

Real Estate Index Announcement

April 2020

CONCLUSIONS OF MSCl CONSULTATION ON USING A TIME-WEIGHTED RETURN METHODOLOGY FOR MSCl PROPERTY FUND INDEXES

Summary of key changes

MSCI has consulted with the real estate investment community on the incorporation of a time-weighted return methodology for use in the MSCI Property Fund Indexes methodology.

Following client feedback, the following enhancements will be made compared to the current methodology:

- For the MSCI Pan-European, UK and Australia Property Fund Indexes, returns will be calculated using Time-Weighted Return Methodology (reflecting daily-weighted external cash flows at fund level) instead of the current Unitized Methodology.
- Index return calculations will be based on the underlying data (not the stated fund returns) for the MSCI/REALPAC Canada Quarterly Property Fund Index.
- Fund-Level index returns will be made available both on a Net and Gross fee basis.
- Income return calculations to be based on the net investment income.
- Consistent interpolation will be applied when Net Asset Value and the Net Investment Income are not available on a monthly basis and the external cash flows are not available on a day-dated basis.
- Cross-holdings adjustment will be discontinued for the UK and Australia Property Fund Indexes.

For the MSCI/AREF UK Quarterly Property Fund Index, MSCI will further consult in March 2021 when the index results based on the new methodology are available.

Timeline for changes

The methodological changes will become effective, including for related sub-indexes and benchmarks, as per Table 1. The new methodology will be applied on a moving forward basis only with no restatement of index history.

Table 1: Overview of MSCI Property Fund Indexes to the Time-Weighted Returns

Index name	Index transition
MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index	July 2021 results
The Property Council of Australia/MSCI Australia Unlisted Retail Quarterly Property Fund Index	Q3 2021 results
MSCI/REALPAC Canada Quarterly Property Fund Index	Q3 2021 results
MSCI Pan-European Quarterly Property Fund Index (PEPFI)	Q3 2021 results
MSCI/AREF UK Quarterly Property Fund Index	Q1 2022 results, pending further consultation in March 2021
MSCI Global Quarterly Property Fund Index	Will reflect the underlying national indexes

For the other MSCI Property Fund Indexes¹ there is no immediate change to the index methodology. However, MSCI will amend the data collection for all markets on a voluntary basis to facilitate future transition. This would enable MSCI to provide fund indexes using a consistent global methodology.

In May 2020, the updated property fund index methodology documents will be made available.

Data provision

To implement these changes, alterations to data provision by index participants are required. On or before June 2020, MSCI will share the new requirements including definitions and a data collection template for the indexes noted in Table 1. The new requirements include data provision of day-dated contributions, redemptions and distributions as well as the net investment income, but more details will be shared later. For the other property fund indexes, this will occur subsequently and allow the provision of the data on a voluntary basis. To clarify, MSCI is not proposing to change the data provision or release frequency; nor suggesting changes to the data collection beyond the fund-level data collection (e.g. direct property data and tenancy data).

Data providers are requested to provide the data by September 2020 for the property fund indexes, listed in Table 1 including three years of history. MSCI will share the individual property fund performance with the data provider during the fourth quarter of 2020.

Preliminary Results

The aggregated results at the index level will be shared with index subscribers in Q1 2021.

The above timeline does not account for any adverse impacts resulting from the current COVID-19 pandemic including, among other things, the provision of new data required for the enhanced methodology by index constituents. Any changes to the above timelines would be announced with sufficient lead time.

¹ MSCI/PREA U.S. ACOE Quarterly Property Fund Index, MSCI/PREA U.S. AFOE Quarterly Property Fund Index, APFIPP/MSCI Portugal Quarterly Property Fund Index, MSCI France OPCI Biannual Property Fund Index, MSCI Germany OFIX Monthly Property Fund Index, MSCI Germany SFIX Quarterly Property Fund Index, MSCI Italy Biannual Property Fund Index, MSCI Nordic Annual Property Fund Index, MSCI Nordic Quarterly Property Fund Index

Rationale

In this consultation, MSCI gathered the views of a wide variety of market participants across several countries, including fund managers and asset owners, among others. MSCI's decision sought to balance global methodological consistency and best practice and the enhanced range of index solutions that would bring to the global real estate investment market against the risk of reduced coverage and hence decreased transparency which stems from the hesitancy of some data providers to adapt to altered data collection requirements of the methodology change.

For further detail about the consultation results and the implementation plan, please see:
<https://www.msci.com/real-estate-index-announcements>.

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