

## FTSE EPRA Nareit Global Real Estate Index Series: Ground Rule Update

24 June 2021

FTSE Russell would like to inform clients of the following updates to the FTSE EPRA Nareit Global Real Estate Index Series Ground Rules which includes changes resulting from the FTSE EPRA Nareit Global Real Estate Index Series Nationality and Regional Representation Consultation. The changes are effective immediately.

### 4.0 Eligibility Criteria (addition in bold)

4.3 **A.** The Initial Universe of companies consists of companies with the following ICB Classifications: Supersector 8600 (Real Estate) (New ICB Real Estate Industry 35) and Subsector 3728 (Home Construction) (New ICB Home Construction Sector 40202010). **The universe may also include companies with a New ICB Subsector of 30204000 (Closed End Investments) if the majority of revenue is derived from Real Estate activities.**

4.7 **Revenue must be reported in such a way that revenue from ineligible activities can be excluded.** The following are not considered relevant real estate activities:

- A. The financing of real estate.
- B. The provision of construction management, general contracting and project management services.
- C. The provision of property management, facilities management, insurance, power supply, brokerage, investment management funds and services. See Appendix 7 for more information.
- D. Holding companies are excluded from the index. Holding companies are defined as companies that have more than 50 percent of their net assets invested in the securities of other listed companies.
- E. Storage caverns/units for commodities such as oil & gas. Revenue derived from retail fuel stations is considered eligible.
- F. Companies for which the ownership of real property is incidental to the primary revenue generating activities, including those companies in the gaming, theme park and other entertainment businesses.
- G. Infrastructure assets, including transportation assets (roads, bridges, tunnels, airports, etc.), energy and utilities assets (power generation, fuels, etc.), water and waste management assets and communication assets (line-based networks, air-based networks, etc.) and prisons.
- H. Timberland and farmland.
- I. Outdoor advertising.

- J. Data center revenues labelled colocation or interconnection will be considered eligible real estate revenues for the purpose of the EBITDA screen.
- K. Revenue from parking lots and parking services are not considered relevant real estate activities unless such revenues are incidental to real estate activities otherwise considered relevant.

4.9.2 A prospective constituent, which would otherwise have been assigned a nationality of a Developed market, that has over each of the previous two years derived less than 75% of its total annual EBITDA from Developed markets (as classified by FTSE Russell) will instead be assigned the nationality of the Emerging market (as classified by FTSE Russell) from which it has derived the greatest percentage of its EBITDA over those two years. **If the company's annual report provides insufficient detail to allow a clear determination of the geographic breakdown of the company's EBITDA, then the preceding calculation will be based upon assets or revenue as appropriate. If the annual report provides insufficient detail to allow a clear determination using EBITDA, assets, or revenue, then the company will not be eligible for the Developed Index due to inadequate reporting.**

Prospective constituents that have only one year of audited financial statements in their latest annual report (as defined by Rule 4.8A) or English IPO prospectus will be reviewed and classified based on the most recent available one year audited financial statements.

4.9.3 An existing constituent which has previously been assigned a nationality of a Developed market that has over each of the previous two years derived less than 50% of its total annual EBITDA from Developed markets (as classified by FTSE Russell) will be assigned the nationality of the Emerging market from which it has derived the greatest percentage of its EBITDA over those two years. **If the company's annual report provides insufficient detail to allow a clear determination of the geographic breakdown of the company's EBITDA, then the preceding calculation will be based upon assets or revenue as appropriate. If the annual report provides insufficient detail to allow a clear determination using EBITDA, assets, or revenue, then the company will not be eligible for the Developed Index due to inadequate reporting.**

4.9.4 A constituent whose **Emerging market** nationality was determined by the application of Rules 4.9.2 or 4.9.3 above may have its nationality changed to that of a different Emerging market if for two consecutive years the greatest percentage of its EBITDA is derived from that Emerging market.

4.9.5 A constituent whose **Emerging market** nationality was determined by the application of Rules 4.9.2 or 4.9.3 above may have its nationality changed to that assigned in the FTSE Global Equity Index Series if for two consecutive years the company derives more than 75% of its EBITDA from Developed markets.

#### 5.4 **Additions to the Index Series (update in bold – Developed Markets Asia Stocks threshold changed from 0.30% to 0.10% to align with other Developed Markets)**

At the quarterly review, non-constituent securities that have an investable market capitalisation (after the application of investability weightings) equal to or greater than the following basis points of their respective regional index will be eligible for index inclusion:

##### **Developed Markets**

- |                    |              |
|--------------------|--------------|
| a) Asian Stocks    | <b>0.10%</b> |
| b) EMEA Stocks     | 0.10%        |
| c) Americas Stocks | 0.10%        |

##### **Emerging Markets**

a) Asian Stocks	0.20%
b) EMEA Stocks	0.30%
c) Americas Stocks	0.30%

#### **AIM Market**

a) AIM Stocks	1.50%
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Prospective additions must also have at least 50% of their total assets invested in real estate at the time of entering the index.

### 5.5 **Deletions from the Index Series (update in bold – Developed Markets Asia Stocks threshold changed from 0.15% to 0.05% to align with other Developed Markets)**

At the quarterly review, an existing constituent of the FTSE EPRA Nareit Global Real Estate Index Series is deleted from the Index Series if it has an investable market capitalisation (after the application of investability weightings) of less than the following basis points in their respective region:

#### **Developed Markets**

a) Asian Stocks	<b>0.05%</b>
b) EMEA Stocks	0.05%
c) Americas Stocks	0.05%

#### **Emerging Markets**

a) Asian Stocks	0.10%
b) EMEA Stocks	0.15%
c) Americas Stocks	0.15%

#### **AIM Market**

a) AIM Stocks	0.75%
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### 6.2 **Fast Entry Level (update in bold)**

- 6.2.1 A new issue that has an investable market capitalisation (after the application of any investability weightings) equal to or greater than the following basis points for its respective region will be included in the FTSE EPRA Nareit Global Real Estate Index Series after the close of business on the fifth day of trading. Eligibility will be determined using the closing price on the first day of trading. **In the event of the fifth day of trading occurring during the week of the index review, an eligible fast entrant will be added to the index concurrent with the review effective date.**

An updated copy of the FTSE EPRA Nareit Global Real Estate Index Series Ground Rules (Version 10.4) is now available on the FTSE Russell website: <http://www.ftserussell.com>

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