

# **MSCI Global Methodology Standards for Real Estate Investment**

**June 2019**

**Contents**

- 1 Introduction ..... 3
- 2 Methodology Sets ..... 4
- 3 Methodology Documents ..... 5
  - 3.1 MSCI Real Estate - Index Policies ..... 5
  - 3.2 MSCI Global Data Standards for Real Estate Investment ..... 5
  - 3.3 MSCI Property Indexes Methodology ..... 5
  - 3.4 MSCI Standards for Real Estate Valuations ..... 5
  - 3.5 MSCI Property Fund Indexes Methodology ..... 5
  - 3.6 MSCI/AREF UK Quarterly Property Fund Index ..... 6
  - 3.7 MSCI Real Estate – BMR Benchmarks Methodology Specifications ..... 6
- 4 MSCI Private Real Estate Index Naming Conventions ..... 7
  - 4.1 MSCI Private Real Estate Standard Index Name ..... 7
  - 4.2 MSCI Private Real Estate Index Subset ..... 8
  - 4.3 MSCI Private Real Estate Index Series ..... 9
- 5 APPENDIX: Versioning Table ..... 11

## 1 Introduction

MSCI provides a wide variety of Private Real Estate Indexes, which are governed by rules-based methodologies.

Methodology documents outline index objectives and describe the rules and guidelines followed by MSCI to create and maintain the MSCI Private Real Estate Indexes in the widest set of possible circumstances, including situations of market stress. MSCI's rules-based private real estate index methodologies are designed to ensure that indexes are determined with integrity, and that discretion with respect to methodology is only used in unusual cases not effectively addressed by the methodologies.

This document outlines the list of various published MSCI Private Real Estate Index methodology documents, which are available on MSCI's website at [www.msci.com/real-estate-methodology](http://www.msci.com/real-estate-methodology). This document also covers the naming convention applied to MSCI Private Real Estate Indexes which corresponds to the methodology used for an index.

## 2 Methodology Sets

MSCI Private Real Estate Indexes are governed by a set of methodology documents (Methodology Set) which define the full methodology governing a specific index.

The Methodology Set for all MSCI Private Real Estate Indexes includes:

- MSCI Real Estate - Index Policies
- MSCI Global Data Standards for Real Estate Investment

For a Property Index, the Methodology Set additionally includes:

- MSCI Property Indexes Methodology
- MSCI Standards for Real Estate Valuations
- Additional methodology specifications, as appropriate to the market or index.

For a Property Fund Index, the Methodology Set additionally includes:

- MSCI Property Fund Indexes Methodology
- Additional methodology specifications, as appropriate to the market or index, for example, MSCI/AREF UK Quarterly Property Fund Index Methodology.

For BMR Benchmarks<sup>1</sup>, the Methodology Set includes the Property Index Methodology Set or Property Fund Index Methodology Set, as applicable, together with the MSCI Real Estate – BMR Benchmarks Methodology Specifications document, which describes any additional methodology specifications and documents for the BMR Benchmarks.

---

<sup>1</sup> A “BMR Benchmark” is an MSCI Private Real Estate Index for which MSCI Limited has provided written permission in each instance to its client to be used for a BMR regulated use.

## **3 Methodology Documents**

### **3.1 MSCI REAL ESTATE - INDEX POLICIES**

The [MSCI Real Estate – Index Policies](#) document is part of each Methodology Set and sets out the development and maintenance for the MSCI Private Real Estate Indexes, including Index Design Guidelines and key index policies.

### **3.2 MSCI GLOBAL DATA STANDARDS FOR REAL ESTATE INVESTMENT**

The [MSCI Global Data Standards for Real Estate Investment](#) document defines the data fields collected from clients. The document provides background to the Data Standards, explaining its purpose, benefits and structure and includes appendices listing all fields, enumerations, definitions and data formats.

### **3.3 MSCI PROPERTY INDEXES METHODOLOGY**

The [MSCI Property Indexes Methodology](#) document outlines how MSCI creates and maintains its Property Indexes, market information and analytics, which are designed to address the needs of real estate and multi-asset class investors.

MSCI’s Property Indexes measure the performance of global, regional and individual national markets and segments by calculating and aggregating the performance of individual properties.

### **3.4 MSCI STANDARDS FOR REAL ESTATE VALUATIONS**

The standards for the asset level valuations used in the MSCI Property Indexes are provided in the [MSCI Standards for Real Estate Valuations](#) document.

For most financial asset classes, investment performance measurement is based upon transaction prices. The relatively low liquidity of private real estate investments renders the establishment of purely price-based property indexes problematic. As a result, the MSCI Property Indexes are predominantly constructed from professional valuations.

### **3.5 MSCI PROPERTY FUND INDEXES METHODOLOGY**

The [MSCI Property Fund Indexes Methodology](#) document outlines how MSCI creates and maintains its Property Fund Indexes and market information, which are designed to address the needs of real estate and multi-asset class investors.

The objective of MSCI Property Fund Indexes is to measure the performance of unlisted pooled structures, including the effects of cash holdings, leverage and fund operating costs, as well as the returns to the underlying real estate assets.

### **3.6 MSCI/AREF UK QUARTERLY PROPERTY FUND INDEX**

The [MSCI/AREF UK Quarterly Property Fund Index Methodology](#) provides details on the specific methodology for this Property Fund Index and includes, among other things, the index inclusion requirements, the definition of the sub-indexes and data provision requirements.

The MSCI/AREF UK Quarterly Property Fund Index is designed to represent the performance of UK unlisted pooled property funds. The Index is value-weighted, and it is based on the Net Asset Value (NAV) of its constituent property funds each quarter.

### **3.7 MSCI REAL ESTATE – BMR BENCHMARKS METHODOLOGY SPECIFICATIONS**

The [MSCI Real Estate – BMR Benchmarks Methodology Specifications](#) document sets out the additional detailed methodology specifications for BMR Benchmarks.

A “BMR Benchmark” is an MSCI Private Real Estate Index for which MSCI Limited has provided written permission in each instance to its client to be used for a BMR regulated use. A BMR Benchmark may be a Standard Index or an index automatically calculated from a Standard Index using pre-configured specifications.

## 4 MSCI Private Real Estate Index Naming Conventions

The name of an MSCI Private Real Estate Index series may comprise of up to three components. The first component is the name of the Standard Index upon which the specific index is based. The second component describes any selection filter that has been applied to a Standard Index in creating a sub-index. The third component indicates the actual index series that is calculated and includes among other things the measure, based on the methodology as defined in the respective methodology book for the Standard Index.

Using this approach, each name is unique and descriptive. In exceptional circumstances, if a name becomes too long due to the complexity of its definition, MSCI may decide to create an alternative unique name which is shorter. In this case its description will be more fully detailed in a custom methodology document.

### 4.1 MSCI PRIVATE REAL ESTATE STANDARD INDEX NAME

The Standard Index name indicates the national market or multinational region which it covers, the reporting frequency and the primary methodology. A Standard Index may be labeled MSCI or it may be co-branded. It does not reference any additional filters relating to the index scope.

Indexes based on the MSCI Property Indexes Methodology are named “Property Indexes” while those based on the MSCI Property Fund Indexes Methodology are named “Property Fund Indexes.”

The frequency normally reflects the minimum required data provision regime for an index – monthly, quarterly, bi-annual or annual. In certain markets, however, indexes deviate from full calendar year-end synchronization, which means that the frequency of the releases does not necessarily nest neatly into the standard annual/quarterly/monthly framework. Examples include a biannual index that is based on data to March and September year-ends, and annual indexes based on data to a March year-end.

Some indexes are refreshed and released quarterly but do not fulfill all the requirements of a full quarterly index in that **not all** assets are re-valued each quarter. These indexes reflect a rolling valuation frequency which may vary from quarterly to annual. In these cases, the index is considered to be a rolling 12-month index that is updated each quarter.

MSCI Private Real Estate Indexes may be either frozen (fixed history) or unfrozen (history updated at each release date to reflect current composition and available

data). This distinction is also made clear in the naming of each Standard Index. All unfrozen are labeled “unfrozen,” while all frozen indexes receive no such label.

Examples of MSCI Private Real Estate Standard Index Names:

**MSCI U.S. Annual Property Index (Unfrozen)**  
**MSCI/AREF UK Quarterly Property Fund Index**  
 {Brand/co-brand}{country/region} {minimum frequency}{Property/Property Fund}Index  
 {History}

#### 4.2 MSCI PRIVATE REAL ESTATE INDEX SUBSET

Any index subsets can in principle become a “named” sub-index of any Standard Index through the application of attribute filters (also known as a screen) to the Standard Index. Three broad types of filter attributes are most commonly used, which can be applied to both Property and Property Fund Indexes. These are:

- **Peer Group filters**  
 Peer group filters are based on characteristics of the fund or portfolio rather than the underlying assets and may be linked to the type of investor, the structure of the fund, its investment strategy or mandate, or its overall size (i.e. MSCI/AREF UK All Balanced Quarterly Property Fund Index).  
  
 Indexes defined by clients that *exclude* specific portfolios or funds fall into this category. Such screening is commonly used when clients wish to exclude their own (fund, portfolio or house) contribution to an index for the purposes of relative measurement. (i.e. MSCI U.S. (excluding Fund X) Quarterly Property Index (unfrozen)).
- **Geographic filters**  
 Geographic filters include or exclude certain regions from the overall geographic scope of a particular Standard Index, usually for the purpose of matching a geographical defined investment mandate (i.e. MSCI UK Central London Quarterly Property Index). One or more countries may be ruled out of a multinational index or a subset of regions from a country index. In certain cases, a mandate will focus on a very specific target area for investment and this will require an equally specific index.
- **Property attribute filters**  
 Property attribute filters encompass a wide variety of asset characteristics that can be used to define index subsets. These attributes are most



obviously applicable to Property Indexes, but in certain cases can also be used to create sub-indexes from Property Fund Indexes. The most frequently referenced attributes are property sectors and more detailed property types, as defined in the MSCI Property Indexes Methodology (i.e. MSCI Germany Shopping Centers Annual Property Index (unfrozen)). Other commonly required property attribute filters include the size of a property (either based on capital value or floor space), its construction date and its green building certification (if available).

For filters based on asset value bands, MSCI offers both recalibrated and non-recalibrated (fixed) indexes. For recalibrated indexes, property value is one of the index criteria (e.g., Shopping Centers >£20m at each period end). Because property values change over time, such indexes may require recalibration. The recalibration procedure is defined in the MSCI Property Indexes Methodology.

MSCI’s multinational Property Indexes can be market-size weighted (using MSCI’s Market Size estimates) or sample weighted (based solely on the data provided to MSCI without reweighting). Therefore, for all multinational Property Indexes the weighting method is always referenced in the index name. However, all MSCI’s multinational Property Fund Indexes are sample weighted and therefore this attribute is not included in the naming of those indexes.

In addition to the standard weighting options, clients may provide MSCI with target weights, drawn from investment strategies or mandates, to be used for reweighting in custom indexes.

*Examples of MSCI Private Real Estate Index Subset names:*

MSCI U.S. **(excl. Fund xxx) New York Office** Annual Property Index (Unfrozen)  
 MSCI/AREF UK **All Balanced** Quarterly Property Fund Index  
 {Peer Group Filters} {Geographic Filters} {Property Attribute Filters}

### 4.3 MSCI PRIVATE REAL ESTATE INDEX SERIES

The index series names for each Standard Index are designed to indicate the index calculation methodology and specifically reference a pre-defined performance measure.

The performance measure reference will often include additional elements so that the full designation of the measure is clear. The most commonly used and reported performance measure is total return, but any other performance measure may be reported and thus referenced in the series name. For property fund indexes more

details are required for measures, because they are using different methodologies and could be either net or gross of fees, like:

- Gross Total Return - Modified Dietz
- Net Total Return - Modified Dietz
- Net Total Return - Unitized Adjusted for Crossholdings

Additional information on the reported measure (e.g., unweighted average or percentile ranking), its currency and currency conversion method (e.g., fixed, variable) may be included in the index name to help fully define the index series. If, however, the measure is based on the value-weighted average, that feature will not be included in the name since this is the standard default basis for MSCI real estate performance measures. In addition, the currency conversion method is not included in the index series name for a single national market that is reported in its local currency.

For Property Indexes, the index series name may include additional information on the inclusion/exclusion of property assets that reflect the nature of the investment interest (e.g., directly held property only or including indirect interests). The default analysis inclusion filter is All Assets. In other cases (Standing Investments, Non-Operating assets and Same Store) this filter label will be included in the index name.

However, the investment type “directly held domestic property” is considered to be a default position, and so is not included in any Property Index series name.

Examples of MSCI Private Real Estate Index Subset names:

MSCI U.S. (excl. Fund xxx) New York Office Annual Property Index (Unfrozen) (**Total Return; USD**)

MSCI/AREF UK All Balanced Quarterly Property Fund Index (**50th Vehicle-level Percentile Net Total Return - Unitized Adjusted for Crossholdings; GBP**)

{Measure Function} {Measure} {Currency}

## 5 APPENDIX: Versioning Table

Version	Publication Date	Key Changes
V1.0	June 2019	<p>First release of separate document, which outlines the methodology documentation for the MSCI Private Real Estate Indexes.</p> <p>The content of the previously MSCI Global Methodology Standards for Real Estate Investments is included in the MSCI Property Indexes Methodology document as well as the index naming conventions.</p>



## Contact us

realestate@msci.com

+ 44 20 7336 4783

### AMERICAS

Canada + 1 416 687 6284

US + 1 212 804 3900

### EUROPE, MIDDLE EAST & AFRICA

UK + 44 20 7336 9200

France + 44 20 7336 4783

Germany + 49 691 3385 900

Italy + 44 20 7336 9684

Spain + 34 93 467 7403

South Africa + 27 11 656 2115

Sweden + 46 8 400 252 30

### ASIA PACIFIC

Australia + 61 2 9033 9300

Hong Kong + 852 2844 9333

Singapore + 65 6826 9339

Japan + 81 3 5211 1455

## ABOUT MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit [www.msci.com](http://www.msci.com).

## Notice and disclaimer

©MSCI. All rights reserved. ©MSCI. All rights reserved. This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [www.msci.com](http://www.msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data, reports and ratings based on published methodologies and available to clients on a subscription basis. We do not provide custom or one-off ratings or recommendations of securities or other financial instruments upon request.

NO REGULATED USE OF ANY MSCI PRIVATE REAL ASSETS ESTATE INDEX IN ANY JURISDICTION IS PERMITTED WITHOUT MSCI'S EXPRESS WRITTEN AUTHORIZATION. THE PROCESS FOR APPLYING FOR MSCI'S EXPRESS WRITTEN AUTHORIZATION CAN BE FOUND ON THE INDEX REGULATION PAGE OF MSCI'S WEBSITE AT: <https://www.msci.com/index-regulation>.

Privacy notice: For information about how MSCI ESG Research LLC collects and uses personal data concerning officers and directors, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.