

Guidance

Expense Ratios Q&A for AREF Members

Effective from:
February
2026

Introduction

Guidance objective

The Expense Ratios Q&A, alongside AREF's Expense Ratios Guidelines (which can be downloaded [here](#)), aims to provide managers and investors with:

- background information into the Expense Ratios Guidelines;
- guidance in setting and managing a vehicle's expense ratio; and
- the facility to directly compare total expense ratios (TERs) across real estate vehicles.

Application of guidance

Managers should utilise this guidance when establishing their reporting of information on costs and charges to investors. It applies to all AREF Fund Members and publication of fee metrics is seen as being a requirement of the AREF Charter.

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.

Managers should also refer to the Cost Transparency Initiative (CTI) reporting guidance, which can be found [here](#).

Background to guidance

Following a consultation with all AREF members in early 2022, AREF brought its guidance on TERs in line with the Total Global Expense Ratio (TGER) agreed by INREV, ANREV, NCREIF and PREA; this guidance can be accessed [here](#).¹ The objective of the Total Global Expense Ratio (TGER) is to facilitate comparison of fees and costs between real estate investment vehicles that operate across different regions of the globe.

The 2022 consultation provided an opportunity to bring AREF terminology regarding the Property Expense Ratio (PER) and Real Estate Expense Ratio (REER) in line with INREV terminology. In addition, the AREF guidance provides two further requirements for AREF Fund Members. Members should report the expense ratios as a proportion of both NAV and GAV and, where performance fees are applied, the expense ratio should be reported with and without the performance fees.

At the time of the original consultation in 2022, AREF held a webinar for members regarding the revised TER and all materials from this event, including the recording, can be viewed [here](#). The updated guidance replaced AREF's previous Guidance on the Total Expense Ratio (TER) which can be found [here](#).

The February 2026 update, reviewed by the Corporate Governance Committee and a member of the original working group, upholds the original recommendations and provides additional clarification.

Last review date

February 2026

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

¹ [Total Global Expense Ratio](#): a globally comparable measure of fees and costs for real estate investment vehicles, November 2019. INREV is the European Association for Investors in Non-listed Real Estate Vehicles www.inrev.org. ANREV is the Asian Association for Investors in Non-listed Real Estate Vehicles. www.anrev.org. NCREIF is National Council of Real Estate Investment Fiduciaries in the US www.ncreif.org. PREA is the Pension Real Estate Association in the US www.prea.org.

Expense ratios Q&A

1. What are the significant differences between AREF's guidance on the Total Expense Ratio (TER), TGER and the new AREF guidance?

One of the main changes is alignment of terminology in AREF's guidance with the new TGER. Historically there was a difference, resulting in some confusion, as AREF used the term "Property Expense Ratio (PER)" to mean property level costs for which INREV used the term "Real Estate Expense Ratio (REER)". AREF used "Real Estate Expense Ratio (REER)" to mean the total of TER and PER. The new terminology is aligned with that of INREV.

There is no specific term for the total (which was AREF REER) and we have proposed to simply use "Total" on the disclosure table.

Other changes are:

- The inclusion of performance fees in TGER. To aid understanding and comparison, we have stipulated that AREF member funds should disclose TGER before and after performance fees.
- AREF TGER should be reported as a percentage of GAV and NAV. Previously only NAV was mandatory.
- There may be differences in the calculation of NAV (see Q2 below)
- Abortive deal fees are now included in TGER rather than PER/REER.

Please see page 2 of AREF's Guidance on Expense Ratios for more detail.

A worked example can be found below.

2. Which NAV and GAV should I use?

NAV and GAV should be the relevant reporting NAV and GAV of the fund. Most funds in the UK use accounting NAV and GAV although a small number use INREV Reporting NAV. Disclosure should make clear what NAV and GAV is being used.

3. Are there any circumstances where there would be subscription or redemption fees paid from the fund to the manager?

AREF are not aware of any circumstances where there would be subscription or redemption fees paid from the fund to the manager.

4. Is TGER calculated differently to the charge cap and CTI reporting?

The TGER, the charge cap for defined contribution pension schemes and the Cost Transparency Initiative (CTI) templates, used particularly by defined benefit pension schemes, all seek to distinguish between fund level and property level costs. AREF, in its application of the TGER, requires separate disclosure of performance fees, which makes it easier to compare the numbers. Whilst the reporting is very similar for direct property funds, differences arise for fund-of-funds and other indirect investments. The TGER is specific to the fund vehicle whereas the charge cap and the CTI reporting seek to capture costs on a look-through basis. You can find AREF's information on CTI reporting [here](#). The Department of Work and Pensions (DWP) has been consulting on changes to the DC charge cap. You can find AREF's response to the last consultation [here](#).

5. Portfolio Turnover Ratio – Is there any change to this?

The Portfolio Turnover Ratio has been dropped from the guidance and is no longer required. It was originally a requirement for authorised funds but that is no longer the case and following discussion with AREF Investor Members, it was concluded that investors no longer use it. There is therefore no need to report it going forward.

6. Why are 'abortive deal costs' now deemed a 'fund level' TGER cost rather than property level cost?

This was debated in the Working Group. Although there are valid arguments for 'abortive deal costs' not being included in TGER, this would be inconsistent with the treatment adopted by everyone else, and it was considered better to have alignment with the TGER. It was not anticipated that this would have a material impact for most fund managers.

7. To facilitate like for like comparison, wouldn't a standard accounting NAV (under IFRS / FRS 102) be preferable, i.e. rather than also including INREV NAV's in the mix?

A small number of UK funds report their NAV using INREV Reporting NAV. INREV Guidelines require TGER to be calculated using INREV Reporting NAV. The Working Group decided that TGER should be calculated using the fund's normal reporting NAV, whatever that might be.

8. What is the difference between "fees" and "costs" and should they both be included in the TGER?

The difference between fees and costs is that fees include any payment that is charged by the investment manager for the benefit of the investment manager in return for services provided to drive the performance of the vehicle, whereas costs include any costs relating to the operations of the vehicle structure, many of which will likely be payable to third parties and are unlikely to have a direct impact on performance of the vehicle.

Both should be included in the TGER.

9. Over what period should transaction and performance fees be measured in the expense ratios?

Transaction and performance fees should be measured over the usual reporting period for the fund, whether this is quarterly, half-yearly or annually. We appreciate that these types of fees can vary throughout the year.

The TGER can be presented over more than one period eg. quarterly and annually.

10. Is forward looking reporting mandatory?

AREF has not made it mandatory for its members to provide forward looking reporting. Although, this type of reporting is often provided to potential investors as part of the due diligence process.

11. Does a daily-traded open-ended fund have to calculate the time-weighted average GAV and NAV on a daily basis for the denominator for TGER. Can we use quarterly GAV and NAV as an approximation?

Neither the previous AREF guidance nor the new TGER specify precisely how the weighted average GAV and NAV should be calculated. In practice, the frequency in changes in GAV and NAV will depend upon the nature of the fund, the frequency of valuations and the frequency of subscriptions and redemptions. For most open-ended funds, quarterly GAVs and NAVs will provide a suitable approximation of time-weighted average GAV and NAV. A closed-ended fund during its capital-raising period might have a very significant change in GAV and NAV on a specific date. AREF does not intend to set specific requirements and managers should exercise judgement in determining an approach appropriate for the circumstances of the fund.

An example of how the disclosures differ between current and previous AREF guidance is included overleaf in Figure 1.

Figure 1: Example of how the disclosures differ between current and previous AREF guidance

	Using AREF guidance 2009-2022		Using AREF guidance 2022 onwards With Accounting NAV & GAV		Using AREF guidance 2022 onwards With INREV NAV & GAV	
	GAV (Optional)	NAV	GAV	NAV	GAV	NAV
	500	400	500	400	525	425
TER before performance fees	0.60%	0.75%	0.60%	0.75%	0.57%	0.71%
Performance fees	N/A	N/A	0.10%	0.13%	0.10%	0.12%
TER/TER after performance fees	0.60%	0.75%	0.70%	0.88%	0.67%	0.82%
PER/REER	1.00%	1.25%	1.00%	1.25%	0.95%	1.18%
REER/Total	1.60%	2.00%	1.70%	2.13%	1.62%	2.00%
Performance fees	0.10%	0.13%	N/A	N/A	N/A	N/A

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