The Association of Real Estate Funds

Guidance

Cost Transparency Initiative Q&A for AREF Members

Effective from:

January 2026

Introduction

Guidance objective and background

The availability of comprehensive and transparent information on costs and charges is important in helping investors to decide if investments represent value for money.

The Cost Transparency Initiative (CTI) was launched in 2018 as an investment industry standard for institutional investment cost data, with the CTI Board comprising the Pensions and Lifetime Savings Association (PLSA), the Investment Association (IA) and the Local Government Pension Scheme (LGPS) Advisory Board. The Initiative created a set of templates and tools which together form a framework investors can use to receive standardised cost and charges information from managers.

In 2021, AREF's CTI & Expense Ratio Working Ratio Reporting Working Group, which included a representative on the CTI Technical Expert Panel, prepared the following guidance for AREF members using the CTI template. In the 2026 review, the Corporate Governance Committee confirmed that the guidance was still relevant for AREF members.

The CTI website and templates can be found **here**.

Application of guidance

Managers should utilise this guidance when establishing their reporting of information on costs and charges to investors.

AREF recognises that not all of the guidance in this publication applies to every vehicle for regulatory, strategic, operational or other reasons and managers should be prepared to explain any deviations in their approach.

In the cases of conflict between the provisions of this guidance and legislative/regulatory requirements, the latter will take precedence.

Last review date

January 2026

If you have any questions regarding the guidance contained within this document, please email AREF at: info@aref.org.uk.

General information

- Details on the CTI templates can be found here.
- The aim of the CTI templates is to collect cost data and not report on the whole of the fund's activity.
- Most property funds can use the main CTI template to record costs and the following Q&As relate to the main template. Private equity-style real estate funds may use the private equity template.
- The "Institutional Cost Template (ICT)" is a machine-readable codification that gives details of what should be in each cell and is definitive. The text in the CTI guidance derived from the ICT.
- Fields are mandatory, conditional (mandatory in certain circumstances) or optional.
- There are a lot of fields that do not need to be completed for each fund.
- Property funds need to report property expenses at the top level. It is optional to provide a further breakdown. As part of AREF's drive for transparency, we would encourage members to provide a breakdown.

Q&A on property specific issues

1. Which template should fund managers of property funds use?

In most cases, the Main Account template should be used. For some closed-ended funds, investing in property or property debt, typically limited partnership structures with a fixed, finite life the Private Market Sub-template may be used.

2. Should all fields be completed?

Fields are either mandatory, conditional or optional. Guidance is provided in the ICT.

3. Can just total balances be provided rather than individual detail of each expense type?

In the ongoing charges and property expenses sections the minimum requirement is to provide the top-level totals. Additional disclosure of more granular cost items is optional. Guidance is provided in the ICT.

4. Should the portfolio asset value for the "portfolio investment activity" be gross or net asset value?

This part of the template sets out the value of the portfolio of investment assets giving rise to the transaction costs covered in the template. Although the costs themselves are quoted as a percentage of NAV, this particular disclosure is of the GAV.

5. In the "portfolio investment activity" breakdown, should the net asset value (NAV) be included (debtors, creditors and cash) or just the property valuations?

The purpose of the asset class breakdown is to provide relevant context for transaction costs by including the trades that generated the transaction costs. It is not intended to be a reconciliation of the NAV and should use the GAV of only the investment portfolio ie, excluding debtors, creditors and cash.. The breakdown is not intended to be rigid and should reflect existing client reporting practices.

6. Where lease incentive accounting is applied, is it the adjusted valuation that should be used?

The value of the property according to the headline transaction price should be used as an indicator of the value that generated the relevant transaction costs. Therefore, adjustments for lease incentives (and other matters) should not be included.

7. In the portfolio section, when disclosing purchases/sales, is it merely the headline prices that should be shown or does it need to account for rent guarantees, etc.?

It is the value of the property according to the transaction price that should be used as that is an indicator of the value that generated the relevant transaction costs.

8. Should capital expenditure related to purchases (e.g. agents' fees, legal costs, etc) be presented anywhere?

Costs related to transactions such as agents' fees, legal fees, etc should be included as transaction costs.

9. How should transaction fees be expressed?

Transaction costs should be expressed as a percentage of NAV.

10. In terms of purchases, should capital expenditure not related to the purchases be presented anywhere?

Capital expenditure to increase the value of a property should not be regarded as a cost item.

11. Should managers include all costs for funds as a single line in "Fees and charges paid through NAV" or should the other categories in "ongoing charges" be used?

Although the guidance provided in the ICT specifies that all costs should be included as a single line in "Fees and charges paid through NAV", managers may provide additional granularity by splitting out the costs using the Administration/Governance/Distribution categories where they feel that this is more appropriate.

12. Should VAT be included as part of fees, if it is recoverable?

VAT should be included as part of fees only to the extent it is irrecoverable.

13. How does the presentation of fees work when the fee is not absorbed by the vehicle i.e. not paid out of the NAV but instead invoiced straight to the investor?

There is a client specific field for fees invoiced direct to clients. There is a line for rebates too.

14. Should service charges be gross or net?

Service charges should be net ie. irrecoverable service charges.

15. Should bad debt provisions be included?

Bad debt affects return not running costs and therefore should not be included as an expense.

16. How should performance fees be disclosed for indirect holdings?

Inclusion of performance fees in underlying funds and is performed by using the underlying funds' own cost disclosures. The resultant figures should be included within indirect fees and charges in the ongoing charges section. Guidance is provided in the ICT.

17. Where can guidance on disclosure of indirect ongoing charges be found?

Costs arising in underlying funds are required for each of the main cost categories and their inclusion is performed by using the underlying funds' own cost disclosures.
Guidance is provided in the ICT.

18. In the indirect row, should this include proportionate shares of indirect vehicles costs?

Yes, inclusion of indirect vehicles' costs for each of the main cost categories and is performed by using the underlying funds' own cost disclosures. Guidance is provided in the ICT.

19. Should ground and head rents be excluded as part of the property level costs?

Ground and head rents are not expenses and therefore should not be included.

20. On what basis should financials be reported ie. annually reportable based on the funds Audited Financial Statements?

CTI guidelines say funds should report for their financial year. In practice, clients will probably expect the completed templates before the accounts have been audited. In this case, firms could put a note in the comment box that this is provisional info. However, there is no requirement in the CTI framework requiring coterminous reporting.

21. If the auditors request a significant adjustment to the financial accounts should the templates be amended and re-sent to clients?

Yes, the figures on the templates should be adjusted if the auditors request a significant adjustment to the financial accounts and re-sent to clients.

22. Should transaction costs and management fees be included if they are charged to capital?

Transaction coats and management fees should be reported even if they are charged to capital.

23. Should negative adjustments (reductions in fees) be reported where 'true-up' calculations maybe required which reduces the original value reported?

There is no ability to "true up" where something was due in the last period.

24. The CTI glossary states that "Cost data should be provided as a percentage of total value invested". Does this mean it should be provided as a percentage of NAV?

Cost figures should be given as a percentage of NAV.

25. Should cost data be provided as a percentage of the average NAV during the year?

Yes, it should be consistent with AREF guidance and provided as a percentage of the average NAV during the year.

26. There is no field to capture the NAV.

There is no need to report the NAV. The figures reported are expressed as a percentage of the NAV so the client can calculate their share of the costs, in monetary terms, based upon their average holding over the year.

27. For ongoing charges, fields are not provided to split many regular costs eg. Environmental consultancy, Subscriptions (MSCI / AREF) etc.

Include these in "other expenses". A decision needs to be taken as to whether costs are fund or property costs. This is something that managers already consider in calculating the Total Expense Ratio (TER).

28. The ongoing charges figure for each category does not sum up the items below.

The total for each category is an input field. More granular breakdown below is optional and not all the fields need to be completed. Guidance is provided in the ICT.

29. Is the client share calculated based on average holdings during the period?

The CTI requirement for funds is to provide a generic report about the fund with no client specific information. The client should use this data to calculate their share of the costs based upon the average value of their holding over the year. A sufficient number of valuation points should be used to calculate the average value of the client's holding to avoid distorting the monetary amounts calculated therefrom.

30. For real estate separately managed accounts (SMA) that invest in fund of fund vehicles, should you look through to the underlying funds of the fund of fund vehicles, in relation to providing costs and charges information?

CTI reporting level will be the separately managed accounts (SMA). The fund of fund costs and charges, including the costs and charges in the underlying funds, will all be indirect costs of the SMA and in the case of transaction costs will be classified as pooled vehicle costs.

31. How often should the CTI templates be completed and provided to investors?

The CTI expect the templates to be completed annually.

32. What is the timeframe for providing investors with their costs and charges information?

Timelines should be agreed with your investors in advance. Usual practice is to provide costs and charges information to investors 8-12 weeks after the agreed annual reporting date.

33. Should figures provided on the CTI template be audited figures?

The figures provided on the CTI template can be unaudited figures. If they are year-end figures, investors only need to be sent updated figures if the auditors make a significant change to them after the completed CTI templates have been sent out.

Disclaimer

The Association of Real Estate Funds (“**AREF**”) has made available to its members this Cost Transparency Initiative Q&A (the **“Guidance”**) for information purposes only.

This Guidance does not constitute professional advice of any kind and should not be treated as professional advice of any kind. Before making any decision, or acting upon any information contained in the Guidance, the members should seek independent investment, legal, tax, accounting, or other professional advice from an advisor as appropriate. AREF accepts no duty of care to any person in relation to this Guidance

AREF retains final editorial control of the content, design and layout of the Guidance. Any commercial exploitation, including without limitation, publication of this Guidance in whole or in part for the purposes of offering it for sale, is expressly prohibited (unless licenced by AREF to do so) and each person receiving this Guidance, by accepting delivery of this Guidance, is deemed to have agreed to only use this Guidance for general information purposes only. For the avoidance of doubt, this Guidance remains the exclusive property of AREF and is protected by copyright and intellectual property laws. No intellectual property rights are granted in this Guidance except as expressly authorised by AREF. All rights are reserved.

Neither the AREF nor any of its respective directors, officers, employees, partners, shareholders, affiliates, associates, or agents (the **“Parties**”) accept any responsibility or liability for (i) the truth, accuracy or completeness of the information provided in this Guidance, (ii) any loss arising directly or indirectly from the use of this Guidance or any information contained in this Guidance, or (iii) any consequences of the members or anyone else acting, or refraining to act, in reliance on this Guidance or for any decisions based on it (including anyone who received the information in this Guidance from any other sources). The Parties do not make any representation or warranty, express or implied, as to the truth, accuracy, or completeness of the information in this Guidance. The information in this Guidance has not been audited or verified by any third party and is subject to change at any time without notice. AREF and the Parties assume no liability for the accuracy of any information contained within this Guidance which are based or obtained or derived from data published or prepared by third parties or any errors therein or emission therefrom.

Any references in this Guidance to any external organisations (the “**Organisations**”) are for information purposes only and it should not be interpreted as suggestions or recommendations from AREF. Members are encouraged to independently assess the suitability of the Organisations and conduct appropriate risk assessments thereon before entering into any engagement, agreement or relationship with the Organisations, and ensure that they comply with applicable laws, regulations, and industry practice. This Guidance should not in any way be considered an endorsement or guarantee of the performance, integrity, or financial stability of such Organisations. AREF does not in any way attend, facilitate, endorse, agree to, or guarantee the actions, decisions, policies, or practices of the Organisations referred to in this Guidance. AREF and the Parties do not assume any responsibility or liability for the Organisations’ irregularities, including but not limited to their legal or ethical violations, unauthorised activities or in compliance with applicable laws, internal policies, or regulations; or issues that may arise from any engagement, communication or relationship between the Organisations and the members.

AREF
The Association of Real Estate Funds

The Association of Real Estate Funds
- The Voice of the Real Estate Funds Industry -
3 Waterhouse Square, London EC1N 2SW
Tel: 020 7269 4677 – www.aref.org.uk
LinkedIn