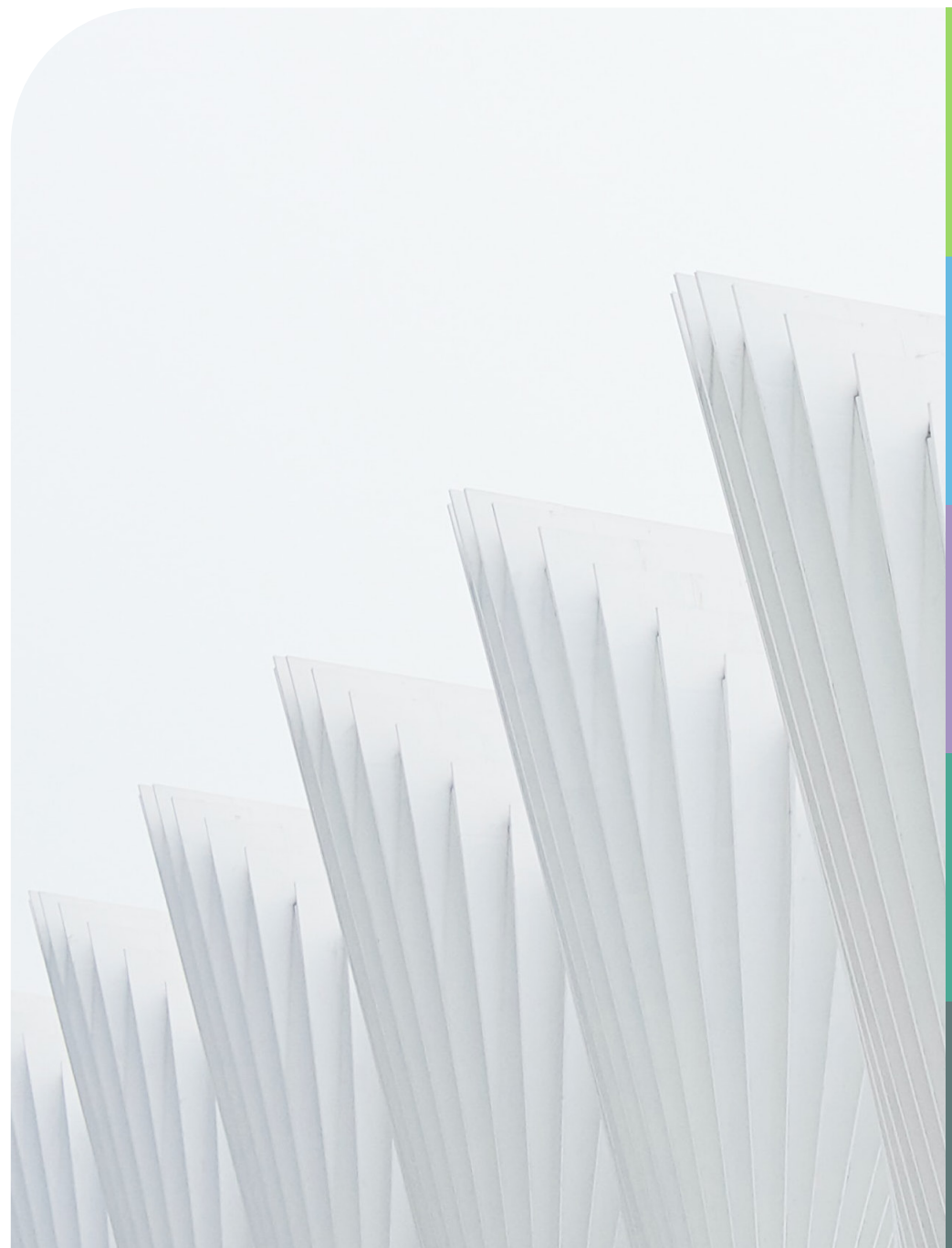


Luxembourg Real Estate Investment Funds 2022

ALFI SURVEY 2022



Executive summary

Introduction

Trend over the last 4 years

Survey results

Glossary

Executive summary

Luxembourg
Real Estate
Investment
Funds 2022

ALFI SURVEY 2022



← next chapter.

Executive summary

ALFI is pleased to present the 2022 REIF survey, its 16th edition.

One major trend observable is that larger funds, in excess of one billion EUR AUM, see continued growth. When looking at launches in 2022, it is not a surprise that numbers are low, as we expect substantially more funds to be reported for 2022 in next year's survey.

The number of surveyed REIFs however continued to increase, this time significantly by 103, bringing the total number to 621 surveyed vehicles.

This includes 94 manager-regulated AIFs, 172 RAIFs dedicated to real estate, 9 SICARs, and 109 non-regulated vehicles.

Any indirect real estate funds, such as real estate fund of funds, (real estate) debt funds and securitisation vehicles were not taken into consideration in the survey.



Executive summary

Highlights

Trends

As in last year's survey, the legal forms of the SCS/SCSp represent most of the surveyed funds at 53%, either in the form of a SICAV combined with the SIF regime, or set up as manager-regulated AIFs¹.

The interest in RAIFs is confirmed with 172 funds surveyed, compared with 134 in 2021, 98 in 2020, 63 in 2019, 27 in 2018, 15 in 2017 and one single RAIF in 2016, the year of its inception.

All in all, the use of SICAV and SICARs is quite stable compared with last year's results. However, FCPs are more strongly represented in the 2022 survey with 98 funds (86 in 2021, 76 in 2020). 37% of the total REIFs fall within the SIF regime, another slight but continuous decrease compared with past surveys (40% in 2021, 43% in 2020, 54% in 2019).

As in the past, new funds were launched overwhelmingly by initiators/AIFMs from Europe (mainly Benelux, Germany and the UK) and from the US.

Liquidity management considerations/special situations

Since the global pandemic, ALFI attempted to survey these exceptional market effects (broadly starting at the end of Q1 2020), notably trying to ascertain if REIFs had encountered special situations related to this or had to use liquidity management tools over the period.

As compared with our previous survey, only 1,5% of the REIFs surveyed encountered special situations over the last 12 months. Two of the funds surveyed temporarily suspended redemption in 2022, and 9 of the funds surveyed indicated that they had large redemptions in 2022 (which is down from 14 in 2021), which equates to approximately 1,3% of funds surveyed and nearly 50% less than compared with the previous survey in 2021.

The REIF market appears very resilient, but conclusions from geopolitical uncertainties cannot be drawn from this year's survey.

Investment strategies

The most common target sector strategy remains the "multi-sector" strategy and may be considered as the new trend. It accounts for 49%, which continues the pick-up noticed in 2021 (47%) compared with 2020 (42%) and 2019 (33%) figures.

Among the single-sector strategies, the part of "residential" (12%) has this year regained 2020 levels and increased again compared to 2021 (9%) figures. "Retail" investments as single-sector strategy dropped down to 6% (7% in 2021 and 10% in 2020 survey), whilst "office" as single-sector strategy remained at 7%.

13% of the funds have to invest in all sectors as per their investment strategy (15% last year).

Again, as in 2021, 66% of the surveyed REIFs invest in Europe, whereas 8.2% of funds invest globally, 9.2% in North America and 6.9% in the Asia-Pacific region.

¹ — "Manager-regulated AIF", as further detailed in section IV a, shall refer to an investment fund which is not established under a regulated fund regime in Luxembourg (e.g. SIF/SICAR), but is instead formed under corporate or partnership law. The managers of such a vehicle are typically themselves regulated or registered directly under AIFMD.

Executive summary

Highlights

Fund structures

Though umbrella funds remain popular due to various practical and cost considerations, the trend over the last few years has been towards simplification of structures and strategies, a trend that is again evidenced in this survey.

83% of REIFs have a single-compartment structure, unchanged to 2021 figures, but compared with 77% reported in the 2020 survey, and 73% in the 2019 survey. In 2022, 64% of the funds surveyed are closed-ended, against 68% reported in 2021. If the SIF regime remains at the first place for REIFs in Luxembourg (37% of the funds surveyed compared with 40% in 2021), the significant and continuous increase of the RAIFs (28% against 26% in 2021, 22% in 2020) is confirmed and the stability of the manager-regulated AIFs shows the interest for lightly regulated solutions.

The use of SCS/SCSp legal forms confirms their popularity since their introduction into Luxembourg law in 2013 with 53% (53% as well in 2021 and 52% in 2020).

Fund size and gearing

In line with the survey findings of previous years, smaller funds continue to make up the majority of REIFs, with 46.7% falling in the category of a NAV of under EUR 100 million. Overall, 141 funds reported a target NAV of less than EUR 100 million.

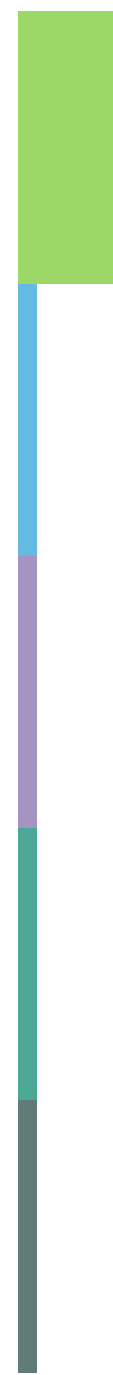
A significant increase was seen in funds with a target NAV higher than EUR 400 million representing 37.8%, up from 32.7% in 2021 and 27% in 2020.

46% of funds aim to keep their gearing below 20% loan-to-value ratio (LTV), while a further 49% aim to keep LTV levels to below 60%. Taking into account the economic context and the due to the increase of interest rates, the use of debt financing is something to be further analysed as part as next year's survey.

Fees

This year's survey confirms that the most commonly used basis for management fee calculations is the NAV, with a share of 36%, compared to the GAV which stands at 22%.

REIFs charging management fee between 0% and 0.5% slightly dropped to 37% (compared with 42% in 2021 and 41% in 2020), while 13% charge a fee exceeding 1.5% (stable since 2019).



Executive summary

Highlights

Investors

84.3% of investors come from Europe, with the remainder predominantly from the Americas (7.5%). 4.7% are highly diversified, which confirms the global appeal of the Luxembourg fund regimes.

Luxembourg-domiciled funds are mainly used for small groups of institutional investors, with 88% having 25 or fewer investors.

Similar to the findings of previous surveys, only 2% of the surveyed REIFs reported having more than 100 investors. REIFs are widely distributed (despite a possible focus on specific geographical areas): 48% of funds are distributed in 2 to 5 countries, and 12% in 6 or more countries. There is also a significant proportion of funds (40%) that are distributed in one single country. Over the 103 additional surveyed REIFs, 45 are distributed in more than 6 different countries (46%). These numbers clearly show the attractiveness of Luxembourg REIFs to a global investor base. They also underline Luxembourg's strength as a cross-border distribution hub.

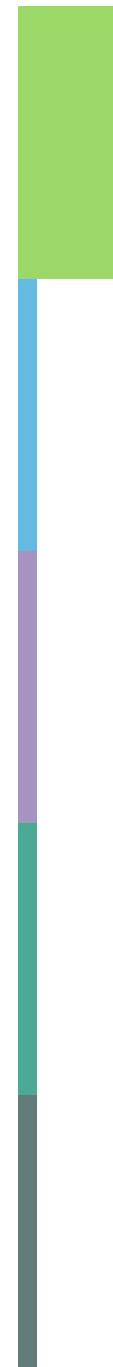
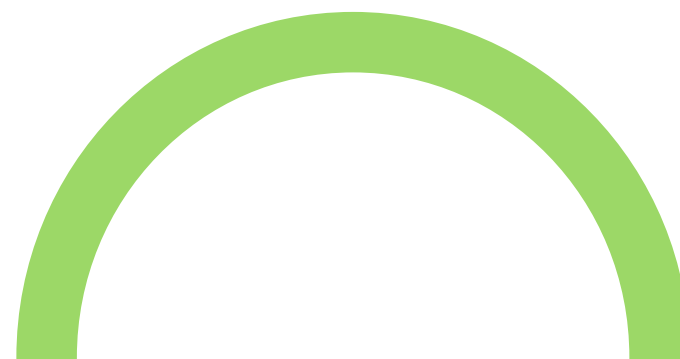
Fund reporting

Comparable to last year's results, a significant proportion of the surveyed funds (41%) report under IFRS while the majority or the surveyed REIFs report under Luxembourg GAAP (51%). The REIFs reporting under other GAAP have been constantly growing over the past years, reaching now 8% of the REIFs surveyed (2% in 2021).

69% of the REIFs report a quarterly NAV. Due to the fact that 64% of REIFs are closed-ended, the reporting of a monthly NAV (for 10%) is due to investors' demand for performance measurement rather than unit redemption. 43% of the funds surveyed report consolidated accounts (against 48% in 2021 and 39% in 2020).

56% of the funds value their property on an annual basis, with 30% requiring quarterly valuations. Almost all of the funds use an independent appraiser (89%), with RICS (76%) being the preferred standard.

This present edition of the ALFI REIF survey confirms that Luxembourg remains the favoured location to establish and maintain multi-geographical and multi-sectoral regulated REIFs, which continue to appeal to institutional investors and fund managers from around the world.



Introduction

- I *CSSF data on REIFs in Luxembourg*
- II *Survey scope*
 - a — “REIFs” as direct funds
 - b — REIF regimes
- III *Methodology*
- IV *Luxembourg REIF framework*
 - a — Regulatory framework: regulated vs unregulated structures
 - b — Legal structures
- V *Market coverage*



Introduction

The ALFI REIF survey is compiled annually by the ALFI head office with the help of the ALFI REIF Survey Working Group in the most comprehensive form possible.

The ALFI REIF Survey Working Group would like to thank all those involved in the survey, from responding to the survey questions and compiling the data to providing commentary.

The ALFI REIF survey was conducted during the third quarter of 2022 and reflects the market composition as at the end of September 2022.

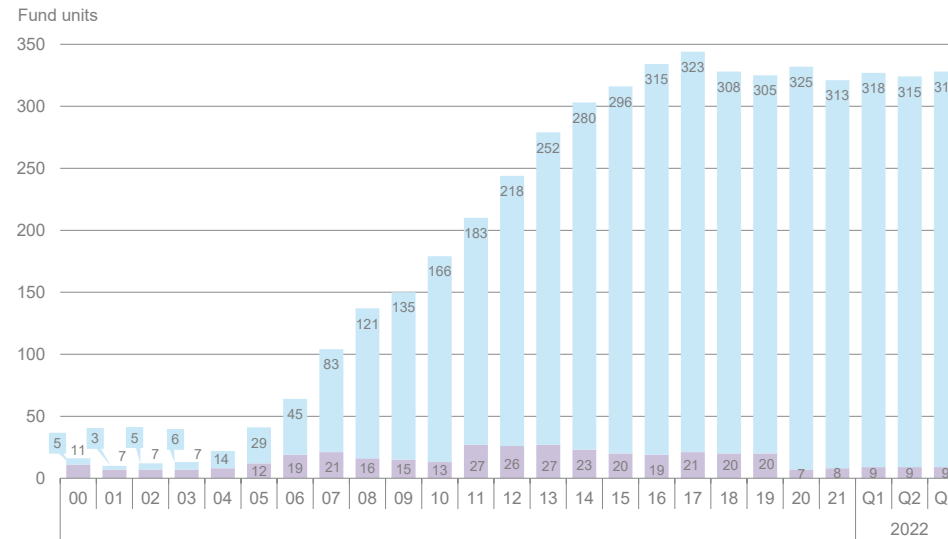
The main objective of producing this survey is to gain an understanding of market trends rather than claiming to provide complete and comprehensive data, although a significant proportion of the Luxembourg REIF market is captured, see section V.



Introduction

I CSSF data on REIFs in Luxembourg

Number of Luxembourg real estate fund units

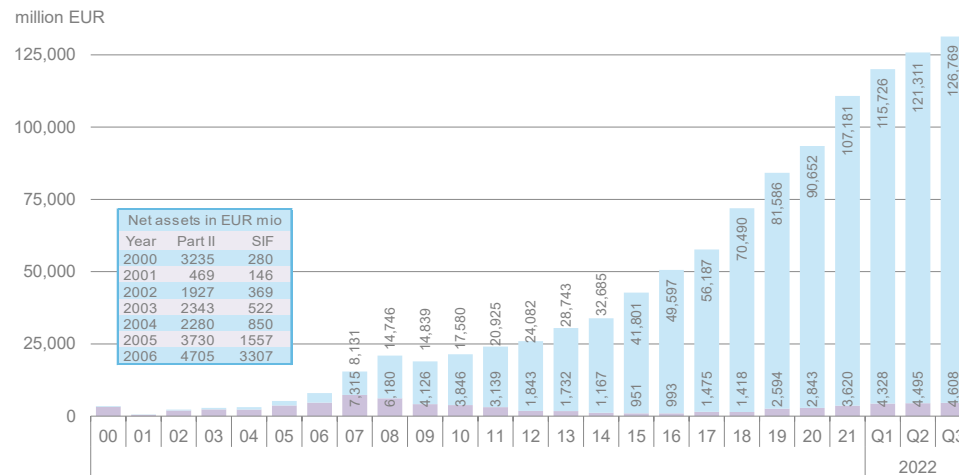


* includes institutional real estate funds preceding the SIF Law (pre-2007)

■ SIFs*
■ Part II funds

Source: ALFI / CSSF

Net AuM of Luxembourg real estate funds



■ SIFs*
■ Part II funds

Source: ALFI / CSSF


Introduction

II Survey scope

a — “REIFs” as direct funds

For the purpose of this survey, the term “REIF” shall refer to such regulated fund vehicles, manager-regulated AIFs, RAIFs and SICARs which invest in real estate assets either directly or via intermediary entities, so-called special purpose vehicles (SPVs).

Indirect real estate funds that invest in listed real estate-related securities as portfolio investments are outside the scope of this survey and not captured by the term “REIF” as used herein.



The survey does not cover real estate funds of funds (or “funds of REIFs”), real estate-backed debt funds, intermediary financing vehicles set up for the acquisition of property or similar collective investment vehicles.

Introduction

II Survey scope

b — “REIF regimes

REIFs in scope of the present survey are organised (each as defined and described in section IV below)

- under Part II,
- under the SIF Law,
- as manager-regulated AIFs,
- as RAIFs, and
- as real estate SICARs.

III Methodology

The ALFI REIF survey is based on a comprehensive questionnaire.

The questionnaire, which sampled the status as at September 2022, included questions relating to each fund’s

- liquidity management actions related to various factors (Covid, geopolitical, inflation and central bank responses),
- legal structure and regime,
- investment style,
- geographical investment region,
- target segment of investment,
- net asset value (NAV), gross asset value (GAV) and target gearing,
- distribution method,
- fees,
- investor type and origin,
- accounting standard (GAAP),
- consolidated accounts,
- INREV NAV,
- valuation methodology, and
- service providers.

In order to offer additional perspective and insight into market trends, certain results are compared with those of previous ALFI surveys.

Introduction

IV Luxembourg REIF framework

Luxembourg REIFs can be classified as regulated or unregulated. In addition, they can take different legal forms and be set up using different structures.

a — Regulatory framework: regulated vs unregulated structures

Regulated structures, for the purpose of this survey, are those fund vehicles that are authorised and supervised by the Commission de Surveillance du Secteur Financier (“CSSF”). The laws and regulations applicable to Luxembourg regulated funds are comprised of laws, circulars issued by the CSSF and certain Grand-Ducal regulations.

Part II funds and SIFs

The primary laws applicable to regulated funds are:

- The Law of 17 December 2010 on undertakings for collective investment, as amended (the 2010 Law); and
- The Law of 13 February 2007 on specialised investment funds, as amended (the SIF Law).

While Part I of the 2010 Law covers Undertakings for Collective Investment in Transferable Securities (UCITS), its Part II covers other funds. These Part II funds must comply with each relevant EU country’s local distribution rules and certain investment restrictions, albeit much less stringent than the investment restrictions applicable to UCITS. Funds subject to the 2010 Law can in principle be sold to any type of investor, i.e. institutional investors and high net worth individuals as well as retail investors.

Funds subject to the SIF Law may only be sold to so-called “well-informed” investors. In addition to institutional and professional investors, this opens SIFs for high net worth individuals (HNWIs) who meet the requirements laid out in the SIF Law. SIFs are not subject to general investment restrictions but must ensure adequate risk diversification and disclosure during the fund’s life span. Any exceptions are subject to review by the CSSF on a case-by-case basis.

Introduction

IV Luxembourg REIF framework

a — Regulatory framework: regulated vs unregulated structures

SICARs

The société d'investissement en capital à risque (SICAR) is a vehicle governed by the Law of 15 June 2004 on the investment company in risk capital (SICAR Law), tailored to qualified investors investing in venture capital and private equity.

The SICAR can take various legal forms (SCS, SA, Sàrl, SCA or other) and, while regulated, is not subject to diversification requirements.

Manager-regulated AIFs

REIFs which are not regulated by these “product laws” may nevertheless be Alternative Investment Funds under Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMD) and the Law of 12 July 2013 on Alternative Investment Fund Managers. They are referred to herein as “manager-regulated AIFs”.

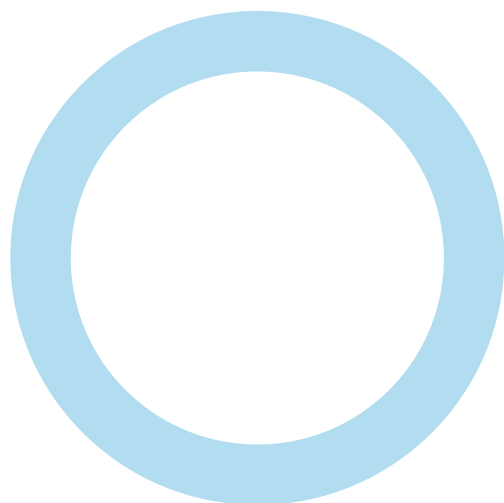
RAIFs

For the fifth time, the ALFI REIF survey includes Reserved Alternative Investment Funds (RAIFs).

The RAIF was introduced by the Law of 23 July 2016 on reserved alternative investment funds (RAIF Law). The RAIF vehicle combines the characteristics and structuring flexibilities of the SIF and the SICAR. In terms of regulatory regime, the RAIF qualifies as an AIF managed by an authorised AIFM. Marketing of a RAIF does not require pre-approval by the CSSF. In terms of product regime, the RAIF can, by default, benefit from the SIF rules or, by election, the SICAR rules.

The RAIF regime is applied on demand, and the constitutive documents must expressly provide that the investment vehicle is subject to the provisions of the RAIF Law.

The RAIF allows fund initiators to set up Luxembourg-domiciled funds that are not subject to regulatory approval by the CSSF but are instead supervised at manager level. This option allows for a significantly reduced time to market.



Introduction

IV Luxembourg REIF framework

a — Regulatory framework: regulated vs unregulated structures



Unregulated funds

Unregulated vehicles are typically set up as companies or partnerships under the Law of 10 August 1915 on commercial companies, as amended (1915 Law). They often take the form of private or public limited companies (Sàrl or SA), partnerships limited by shares (SCA) or limited partnerships with or without legal personality (SCS/SCSp). A company that has as its main purpose the holding and financing of participations in other companies (which in turn may own real estate or other real estate investment vehicles) is often referred to as a société de participations financières (SOPARFI).

SOPARFIs do not benefit from any special legal or tax regime, but like any other fully taxable Luxembourg company, they may – subject to certain conditions – benefit from a participation exemption regime and are generally entitled to claim the application of double tax treaties and/or the benefit of EU Directives on tax matters.

Unregulated vehicles tend to have a small group of investors and a simple capital structure, but may still have a high value of AuM.

While unregulated vehicles operate in a manner similar to regulated funds, unregulated vehicles offer greater flexibility, for example in terms of choice of service providers, and lower set-up and operating costs compared to investment vehicles subject to regulatory oversight and restrictions.

By contrast, regulated vehicles benefit, among other things, from a high degree of investor protection.

They are also more sought after by (foreign) LPs which, themselves, need to abide by a specific local regulatory framework, or to serve as feeder or “sister” structures to existing ones outside the EU.

Introduction

IV Luxembourg REIF framework

b — Legal structures

REIFs governed by Part II, the SIF Law or the RAIF Law may be set up in corporate form (e.g. as a SICAV-SCA or SICAF-SA), in contractual form (FCP) or as a limited partnership (SCS/SCSp). A key determining factor in the selection of the structure is the tax regime applicable to investors: FCPs and SCSPs are generally considered by LPs as tax transparent, whereas corporate entities are generally considered as opaque for tax purposes.

Funds governed by Part II, the SIF Law, the SICAR Law and the RAIF Law may adopt an umbrella structure with multiple sub-funds where, for instance, sub-funds have different investment policies or are restricted to certain types of investors.

The umbrella fund is legally treated as a single entity. However, in principle, each sub-fund is responsible for its own liabilities and its assets are ring-fenced. For the purpose of this survey, “fund units” shall mean the number of single-compartment funds plus the number of active sub-funds in umbrella structures.



Introduction

V Market coverage

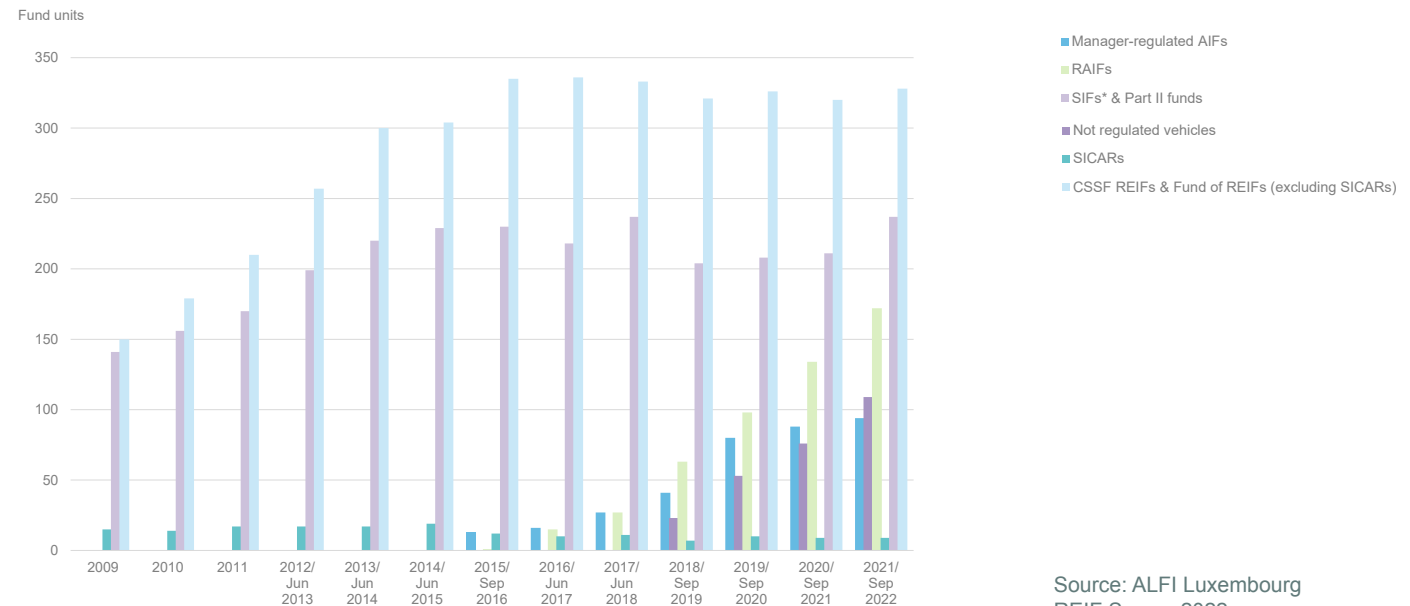
The data from the CSSF below shows that the ALFI REIF survey provides a good overview of the market.

CSSF data shows 328 REIFs in existence as at September 2022, a figure that takes into account funds under Part II, under the SIF Law and real estate funds of funds. Out of these, the ALFI REIF survey captures 237 REIFs (i.e. Part II funds and SIFs, excluding real estate funds of funds).

In addition, the ALFI REIF survey includes 94 manager-regulated AIFs, 172 RAIFs, 9 SICARs, 109 non-regulated vehicles. The number of surveyed non-regulated vehicles has jumped from 76 to 109 (which corresponds to an increase of 43% from last year). Over the past years, a continuous trend of using non-regulated vehicles has emerging.

This testifies to the wide coverage of the ALFI REIF survey and the fact that, over the past years, the relative scope of the survey has been expanding in a growing market.

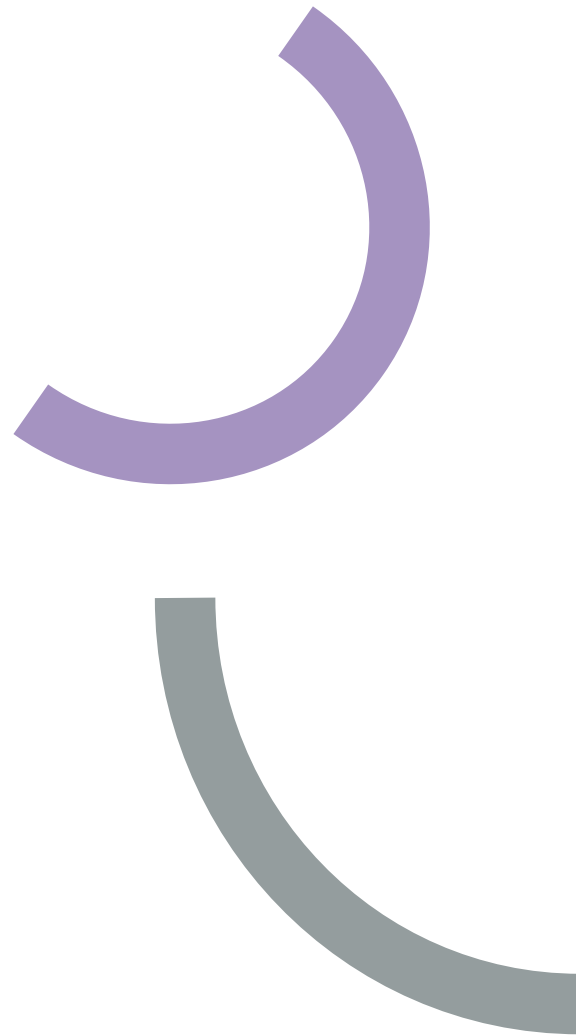
Number of fund units surveyed compared with total fund units as per CSSF



Source: ALFI Luxembourg REIF Survey 2022

Trend over the last 4 years

- 1 *Legal regime and structure*
- 2 *Investor origin*
- 3 *Investment style*
- 4 *Target sectors*



Trend over the last 4 years

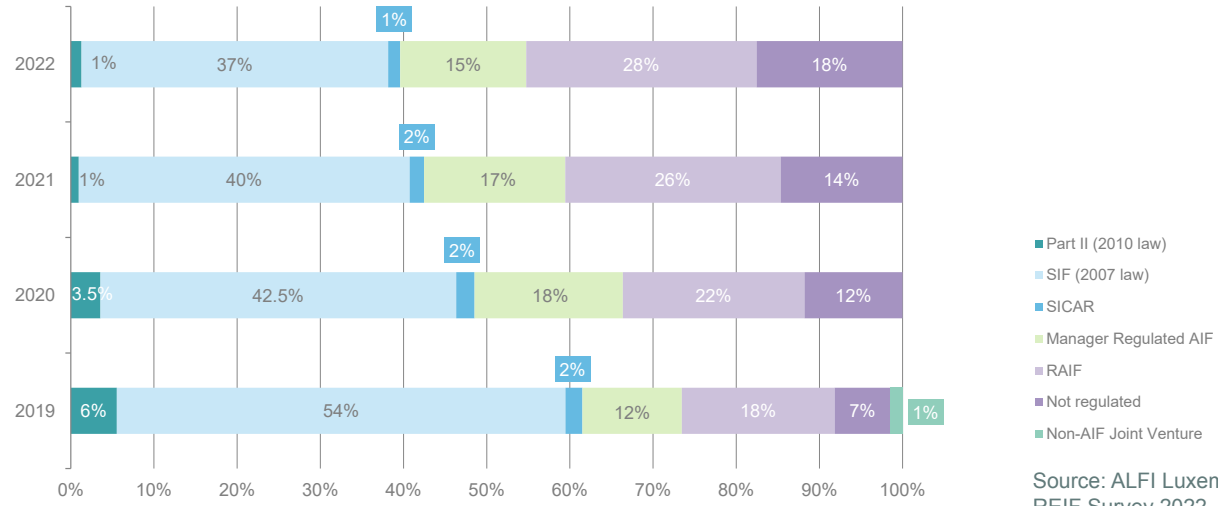
This section shall provide insights into some noteworthy market trends over the past 4 years.

A comparison of legal regimes and structures used for REIFs shows, since 2019, a growing trend towards simplification with a constant decrease of the use of Part II funds and a resilient use of the SIFs. The RAIF has clearly become a preferred structuring vehicle for these REIFs in the past years.

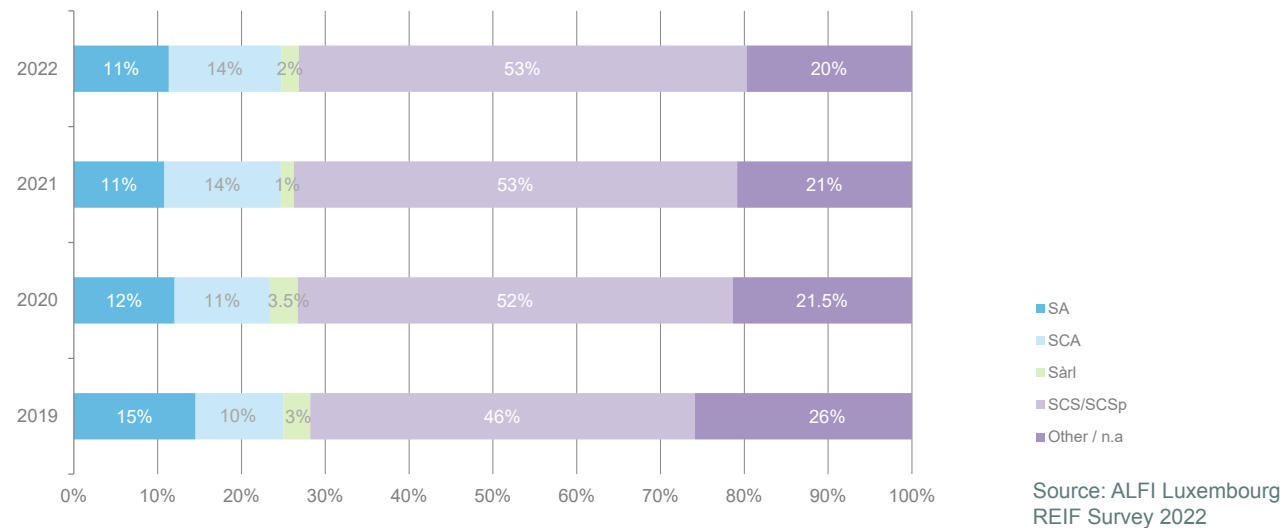


Trend over the last 4 years

I Legal regime and structure



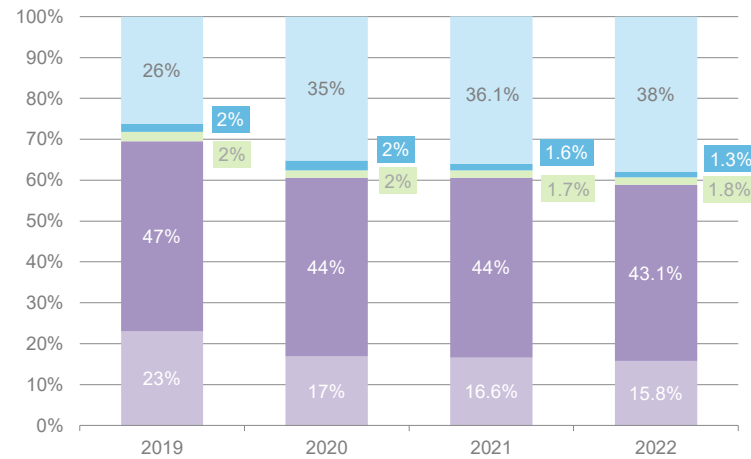
Simplicity is once again the driver as we observe an inclination towards lighter structures such as partnerships as shown by the stable use of SCS/SCSp structures and, to a more moderate extent, SCAs.



Trend over the last 4 years

I Legal regime and structure

In terms of legal structure, where SICAVs had been the preferred choice for many years, other forms are progressively gaining a foothold.

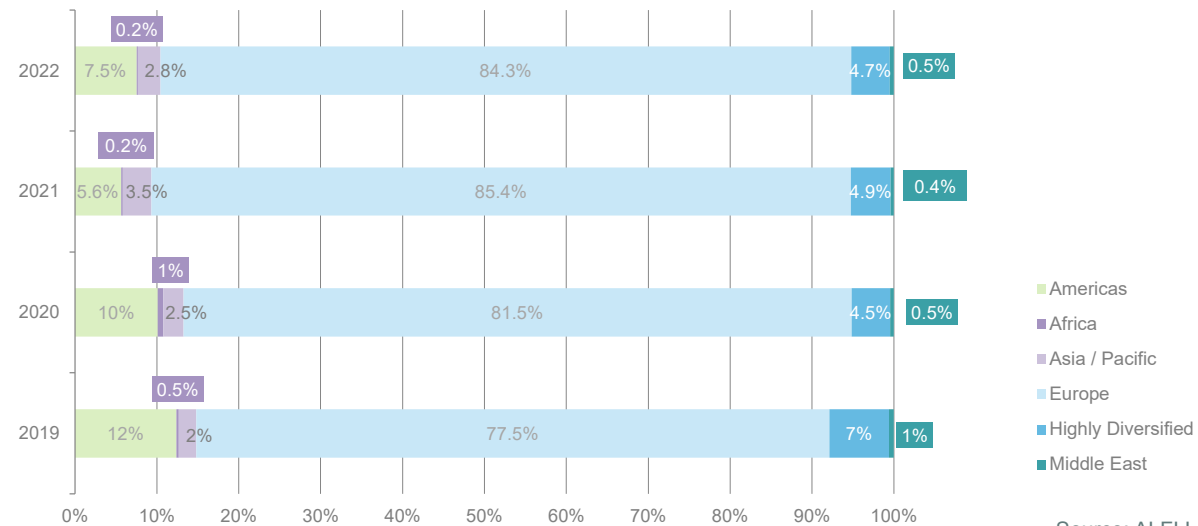


Source: ALFI Luxembourg REIF Survey 2022

Trend over the last 4 years

2 Investor origin

Testament to the relevance of the Luxembourg investment fund market is also the fact that investor origins have remained stable over the years, with an overwhelming amount of European investors behind REIF launches.



Origin of investors

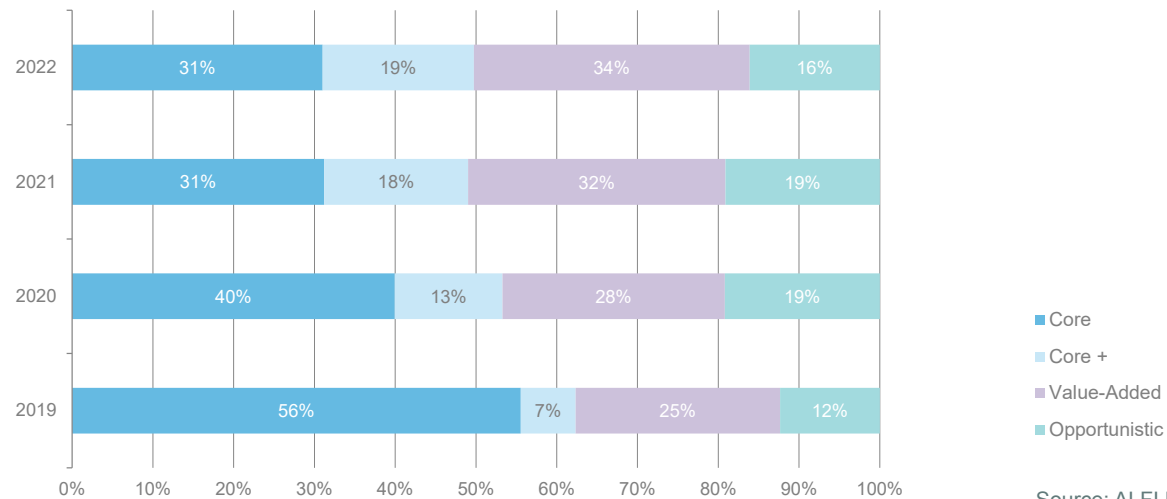
Source: ALFI Luxembourg REIF Survey 2022

Trend over the last 4 years

3 Investment style

A sign of the diversification of the types of REIF launches and proof of the relative maturity of the asset sector is the expansion of investment styles over the years.

Originally considered a very stable asset class, real estate is becoming more diverse, as evidenced by the launch of less conservative fund strategies that now range more evenly from “core” to “value-added” and “opportunistic”.



Investment Style

Source: ALFI Luxembourg REIF Survey 2022

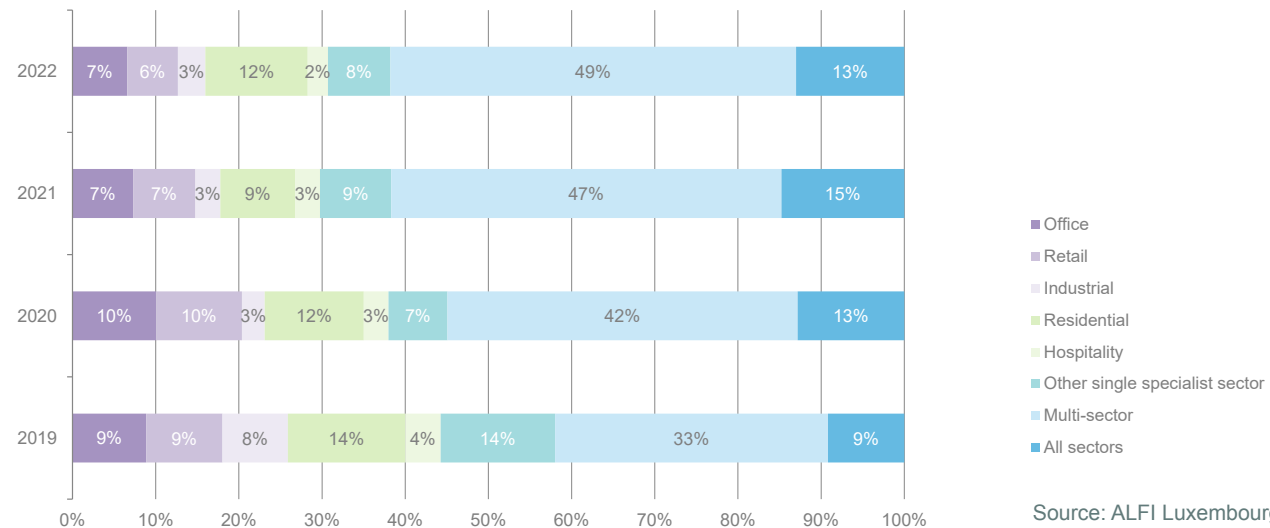
Trend over the last 4 years

4 Target sectors

The investment strategy choice seems to follow a new trend when looking back at the past years.

Investing in more than one single sector appears to be the preference (62% of the REIFs surveyed in 2022) although there has been a little jump of the residential investment strategy which returns to its level of 2020 with 12% for 2022.

2022 confirms that diversification is the new trend with a continuous appetite for the surveyed REIFs for the multi-sector strategy (49% in 2022, 47% in 2021 and 42% in 2020).



Target sector focus

Survey results

5	<i>New launches</i>	18	<i>Management fees</i>
6	<i>Initiator origin</i>	19	<i>Performance fees</i>
7	<i>AIFMD</i>	20	<i>Investors</i>
8	<i>Legal regime and structure</i>	21	<i>Investor origins</i>
9	<i>Fund structure</i>	22	<i>Distribution</i>
10	<i>Investment style</i>	23	<i>Accounting standards</i>
11	<i>Liquidity</i>	24	<i>Consolidated accounts</i>
12	<i>Term</i>	25	<i>INREV NAV</i>
13	<i>Geographical investment focus</i>	26	<i>NAV calculation frequency</i>
14	<i>Target sectors</i>	27	<i>Fund accounting and valuation</i>
15	<i>NAV</i>	28	<i>Property valuation</i>
16	<i>GAV</i>	29	<i>Listing</i>
17	<i>Target gearing</i>	30	<i>Currency</i>
		31	<i>Service providers</i>
		32	<i>Delegation of risk management</i>
		33	<i>Liquidity management considerations and special situations</i>

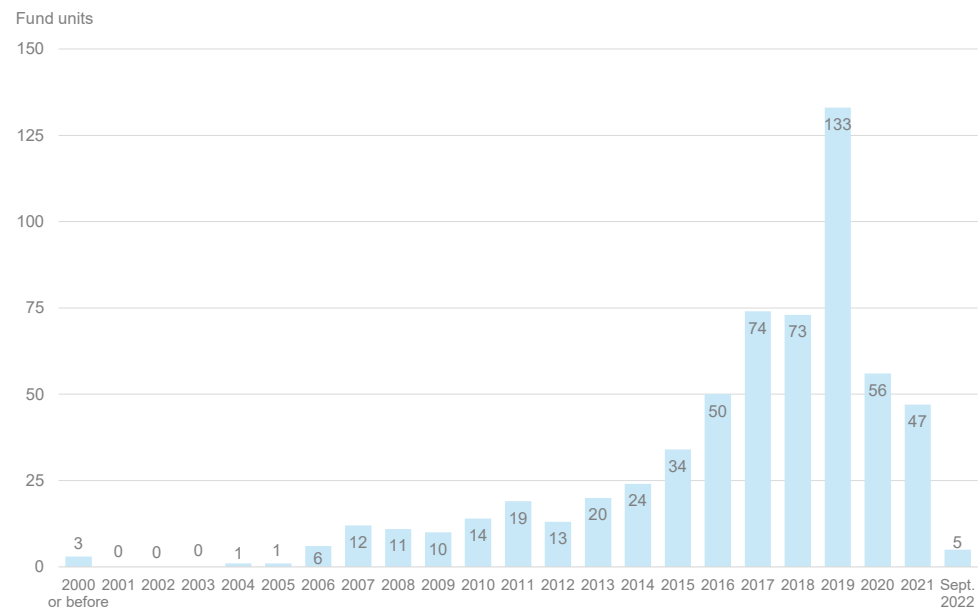


Survey results

5 New launches

47 new fund units were launched in 2021 and 5 new fund unit was reported as at September 2022, bringing the REIF population surveyed to 621. Nevertheless, it appears that there has been a significant decrease of fund unit launches since the beginning of Ukraine conflict. This decrease may also derive from the general economic context resulting from the conflict combined with the inflation and the rising interest rates (something to be further analysed as part as next year's survey).

Number of fund units launched during the surveyed period

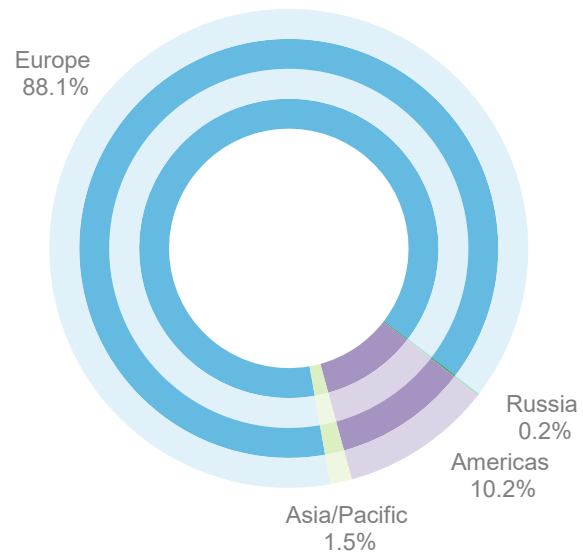


Source: ALFI
Luxembourg
REIF Survey
2022

Survey results

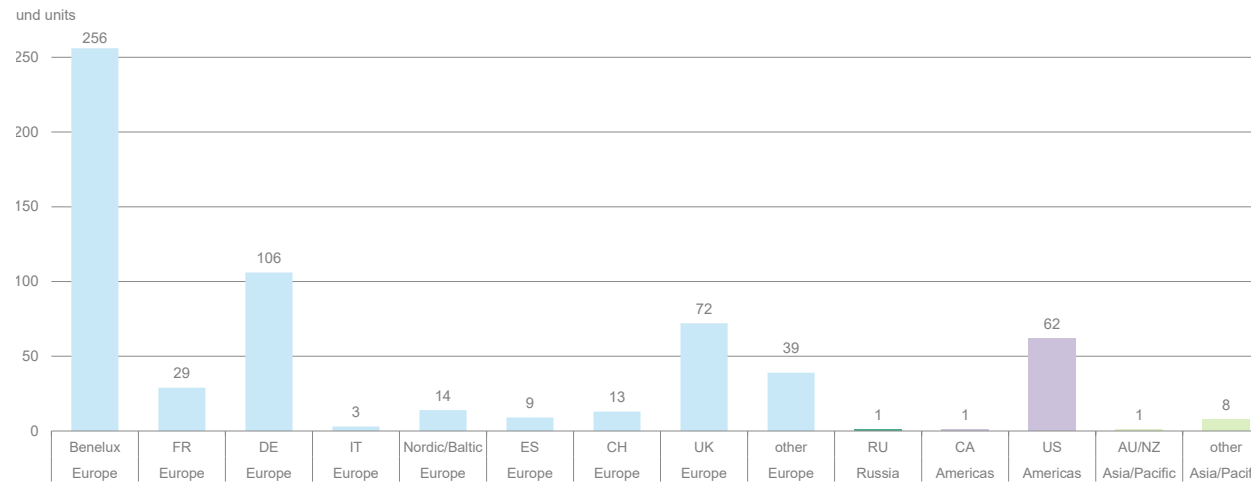
6 Initiator origin

Over the years, initiators from Europe have been responsible for the majority of REIF launches. This year, the Benelux countries represent 41.7% of initiators, followed by Germany (17%), the UK initiators which remains stable this year with 11.8%. Other Europe as well as US initiators remain steady in terms of initiation with a respective market share of 6.4% and 10.1% for this year survey.



Source: ALFI Luxembourg REIF Survey 2022

Proportion of REIFs launched by initiator origin



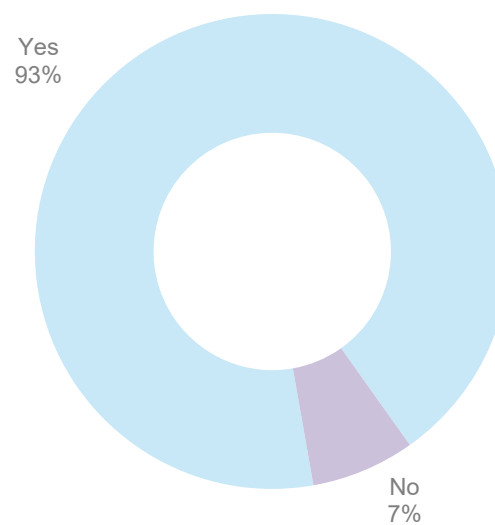
Source: ALFI Luxembourg REIF Survey 2022

Proportion of REIFs launched by initiator origin

Survey results

7 AIFMD

As in 2021, the 2022 survey encompasses a specific section on AIFMD coverage.



Within the REIFs under survey for this section, 93% (i.e. 566 funds) have the regulatory framework of an AIF.

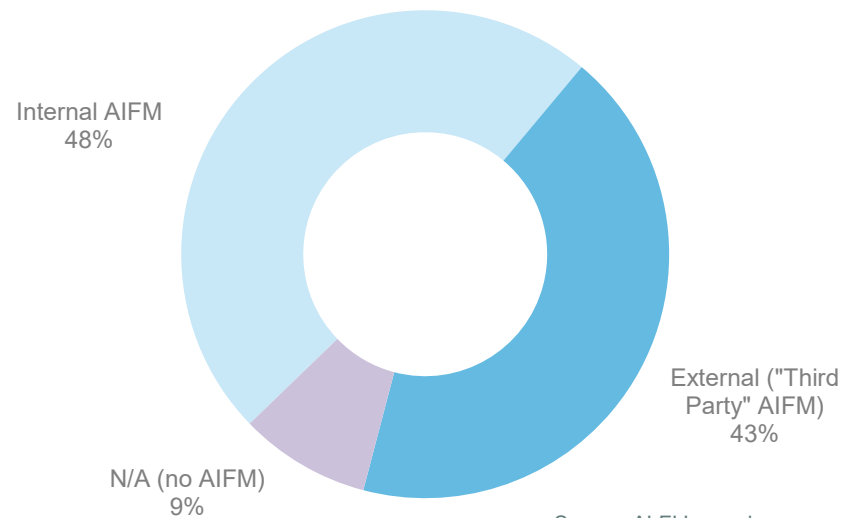
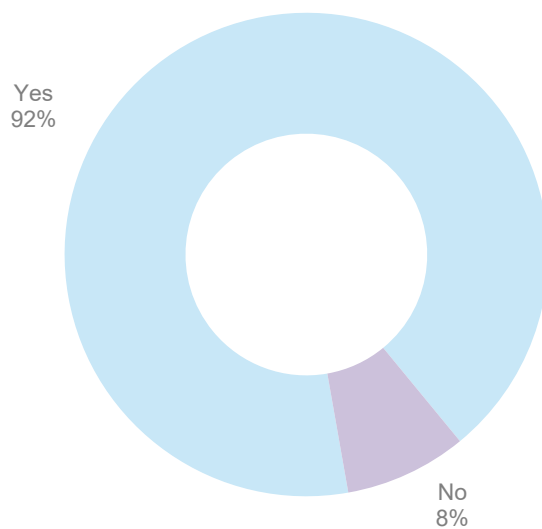
AIFs

Source: ALFI Luxembourg REIF Survey 2022

Survey results

7 AIFMD

92% of the REIF under survey have appointed an AIFM. 48% of those who appointed an AIFM decided to appoint an internal one and most of them are located in Benelux (77.5%). For the remainder, 32 AIFMs are located in the UK, 16 in France and 13 in Nordic and Baltic countries. Other Europe represents 10.3% of the AIFMs.

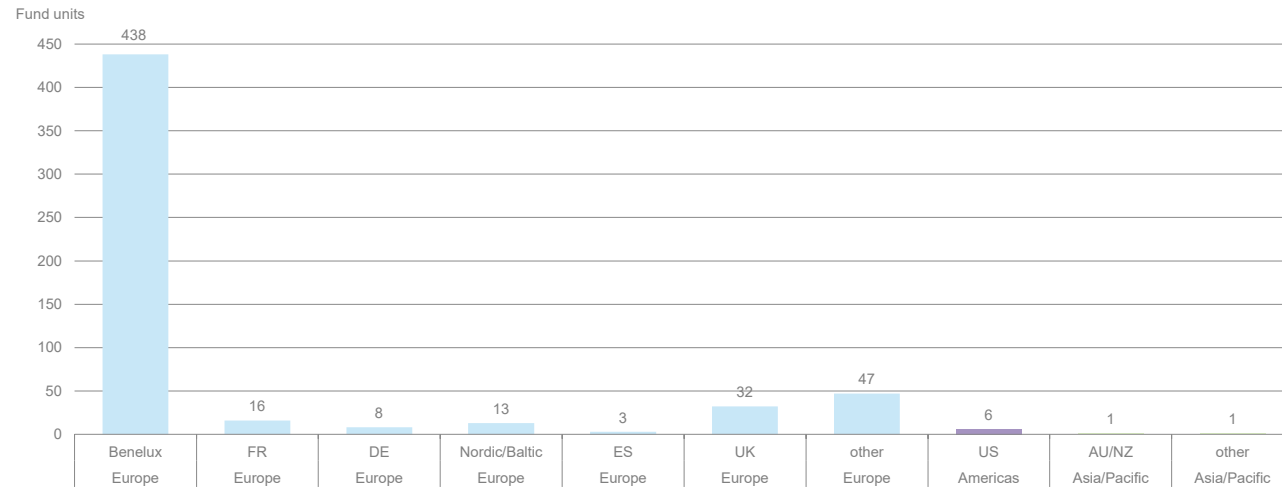


AIFM appointment

Source: ALFI Luxembourg REIF Survey 2022

Survey results

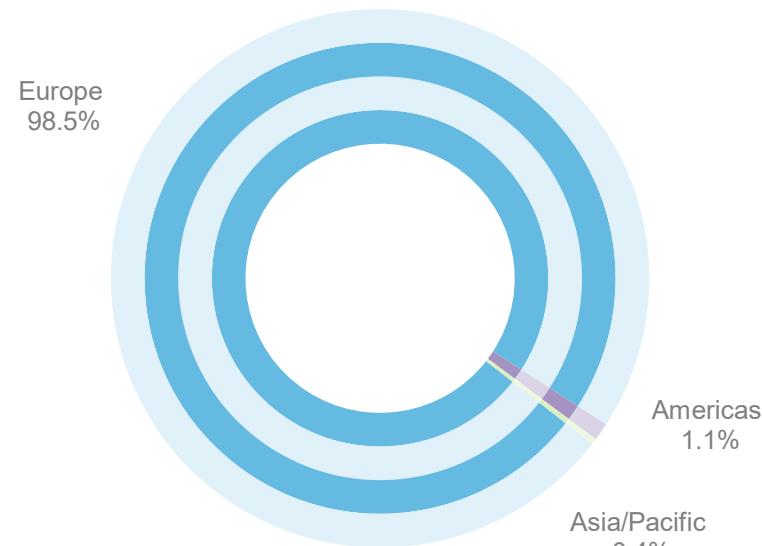
7 AIFMD



Source: ALFI Luxembourg REIF Survey 2022

AIFM location

Most of the funds surveyed chose a European jurisdiction for its AIFM. The numbers are overwhelming in this regard with 98.5% of the funds surveyed choosing a European AIFM. The choice proxy was between European jurisdictions and this indicates that promoters typically choose an AIFM in the same jurisdiction as the funds.



Source: ALFI Luxembourg REIF Survey 2022

AIFM location

Survey results

8 Legal regime and structure

Despite the SIF regime maintaining the pole position with 37% of the legal structures, the writers of the survey observe that there is a continuous downward trend. This survey confirms again a decrease in new SIF's launches (40% in 2021, 43% in 2020 and 54% in 2019). Although the majority of REIFs still fall under the SIF law, manager-regulated AIFs and RAIFs (43%) have seen their share significantly increase over the years.

This reflects the popularity of the manager-regulated AIFs (15% in 2022, 17% in 2021, 18% in 2020) and RAIFs 28% in 2022, 26% in 2021, 22% in 2020) for REIF initiators seeking a regulated onshore fund vehicle suitable for all types of alternative investment fund products.

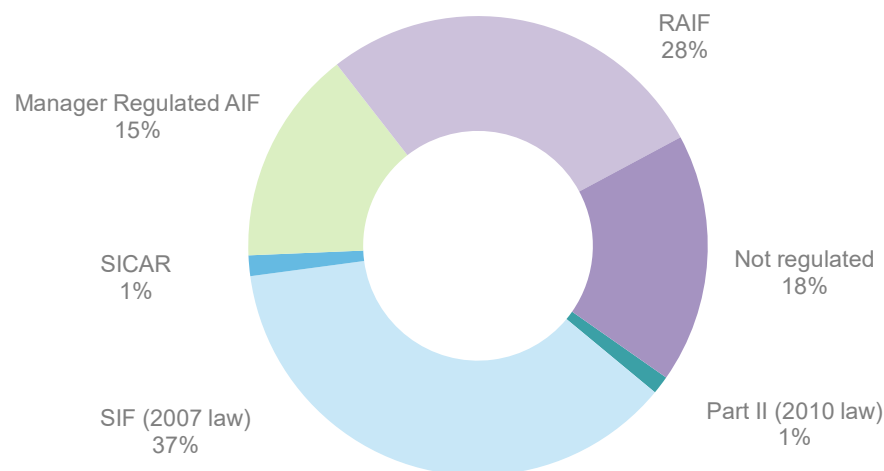
This year's survey includes 172 RAIFs and 109 non-regulated. This represents a strong increase in the coverage of surveyed real estate investment funds in the ALFI REIF Survey 2022.

The increased popularity of the SCS/SCSp over the past years (53.4% in 2022, 53% in 2021, 52% in 2020) along with the continued use of SICAV-SCA, the SICAV-SA and the SICAV SCS/SCSp combinations reflects the versatility of the Luxembourg regulatory environment in offering both transparent and opaque vehicles and in supporting regulatory regimes suitable to initiators' and investors' requirements.

It is a continued indication of the increased use of manager-regulated AIFs, specifically in limited partnership form (at the expense of the FCP given its specific transparency features, whose figures dropped from 97 in 2018 to 76 in 2020

survey. In the 2021 survey we noticed a rebound as of FCPs with 86 as at September 2021. This trend continued with 98 FCP as at September 2022).

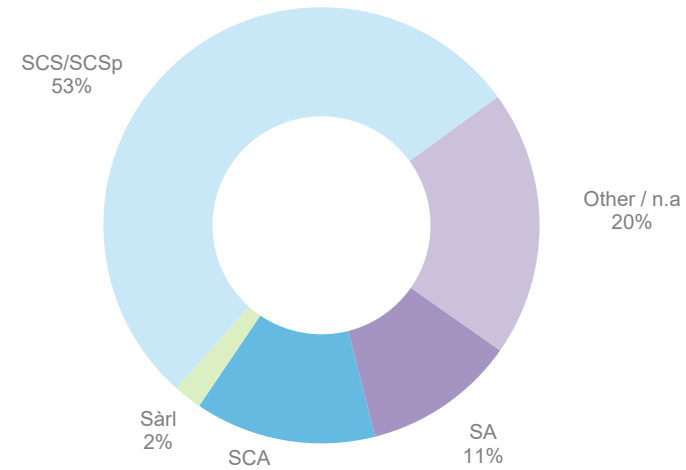
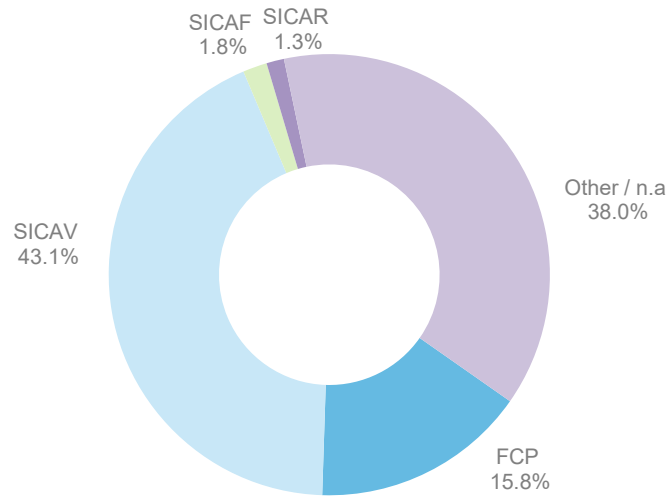
The overhaul of the limited partnership regime in 2013 has produced its effects with an undisputable popularity of this legal form for the purposes of incorporating REIFs. There are 330 funds set up in these forms as of September 2022 (53.4%). We have globally increased the surveyed REIF by 19.9%. This is noteworthy alongside the introduction of the RAIF regime and its increased adoption for the past years and is also shown in the comparative sections above.



Source: ALFI
Luxembourg REIF
Survey 2022

Survey results

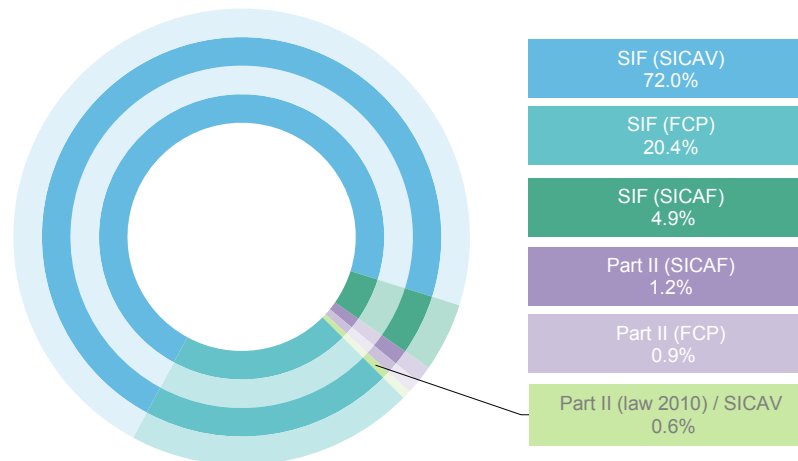
8 Legal regime and structure



Source: ALFI Luxembourg REIF Survey 2022

Basic structure

Legal regime and basic structure combined *

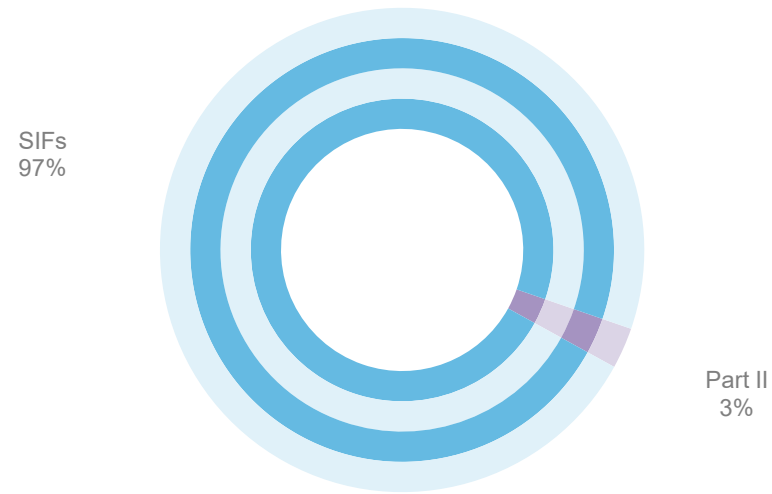


* CSSF data on fund units excluding SICARs as at 30 September 2022 for comparison purposes given the different approach to data collected.

Source: ALFI Luxembourg REIF Survey 2022

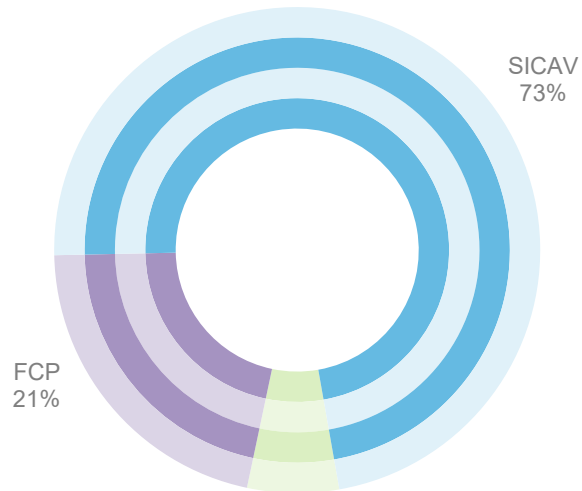
Survey results

8 Legal regime and structure



Legal regime

Source: ALFI Luxembourg REIF Survey 2022



Basic structure

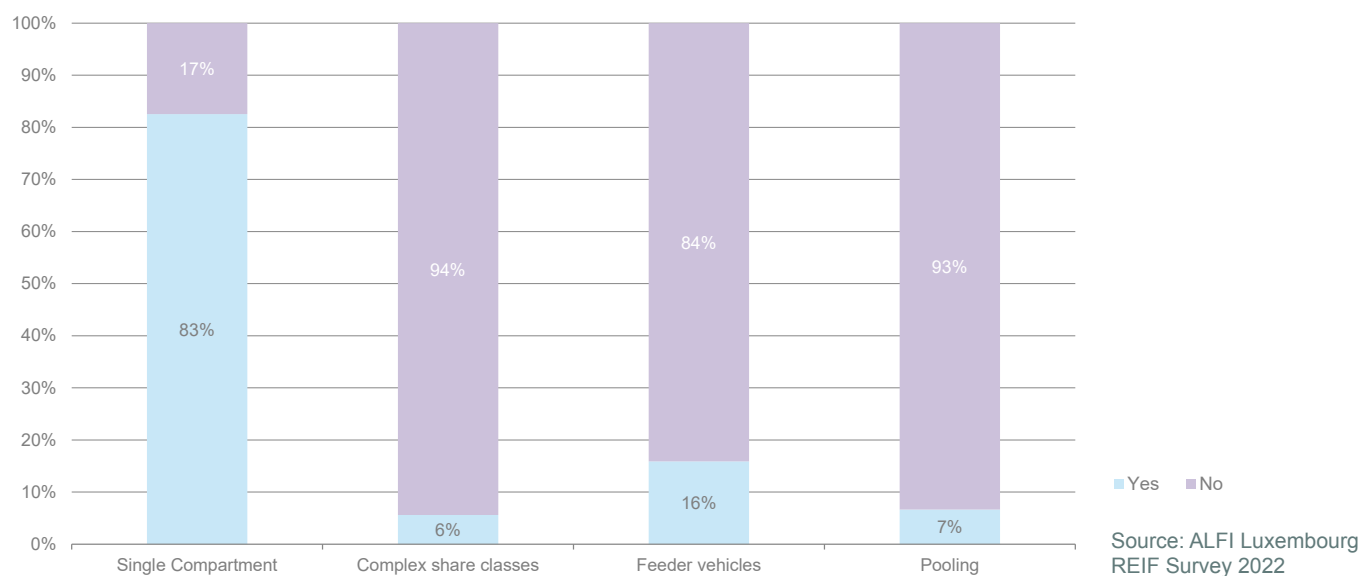
Source: ALFI Luxembourg REIF Survey 2022

Survey results

9 Fund structure

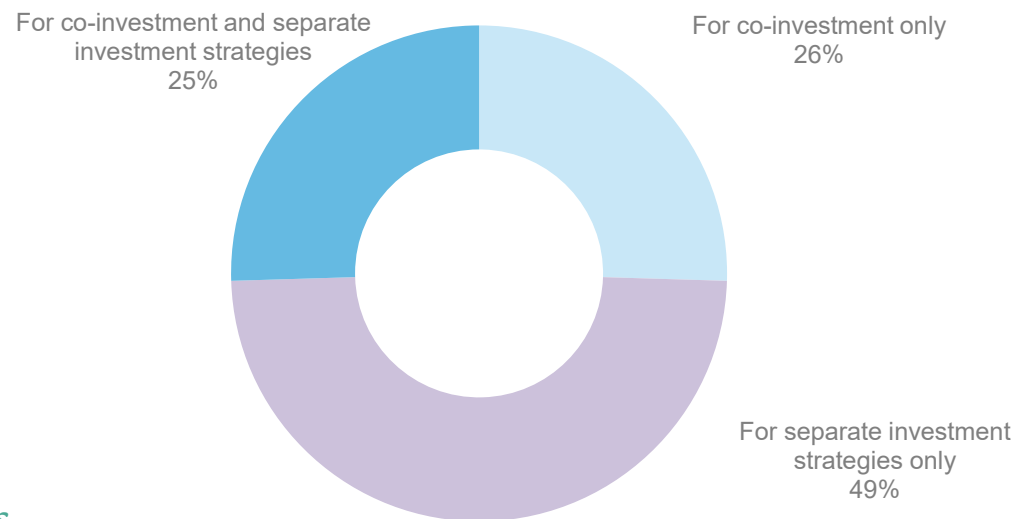
83% of the surveyed REIFs are single-compartment vehicles which remains similar to the figures from 2021 compared with 77% in 2020. The remaining funds have a multi-compartment structure (i.e. umbrella with sub-funds). Of these, 49% use an umbrella structure solely for separate investment strategies, 26% use an umbrella solely for co-investment, and 25% combine both types of usage. Unchanged are 16% of the funds that use feeder vehicles and 6% have complex share classes allowing for different management and performance fee structures for different investors, for example. 33 of the surveyed funds use a pooling structure (35 in 2021 and 23 in 2020). Considering that we have significantly increased the population of the REIF surveyed, we note that the numbers for pooling structures remain largely unchanged.

The overall trend over the past several years towards simplification of structures and strategies was again confirmed by this year's results and has been a clear tendency since 2017.



Survey results

9 Fund structure



single-compartment funds are not included in the chart

Use of sub-fund structures

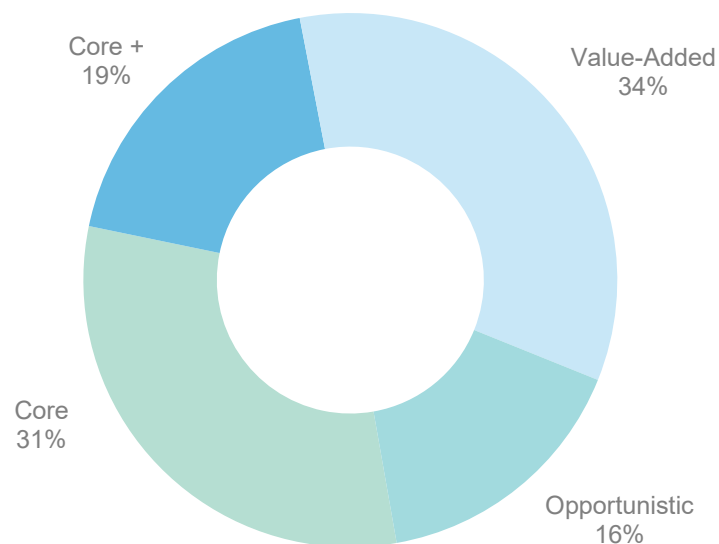
Source: ALFI Luxembourg REIF Survey 2022

Survey results

10 Investment style

Outside SICARs, which by default are “opportunistic”, 31% of the REIFs surveyed are “core” funds, unchanged compared with 2021 figures. “Core+” funds represent 19% of the REIFs surveyed (18% in 2021, 13% in 2020). With 50% of the surveyed REIFs, this makes all “core” funds the largest category under “investment Style”. The remainder is split between “value-added” (34%, increased by pcp) and “opportunistic” fund strategies which have slightly decreased (16% in 2022 compared with 19% in in 2021 and 2020).

We note that over the previous 12 months the “value-added” investment style has increased.



Source: ALFI Luxembourg REIF Survey 2022

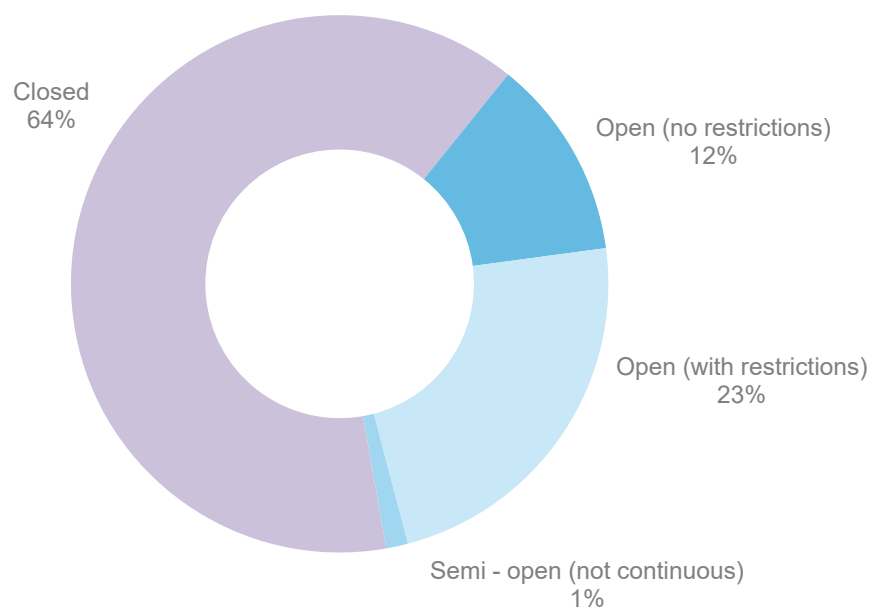
Survey results

11 Liquidity

64% of the surveyed funds are closed-ended, a strong decrease but a similar level compared with 2020 data. “Open-ended funds with restriction” remain stable with 23% (25% in 2020 and 22% in 2021).

While illiquidity still reflects the main characteristic of real estate as an asset class, and despite this year’s slight decrease by reference to last year, there appears to be a slight shift towards offering investors more flexibility. The results suggest that liquidity management tools allow putting relevant safeguards into place for open-ended funds that would otherwise have been launched as closed-ended.

As in last’s year survey, only 1% of REIFs are semi open-ended, with 12% being fully open-ended with no restrictions on redemptions. In 2019 open-ended REIF with no restrictions were at 6%, half of the level we look at today.



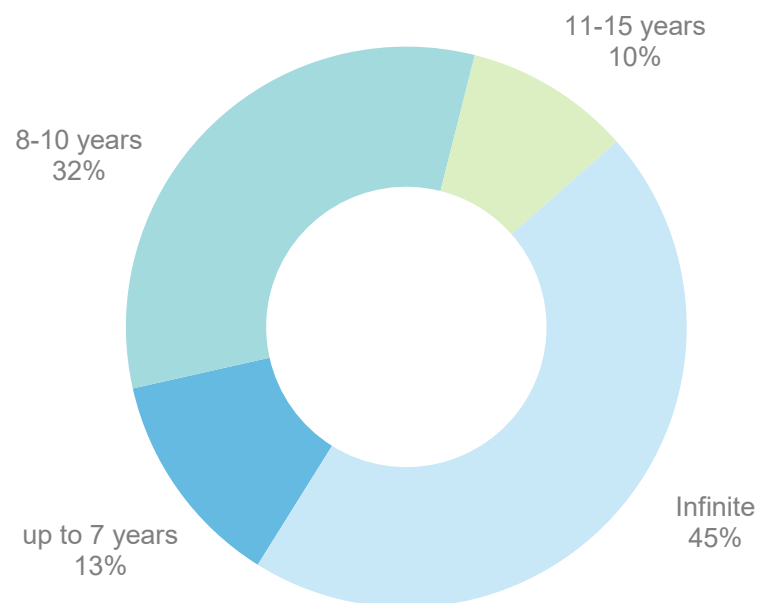
Source: ALFI Luxembourg REIF Survey 2022

Survey results

12 Term

Open-ended funds benefitted from the decrease of the closed-ended funds. 42% of all REIFs (compared to 41% last year) have a duration of 8 to 10 years or 11 to 15 years, while 45% of fund terms are “infinite” (compared to 42% last year).

13% of funds have a duration of 7 years or less, which reflects the typical need of REIFs for a longer timeframe to fully implement their strategies.



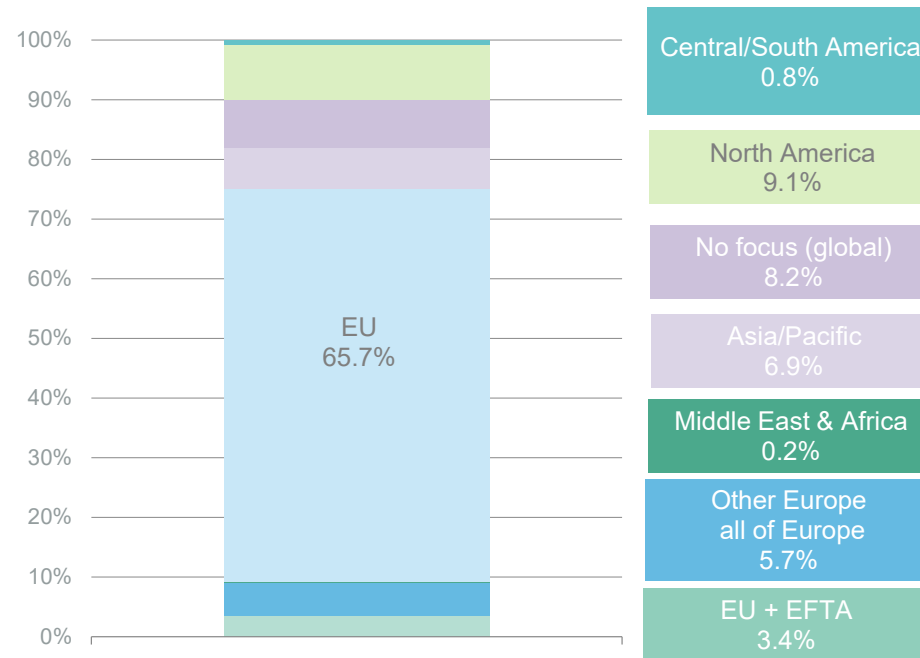
Source: ALFI Luxembourg
REIF Survey 2022

Survey results

13 Geographical investment focus

66% of REIFs focus on investment in the EU-27, which is unchanged compared with 2021 data. The Luxembourg REIFs' appetite to invest mainly in North America (56 funds in this year survey) is confirmed, an increase of 22% (plus 10 funds) compared with 2021. This is an important increase compared to last year. 35 funds invest in non-EU and non-EFTA states which remains unchanged from last year. 42 funds invest in the Asia-Pacific region.

Luxembourg REIFs are used for investment in all major regions of the world, which is also evidenced by the 50 funds that do not have a geographical focus (slight increase to last year), reflecting the suitability of Luxembourg REIFs for investment strategies spanning the globe.



Luxembourg REIF investment regions

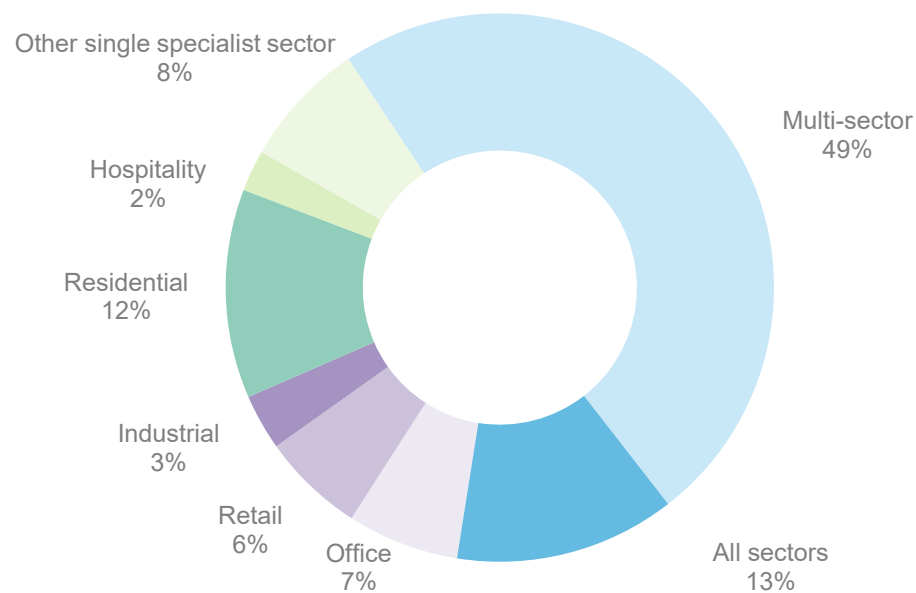
Source: ALFI Luxembourg REIF Survey 2022

Survey results

14 Target sectors

The figures are largely similar to 2021 figures. 38% of REIFs focus on investing into one specific sector, of which residential property (12% in 2022, 9% in 2021 and 12% in 2020) and other single specialist sector are the highest (8%). These sectors are followed by retail (6%) and office (7%) sectors. Those two sectors, even if still in the top of the target sectors, have remained stable over the past years.

49% of the REIFs surveyed report a focus on more than one sector (“multi-sector focus”), noting an increase from last year (47%), while 13% report that they do not focus on one or various sectors at all but consider all sectors equally.



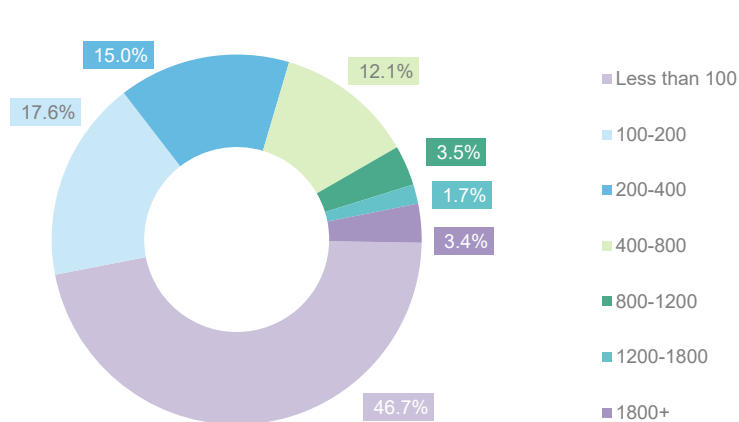
Source: ALFI Luxembourg
REIF Survey 2022

Survey results

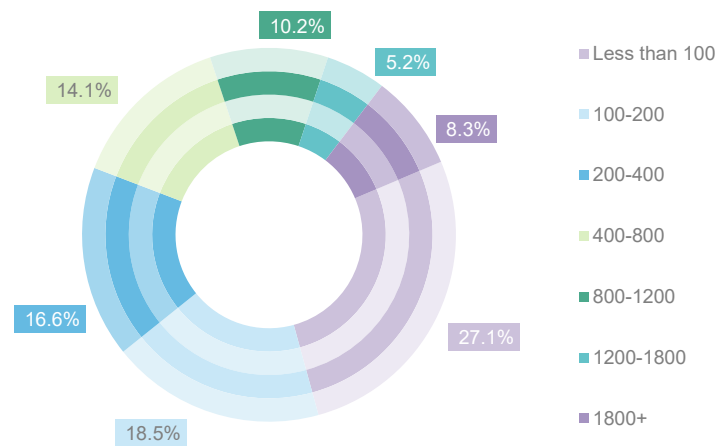
15 NAV

A trend for larger funds is observed. Smaller funds continue to make up the majority of REIFs, with 46.7% with a NAV of under EUR 100 million, which is quite similar to last year (52%). Overall, 140 funds reported a target NAV of less than EUR 100 million, while 18.5% fall into the target NAV category of EUR 100-200 million.

Target NAV greater than 400 million represents 37.8% (an increase of 10 percentage points over the last two years).



NAV (in million EUR)

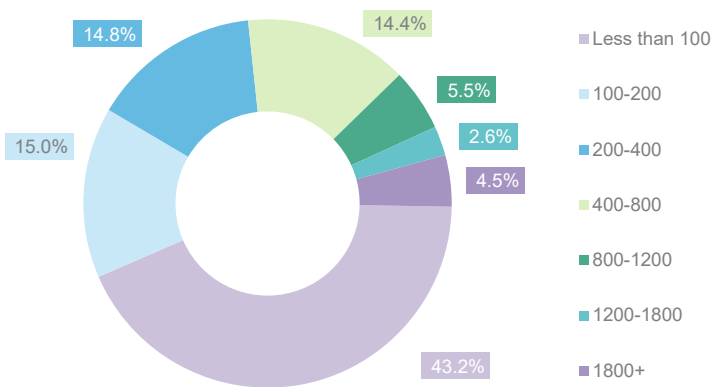


Target NAV (in million EUR)

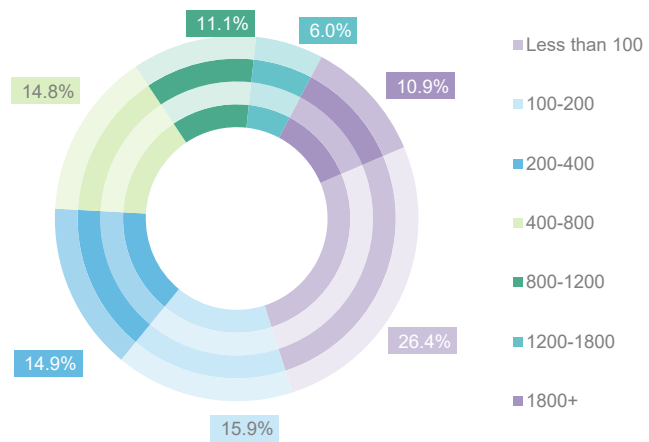
Source: ALFI Luxembourg REIF Survey 2022

Survey results

16 GAV

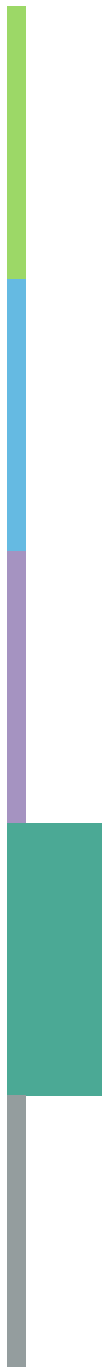


GAV (in million EUR)



Target GAV (in million EUR)

Source: ALFI Luxembourg REIF Survey 2022

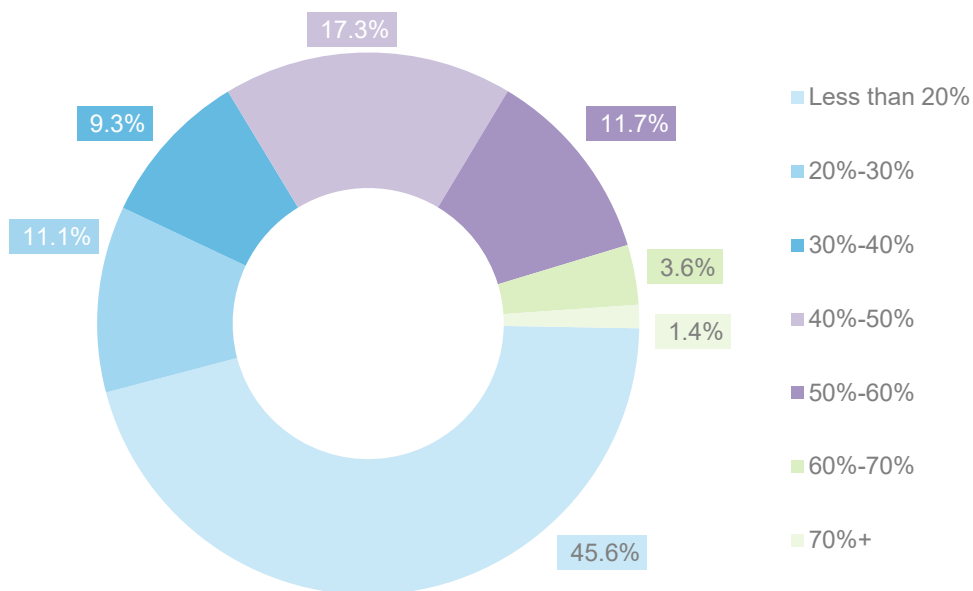


Survey results

17 Target gearing

46% of funds aim to keep their gearing below 20% loan-to-value ratio (LTV), a slight increase of 4pps compared with last year but a similar level as observed in the 2020 survey.

A further 49% aim to keep LTV level to below 60%, which marks an increase by 6pps compared to last year.



Target gearing of funds

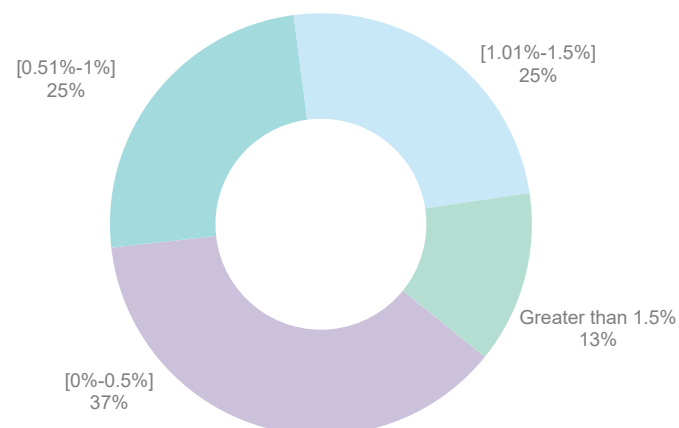
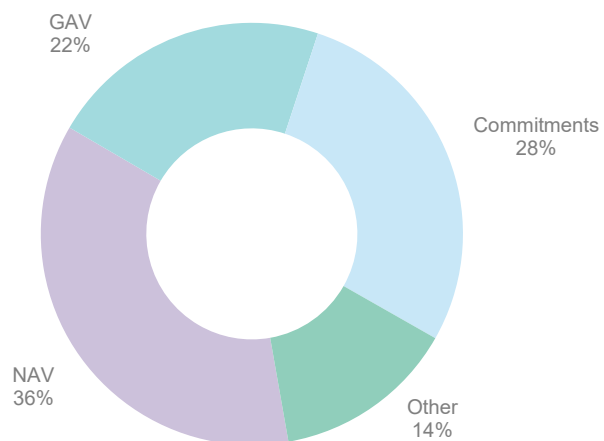
Source: ALFI Luxembourg
REIF Survey 2022

Survey results

18 Management fees

36% of the surveyed REIFs use their NAV as the basis for management fee calculations.

The majority of the funds (37%) do charge a fee in the range from 0% to 0.5%, followed by the ranges between 0.51% and 1% and between 1.01% and 1.5% which stand at 25% respectively.



Management fee calculation basis

Management fee range distribution

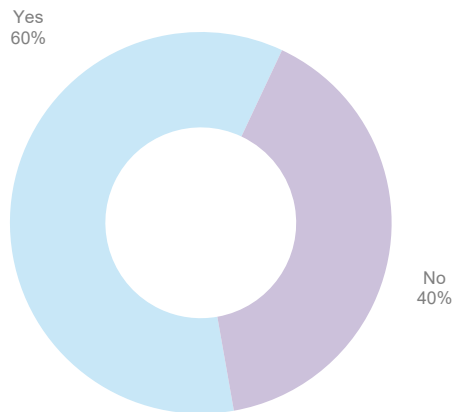
Source: ALFI Luxembourg
REIF Survey 2022

Survey results

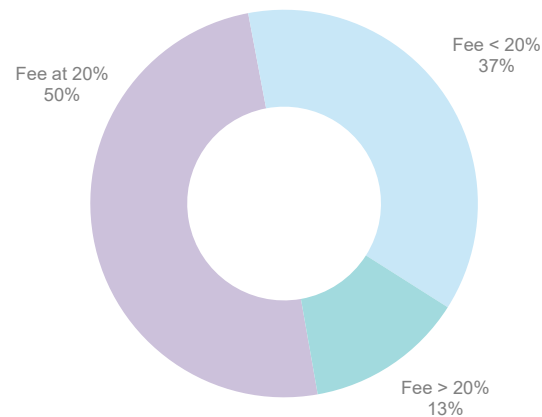
19 Performance fees

The number of REIFs charging performance fees remains stable (60% compared to 62% in 2021 and 49% in 2020). Among those that do charge these fees, 50% charge a fee that equals 20%, which is slightly down compared to as last year.

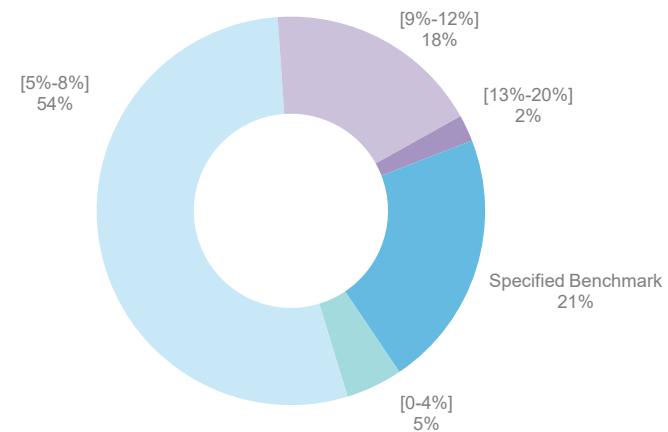
Cases where the performance fee is less than 20% have seen an increase over the last year (37% in 2022 compared to 34% in 2021 and 37% in 2020).



Charging of performance fee



Performance fee (%) charged as per PPM



Performance fee hurdle rate

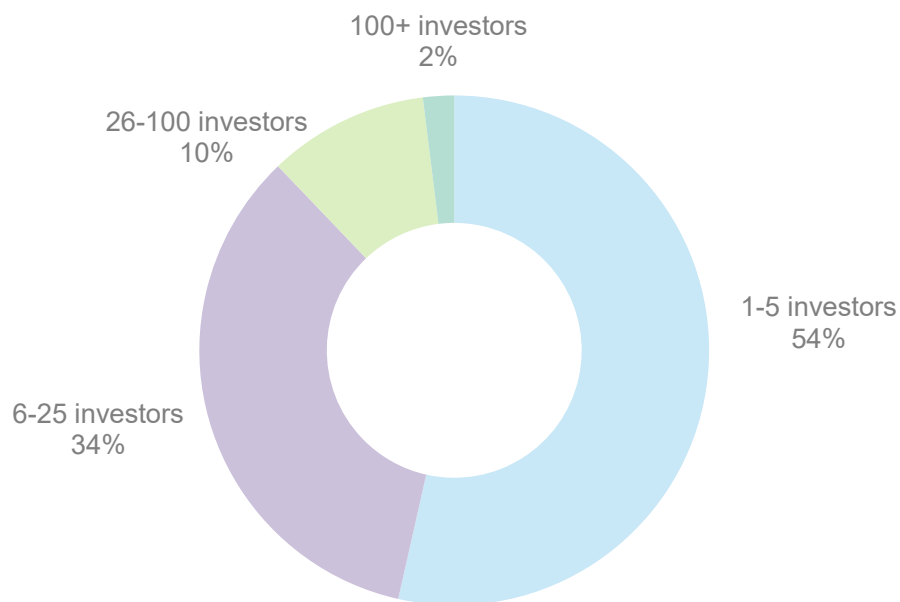
Source: ALFI Luxembourg REIF Survey 2022

Survey results

20 Investors

As in previous years, the 2022 results show that REIFs typically do not have a large number of investors. 88% of REIFs surveyed have 25 investors or fewer, and 54% have 5 investors or fewer. Only 12% of funds have more than 25 investors (identical to last year's results), of which 2% have more than 100 investors. This reflects the fact that institutional investors aiming for larger investments make up the majority in REIFs. As a result, there tends to be a smaller number of investors per fund.

It is also an expression of the continuing trend towards a larger number of smaller funds, with a smaller number of investors per fund. The numbers have remained largely the same.



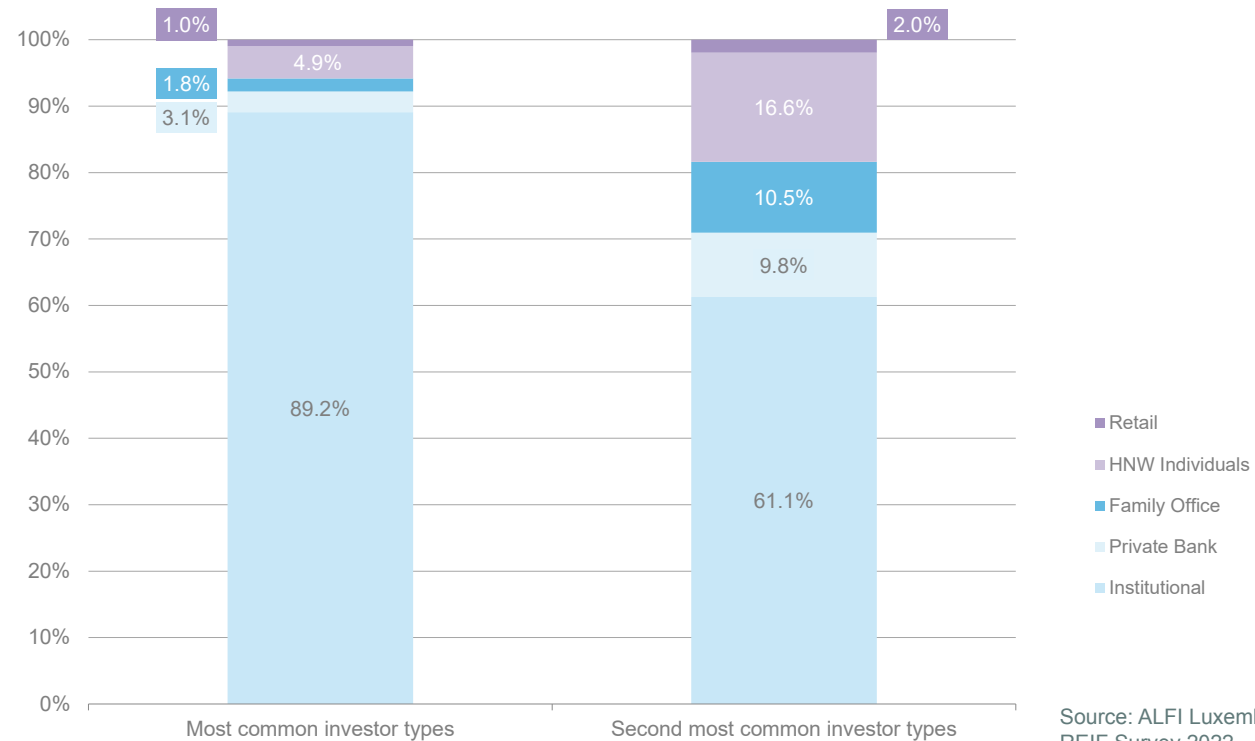
Number of investors

Source: ALFI Luxembourg
REIF Survey 2022

Survey results

20 Investors

The vast majority of the funds surveyed (89% a strong increase from 2021 with 82%) have institutional investors, with HNWIs investing in 5% of the funds (a strong decrease by 6pps from 11% in 2021) . Only 5 funds of those surveyed are sold to retail investors. 5% of investors in REIFs are made up of private banks or family offices.



Type of investor

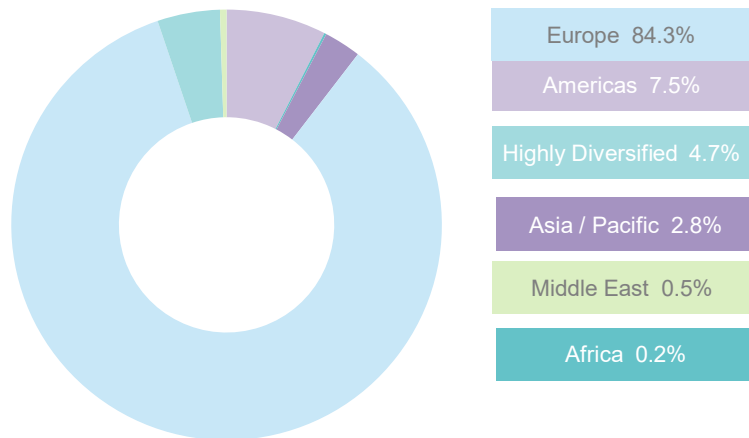
Source: ALFI Luxembourg REIF Survey 2022

Survey results

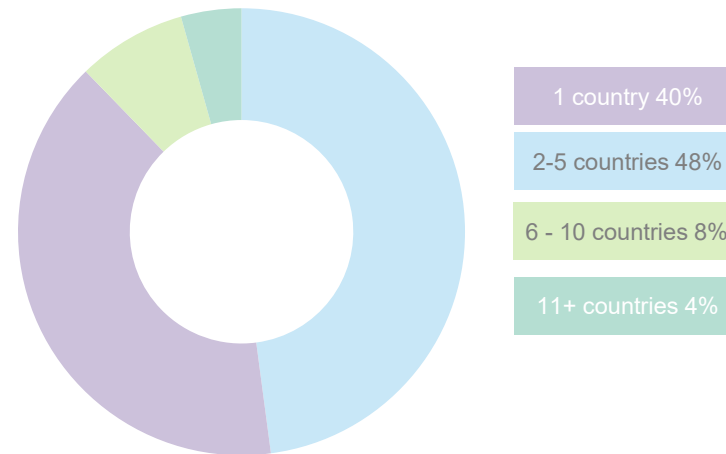
21 Investor origin

The majority of investors (84.3%) continue to be European; only 7.5% of funds have investors from the Americas. This is a rise of 1.9pps compared to last year's survey. 40% of the funds have investors from 1 country only (in lieu of 43% in the previous survey) while 48% have investors from 2 to 5 countries.

Figures related to investors from 2 to 5 countries and 6 to 10 countries have been stable over the years. Investors from 6 to 10 countries have increase by 3pps.



Origin of investors



Number of investors countries

Source: ALFI
Luxembourg REIF
Survey 2022

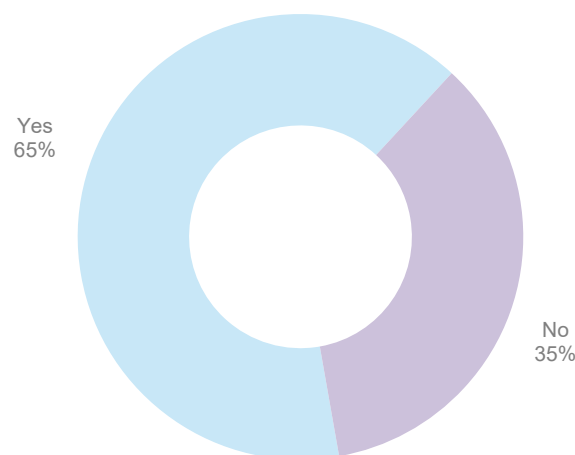
Survey results

22 Distribution

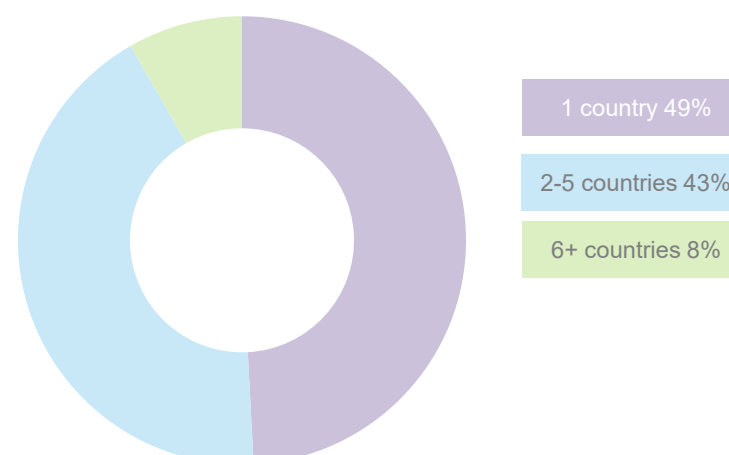
Private placement has been the predominant distribution channel for REIFs, but this has now been replaced by AIFMD-authorized institutional placement in EU countries in most cases.

Though REIFs are widely distributed with 48% of funds distributed in 2 to 5 countries and 12% in 6 or more countries, there is also a significant proportion of funds (40%) that are distributed in one single country. Over the 103 additional surveyed REIFs, 45 (more than in 2021) are distributed in more than 6 different countries, which shows also a new general trend for diversification in distribution.

These numbers clearly underline Luxembourg's strength as a cross-border distribution hub.



Private distribution

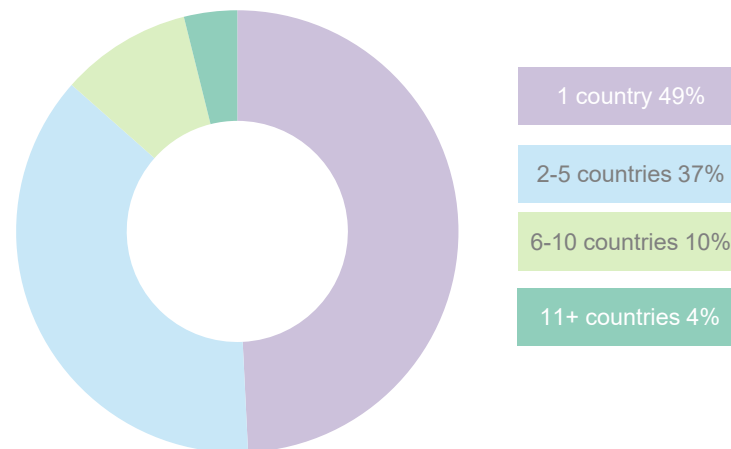


Distribution outside the EU (number of distribution countries)

Source: ALFI Luxembourg REIF Survey 2022

Survey results

22 Distribution



Distribution in the EU
(number of AIFMD passporting countries)

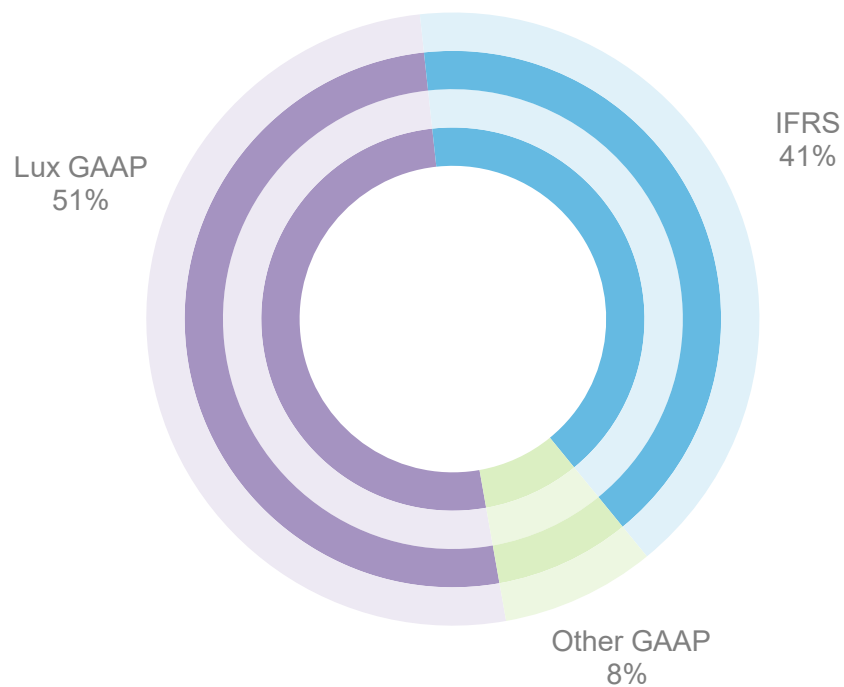
Source: ALFI
Luxembourg REIF
Survey 2022

Survey results

23 Accounting standards

51% of funds surveyed apply Luxembourg GAAP (Lux GAAP) as accounting standard, with the remainder applying IFRS (41%).

Note that the use of other GAAP stands at 8%, reaching again the level of 2020 (7%) while it was only 2% in 2021.).

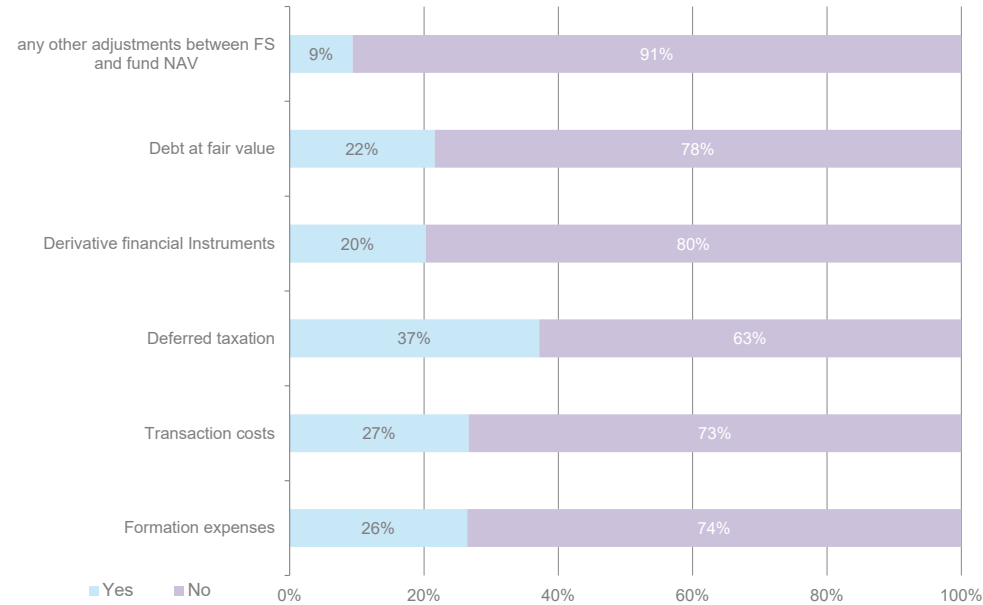


Accounting standards

Source: ALFI Luxembourg REIF Survey 2022

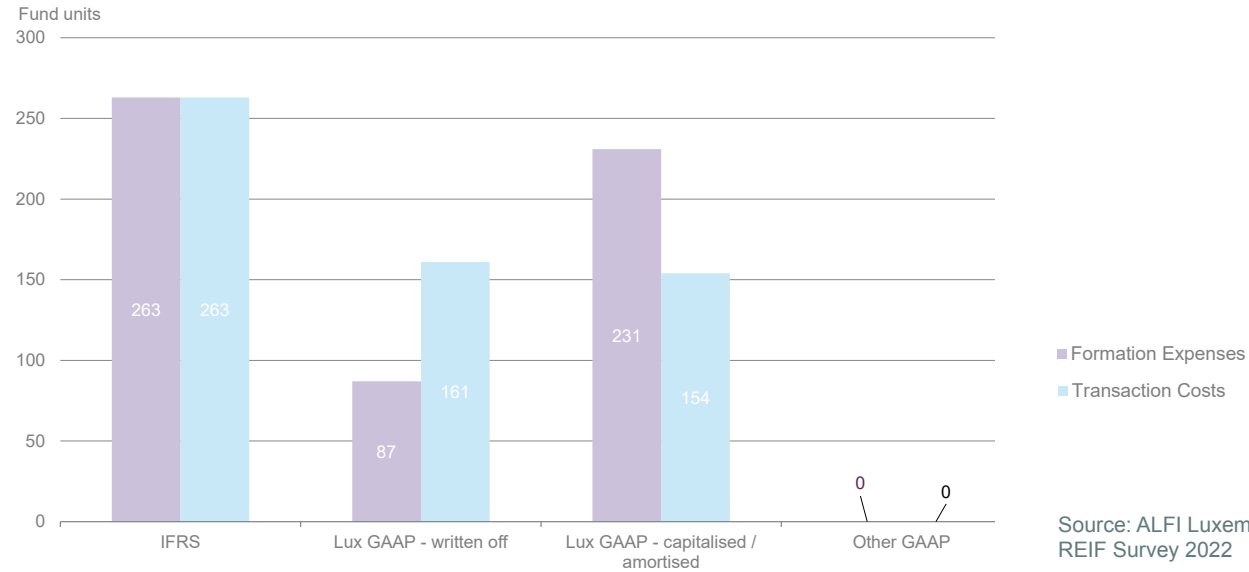
Survey results

23 Accounting standards



Source: ALFI Luxembourg REIF Survey 2022

Fund units adjusting for various items

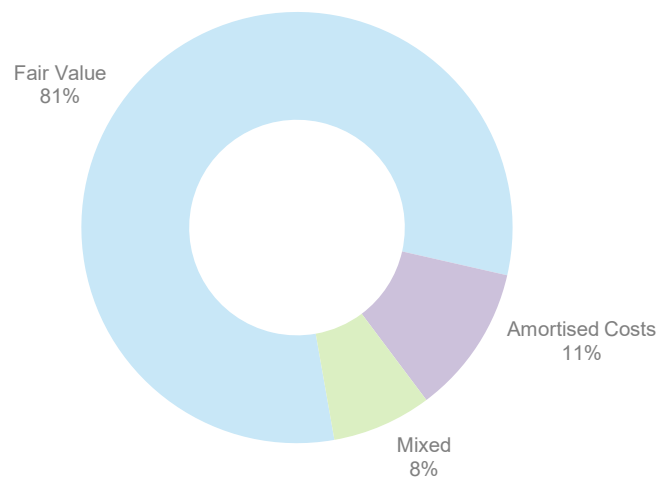


Source: ALFI Luxembourg REIF Survey 2022

Trading NAV adjustments

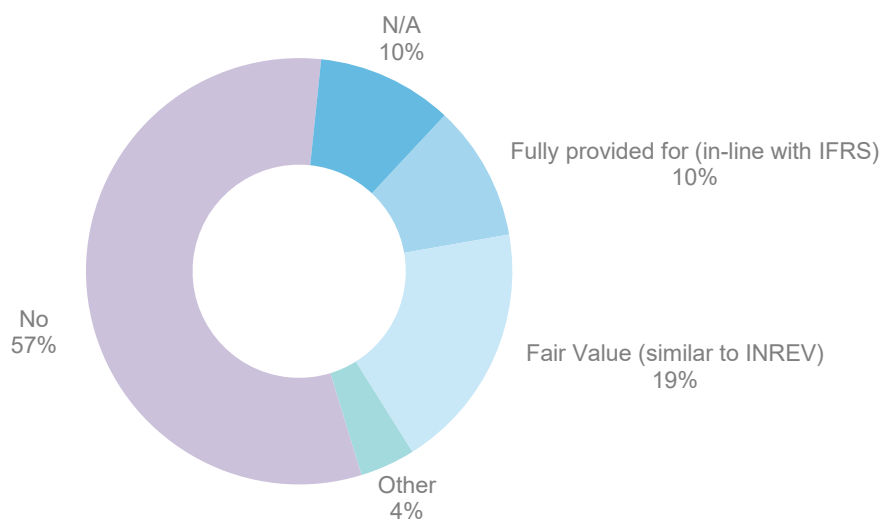
Survey results

23 Accounting standards



Accounting treatment of financial instruments

Source: ALFI Luxembourg REIF Survey 2022

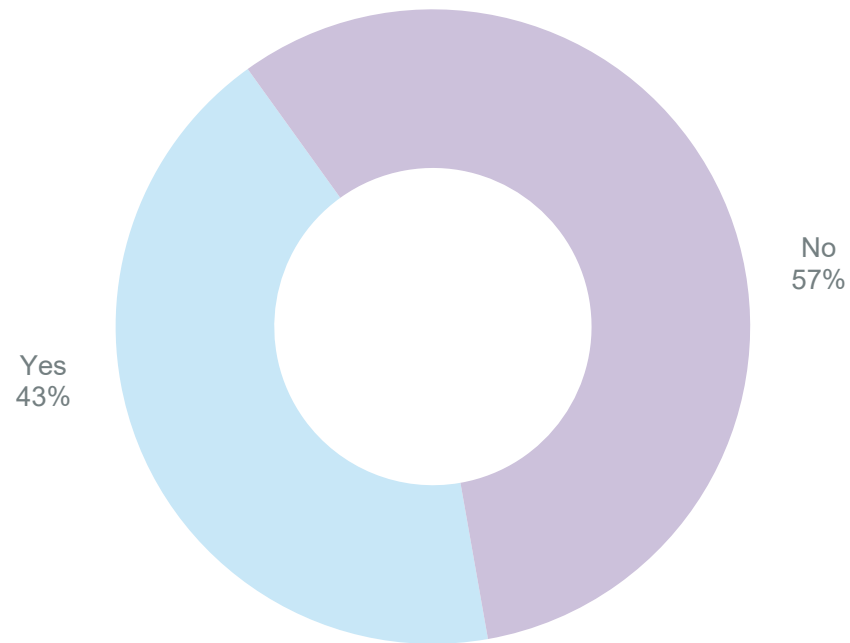


Deferred taxation treatment

Source: ALFI Luxembourg REIF Survey 2022

Survey results

24 Consolidated accounts

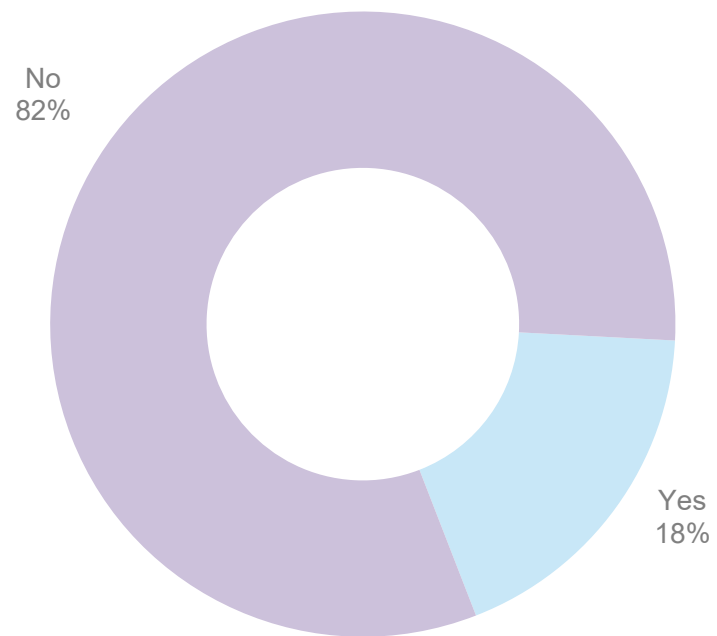


There is a small decrease in REIFs reporting consolidated account (43%) versus 48% in last year's survey.

Source: ALFI Luxembourg REIF Survey 2022

Survey results

25 INREV NAV



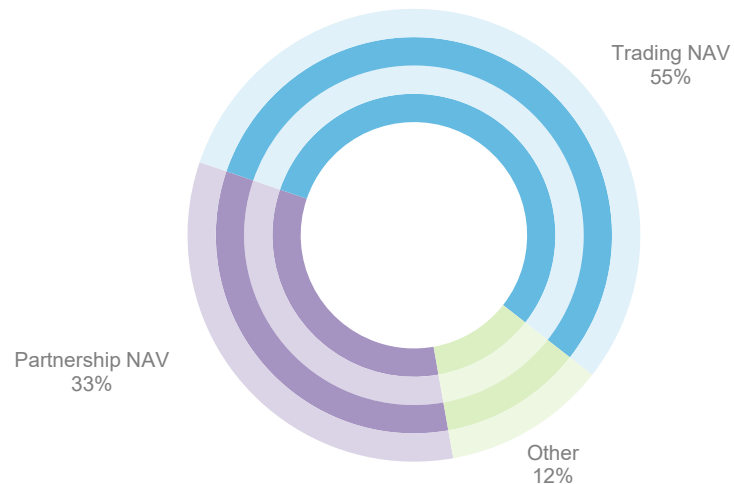
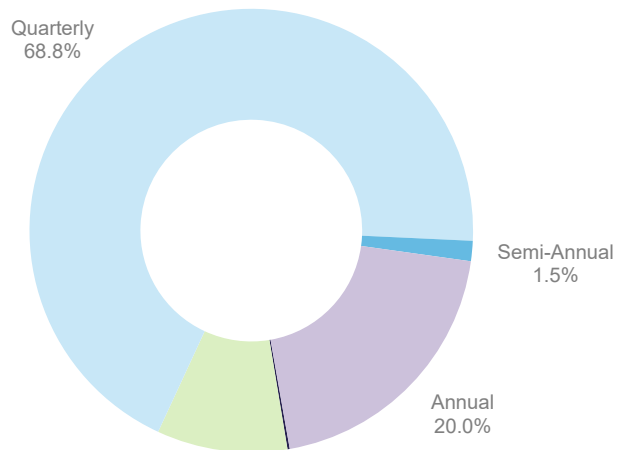
Source: ALFI Luxembourg
REIF Survey 2022

Survey results

26 NAV calculation frequency

The majority (69%) of REIFs report a quarterly NAV calculation (compared with 64% in 2021 and 62% in 2020) while 20.0% produce an annual NAV. Among all the funds surveyed, 58 report a monthly NAV and 9 a semi-annual NAV. Compared to 2020, these figures show that funds tend to opt for quarterly NAV reports and a strong decrease in semi-annual NAV is observed.

Since 64% of REIFs are closed-ended, the quarterly NAV reporting is likely due to investor demand for performance measurement rather than for the purposes of pricing the issue and redemption of units.



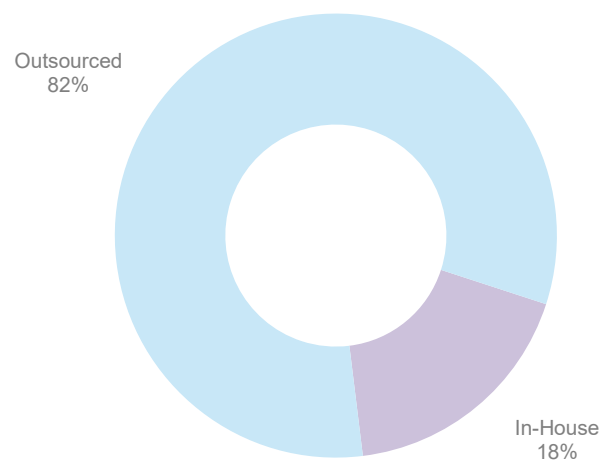
Of the surveyed funds, 17.2% (103) indicated which “other NAV” they used. The percentages are to be read in relation to these 103 funds.

Source: ALFI Luxembourg REIF Survey 2022

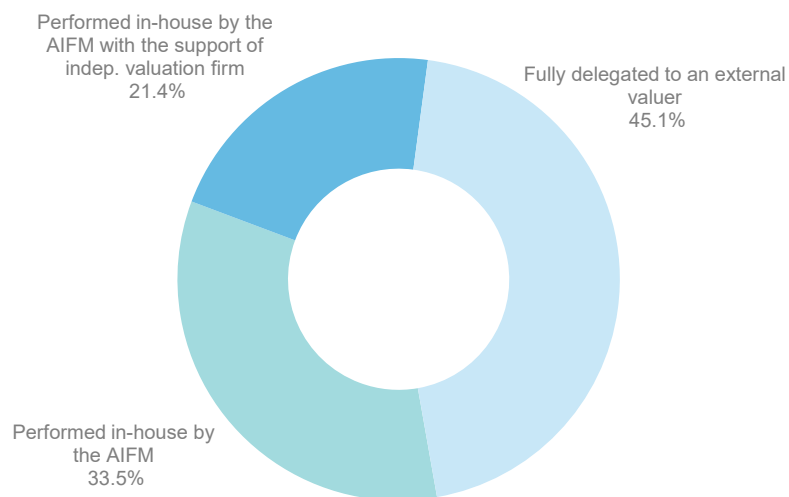
Survey results

27 Fund accounting and valuation

The majority of the surveyed REIFs opt for the outsourcing of fund accounting (88% in 2022) and asset valuation (89% in 2022) services. This is a trend already present in the preceding years.



Fund accounting

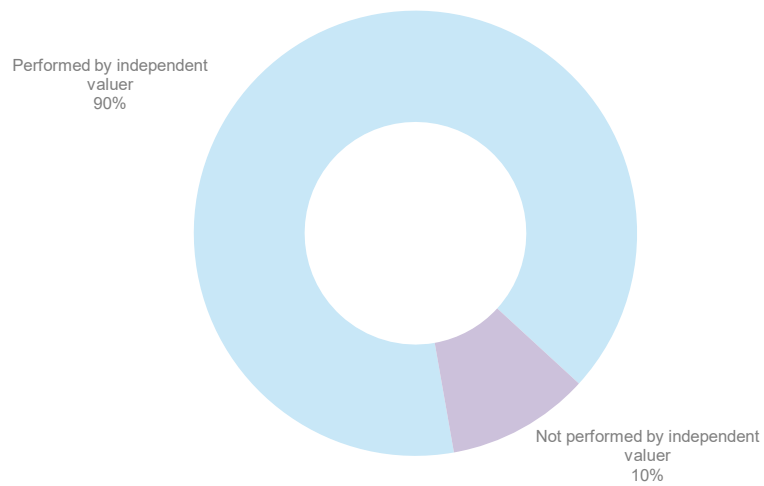


Fund level valuation

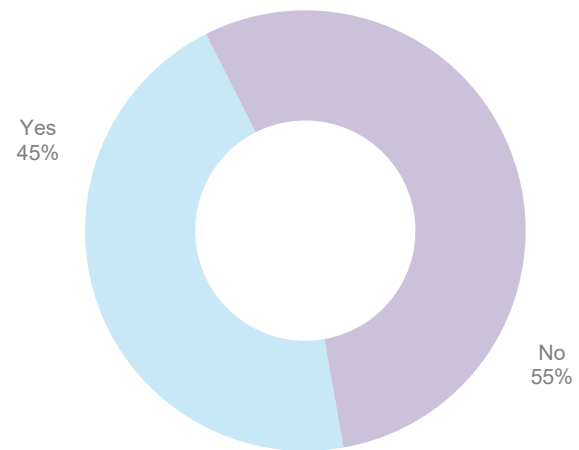
Source: ALFI
Luxembourg REIF
Survey 2022

Survey results

27 Fund accounting and valuation



Asset level valuation



Independent valuer acting as AIFMD external valuer

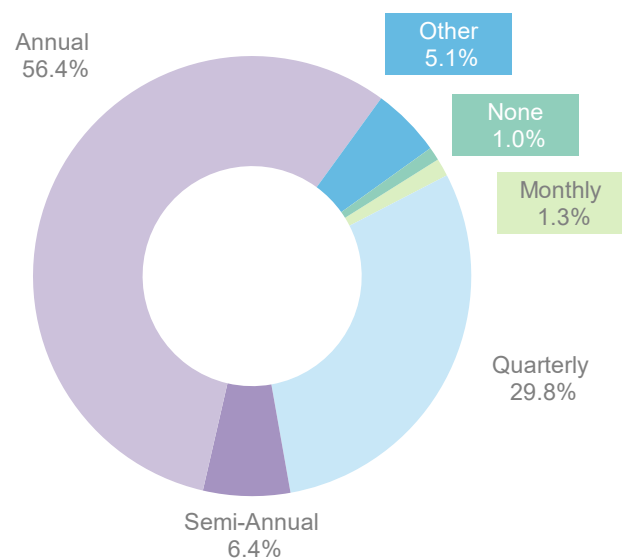
Source: ALFI
Luxembourg REIF
Survey 2022

Survey results

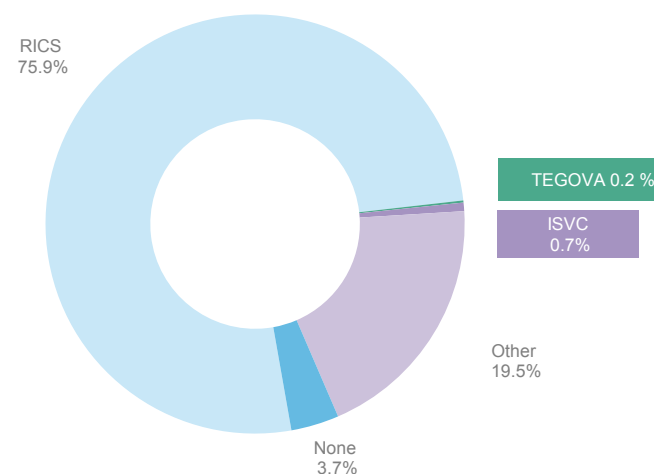
28 Property valuation

Almost all (90%) of the surveyed funds use an independent appraiser/valuer (see graphs above) in respect of their property valuations. Valuations for 464 REIFs are carried out under RICS valuation and appraisal standards.

This has been the leading standard for property valuations for years, and the figures have increased consistently with the growth of the number of funds surveyed over the past years.



Frequency of property valuation



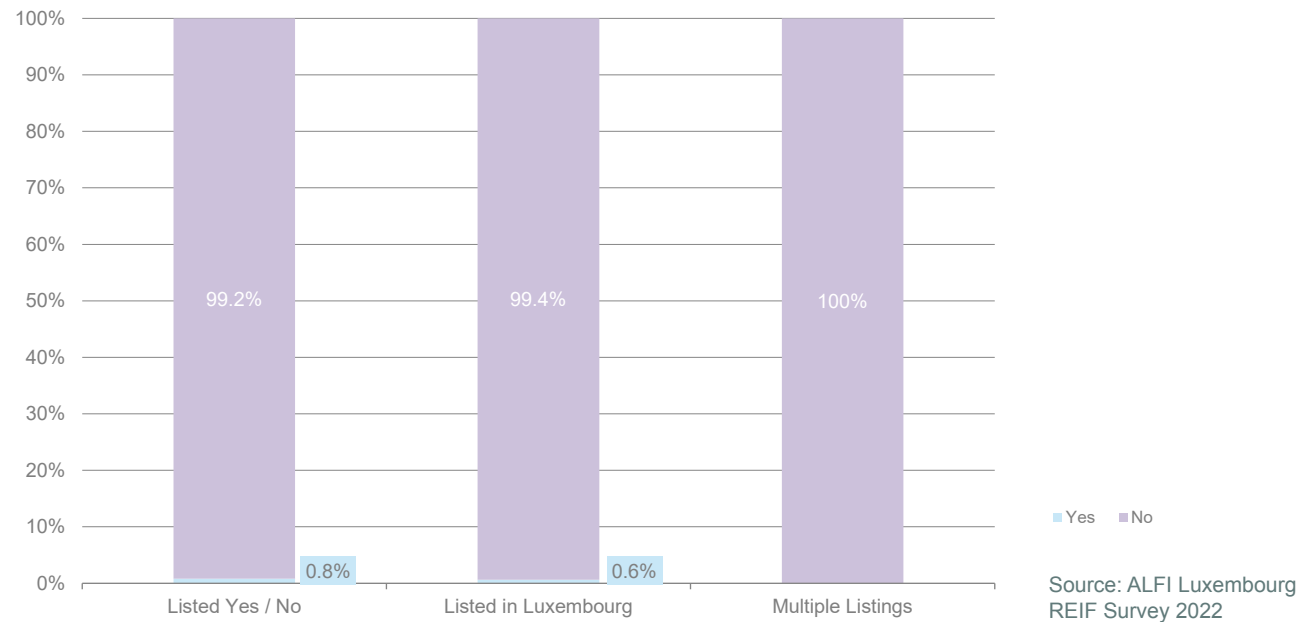
Property valuation standards adopted

Source: ALFI
Luxembourg REIF
Survey 2022

Survey results

29 Listing

Out of the 621 funds covered in this survey, 478 responded to this question with only 3 (0.6%) noting that they are listed on the Luxembourg Stock Exchange.

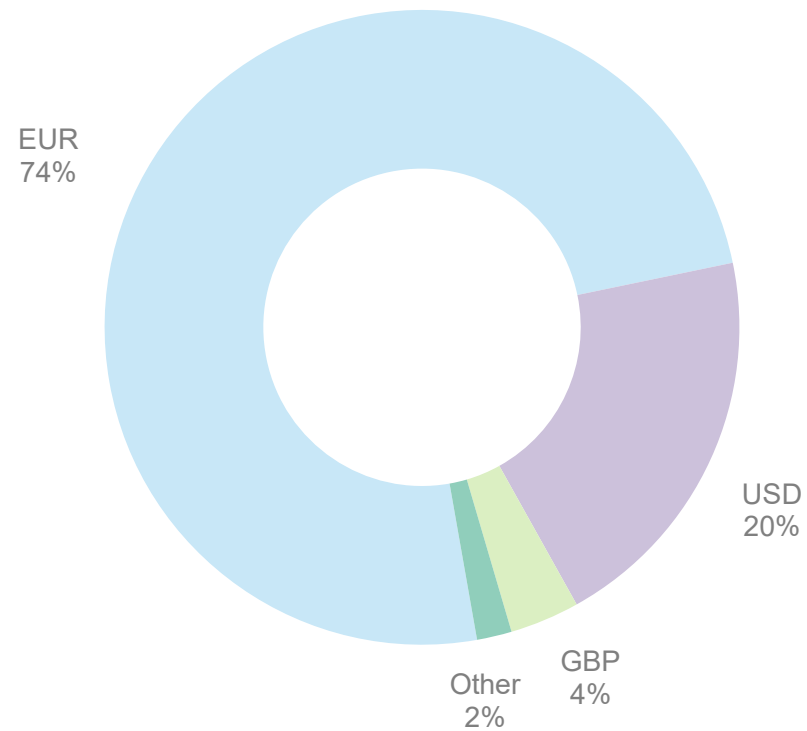


Stock exchange

Survey results

30 Currency

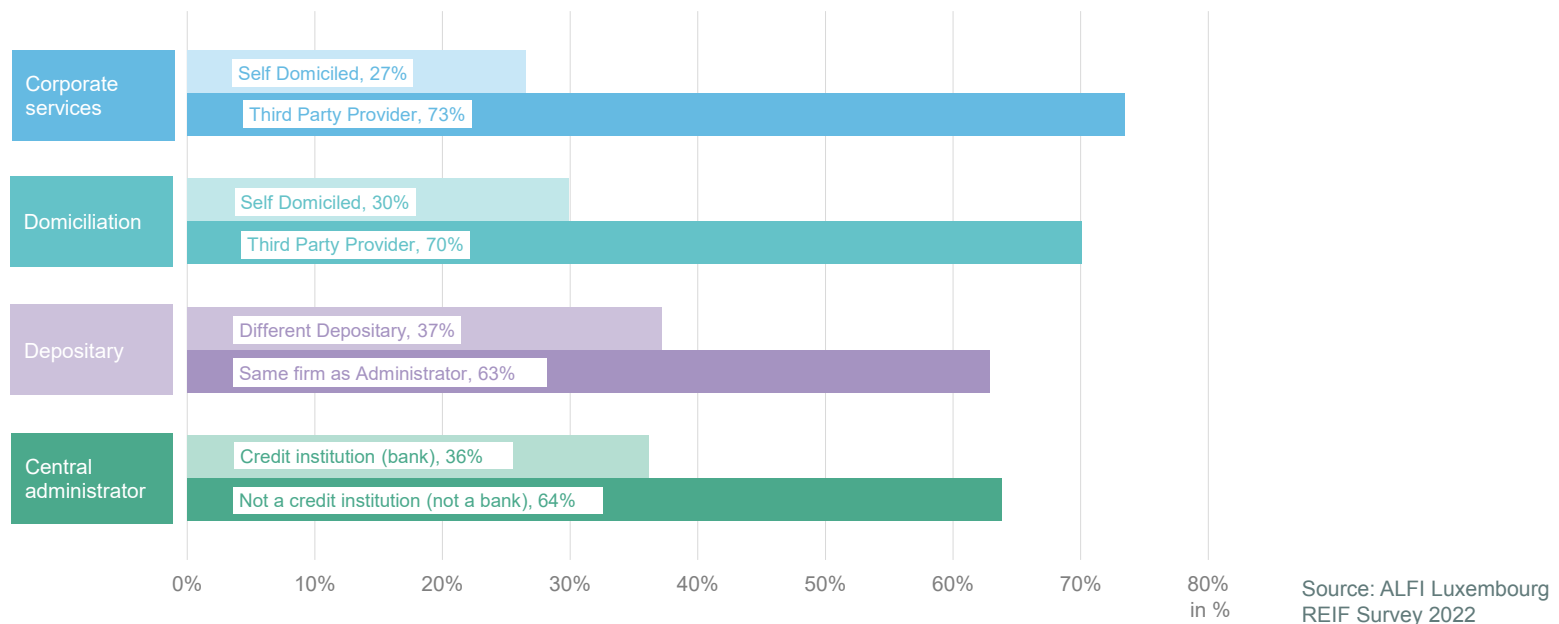
The great majority of funds (74%) report in EUR compared to 80% last year, while 20% report in USD compared to 14% in 2021. 4% of the surveyed REIFs use GBP as reporting currency.



Source: ALFI Luxembourg
REIF Survey 2022

Survey results

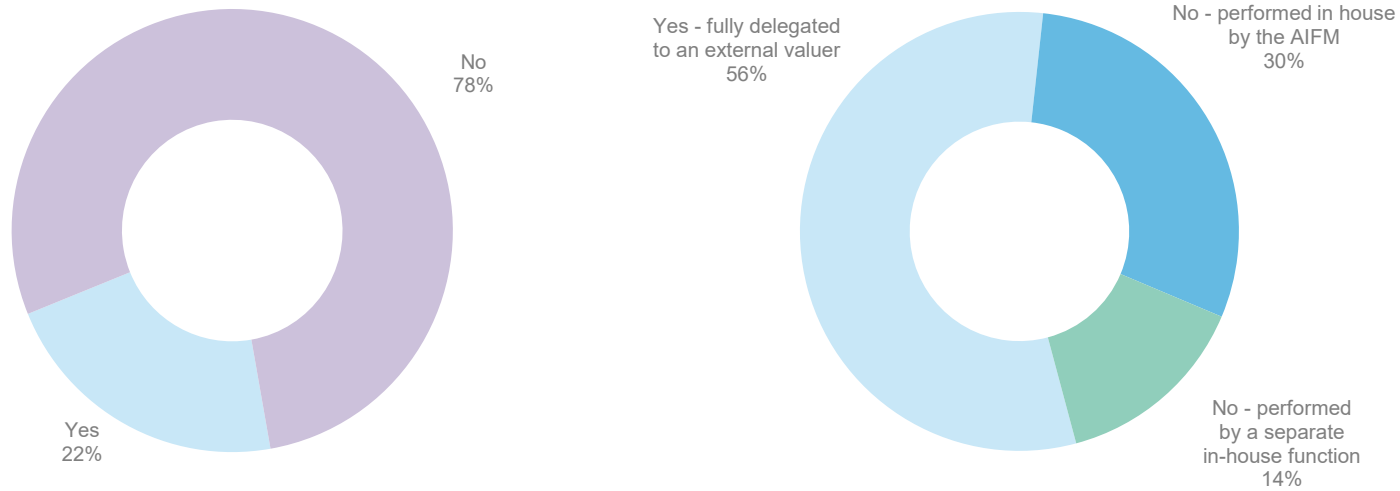
31 Service providers



Survey results

32 Delegation of risk management

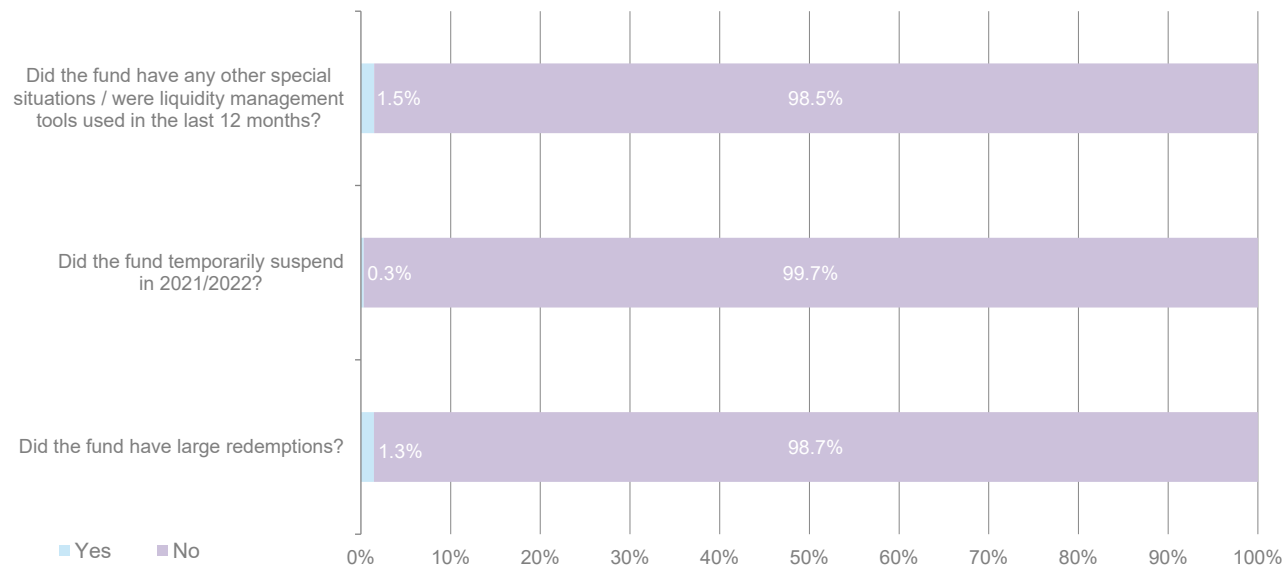
Luxembourg is the centre of excellence for risk management, unsurprisingly 78% of REIF surveyed indicated that they perform risk management in-house in Luxembourg.



Source: ALFI Luxembourg REIF Survey 2022

Survey results

33 Liquidity management considerations and special situations



Source: ALFI Luxembourg REIF Survey 2022

Glossary



**Luxembourg
Real Estate
Investment
Funds 2022**

ALFI SURVEY 2022



Glossary

1915 Law — Luxembourg Law of 10 August 1915 on commercial companies, as amended

2010 Law — Luxembourg Law of 17 December 2010 on undertakings for collective investment, as amended

AIFMD — Alternative Investment Fund Managers Directive, Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011

AuM — Assets under management

bps — basis points, a (difference of) one hundredth of a per cent

Covid-19 — Coronavirus disease caused by SARS-CoV-2 (severe acute respiratory syndrome corona virus 2) first identified in 2019.

CSSF — Commission de Surveillance du Secteur Financier, the Luxembourg supervisory authority for the financial sector

EFTA — European Free Trade Association (free trade area consisting of Iceland, Lichtenstein, Norway and Switzerland)

EU-27 — The 27 member countries of the EU at the date of publication (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden)

FCP — Fonds commun de placement: common fund, entity without legal personality based on contractual agreement

Fund unit — For the purposes of this survey, any single-compartment fund and any active sub-fund in umbrella fund structures

GAAP — Generally Accepted Accounting Principles

GAV — Gross asset value

HNWI — High net worth individual

IFRS — International Financial Reporting Standards

Indirect fund — A fund that invests in real estate-backed securities or in REIFs rather than into real estate directly (not a REIF for the purposes of this survey)

Initiator — Organisation that raises capital for the REIF

INREV — European Association for Investors in Non-Listed Real Estate Vehicles

Investment style —

Core: stable income returns, stabilised properties located in strong and low risk markets; geared at less than 50%

Value-Added: combination of income and capital return; stabilised properties located in low- to medium-risk markets, with an element in development or opportunistic investments; geared from 40% to 70%

Opportunistic: focus on capital return; higher-risk properties (e.g. development projects, property repositioning, assets in higher-risk countries or distressed assets); geared in excess of 60%

IVSC — International Valuation Standards Council

Law of 2010 — Law of 17 December 2010 concerning undertakings for collective investment, as amended

Glossary

Liquidity —

Closed-ended: REIF may not, at the request of investors, repurchase directly or indirectly their units or shares

Open-ended: Fund may, at the request of investors, repurchase directly or indirectly their units or shares

Open-ended with restriction: open-ended and subject to further conditions such as maximum number of units to be redeemed in a period; extended notice period; early redemption penalties etc.

Semi-open ended: series of distinct equity offerings after the initial launch, but not on a continuous basis; ability of investors to redeem capital at certain times during the fund life; infinite life

LMT — Liquidity management tools

LTV — Loan-to-value (ratio)

NAV — Net asset value

Part II — Part II of the 2010 Law

PPM — Private placement memorandum or fund prospectus

pps — Percentage points: unit for measuring the arithmetic difference of two percentages

RAIF — Reserved alternative investment fund

RAIF Law — Luxembourg Law of 23 July 2016 on reserved alternative investment funds

REIF — Real estate investment fund. For the purposes of this survey, this excludes any indirect real estate funds, such as real estate fund of funds, (real estate) debt funds and securitisations

RICS — Royal Institution of Chartered Surveyors

SA — Société anonyme (public limited company)

Sarl — Société à responsabilité limitée (private limited liability company)

SCA — Société en commandite par actions (partnership limited by shares)

SCS — Société en commandite simple (limited partnership)

SCSp — Société en commandite spéciale (special limited partnership)

SICAF — Société d'investissement à capital fixe (investment company with fixed capital)

SICAR — Société d'investissement en capital à risque (investment company in risk capital)

SICAR Law — Luxembourg Law of 15 June 2004 on the investment company in risk capital, as amended

SICAV — Société d'investissement à capital variable (investment company with variable capital)

SIF — Specialised investment fund

SIF Law — Luxembourg Law of 13 February 2007 on specialised investment funds, as amended

SOPARFI — Société de participations financières (financial holding company)

SPV — Special purpose vehicle

TEGoVA — The European Group of Valuers' Associations

UCITS — Undertaking(s) for collective investment in transferable securities

about alfi

November 2022
© 2022 ALFI. All rights reserved.

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community, championing sustainable investing, mainstream and private assets. ALFI's mission is to promote Luxembourg as the world's leading cross-border investment fund centre, facilitate the transition towards more sustainable economies globally and empower investors to meet their goals.

Created in 1988, the Association today represents over 1,500 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. These include depository banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialised IT and communication companies. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 70 countries around the world.

ALFI's mission is lead industry efforts to provide solutions and make Luxembourg the most innovative international investment fund centre.



about alfi

Its main objectives are to:

Help members capitalise on industry trends

ALFI's many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond, to identify threats and opportunities for the Luxembourg fund industry.

Shape regulation

An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg's competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision making through relevant input for changes to the regulatory framework, implementation of European directives and regulation of new products or services.

Foster dedication to professional standards, integrity and quality

Investor trust is essential for success in collective investment services and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organising training at all levels, defining codes of conduct, transparency and good corporate governance, and supporting initiatives to combat money laundering.

Promote the Luxembourg investment fund industry

ALFI actively promotes the Luxembourg investment fund industry, its products and its services. It represents the sector in financial and in economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry. ALFI is an active member of the European Fund and Asset Management Association, of the European Federation for Retirement and of the International Investment Funds Association.

To keep up with all the news from ALFI and the fund industry in Luxembourg, follow us on [LinkedIn](#), [Twitter](#) (@ALFI-funds), [YouTube](#) and [Flickr](#).

For more information visit www.alfi.lu



**ALFI | Association of the Luxembourg
fund industry**

12, rue Erasme | L-1468 Luxembourg

Tel. +352 22 30 26 - 1

info@alfi.lu | www.alfi.lu

NOVEMBER 2022

©ALFI. ALL RIGHTS RESERVED

