £m	Shares million	NAV per share pence
NAV attributable to owners of Intu Properties plc	2,977.0	857.1	347p
Dilutive convertible bonds, share options and awards	–	39.6	
Diluted NAV	2,977.0	896.7	332p
Remove:			
Fair value of derivative financial instruments (net of tax)	481.8		54p
Deferred tax on investment and development properties	8.7		1p
Non-controlling interest in respect of the above	(23.4)		(3)p
Add:			
Non-controlling interest recoverable balance not recognised	71.3		8p
EPRA NAV	3,515.4	896.7	392p
Fair value of derivative financial instruments (net of tax)	(481.8)		(54)p
Excess of fair value of debt over book value	(2.4)		–
Deferred tax	(8.7)		(1)p
Non-controlling interest in respect of the above	(5.3)		(1)p
EPRA NNNAV	3,017.2	896.7	336p

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SEGRO

	2012		
	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE
BASIC NAV	2,235.0	740.9	302
Dilution adjustments:			
Share options and save as you earn schemes	–	–	–
DILUTED NAV	2,235.0	740.9	302
Fair value adjustment in respect of debt	(303.0)		(41)
Fair value adjustment in respect of trading properties – Group	4.2		1
Fair value adjustment in respect of trading properties – Joint ventures	3.7		–
EPRA TRIPLE NET NAV (NNNAV)	1,939.9	740.9	262
Fair value adjustment in respect of debt	303.0		41
Fair value adjustment in respect of interest rate swap derivatives – Group	(103.3)		(14)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	7.5		1
Deferred tax in respect of depreciation	65.4		9
Deferred tax in respect of valuation surpluses	(36.5)		(5)
EPRA NAV	2,176.0	740.9	294

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

Swiss Prime Site

EPRA Net yield on rental income (NIY)

in CHF 1 000		01.01.–31.12.2012	01.01.–31.12.2011
Investment properties – wholly owned		8 584 961	8 165 110
Investment properties – share of joint ventures/funds		n/a	n/a
Trading properties		15 371	n/a
less properties under construction and development sites, building land and trading properties		(254 521)	(138 616)
Value of completed property portfolio		**8 345 811**	**8 026 494**
Allowance for estimated purchasers' costs		n/a	n/a
Gross-up value of completed property portfolio	A	**8 345 811**	**8 026 494**
Annualised rental income		428 008	428 327
Property outgoings		(58 926)	(55 140)
Annualised net rents	B	**369 082**	**373 187**
Add: notional rent expiration of rent free periods or other lease incentives		n/a	n/a
Topped-up net annualised rent	C	**369 082**	**373 187**
EPRA NIY	B/A	**4.4%**	**4.6%**
EPRA «topped-up» NIY	C/A	**4.4%**	**4.6%**

Citycon

EUR million	**2012**	**2011**
Fair value of investment properties determined by the external appraiser	2,704.1	2,515.0
Less (re)development properties, lots, unused building rights and properties, the valuation of which is based on the value of the building right	-389.1	-559.6
Completed property portfolio	2,315.0	1,955.4
Plus the estimated purchasers' transaction costs	47.2	36.8
Gross value of completed property portfolio (A)	2,362.2	1,992.2
Annualised gross rents for completed property portfolio	206.9	179.5
Property portfolio's operating expenses	-64.1	-56.6
Annualised net rents (B)	142.8	122.9
Plus the notional rent expiration of rent free periods or other lease incentives	1.6	2.5
Topped-up annualised net rents (C)	144.4	125.4
EPRA Net Initial Yield (NIY) (%) (B/A)	**6.0**	**6.2**
EPRA "topped-up" NIY (%) (C/A)	**6.1**	**6.3**

Intu Properties

4. EPRA Net Initial Yield and 'topped-up' NIY

	2012 £m	2011 £m
Investment and development property	**7,073**	6,960
Less developments	**(7)**	(71)
Completed property portfolio	**7,066**	6,889
Allowance for estimated purchasers costs	**340**	328
Gross up completed property portfolio valuation	**7,406**	7,217
Annualised cash passing rental income	**386**	385
Property outgoings	**(19)**	(19)
Annualised net rents	**367**	366
Notional rent on expiration of rent free periods or other lease incentives	**19**	16
Topped-up net annualised rent	**386**	382
EPRA net initial yield	**5.0%**	5.1%
EPRA 'topped-up' NIY	**5.2%**	5.3%

Befimmo

(€ thousand)	31.12.2012
Investment properties and properties held for sale	1 968 614
To exclude:	
Properties that are being constructed or developed for own account in order to be leased	-50 800
Properties held for sale	-7 896
Properties available for lease	1 909 918
To include:	
Allowance for estimated purchasers' cost	49 057
Investment value of properties available for lease (B)	**1 958 975**
Annualised cash passing rental income	131 823
To exclude:	
Property charges[1]	-7 410
Annualised net rents (A)	**124 413**
To include:	
- Notional rent expiration of rent free periods or other lease incentives	1 232
- Future rent on signed contracts	2 337
Topped-up annualised net rents (C)	**127 981**
(in %)	
EPRA Net Initial Yield (A/B)	**6.35**
EPRA Topped-up Net Initial Yield (C/B)	**6.53**

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Vastned Retail

4 EPRA NET INITIAL YIELD EN EPRA TOPPED-UP NET INITIAL YIELD
AS AT 31 DECEMBER 2012

	Netherlands		France	
	2012	2011	2012	2011
Investment properties	719,530	792,130	472,477	475,219
excluding:				
Investment properties in pipeline	(2,250)	(4,720)	(595)	(10,680)
Investment properties in operation	717,280	787,410	471,882	464,539
plus:				
Estimated transaction fees	53,989	59,267	31,191	30,599
Investment value of investment properties in operation (B)	**771,269**	**846,677**	**503,073**	**495,138**
Annualised cash passing rental income	49,891	53,330	28,428	26,854
Property outgoings	(5,906)	(6,625)	(1,812)	(1,408)
Annualised net rental income (A)	**43,985**	**46,705**	**26,616**	**25,446**
Effect of rent-free periods and other lease incentives	475	96	133	768
Topped-up annualised net rental income (C)	**44,460**	**46,801**	**26,749**	**26,214**
(i) EPRA Net Initial Yield (A/B)	5.7%	5.5%	5.3%	5.1%
(ii) EPRA Topped-up Net Initial Yield (C/B)	5.8%	5.5%	5.3%	5.3%

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10.4 EPRA Vacancy Rate

Citycon

EUR million	2012	2011
Annualised potential rental value of vacant premises	10.3	9.8
./. Annualised potential rental value for the whole portfolio	239.0	219.4
EPRA vacancy rate (%)	**4.3**	**4.5**

Alstria

EPRA vacancy rate

EUR k	Dec. 31, 2012	Dec. 31, 2011
Estimated rental value (ERV)	107,933	98,361
ERV of vacant space	8,601	6,346
Vacancy rate	8.0%	6.5%

Swiss Prime Site

EPRA Vacancy rate

in CHF 1 000	01.01.–31.12.2012	01.01.–31.12.2011
Estimated rental value of vacant space	25 247	20 458
Estimated rental value of the whole portfolio	453 255	448 785
EPRA vacancy rate	**5.6%**	**4.6%**

British Land

EPRA VACANCY RATE

	2013 £m	2012 £m
Annualised potential rental value of vacant premises	19	14
Annualised potential rental value for the completed property portfolio	563	576
EPRA vacancy rate	3.4%	2.4%

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10.5 Investment Property Reporting

Segmental Reporting (Segro)

3. SEGMENTAL ANALYSIS

The Group's reportable segments are the geographical business units, Greater London, Thames Valley and National Logistics, Germany and Northern Europe, France and Southern Europe and Poland and Central Europe, which are managed and reported to the Board as separate distinct business units.

On 30 June 2012, the reportable segments changed from the previous periods, where we reported geographical segments of the United Kingdom and Continental Europe. The new reportable segments reflect changes made in our management structure and internal reporting following our strategic review and prior period comparatives have been re-presented accordingly.

31 DECEMBER 2012	GROSS RENTAL INCOME £m	NET RENTAL INCOME £m	SHARE OF JOINT VENTURES' EPRA PROFIT £m	EPRA PBIT £m	TOTAL DIRECTLY OWNED PROPERTY ASSETS £m	INVESTMENTS IN JOINT VENTURES £m	CAPITAL EXPENDITURE £m
Greater London	77.7	66.8	14.7	88.3	1,159.5	261.3	7.1
Thames Valley and National Logistics	110.1	95.2	4.8	100.1	1,305.0	62.8	40.5
Germany and Northern Europe	53.5	43.3	0.7	41.9	564.5	18.5	30.3
France and Southern Europe	40.5	35.9	–	34.5	574.2	–	170.4
Poland and Central Europe	23.6	20.7	–	19.8	390.1	–	47.9
Other[1]	–	(7.1)	–	(30.1)	–	–	3.3
TOTAL	305.4	254.8	20.2	254.5	3,993.3	342.6	299.5

Like-for-like Rental Income (Hammerson)

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Properties owned throughout 2011/12 £m	Increase/(Decrease) for properties owned throughout 2011/12 %	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	108.2	**3.6**	8.8	–	(0.1)	116.9
Retail parks	56.8	**0.5**	10.2	–	–	67.0
Other UK	8.9	**1.0**	–	4.9	0.1	13.9
Total United Kingdom	173.9	**2.4**	19.0	4.9	–	197.8
Continental Europe						
France retail	58.3	**1.4**	1.0	2.1	(0.4)	61.0
Group						
Retail	223.3	**2.2**	20.0	2.1	(0.5)	244.9
Other UK	8.9	**1.0**	–	4.9	0.1	13.9
Total continuing operations	**232.2**	**2.1**	**20.0**	**7.0**	**(0.4)**	**258.8**
Discontinued operations	14.1	**4.5**	–	10.0	–	24.1
Total	**246.3**	**2.3**	**20.0**	**17.0**	**(0.4)**	**282.9**

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Like-for-like Rental Income (Corio)

INVESTMENT PROPERTY LIKE-FOR-LIKE NET RENTAL INCOME

(€ million)		2012					2011						
		Like-for-like NRI	Acquisitions	Disposals	Development property	Total	Like for like NRI	Acquisitions	Disposals	Development property	Total	Like for like %	Total Δ
Netherlands	FMP	63.8			21.9	85.7	61.8			17.0	78.8	3.3%	8.7%
	TRC	29.9		2.4		32.3	30.6		8.1		38.7	-2.5%	-16.5%
	Other	0.3			3.7	4.0	0.3			5.1	5.4	-19.0%	-26.9%
	Total	**94.0**	**–**	**2.4**	**25.6**	**122.0**	**92.7**	**–**	**8.1**	**22.1**	**122.9**	**1.4%**	**-0.8%**
France	FMP	56.3	4.3		5.3	65.9	56.2	2.9		1.5	60.6	0.1%	8.7%
	TRC	22.0				22.0	21.7		2.1		23.8	1.8%	-7.2%
	Other	5.9		2.3		8.2	5.6		8.0		13.6	5.5%	-39.6%
	Total	**84.2**	**4.3**	**2.3**	**5.3**	**96.1**	**83.5**	**2.9**	**10.1**	**1.5**	**97.9**	**0.9%**	**-1.9%**
Italy	FMP	85.0			1.9	86.9	85.7			1.4	87.1	-0.8%	-0.2%
	TRC	7.8				7.8	8.3				8.3	-5.9%	-5.9%
	Total	**92.8**	**–**	**–**	**1.9**	**94.7**	**94.0**	**–**	**–**	**1.4**	**95.4**	**-1.3%**	**-0.7%**
Spain / Portugal	FMP	31.2			0.5	31.7	30.7				30.7	1.6%	3.3%
	TRC	14.6				14.6	15.5				15.5	-6.0%	-6.0%
	Total	**45.8**	**–**	**–**	**0.5**	**46.3**	**46.2**	**–**	**–**	**–**	**46.2**	**-0.9%**	**0.2%**
Germany	FMP	22.9			11.3	34.2	24.1			5.9	30.0	-5.2%	13.8%
	Other			0.1		0.1			1.2		1.2		-91.7%
	Total	**22.9**	**–**	**0.1**	**11.3**	**34.3**	**24.1**	**–**	**1.2**	**5.9**	**31.2**	**-5.2%**	**9.8%**
Turkey	FMP	35.1			3.1	38.2	36.0			0.1	36.1	-2.4%	6.0%
	TRC	3.0				3.0	3.4				3.4	-12.2%	-12.3%
	Total	**38.1**	**–**	**–**	**3.1**	**41.2**	**39.3**	**–**	**–**	**0.1**	**39.4**	**-3.2%**	**4.4%**
Total	FMP	294.2	4.3	–	44.0	342.5	294.5	2.9	–	25.9	323.3	0.0%	5.9%
	TRC	77.3	–	2.4	–	79.7	79.4	–	10.2	–	89.6	-2.7%	-11.1%
	Other	6.2	–	2.4	3.7	12.3	5.9	–	9.2	5.1	20.2	4.1%	-39.3%
		377.7	**4.3**	**4.8**	**47.7**	**434.5**	**379.8**	**2.9**	**19.4**	**31.0**	**433.1**	**-0.6%**	**0.3%**
Reconciliation to income statement													
NRI equity accounted investees						-36.9					-36.6		
NRI income statement						397.5					396.5		

Rental data (Wereldhave NL)

INVESTMENT PROPERTY - RENTAL DATA

(x € 1,000)

	Gross rental income for the period	Net rental income for the period	Lettable space (m²) period end	Annual contract rent period end	Estimated rental value period end	EPRA vacancy rate period end
Belgium	33,407	31,752	171,548	34,234	37,261	6.3%
Finland	24,709	23,565	94,546	23,176	29,047	1.5%
France	10,939	10,501	30,600	11,767	11,372	1.0%
Spain	8,604	6,896	78,816	7,112	8,765	22.3%
Netherlands	40,701	35,002	213,628	41,011	42,386	3.9%
United Kingdom	29,214	23,095	93,660	23,090	25,703	3.1%
Total portfolio	**147,574**	**130,811**	**682,798**	**140,390**	**154,534**	**4.8%**

Rental data (Warehouses de Pauw)

IV. PROPERTY INVESTMENT – RENT DATA AND VACANCY RATE (EPRA)

SEGMENT	GROSS RENTAL INCOME 2011 (IN EUR X 1,000)	NET RENTAL INCOME 2011 (IN EUR X 1,000)
Belgium	40,548	38,926
Netherlands	25,123	24,517
France	6,193	6,011
Czech Republic	0	0
Romania	414	349
TOTAL PROPERTIES AVAILABLE FOR LEASE	**72,278**	**69,803**
RECONCILIATION TO THE CONSOLIDATED IFRS INCOME STATEMENT		
Rental income related to:		
- Investment properties held for sale	3,328	3,077
- Previously sold investment property	207	152
- Property under development at WDP's expense, designated for lease	-1	-206
- Other applications	85	85
TOTAL	**75,897**	**72,911**

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