

Real estate index announcement

February 2020

Methodology Change to MSCI Europe Transaction-linked Indicators (Unfrozen)

February 2020: MSCI announced today that it has implemented changes and improvements to the MSCI Transaction-linked Indicators (TLI) to align to the Global Methodology Standards (GMS) for Real Estate Investments as well as a further enhancement to the legacy methodology.

The key changes to the TLI methodology to align to the GMS¹ are:

- Discontinuation of discretionary flagging
- Introduction of a new global interpolation method

In comparison to legacy, the enhanced methodology adopts a more accurate standing investment² criterion resulting in a consistent sample used for TLI calculation for a given period. The new inclusion criteria considers a combination of the transaction status (part-transaction and purchase activity) and development status for a property for a whole measurement period. The legacy inclusion criteria for a measurement period were based on the status as per period-end month.

The change is impacting the below indexes and the corresponding market information products:

- MSCI Europe Quarterly Property Transaction-linked Indicator (unfrozen)
- MSCI UK Quarterly Transaction-linked Indicator (unfrozen)
- MSCI Netherlands UK Quarterly Transaction-linked Indicator (unfrozen)

Retrospectively, the methodology change has impacted the TLI results. In addition to the methodology change, the TLI results are also impacted by availability of additional transactions in the history due to the unfrozen nature of TLI. Please see below the revised results and summary of impact analysis.

SUMMARY OF IMPACT ON INDEX RESULTS (SEPTEMBER 2019 RESULTS)

TLI Capital Growth (%)	3-month			12-month			3-year		
	Former	Restated	Diff	Former	Restated	Diff	Former	Restated	Diff
UK	-0.01	-0.17	-0.16	-2.23	-3.18	-0.95	5.22	4.85	-0.37
Netherlands	2.99	5.34	2.35	5.07	5.40	0.33	6.08	6.04	-0.05
Europe	1.29	-0.48	-1.77	8.43	6.44	-1.99	5.82	5.01	-0.81

Note: Numbers at sector level may not necessarily sum up to the 'Total' values due to rounding

¹ Several changes were applied to MSCI's Property Indexes and market information products from July 12, 2016 onwards, but weren't reflected in the TLI products so far. Details on the all the changes can be found [here](#).

² For more information on how standing investment is defined – refer to MSCI Property Index Methodology [document](#)

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