Agency problems in indirect real estate investing*

Dr. Marcus Cieleback
MEAG MUNICH ERGO AssetManagement GmbH
Oskar-von-Miller-Ring 18
80333 Munich, Germany
e-mail: MCieleback@meag.com

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Abstract

Real estate is of increasing importance in the asset allocation of institutional investors. As direct real estate investments are very management intensive and need a great deal of market know how, institutional investors are shifting more and more of their real estate investments to indirect forms. There are two general forms of indirect real estate investing, listed and non-listed. Especially in the second case agency problems increase for the investors, as only very limited data is available to compare different investment options, there are no quick exit options and so far no benchmarks exist for this sector. The paper highlights the different forms of agency problems in indirect real estate investing and shows how institutions, like corporate governance and INREV, are able to alleviate these problems.

Keywords: agency problem, indirect real estate investment, institutions, benchmarks
JEL-classification:

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I. Introduction

A survey of ING (2004) has shown that there is a healthy appetite for real estate investments in Europe. The results based on the response of 52 pension funds across Europe in 2003 show an overall average allocation to real estate of all respondents of 10.4%, that breaks down to 6.9% direct real estate, 2.1% unlisted real estate and 1.4% listed (public) real estate. It is interesting that listed real estate is the least popular category despite its high liquidity and low minimum investment requirements compared to the other investment forms. The respondents expect to increase their real estate allocation in 2004, with non-listed real estate being the most popular category followed by listed real estate.

At the same time there is an increasing interest in REIT-like tax transparent structures across Europe. Belgium, Luxembourg and the Netherlands already have these structures for some time and France introduced the SIICs (the French REIT) in 2003. Additionally tax transparent structures like the US REITs are expected to emerge in the UK in 2005. In Germany a discussion about the introduction of REIT-like structures through the Initiative Finanzstandort Deutschland has started (Beck/Droste/Zoller (2004)). Even three of the major accession countries, the Czech Republic, Hungary and Poland, are in the process of legislating for them (ULI/PwC (2004)).

In general this adds up to the trend, that investors go more and more for indirect real estate investments instead of direct real estate. Consequently agency problems will get increased attention from the investors. At the same time the complex nature of the direct real estate markets requires detailed knowledge to evaluate the investment and disinvestment decisions of the management of listed and non-listed real estate vehicles to reduce the agency problems.[1] As the goal of indirect real estate investment instead of direct investment is in most cases to utilize the more detailed market knowledge of the agents of these vehicles, it is quite save to assume that a detailed market knowledge of the targeted real estate markets of these vehicles is in most cases not given at the level of the investors of these vehicles (DTZ (2003)). The problems associated with principal agent relationships are therefore of great importance for investors in this vehicles. The development of corporate governance initiatives and the launch of INREV in 2003 by investors in non-listed real estate vehicles can be seen as a reaction to these agency problems.

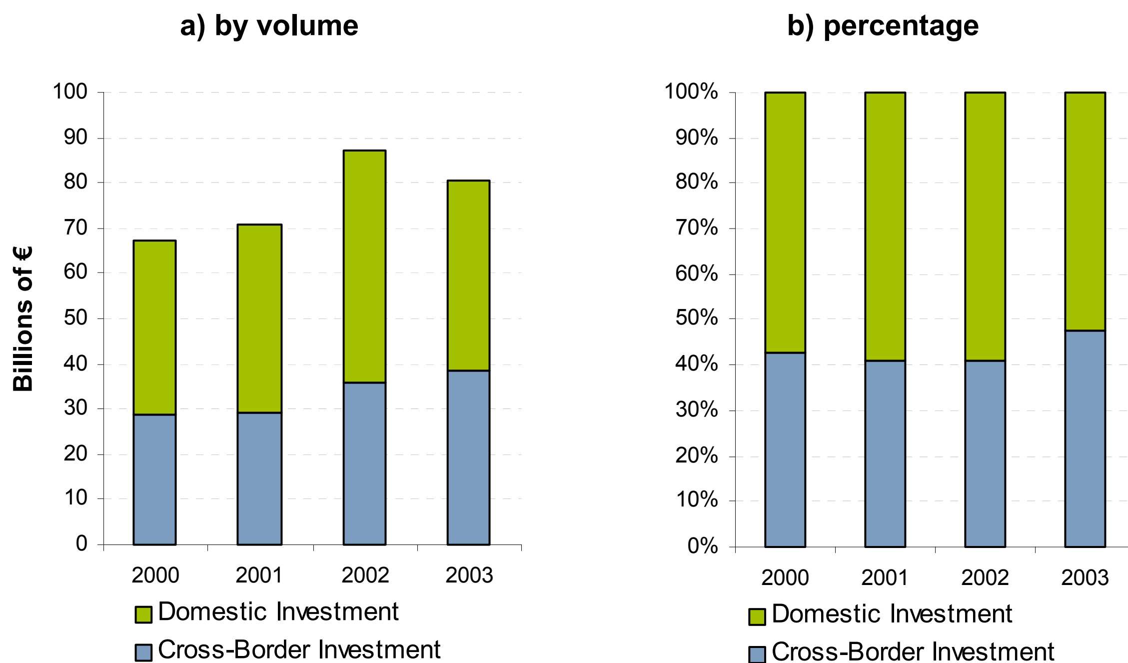
The paper is organized as follows. Section 2 gives an overview of the real estate investment market in Europe with special reference to the non-listed sector, while section 3 is a synopsis

of the basic concepts of agency theory. Section 4 addresses these concepts in the light of indirect real estate investments and section 5 discusses the consequences for the (non-listed) real estate investment market. Section 6 concludes with an outlook.

II. European non-listed Real Estate Investment Market

In the last years a more open and professional real estate industry is evolving in Continental Europe as real estate achieves greater recognition as a mainstream rather than an alternative asset class. However pan-European real estate investing is not as widespread at the institutional level as one might expect, especially given the introduction of the Euro in 1999 and the resulting elimination of currency risk in the Euro zone. Investors still seam to be domestically orientated (Figure 1), as pan-European real estate investing is faced with problems and obstacles such as taxes, legal structures, business infrastructure, operating standards and leasing conventions which are still different in every country. Yet one has to mention that cross border real estate investment is growing by volume since 2001 accounting for 48 percent of total investment in 2003.

Figure 1 European direct real estate investment since 2000



Source: JLL

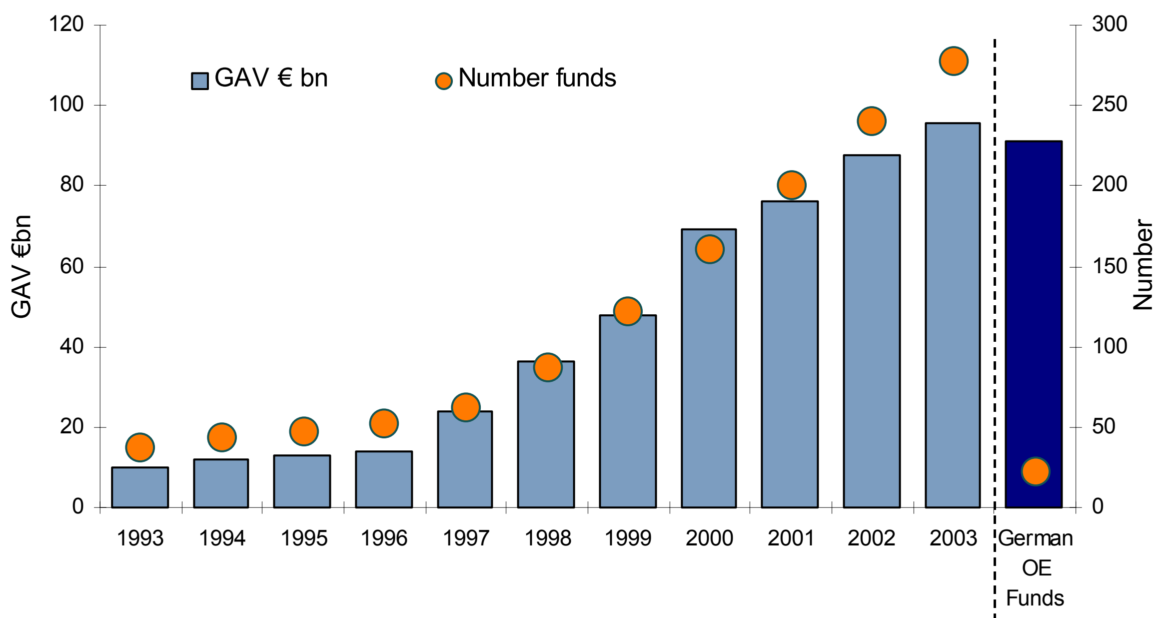
Given the post crash recognition that equities are not a good match for pension liabilities many pension funds receiving an encouragement to increase their property exposure

1 For an overview of real estate cycles and their strategic implications see Pyhrr/Roulac/Born (1999) and Wheaton (1999).

(ULI/PwC (2004)). At the same time the obstacles of pan-European real estate investing require a critical mass to realize the economies of scale that make pan-European investment viable. Additionally to realize diversification benefits within real estate considerable funds are necessary, as a minimum number of buildings in different markets are needed that are in general indivisible.[2] Consequently there is a trend towards using private vehicles and pooled funds to gain exposure to non-domestic real estate, as many institutions are not large enough regarding their international real estate allocation.

Indirect vehicles are attractive for institutional investors because they offer access to product, as large lot sizes are easier accessible, access to local management, that has a proven track record in the targeted sectors, access to geared returns, as institutions in many cases are not allowed to gear their direct real estate holdings, but are allowed to invest in indirect geared investments and access to immediate diversification. However the institutional investors should keep in mind, that there is a loss of strategic control over the invested funds. Nevertheless a trend to indirect real estate could be observed in Europe.

Figure 2 Number and Value of non-listed real estate funds by launch year



Source: INREV (end 2003 data)

The results of the trend to indirect non-listed real estate investment vehicles are demonstrated by the number and value of non-listed real estate funds by launch year in the INREV database (Figure 2). As the interest of the institutional investors is to have access to sector or country specific real estate to gain the diversification benefits associated with international real estate investing, a lot of the existing vehicles have a country/regional focus or are sector specific funds (Figure 3).

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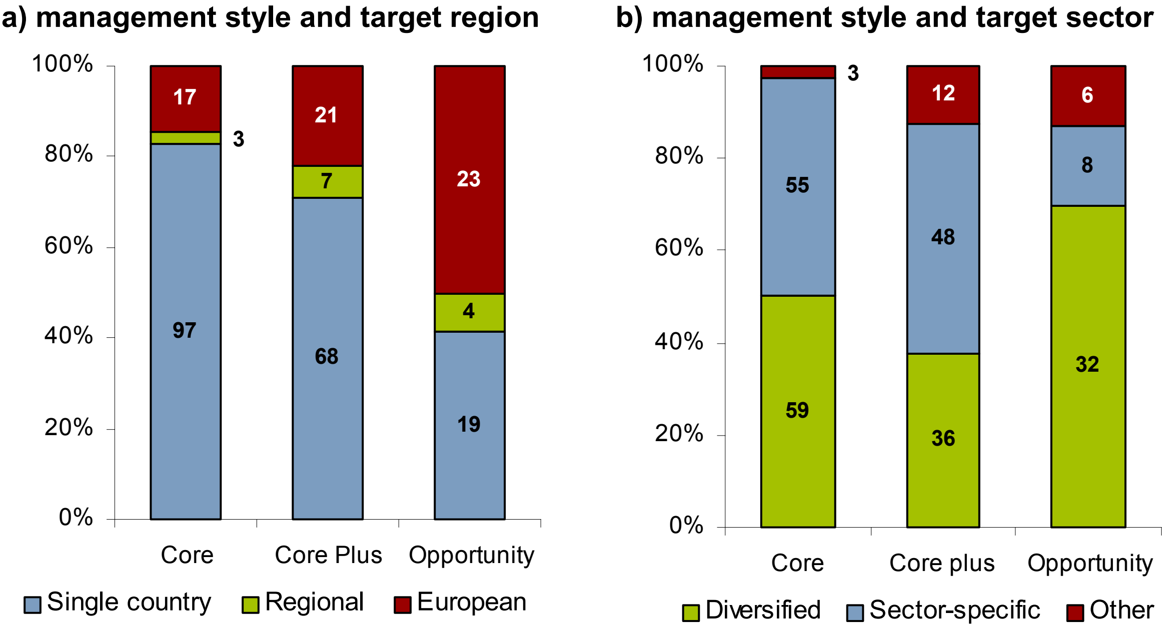
[2] For the benefits of direct international real estate investing see Sirmans/Worzala (2003).

Figure 3 Management styles by target region and sector[3]



Source: INREV (end 2003 data)

Despite this increased popularity of non-listed real estate investing the above mentioned loss of direct investor control over the investment management and the lack of satisfactory exit routs remain as problem areas that can deter investors. Both areas, although not obvious at first sight, are linked to each other. Greater liquidity makes it possible for the investor to trade out of his position if circumstances warrant. Consequently, asset (fund) managers need the ability to rebalance portfolios or attract new investors to maintain target allocations. Especially the second option is only viable, if the product is attractive for potential investors. This means, the non-listed investment vehicle must be structured in a way that it operates in the interests of the investors. Consequently the reduction of agency problems also benefits the goal of increasing the liquidity in the non-listed real estate investment sector and vice versa.

III. Agency Theory

According to Adam Smith, the welfare of all will be maximized if each individual maximizes his or her own welfare. This is the result of an invisible hand coordinating all individual actions through the market (price-) mechanism. However, this clearly does not work in all cases. It assumes that all individuals work within a legal structure where there is complete and accurate information. A situation hardly given in reality, as theft, falsehoods and other forms of misrepresentation clearly fall outside. Indeed Adam Smith already mentioned in

[3] For a definition of the different management styles see Planting/van Doorn/van der Spek (2004).

1776 the central problem, the agency relationship, that occurs, when ownership and control in a firm is separated, backed by the disgraceful behavior of the East India Company.[4]

> "The directors of such [joint stock] companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company."
>
> Adam Smith (1776)

As institutions and institutional arrangements play a central role in agency relationships the new institutional economics is a suitable starting point for an analysis. It builds on, modifies, and extends neoclassical theory and retains and builds on the fundamental assumption of scarcity and hence competition - the basis of the choice theoretic approach that underlies microeconomics. The new institutional economics has developed as a movement within the social sciences, especially economics and political science, that unites theoretical and empirical research examining the role of institutions in furthering or preventing economic growth. One sub domain is the agency theory, which deals with the analysis of legal contractual relationships when ownership and control is separated and market imperfections/information asymmetries are present.[5]

Following Jensen/Meckling (1976) an agency relationship exists when "one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent." If both parties maximize their own utility there is good reason to believe that the agent will not always act in the best interest of the principal.[6] As a result the principal will try to limit the divergence from his interests by monitoring the agent. The dilemma is, that the cost of monitoring the agents actions (monitoring expenditures) can be significant and can in fact exceed the loss due to the agency relationship. The principal will therefore try to establish incentives for the agent in a contract so that the agents actions are in the interest of the principal without costly monitoring. Additionally there will be situations where it will pay for the agent to expend resources on actions to guarantee that he will act in the sense of the principal (bonding expenditures) or to ensure that the principal will be compensated in such cases. As a result it is impossible for the principal and the agent to ensure at zero cost that the agent will make optimal decisions from the viewpoint of the principal.

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[4] See Garber (2000) for a discussion of the East India Company bubble.

[5] Based on Ross (1973) two different directions of research developed (Jensen 1983). The normative principal agent literature that deals with the relationship between principal and agent, largely based on mathematical tools (e.g. Stiglitz (1974), Mirrless (1976) and Harris/Raviv (1978)). On the other hand the positive principal agent literature tries to describes the existence of complex organizational structures (e.g. Jensen/Meckling (1976), Fama (1980), Fama/Jensen (1983)).

Given the complex structure of agency relationships these costs will be pecuniary and non-pecuniary as well. In general, the principal and the agent will have positive monitoring and bonding costs and there will still be some divergence between the agents decisions, subject to the optimal monitoring and bonding activities, and those decisions that would maximize the welfare of the principal. The value (in money terms) of this divergence is often referred to as the residual loss. According to Jensen/Meckling (1976) agency costs could therefore be defined as the sum of:

- the monitoring expenditures by the principal,
- the bonding expenditures by the agent and
- the residual loss.[7]

There are two concepts of agency theory relevant in association with indirect (non-listed) real estate investments: adverse selection and moral hazard. Adverse selection can occur if information asymmetries exist before a contract is closed, e.g. when agents misrepresent abilities and claim to provide outcomes they know they cannot achieve. It is important to note that the cause of the information asymmetries does not matter for the problem of adverse selection (Akerlof (1970)). Moral hazard is the risk that agents will put in less effort than promised towards achieving the principal's objectives. These problems could occur if the agent has multiple clients and/or ineffective and incomplete incentive contracts. Due to information asymmetries they are occurring after the contract was closed. According to Arrow (1985) two types of moral hazard can be distinguished: hidden information and hidden action (dynamic moral hazard).

IV. Indirect Real Estate Investments and Agency Theory

Given the complex nature of the real estate markets and the special features of real estate – immobility, large number of involved parties, long value chain, high investment stakes and long investment cycles, lack of market transparency – the separation of ownership and control is getting more and more popular in real estate investing (ING (2004), ULI/PwC (2004)). As a consequence the agency problems associated with this separation, that is a general feature in the asset management industry, are gaining increased attention in the real estate investment sector from investors and fund managers. [8]

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[6] According to Williamson (1985), this will also include cheating and theft.

[7] A point of criticism of this approach are the problems associated with the measurement of these costs to quantify the total agency costs in an agency relationship (Meinhövel, (1999)).

[8] For an overview of the incentive structures in institutional asset management see Bank for International Settlements, Committee on the Global Financial System (2003).

In a first step the investor has to decide on the relevant (targeted) part of the whole investment grade real estate universe.[9] In a second step, when the targeted real estate universe is defined, the investor should (carefully) decide on the following points if he wants to invest in a non-listed real estate vehicle:

- selection of the asset manager,
- selection of a fund (type of fund) and
- monitoring/benchmarking of the fund performance.

When deciding the investor has to keep in mind the agency problems involved. In general, although theoretically possible, the first two decisions will not be made independently, as the decision for a vehicle is associated with the selection of the asset (fund) manager. In general this holds even in the situation when a separate account is set up for the investor, as in most cases the track record of the asset manager shows his areas of competence and therefore a decision for a special kind of fund will predetermine the fund managers under consideration for the investment and vice versa. Looking at the track record of an asset (fund) manager, the investor tries to reduce the adverse selection problems, as the manager has already shown, that he is competent in specific areas. As a consequence the (legal) framework of the asset (fund) manager along with the corporate structure and the incentive system within the asset manager are of significance for the decisions of the investor.

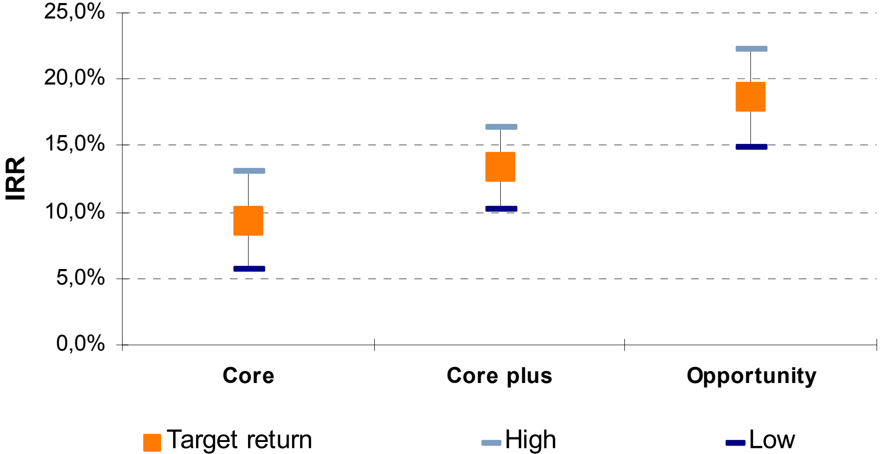
When the investor decides to participate in an existing fund, the management style of the fund and the countries under consideration of the fund are crucial for the decision. First the investor has to decide which type of fund suites best his risk return profile and than he has to decide on the fund to invest in. Looking at the available data the problem for the investor becomes obvious, as only recently a discussion about the definition of fund management styles in indirect real estate investing started (Baczewski/Hands/Lathem (2003), INREV (2004)). A look at the target return of the funds in the INREV database shows, that on average a core fund has a lower target return than a core+ or opportunistic fund, but there can be considerable differences according to the classifications of the fund manager (see Figure 4). The investor must therefore analyze the different funds or hire a consultant to advise him by the decision.

If the decision for a fund was made the third problem set arises for the investor. He has to secure, that the fund management works as promised and in his interest. If the chosen asset manager operates more than one fund, the investor has to make sure, that his fund is treated equally in relation to the other funds. The incentive structures in the contractual arrangements between the investor and the asset manager play therefore a crucial role for

[9] For the global investment grade real estate universe see AIG (2001) and Prudential Real Estate Investors (1999).

the outcome of the investment, as they determine to some extend the potential for moral hazard on the side of the asset (fund) manager, especially in the form of hidden action.

Figure 4 Target return and management style



Source: INREV (end 2003 data)

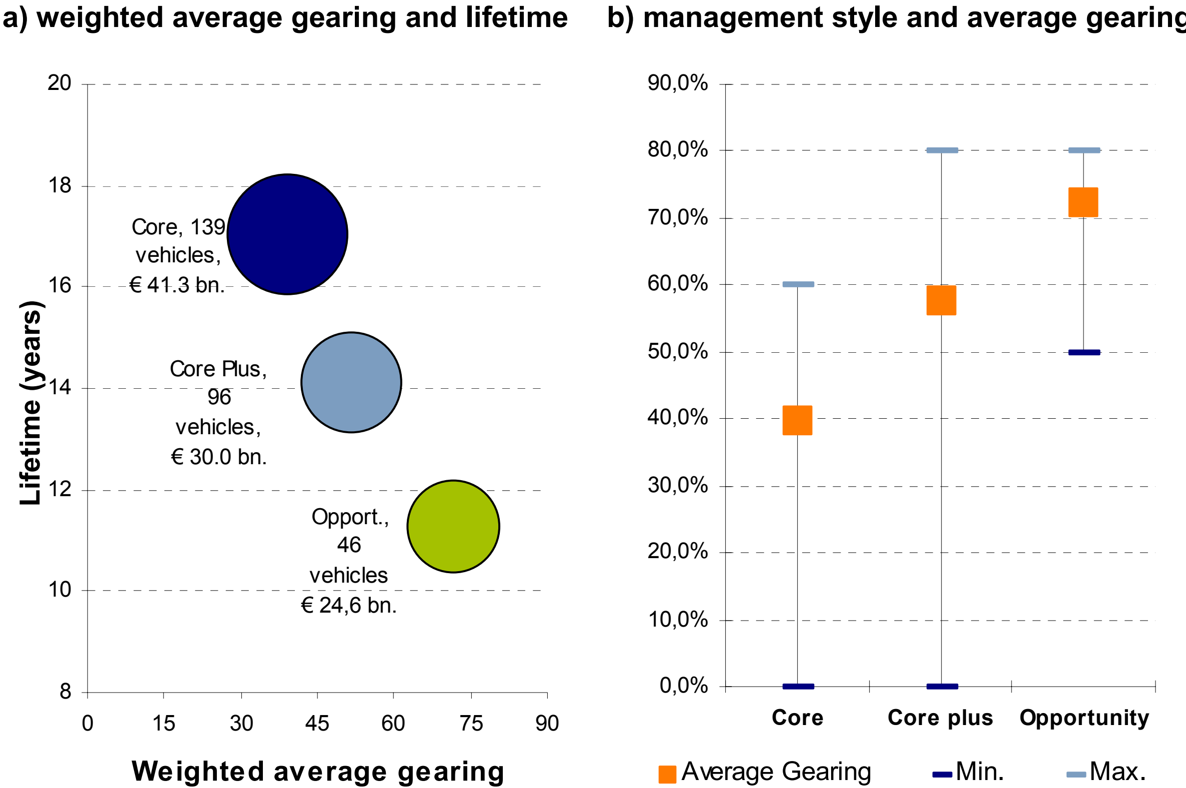
In a second step the investor has to make sure, that the fund management acts in his interest when making investment decisions. One way to secure this, is to benchmark the fund. Looking at real estate as an investment class the difficulties of developing and applying benchmarks to measure performance arises, especially in comparison with the more efficient asset classes of stocks and bonds. When choosing an appropriate benchmark for a real estate investment the investor has to answer the question, weather he wants to use a real estate benchmark and if so, what are the choices within real estate.

When it comes to European direct real estate the lack of indices for important markets like Belgium and only a first draft of a Pan-European Index are the problems. Additionally the Investment Property Databank (IPD) only recently established the first portfolio based indices in Italy, Switzerland, Spain and Portugal (see www.ipdindex.co.uk). As a result market coverage in these markets is still limited and the index results are not representative for the market as a whole. In addition, when selecting a portfolio based index, one has to keep in mind, that unlike stock and bond indices, these indices are not available for passive investments. A fact one has to be aware of, when using these indices. As a result the investor has to be careful when using these indices for benchmarking purposes in the case of non-listed real estate investment vehicles. For the fund manager this leads to some room for maneuver in his own interest, possibly increasing his return at the expense of the investor.

Given the portfolio based nature of the IPD Indices a second problem arises, as they are calculated on standing investments without gearing. Looking at the non-listed real estate funds considerable gearing takes place (see Figure 5). The investor has therefore to

calculate the de-geared return of his fund or the fund manager has to report de-geared results, to compare the results with a benchmark calculated on the basis of the target countries of the fund. As the calculation of de-geared returns is not without discussion, the results are not unmistakable and therefore discussable if the benchmark was not met by the fund manager in a given time period. Additionally non-listed real estate funds have in most cases IRR targets instead of total return targets, leading to additional complications when benchmarking against a portfolio based total return index.

Figure 5 Gearing, lifetime and management style

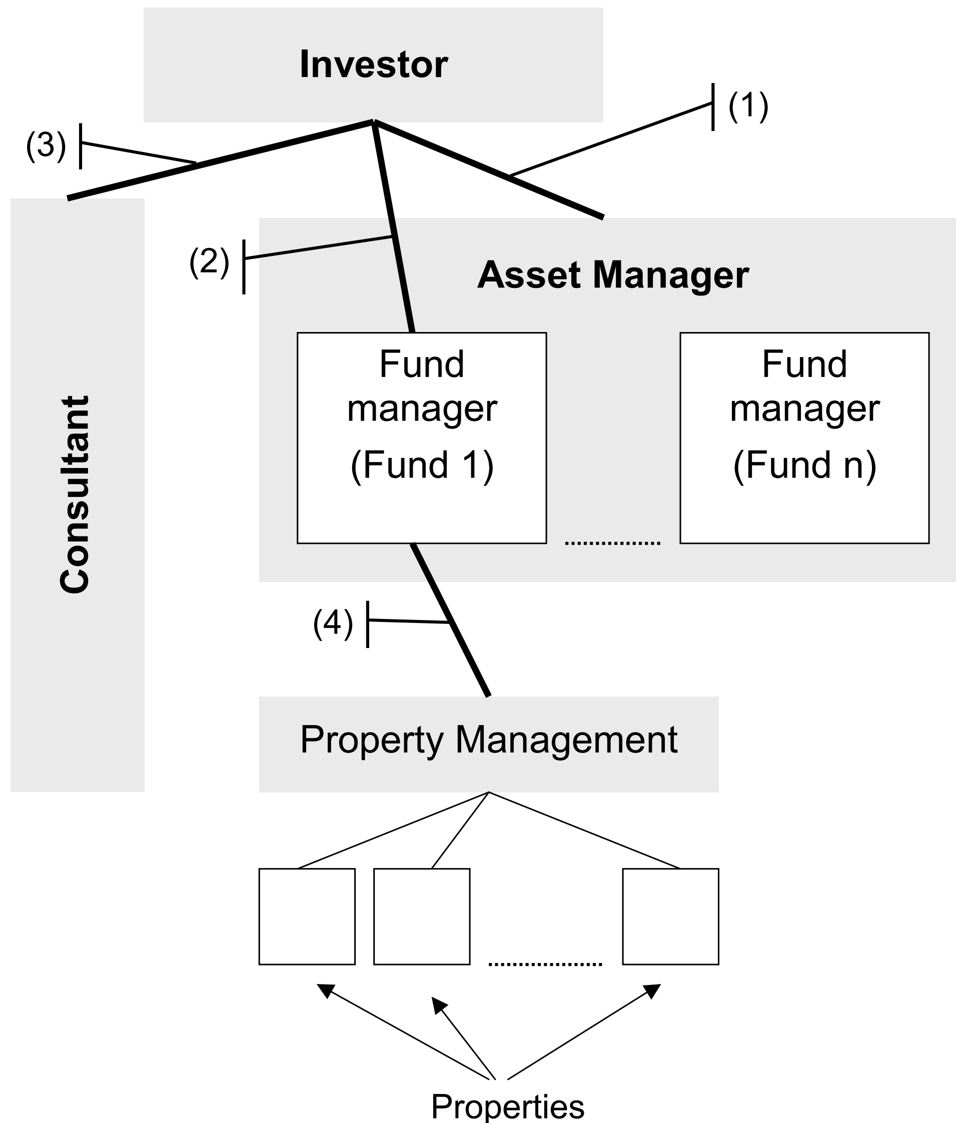


Source: INREV (end 2003 data)

Alternatively investors can use a non real estate benchmark (Blaschka (2004)). Two non-real estate benchmarks in use are real rates of return (e.g. CPI plus 500 basis points) and some form of fixed-income product plus some premium, to compensate for the increased risk associated for real estate investment (e.g. US Treasuries plus 200 basis points). As a result of such benchmarks investors are able to measure the performance of their investments relative to these objectives, but neither benchmark informs the investor about the underlying real estate asset class, or the performance of the portfolio relative to the relevant real estate universe. Additionally these benchmarks do not allow an investor to evaluate how a fund has performed relative to other funds, the broader real estate market or to perform attribution analysis. The fund manager has therefore considerable room to act in his own interest, if his

actions are not monitored very closely by the investor. This leads to high monitoring costs at the investor level which ultimately reduce the return for the investor.

Figure 6 Areas of agency problems in non-listed indirect real estate investments



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actions are not monitored very closely by the investor. This leads to high monitoring costs at the investor level which ultimately reduce the return for the investor.
Figure 6 summarizes the possible areas of agency problems in indirect non-listed real estate investing from an investor's point of view: with the asset management company (1), at the level of the fund manager (2) and in addition the investor might have agency problems at the consultant level (3), if he uses a consultant in his decision making process. Additionally there are agency problems at the property management level (4) for the fund manager that affect the return of the investor. The problem for the investor is that in general he can not control these agency problems as they are out of his reach. But given the fact that the action of the property manager can reduce the return for the fund (asset) manager it is in the interest of the fund (asset) manager to minimize the agency loss at this level. The prerequisite for this mechanism is an incentive structure in the contract between investor and fund (asset) manager that hinders the fund (asset) manager in passing on this loss to the investor, making this agency problem indirectly a problem of category (2).

V. Solutions for (non-listed) indirect real estate investing

Given these agency problems associated with indirect real estate investing one has to look for workable solutions to these problems. Coming from the free market perspective of Adam Smith's invisible hand, a tight governmental regulation and supervision of non-listed real estate investment vehicles to limit the agency problem is no solution. As a consequence the functioning of the invisible hand for the benefit of all market participants would be impossible as the market can not reward entrepreneurs. In the end the discovery of new products/ processes will be deterred and in the long term the increase in the welfare of all will be less compared to a market economy operating with fewer governmental regulations.
Consequently only a market based solution is mutually beneficial. As a study of Jones Lang LaSalle (2004) has shown, transparency in the direct real estate markets still varies considerably on a global scale. Nevertheless a general trend of improving transparency can be seen, as real estate is today more and more a global business.
One way to achieve the goal of increasing transparency and professionalism on the company level are corporate governance initiatives. Corporate governance is a set of rules that ensures efficient management, leadership and corporate control. As a result the agent can be held accountable for the corporate performance and the return on the invested capital paid to the principal. Based on specification of the rights and responsibilities of principal and agent a structure is established through which performance monitoring occurs in regard to the companies objectives.
An example specific to the German real estate sector is the initiative "Initiative Corporate Governance der deutschen Immobilienwirtschaft e.V." which was founded 2002 (Schulte

(2004)). The idea of this initiative is that the success of German real estate and construction enterprises in global competition will be more dependent on qualified management and transparency in the future than in the past. The initiative is based on the Corporate Governance Code submitted by the Government Commission on Corporate Governance appointed by the Federal Minister of Justice on February 26th 2002, that has been accepted in the meantime by most of the enterprises. As the German real estate economy is in part different from the other sectors of the economy, the initiative wants to account for the particular characteristics of this sector.

The initiative wants to increase professionalism and transparency by supplementing the corporate governance code in areas specific to real estate. In particular in current real estate valuations, in the regulation of conflicts of interest and through growing specialist qualification.

In the light of the agency problems described in section III, the second goal of the initiative is of great importance. Regarding transactions by real estate enterprises the code states:

> In case of real estate transactions by the enterprise, even the appearance of a conflict of interest should be avoided. In every such transaction, the interests of the enterprise alone must be safeguarded. Members of the executive board may under no circumstances derive personal advantages from transactions of the enterprise.
>
> Privately conducted real estate transactions and private commissions regarding such transactions by members of the executive board should be disclosed to the chairman of the supervisory board.
>
> The members of the executive board should ensure compliance with the principles for the avoidance of conflicts of interest, in particular in case of
>
> - transactions between associated enterprises
> - the purchase and sale of real estate
> - the award of commissions in the real estate sphere.
>
> The supervisory board should establish rules of procedure for individual cases.

The acceptance of this amendment to the corporate governance code from asset (fund) managers can be seen as a signal of the fund manager to the investor that he can have confidence in his actions especially regarding conflicts of interest at the management level. The circumstances are similar to the situation in the labor market analyzed by Spence (1973) where he identified separating equilibria where agents of different types where rewarded as a function of different signals that they acquire e.g. education levels. Like in the labor market example separation by signals implies separation by the cost of signaling this time through the costs of accepting the amendment to the corporate governance code and its rules.

Another way to alleviate the agency problems are industry associations, with voluntary membership, that aim at the dispersion of best practices and want to increase the understanding of the market. The example in the non-listed real estate investment market is the creation of INREV in 2003. INREV aims to improve the accessibility of market information and the liquidity of the non-listed real estate vehicle market by serving the needs of the

investors. To achieve this INREV has the mission to increase transparency and accessibility, to promote professionalism and best practices and to share and spread knowledge.

INREV aims to achieve these goals largely through a number of working committees, each one with a clearly-defined purpose. INREV also intends to create a broad European forum with a wide membership representing all aspects of the industry. The primary focus are the interests of institutional investors as they control the strategy of INREV. Other market participants such as fund sponsors and advisors are welcomed as supporters but they cannot dictate the agenda. The seven working committees of INREV cover the areas of benchmarking and performance measurement, standards of best practice, secondary market, research, tax and regulations, database and website and membership and events.

Regarding the agency problems with indirect non-listed real estate investing benchmarks, standards for performance measurement and standards for best practices are an important prerequisite to prevent moral hazard. Opportunistic behavior of the management possible through the asymmetric distribution of information between investor and agent is easier to discover. If standards for the performance measurement and best practices exist the effects of opportunistic behavior on the returns of the investor can be identified easier, as they can not be hidden in the asset (fund) managers own performance calculation. Additionally the introduction of a broad based industry benchmark with some sub categories according to management style and gearing allows the investors to identify the performance of the sector as a whole and the (non-listed) peer group of his investment vehicle.

Having said that benchmarking is an important part to deal with the agency problem in non-listed real estate investments one has to keep in mind the foundations of benchmarking. Benchmarking requires a number of organizations to pool their information to establish a performance benchmark. Consequently it is a collaborative effort that takes off voluntarily as there is no legal requirement for benchmarking. Therefore the appearance of a benchmark is a positive signal of its own. Additionally benchmarking as a periodic process enables the investor to assess the effectiveness of the management team. Moreover it is possible to determine remuneration levels through contracts relating measures of relative performance to fees giving the asset (fund) manager incentives to act in the interest of the investor. Although the headline total return is the most significant measure of success or failure, benchmarking is also a tool for analyzing the reasons for good or bad performance.

At the same time as INREV wants to develop standards of financial reporting and disclosure and to establish common and workable standards of corporate governance. Membership of INREV can therefore in the long run work as a signal for investors when INREV is established European wide as a generally accepted industry body. As INREV members will adhere to the standards set by the INREV working committees the investor can expect less probability of agency problems at asset (fund) managers who are a member of INREV than

at asset (fund) managers who are not INREV members.[10] Notwithstanding this does not mean that agency problems will not occur as there is a free rider problem if a fund manager thinks that it is likely that his behavior will not be detected for some time by the investors and INREV. At the same time there will be asset (fund) managers who are not INREV members who operate entirely in the interest of the investor maximizing his investment return.

Nevertheless ultimately the activities of INREV will improve the market transparency significantly. The investors will push the asset (fund) managers to adopt the best practice standards no matter if they are a member of INREV or not. At the same time the increasing interest in benchmarking the funds` performance on a portfolio, sector and property level from the side of the investors will force more and more funds to contribute to the benchmarks established by INREV enlarging the database and further strengthening its credibility as an industry wide benchmark.

Additionally to the described institutions incentive fees, consultants, manager due diligence, referrals, etc., are used in practice to reduce conflicts of interest, adverse selection and moral hazard. As there is no perfect knowledge of all possible outcomes and the market mechanism constantly leads to the invention of new products it is impossible to eliminate all conflicts of interest. Therefore the development of trust between the principal and the agent in combinations with institutions like corporate governance and INREV is critical to a mutually beneficial solution of principal agency problems in the long run. [11]

VI. Conclusion

Agency problems are an inherent problem for non-listed real estate investment vehicles. A detailed analysis of their structures shows that they exist in different forms as the general problem of separation of ownership and control takes place. As a result the agent can increase his profit (in pecuniary and non-pecuniary form) at the expense of the investor, reducing the return for the latter.

To secure the benefits of a functioning market mechanism a market based answer to this problem is the preferred solution. Based on this reasoning the creation of institutions limiting possible agency problems from within the real estate markets are a way to reduce the agency problems associated with indirect (non-listed) real estate investing. The development of initiatives like the "Initiative Corporate Governance der deutschen Immobilienwirtschaft e.V." and institutions like INREV are examples for this process. Both institutions evolved voluntarily through actions of market participants to improve the standing of the real estate sector and increase its transparency.

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[10] The cost of signaling this time is the cost of accepting the standards of financial reporting and disclosure set by INREV. It is the same reasoning like in Spence (1973).

[11] See the reputation acquisition model of Diamond (1989).

This process is a positive signal from the market participants that they seriously try to improve professionalism and transparency. Therefore they are an important part on the way to a more transparent and professional real estate market with reduced agency problems and in the case of INREV especially the non-listed real estate investment market. From the investors` point of view this will advance the attractiveness of the non-listed real estate investment market ultimately supporting the trend of an increasing allocation of funds to the non-listed real estate investment sector. At the same time the trend to establish tax transparent listed investment structures will cause additional pressure in the non-listed investment vehicle sector to increase transparency to stay attractive for investors in comparison with listed vehicles.

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