NCREIF PREA

Reporting Standards

Exposure Draft

Proposed changes to valuation requirements relating to policy and internal valuations for all funds and external valuation requirements for closed-end funds and single client accounts.

EFFECTIVE DATE: FOR FISCAL YEARS BEGINNING AFTER DECEMBER 15, 2019 WITH EARLY ADOPTION ENCOURAGED

Invitation to comment: August 6, 2019 through October 4, 2019

Executive Summary

Overview

The mission of the NCREIF PREA Reporting Standards ("Reporting Standards") is to establish, manage and promote transparent and consistent reporting standards for the real estate industry to facilitate informed investment decision-making. Accordingly, the Reporting Standards strives to collaborate with standard setting organizations, index providers and organizations involved in similar activities within private market investment in order to deliver the most useful information to investors.

Within the Reporting Standards, the Global Investment Performance Standards (GIPS®) is the Foundational Standard for performance measurement. The Reporting Standards do not contradict its Foundational Standards[1] but rather supplement such standards when the Foundational Standard is silent or subject to interpretation for the real estate industry. An exposure draft, encompassing a complete overhaul of the GIPS standards was released for comment in 2018 (2020 GIPS Exposure Draft). Among other things, the GIPS Executive Committee recognized that the current 2010 edition of the GIPS standards have not achieved widespread adoption among alternative investment managers.[2] From representation of members on the Reporting Standards Council who were also members of the GIPS Real Estate Working Group, and as a result of our close working relationship with the CFA Institute's GIPS personnel, we came to learn that firms working exclusively in the closed-end real estate space had not widely adopted the GIPS standards. For these stakeholders, compliance with the GIPS standards was not achieved in part due to the valuation requirements. Simply stated, the real estate requirements for annual[3] external appraisals for all real estate funds was particularly problematic.

Historically, both the valuation and performance measurement provisions of the Reporting Standards are aligned with the GIPS standards. In 2015, the Reporting Standards Council ("Council") performed an outreach to a group of closed-end, value-added funds in an effort to broaden the applicability of the Reporting Standards to the same group. Two requirements were identified as being an issue for investment managers: (1) the disclosure of time-weighted returns ("TWR") and (2) external valuation requirements. The Council commissioned a task force in December 2015 to research, analyze and, if appropriate, recommend changes to the Reporting Standards beginning with TWR. The topic of annual external appraisals followed with the launch of a task force in May 2018.

Early in the process, the task force also recognized the need to revisit the existing internal valuation guidelines and enhance them as deemed necessary.

In order to continue to foster alignment with the GIPS standards, the task force worked with the Reporting Standards task force established to respond to the 2020 GIPS Exposure Draft. Our comments were carefully considered by the GIPS Technical and Executive Committees and we are pleased to report that

[1] Within the Reporting Standards, US Generally Accepted Accounting Principles (GAAP) and the Uniform Standards of Professional Appraisal Practice (USPAP) are the other Foundational Standards which apply to accounting and valuation, respectively.

[2] Exposure draft of 2020 edition of GIPS standards, August, 2018, page 3.

[3] Unless client contracts for a less frequent appraisal, but no less frequently than every 36 months.

the final 2020 GIPS standards[4] external valuation requirements are aligned with proposed changes described herein.

This Exposure draft outlines a proposal to amend the current Reporting Standards requirements with respect to valuations. The Council is seeking comments from the public through a 60- day period, which concludes on October 4, 2019. Changes to the Reporting Standards will be made upon successful conclusion of the public comment process and final approvals by the Reporting Standards Board. The effective date for any changes to Handbook Volume 1 is expected to be for fiscal years beginning after December 15, 2019, with early adoption encouraged.

Based on the research and analysis included in this Exposure Draft, the Board and Council proposes the following actions relating to valuation:

Proposed removals

Element	Existing Requirement
VA.01 Valuation Policy statement	Annual
	Changes to the valuation policy must be disclosed through the next annual reporting period.
	The policy statement must include the process by which external appraisals are conducted.
	The policy statement must include the external valuer and/or investment manager selection process.
	The policy statement must include debt valuation procedures.

Table 1

Proposed additions

Element	Proposed requirement
VA.01 Valuation Policy statement	The policy statement must include independent valuation process oversight, appraiser selection, review and approval.
VA.04 External Valuation Requirements: Closed-end funds and single client accounts	Each real estate investment must be valued by an external, independent, professionally designated property valuer or appraiser at a frequency that is consistent with requirements stipulated by the Account's governing documents. To the extent the funds governing documents do not require external appraisals, this fact must be explicitly disclosed to potential investors prior to the time of subscription and material changes must be reported at least annually thereafter.

[4] Issued June 2019. Effective January 1, 2020.

	External appraisals completed by independent third-party appraisers should be performed in accordance with USPAP for U.S. investments and either the International Valuation Standards as set forth by the International Valuation Standards Committee (IVSC) or the appropriate authoritative standard in the country in which the property exists. To the extent not performed by an external valuer or appraiser, in accordance with the above standards, details of the valuation services performed must be fully disclosed including the scope of the services, level of detailed reporting, valuation type and whether the valuer developed their own opinion of value or only performed a review.
	Material differences between an external valuation engaged by or on behalf of the reporting entity and the valuation conclusion used in reporting for that period, and the reason for the differences, must be documented.

Table 2

Proposed <u>modifications</u>

Element	Existing Requirement	Amended Requirement
VA.01 Valuation Policy statement	The policy statement must include an internal hierarchy of appropriate management levels responsible for the valuation process.	The valuation policy statement must include definitions of internal roles and responsibilities for the execution and governance of the valuation process
	The policy statement must include the role of USPAP in the valuation process.	The valuation policy statement must include the role of standards in the valuation process.
	The policy statement must include the minimum scope and documentation requirements for both external and internal valuations.	The valuation policy must include the minimum documentation requirements to comply with US GAAP.
	Direct real estate investment fair values must be reported on a quarterly basis.	Real estate investments must be valued on a quarterly basis.
VA.02 Internal valuation requirements	Scope must be sufficient to demonstrate that the value of each property has been appropriately determined. The scope should include, but not be limited, to the following: 1. Use appropriate, established valuation techniques 2. Demonstrate independence of valuation process oversight, review, and approval 3. Contain sufficient documentation for auditors to re-compute the calculations during audit 4. Reconcile any significant variance from the previous external appraisal	a. Valuations prepared by internal staff should include appropriate research and analysis to result in a credible conclusion. These internal valuations must be prepared in a transparent environment, prepared or supervised by competent professionals with appropriate valuation experience, and documented in a manner sufficient to permit an audit of results whereby steps leading to specific valuation outcomes can be verified. b. Use appropriate, established valuation techniques
VA.03 External Valuation Requirements	Applicable for all funds	Applicable for open-end funds only
	Each direct real estate investment must be valued by an independent, professionally designated property valuer or appraiser at least once every 36 months. Beginning January 1, 2012, the external valuation requirement is at least once every 12 months unless client contracts for a less frequent appraisal, but no less frequently than every 36 months.	Each real estate investment must be valued by an external, independent, professionally designated property valuer or appraiser at least once every 12 months.
	Materials differences between external valuation and the valuation used in reporting, and the reason for the differences, must be disclosed.	Differences between an external valuation engaged by or on behalf of the reporting entity and the valuation conclusion used in reporting, and the reason for the differences, must be documented.

Table 3

Benefits

The proposal to amend the Reporting Standards valuation elements provide the following benefits:

- ✓ Maintains the existing structure-based framework of the Reporting Standards.
- ✓ Maintains the existing requirement that open-end funds obtain annual external appraisals.
- ✓ Allows investors in closed-end funds transparency into valuation requirements for managers that are compliant with the Reporting Standards.
- ✓ Adds rigor to the internal valuation process.
- ✓ Aligns with 2020 GIPS standards.

Invitation to comment

The NCREIF PREA Reporting Standards Board ("Board") and Council seeks comment on the proposal set forth here regarding changes to the valuation elements within the Reporting Standards.

Six questions are included in this document to obtain feedback on specific issues. In addition to responding to these questions, please provide feedback on the entire document, including items you support. All comment letters will be considered and are greatly appreciated.

Comments must be submitted and received no later than October 4, 2019. Responses will be accepted by e-mail or hard copy only, using the form provided or a format the respondent chooses. Unless requested otherwise by the responding organization, all comments and replies may be made public on the Reporting Standards website (www.reportingstandards.info). Comments may be submitted as follows:

Email: administrator@reportingstandards.info

Post: NCREIF
Attn: Director, Reporting Standards
200 East Randolph Drive
Suite 5135
Chicago, IL 60601

Introduction

Background

In order for funds to claim compliance, the Reporting Standards currently require the following elements to support the calculation and determination of the fair value of investment results reported to investors in open-end and closed-end funds:

- ✓ Quarterly condensed fair value (FV) GAAP based financial reporting (FR.01);
- ✓ Annual, FV GAAP based financial statements (FR.02);
- ✓ Annual financial statement audits (FR.03);
- ✓ Annual valuation policy statement (VA.01); and
- ✓ Annual external appraisals[5] (VA.02).

The foundation of the Reporting Standards is derived from U.S. Generally Accepted Accounting Principles (GAAP), Global Investment Performance Standards (GIPS®), and Uniform Standards of Professional Appraisal Practice (USPAP). These standards are referred to as the Foundational Standards within the Reporting Standards. The Reporting Standards strive to remain consistent with these foundational standards and supplement their guidance by providing interpretations and additional standards.

The Reporting Standards are grouped by fund structure, that is open-end funds, closed-end funds and single client (separate accounts) and are intended to provide guidance across all strategies within each structure (e.g., core, value-add, opportunistic). Over the years, the Council vigorously debated whether strategy-based standards should be incorporated into the Reporting Standards but concluded that definitions of strategies can be blurry while structures are definitive.

Many of the Reporting Standards are the same across the fund structures however, there are particular elements which are solely meaningful or useful to one structure or another. One of the ancillary purposes of this project is to specifically address the possibility of differences in external valuation requirements across structures.

Investor Feedback

Compliance within ODCE

It is important to note that funds which are included in NCREIF's Open-end Diversified Core Equity Index (NFI-ODCE) are overwhelmingly compliant with the Reporting Standards. Therefore, the Council and Board concluded that no significant changes should be made to the requirements listed above for open-end funds.

CEVA data contributor outreach

In 2015, an outreach was conducted to managers that contribute data to NCREIF's Closed-end Value Add Fund Index (NFI-CEVA)[6]. Generally, managers viewed the Reporting Standards as comprehensive and relevant to closed-end funds. However, with respect to the external appraisal requirement, the assessment revealed that managers were generally not required by their investors to conduct external

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[5] Unless client contracts for a less frequent appraisal, but no less frequently than every 36 months.
[6] NCREIF PREA Reporting Standards, *Closed-end Value Added Fund Compliance Assessment,* November 2015.

appraisals. Therefore, since the investment managers were meeting the expectations of their investors, the investment managers contended that external appraisal requirement was not necessary in the Reporting Standards. Accordingly, the Reporting Standards Board and Council concluded that more in-depth research and analysis was necessary in order to determine whether a modification of the Reporting Standards for closed-end funds was necessary.

<u>Closed-end fund broad outreach: no clear consensus</u>

In 2016, a survey of closed-end fund managers and investors who have interests in closed-end funds was conducted. Responses were received from 14 investors and 28 investment managers, representing the spectrum of strategies within closed-end funds including: core/core-plus; value-add; and opportunistic. In that survey, managers were asked how frequently they obtain external appraisals. Presented in Figure 1 are the results:

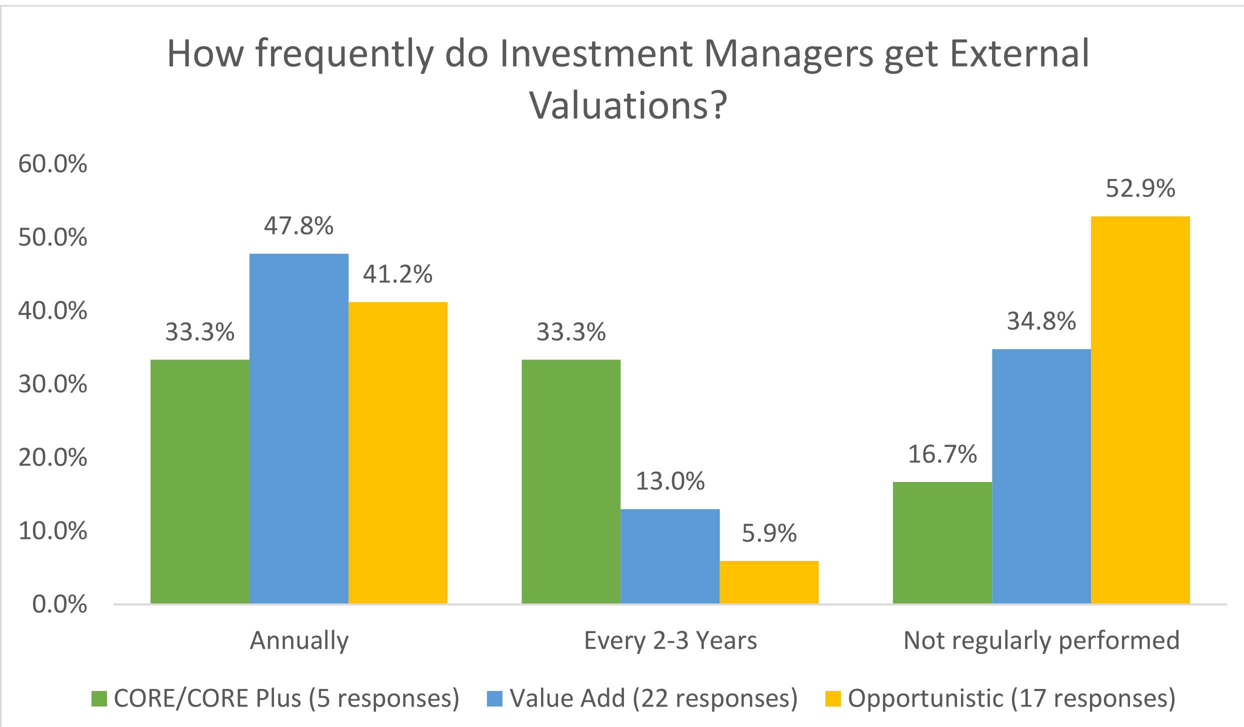

Figure 1

Although no clear conclusions can be reached, it appears that as closed-end fund strategies get riskier, the frequency of obtaining external valuations declines.

Surprisingly, when asked about the importance of external appraisals, most investors reported that external independent appraisals were most important to moderately important even in closed-end opportunity funds. Presented in figure 2 are the results:

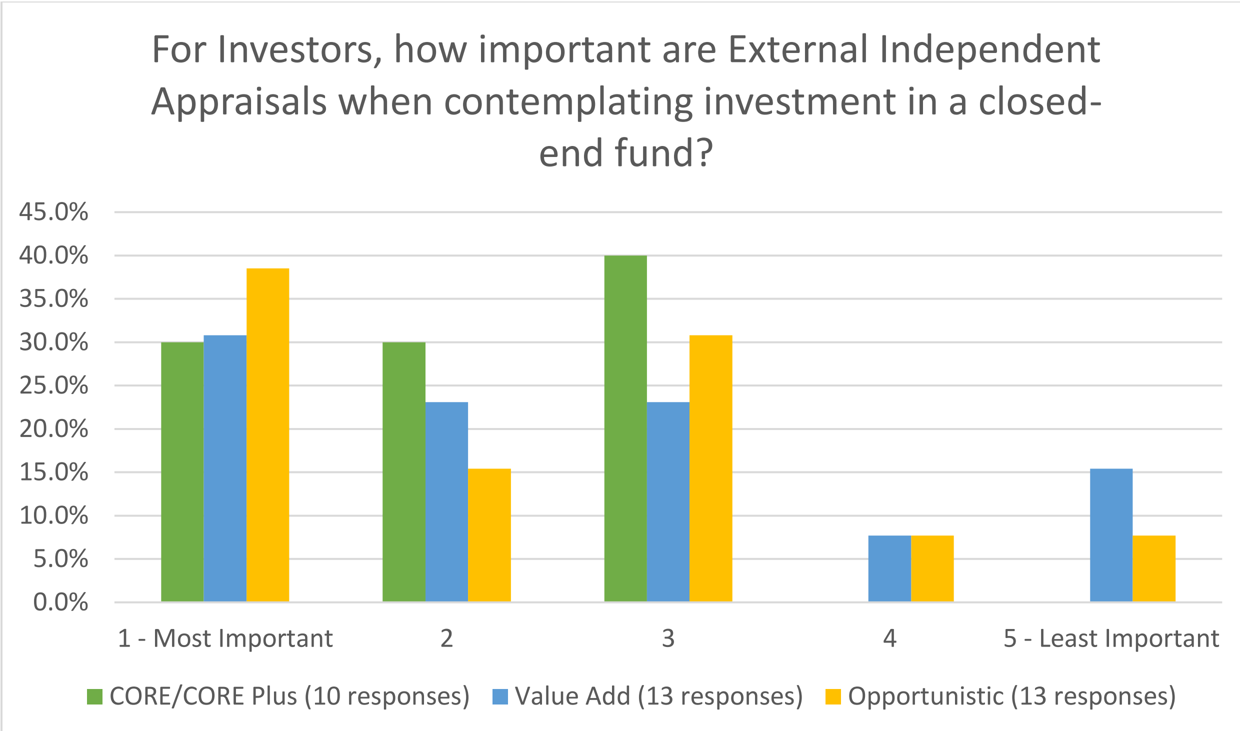

Figure 2

As noted, there is disparity in practice relating to the frequency of and importance of external appraisals for closed-end funds. However, it is not evident that specific requirements relating to external appraisals should be established based on strategy. It has been anecdotally suggested that external appraisals may not be as critical a valuation element within complex strategies. Accordingly, the Reporting Standards Council and Board will continue to develop standards based on structure, not strategy.

Trading and performance measurement

Within private market real estate investments, performance is generally measured using the periodic fair value financial statement information. This is very different than the performance of investments within the public markets. In addition, this same information is used to provide information used for the production of certain indices and benchmarks, including the NCREIF property and fund indexes. Most performance information is calculated on at least a quarterly basis and the preparation of quarterly (condensed) fair value financial statements is the norm in the industry for commingled funds and, as such, a requirement within the Reporting Standards. Consistent and comparable measures of performance, the hallmark of the Reporting Standards is of paramount importance for strategic decision making including but not limited to ongoing evaluation and assessments and the buy/hold decision making process.

Open-end commingled funds trade regularly. Except for daily priced funds, (such as those included in the NCREIF Daily Priced Index (NFI-DP)) the price is generally struck at month-end or quarter-end. This is one of the most significant reasons the industry norm requires external appraisals, at a minimum annually.

It should also be noted that the NCREIF open-end diversified core equity index (NFI-ODCE) is frequently used as a benchmark by investors for their real estate portfolios which may include both open-end and closed-end funds. The transparency provided by annual external appraisals is important to investors as comparisons are made between their portfolios and ODCE.

We acknowledge that closed-end funds trade but only on secondary markets. Therefore, the primary reason for periodic valuations is for performance measurement and financial reporting. Coupled with the varying and complex investment strategies associated with many closed-end funds, the benefits derived from an external appraisal may or may not support the increase in associated costs. However, it is important to note that external appraisals invoke a degree of independence which many investors deem very valuable.

This exposure draft proposes additional rigors surrounding internal valuations and disclosures related to valuation policies which may prove to be an acceptable alternative to requiring external appraisals to closed-end fund stakeholders. If successfully adopted, the Reporting Standards Board and Council anticipate increased desire for compliance with the Reporting Standards within closed-end funds.

Valuation policy statement: proposed revisions

Overview

The purpose of a valuation policy statement is to document applicable valuation policies. This includes policies which provide comfort that the valuations are prepared in a transparent environment, the person(s) developing the valuations are competent, and the valuations are documented in a manner sufficient to permit a reliable audit of the results.

Proposed revisions

Table 4 below compares the existing Reporting Standards requirements surrounding valuation policy and the proposed requirements.

Element	Existing Requirement	Amended Requirement
VA.01 Valuation Policy statement	The policy statement must include an internal hierarchy of appropriate management levels responsible for the valuation process.	The valuation policy statement must include definitions of internal roles and responsibilities for the execution and governance of the valuation process
	The policy statement must include the role of USPAP in the valuation process.	The valuation policy statement must include the role of standards in the valuation process.
	The policy statement must include the minimum scope and documentation requirements for both external and internal valuations.	The valuation policy must include the minimum documentation requirements to comply with US GAAP
	Direct real estate investment fair values must be reported on a quarterly basis.	Real estate investments must be valued on a quarterly basis.
	Annual	This requirement was removed for clarity given the requirement that a statement on the valuation policy be made in each Account Report which may or may not be delivered on an annual frequency.

	Changes to the valuation policy must be disclosed through the next annual reporting period.	This requirement was removed for clarity given the requirement that a statement on the valuation policy be made in each Account Report which may or may not be delivered on an annual frequency.
	The policy statement must include the process by which external appraisals are conducted.	This requirement was removed under the proposal that not all valuation policies must include external valuation requirements.
	The policy statement must include the external valuer and/or investment manager selection process.	The policy statement must include independent valuation process oversight, review and approval.
	The policy statement must include debt valuation procedures.	This requirement was removed given not all funds mark debt to market, particularly closed-end funds.

Table 4

Questions relating to valuation policy requirements

1. *Question relating to Valuation Policy Statement:* Do you agree that the proposed requirements noted in Table 4 are acceptable?
    a. Yes
    b. No
    c. Please explain any no answer.
2. *Question relating to valuation policy elements:* Are there any additional valuation policy elements which are appropriate to require within the Reporting Standards that are not listed here?
    a. Yes
    b. No
    c. Please provide details surrounding any "Yes" answer.

Internal valuation requirements

Overview

The Reporting Standards require condensed fair value (FV) GAAP based financial reporting (FR.01). This requirement satisfies the reporting cycles and performance measures calculated by or provided to investors and also supports the development of the various NCREIF indexes which are produced quarterly. Although some funds obtain external valuations at the same frequency as the development of financial reports, many funds complete valuations either internally or externally. For the purpose of this exercise, valuations are defined as a stated opinion of value as of a certain date. An internal valuation is performed by an individual or group of individuals employed or directly affiliated with the reporting entity.

The information collected, research and analysis performed and valuation conclusions developed internally are often part of the information submitted to independent auditors for the annual FV audits.

Accordingly, the Reporting Standards has established minimum internal valuation requirements which are contained in the Valuation section of Volume I and address the required scope of an internal valuation. These standards are required in each period an internal valuation is performed, regardless of the existence of an external valuation requirement.

Proposed revisions

Table 5 below compares the existing Reporting Standards requirements surrounding valuation policy and the proposed requirements.

Element	Existing Requirement	Amended Requirement
VA.02 Internal valuation requirements	Scope must be sufficient to demonstrate that the value of each property has been appropriately determined. The scope should include, but not be limited, to the following: 5. Us appropriate, established valuation techniques 6. Demonstrate independence of valuation process oversight, review, and approval 7. Contain sufficient documentation for auditors to re-compute the calculations during audit 8. Reconcile any significant variance from the previous external appraisal	c. Valuations prepared by internal staff should include appropriate research and analysis to result in a credible conclusion. These internal valuations must be prepared in a transparent environment, prepared or supervised by competent professionals with appropriate valuation experience, and documented in a manner sufficient to permit an audit of results whereby steps leading to specific valuation outcomes can be verified. d. Use appropriate, established valuation techniques

Table 5

Questions relating to internal valuation requirements

3. Do you agree that the proposed requirements noted in Table 5 are acceptable?
    a. Yes
    b. No
    c. Please explain any "No" answer

External valuations and alternatives

External Valuations

One can readily conclude from the information shown above that the industry standard for open-end funds is to obtain external appraisals at least annually.

While the external appraisal process is a common feature in the open-end fund space, many closed- end fund managers choose not to engage an independent third party to perform valuations. In addition to industry practice, some characteristics of open-end funds differ from closed-end funds, some of which have a direct impact on the rationale for external valuations. Figure 3 below is a comparison of the relevant characteristics of each fund type.

Characteristic	Open- end Fund	Closed- end Fund
Trade	On primary private market based on NAV	On secondary market only at a negotiated price based on multiple data points
Fee Structure	Generally based on NAV	Based on commitment
Fund Life	Unlimited	Limited
Equity Commitments	Liquid	Illiquid
Leverage	Low, generally fixed debt	Higher fixed or floating debt
Strategy	Operating, low capex.	Reposition/Develop, high capex
Duration	Longer term hold periods	Shorter term hold periods
Investment Objective	Income over Appreciation	Appreciation over Income
Investor Exit	Investor controls exit	Investor cannot control exit

Figure 3

Based on the above, and primarily based on the trading method and fee structure, the open-end fund structure characteristics justifies obtaining periodic recurring external appraisals (e.g., annually); assets are more stable, leases are longer in duration, market rental rate changes are highly measurable, debt is generally fixed, capex is moderate, thus cash flow has a higher degree of predictability. For open-end funds, the external appraisal standard is an appropriate process for providing investors with valuation data.

The closed-end fund structure on the other hand lends itself to cycling assets and thus experiences more volatility over a shorter period of time. More variables drive changes in valuations and thus it is more difficult for periodic recurring external appraisals to be in sync with the asset's performance. Generally, assets are less stable, lease rollover is recurring, market rental rates are less predictable because the asset in often in transition, and capex is often significant. Overall, the cash flow is more difficult to forecast as asset level inputs are highly variable. Most importantly, investors are not trading in or out based solely on the NAV and the manager's fee is generally unrelated to the net asset value.

Below are examples of activities in assets held by closed-end funds that could yield a significant swing in value over a relatively short period of time, and often between standard appraisal cycles:

- Increase or decrease in the number of multi-family units upgraded from one quarter to next.
- Change in the rent premium achievable on space upgrades
- Negotiation of an early renewal, removal of a termination right or an expansion/contraction of a commercial tenant
- Unexpected vacancy or large tenant lease obtained on a block of vacancy.
- Impact of a tax appeal or condemnation
- Acceleration or deceleration of a physical repositioning

Furthermore, closed-end managers typically cite the following for why they do not adopt an "external appraisal" policy.

- The manager is not paid on the basis of NAV
- Investors are not trading in and out based solely on the NAV
- Type of valuation is complex vs. straight forward based on the nature of the assets
- Annual audits verify fair value methodology and reasonableness of conclusions
- Broker's opinion of value (BOV) are readily available and independently confirm internal valuations
- Access to other independent valuations are regularly done by lenders, taxing authorities, etc., which confirm internal valuations
- Manager adopts, discloses and implements a sound valuation policy

For these reasons the Reporting Standards existing requirement relating to open-end fund external appraisal frequency remains largely unchanged and the following language relating to closed-end funds is proposed.

Element	Proposed requirement
VA.04 External Valuation Requirements: Closed-end funds and single client accounts only	Each real estate investment must be valued by an external, independent, professionally designated property valuer or appraiser at a frequency that is consistent with requirements stipulated by the Account's governing documents. To the extent the funds governing documents do not require external appraisals, this fact must be explicitly disclosed to potential investors prior to the time of subscription and material changes must be reported at least annually thereafter.
	External appraisals completed by independent third-party appraisers should be performed in accordance with USPAP for U.S. investments and either the International Valuation Standards as set forth by the International Valuation Standards Committee (IVSC) or the appropriate authoritative standard in the country in which the property exists. To the extent not performed by an external valuer or appraiser, in accordance with the above standards, details of the valuation services performed must be fully disclosed including the scope of the services, level of detailed reporting, valuation type and whether the valuer developed their own opinion of value or only performed a review.
	Material differences between an external valuation engaged by or on behalf of the reporting entity and the valuation conclusion used in reporting for that period, and the reason for the differences, must be documented.

Table 6

2020 GIPS

The 2020 edition of the GIPS Standards was released in June, 2019. It is effective as of January 1, 2020. The RS Council worked with the CFA Institute's staff to modify the requirements from what was proposed with respect to external valuations for Private Market Investments. As such, the requirements for external valuation frequency for real estate are as follows:

- Open-end funds: required to conduct external appraisals annually.

- Non open-end funds (including closed-end funds and single client accounts) either:
    - Annual external appraisal (which can be performed once every 36 months per client agreement); or
    - Annual fair value audit (with an accompanying clean opinion)

The Reporting Standards do not contradict standards established by applicable Foundational Standards organizations (i.e., GIPS standards for performance) but provide supplementary standards and guidance when the Foundational Standards are silent or subject to interpretation. It is important to note that the GIPS standards generally relate to presentation of performance to prospective investors across all investable asset classes.

The Reporting Standards Board and Council contend that developing standards that may be viewed as more detailed and specific, yet not in conflict with the proposed GIPS standards is prudent for real estate. The content of this exposure draft supports this position.

Questions relating to external valuations

Based on the arguments presented above please answer the following questions:

4. *For open-end fund investors or investment managers only:* Do you agree that: "each real estate investment must be valued by an independent, professionally designated property valuer or appraiser at least once every 12 months" must be a required element in the Reporting Standards?
    a. Yes
    b. No
    c. Explain any no answer
5. *For closed-end fund investors or investment managers only:* Do you agree that the proposed requirements noted in Table 5 are acceptable?
    a. Yes
    b. No
    c. Please explain any "No" answer
6. *For closed-end fund investors or investment managers only:* Would your answers to question 6 above be different if an LPA contains incentive provisions (e.g., incentive fees and carried interests) based on the valuations rather than invested capital and realized distributed cash results?
    a. Yes, in all cases when the LPA contains incentive provisions.
    b. Yes, but only if the incentive provision is not subject to any type of claw back.
    c. Yes, but only if the incentive provision is subject to a claw back which is not capped
    d. No, my answer would not change.

Conclusion

A strategic objective of the Reporting Standards Board is to increase the relevance and applicability of the Reporting Standards for closed-end funds. As relevance and applicability increase, it is anticipated that compliance will increase. The Board and Council work diligently to ensure that the integrity of the Reporting Standards is uncompromised while broadening of the base of those seeking compliance. The Reporting Standards Council and Board agree that the proposed changes articulated herein will satisfy those objectives.

Please include any additional feedback in your response.

Attachment A: Proposed valuation standards (VA.01-.04)

Valuation

Required: All Accounts

VA.01: Valuation Policy statement: In addition to the required disclosures under US GAAP for fair value measurements, the Account Report must contain a statement that the Account's real estate investments are valued in accordance with the Reporting Standards Property Valuation Standards, stated below:

A written Valuation Policy, including methods and procedures, must be maintained and consistently applied. The policy must include:

- Definitions of internal roles and responsibilities for the execution and governance of the valuation process
- Frequency of valuations
- Role of standards in the valuation process
- Independent valuation process oversight, appraiser selection, review, and approval
- Minimum documentation requirements to comply with US GAAP.
- Value acceptance and dispute resolution procedures

Real estate investments must be valued on a quarterly basis. Quarterly valuations can be completed either internally or externally.

VA.02: Internal valuation requirements: All Funds

a. Valuations prepared by internal staff should include appropriate research and analysis to result in a credible conclusion. These internal valuations must be prepared in a transparent environment, prepared or supervised by competent professionals with appropriate valuation experience, and documented in a manner sufficient to permit an audit of results whereby steps leading to specific valuation outcomes can be verified.
b. Use appropriate, established valuation techniques

VA.03: External Valuation Requirements: Open-end funds only

a. Each real estate investment must be valued by an external, independent, professionally designated property valuer or appraiser at least once every 12 months unless client contracts for a less frequent appraisal, but no less frequently than every 36 months.
b. External appraisals completed by independent third-party appraisers must be performed in accordance with USPAP for U.S. investments and either the International Valuation Standards as set forth by the International Valuation Standards Committee (IVSC) or the appropriate authoritative standard in the country in which the property exists.
c. Differences between an external valuation engaged by or on behalf of the reporting entity and the valuation conclusion used in reporting, and the reason for the differences, must be documented.

VA.04: External Valuation Requirements: Closed-end funds only

a. Each real estate investment must be valued by an external, independent, professionally designated property valuer or appraiser at a frequency that is consistent with requirements stipulated by the Account's governing documents. To the extent the funds governing documents do not require external appraisals, this fact must be explicitly disclosed to potential investors prior to the time of subscription and material changes must be reported at least annually thereafter.
b. External appraisals completed by independent third-party appraisers should be performed in accordance with USPAP for U.S. investments and either the International Valuation Standards as set forth by the International Valuation Standards Committee (IVSC) or the appropriate authoritative standard in the country in which the property exists. To the extent not performed by an external valuer or appraiser, in accordance with the above standards, details of the valuation services performed must be fully disclosed including the scope of the services, level of detailed reporting, valuation type and whether the valuer developed their own opinion of value or only performed a review.
c. Material differences between an external valuation engaged by or on behalf of the reporting entity and the valuation conclusion used in reporting for that period, and the reason for the differences, must be documented.