

Market consultation

The FTSE Russell logo consists of a light blue circle containing the text "FTSE" stacked above "Russell" in a white, sans-serif font.

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FTSE EPRA Nareit Global Real Estate Index Series Market Consultation

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Introduction

Further to the [Technical Notice published on 25 January 2019](#) the Index Partners - FTSE Russell, the European Public Real Estate Association (EPRA) and the National Association of Real Estate Investment Trusts (Nareit) – propose to include the following clarifications to the calculation of eligible EBITDA to Appendix 7 of the ground rules of the FTSE EPRA Nareit Global Real Estate Index Series. These clarifications reflect current operational practice and do not affect the composition of the indexes.

Note F – Where General and Administrative, Corporate, Overhead or other operating expenses are not clearly allocated to any of the reporting segments in the annual report, the model considers a proportionate allocation based on the revenue breakdown of the different operating segments.

Note G – Any share of Net Operating Income from property funds managed by the company is considered eligible income if appropriate disclosure is provided in terms of the nature of the fund, the percentage of company ownership in a fund, and adequate provision of a breakdown of operational income. Any profit/loss arising from property revaluations, fair value adjustments and management fees will be excluded.

FTSE Russell is seeking feedback on the proposed Note G above and also on the size and application of the eligible EBITDA threshold set out in rules 4.5 and 4.7 of the [FTSE EPRA Nareit Global Real Estate Index Series](#).

Responding to the consultation

The proposals set out in this consultation document are included in order to gather feedback and may or may not result in changes to FTSE Russell Index rules.

Please submit your response to the questions included in this consultation online at <https://www.surveymonkey.co.uk/r/7X33GFW>

The consultation will close on **February 25, 2019**. All responses will be treated as confidential. FTSE Russell may publish a summary of the consultation results, but no individual responses will be published and no respondents will be named.

If you have any questions about this survey, or if you encounter any technical issues, please contact rpawson@ftserussell.com.



Consultation questions

1. Should the definition of eligible EBITDA continue to exclude income from property fund management?

- Yes
- No - some income from property fund management should be included (please indicate which items)
- No - income from property fund management should be included for the proportion that is owned by the company themselves
- No – index partners propose to engage with the companies to improve disclosure for income derived from company’s stake in property funds a company manages (eligible) and income from fund management activities (ineligible)

2. Please enter your comments for Q1

3. Should there be buffers in place for current index constituents that fail to meet the 75% hurdle?

- No – the 75% threshold for both entry and exit should remain
- Yes - a current constituent should only be deleted if eligible EBITDA falls below 70%
- Yes - a current constituent should only be deleted if eligible EBITDA falls below 65%
- Other (please state)

4. Please enter your comments for Q3

5. For how many years should a constituent fall below the exit threshold for eligible EBITDA before being removed from the FTSE EPRA Nareit Global Real Estate Index Series?

- One year (i.e. on the basis of the latest company report, as now)

- Two years (on the basis of two consecutive reports)
- Other (please state period)

6. Please enter your comments for Q5

7. For constituents which have been removed for failing to meet the ineligible EBITDA threshold, at what point should they be retested for future inclusion?

- After 12 months (which would be consistent with rule 4.2 for securities on ineligible segments)
- After 24 months (which would be consistent with rule 4.9.5 on nationality changes)
- Other (please state period)

8. Please enter your comments for Q7

9. Should any further rule enhancements for the Global Real Estate Index Series be considered at this time?

- Yes (please state which)
- No

10. Please enter your comments for Q9

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FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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