

Press release

Luxembourg, 25 November 2014

## **THE 9<sup>th</sup> ALFI REAL ESTATE INVESTMENT FUND SURVEY: GROWTH CONTINUES FOR LUXEMBOURG DOMICILED REIFS**

The Association of the Luxembourg Fund Industry (ALFI) today released the 2014 version of its annual real estate investment fund (REIF) survey\*, showing the development of the Luxembourg-domiciled REIF market as at the end of 2013.

According to the survey, 2013 was a good year for Luxembourg domiciled REIFs. 15 new Direct REIFs were launched, slightly down compared with 25 launches in 2012. Early signs for 2014 are very positive, with an additional 15 Direct REIFs launched in the first six months, bringing the total of Direct REIFs surveyed to 237, with an additional 40 Funds of Real Estate Funds completing the total survey population of 277 funds.

Marc Saluzzi, Chairman of ALFI, observes: "The sector has grown 276% since 2006, a compound annual growth rate of 21%. The continued growth in the number of REIFs in Luxembourg demonstrates that Luxembourg remains a favoured location to establish and maintain multi-national and multi-sectoral regulated real estate investment funds which continue to appeal to institutional investors and fund managers around the world."

He continued: "The introduction of the AIFMD has impacted REIFs and the slight slowdown followed by an acceleration were expected. We believe Luxembourg continues to appeal to the global REIF industry as a domicile, as it combines investor protection with well-established industry practices at a reasonable cost."

Key findings of the survey include:

- Almost all of the new REIF launches were initiated by initiators in Europe with Benelux, German, and Swiss initiators again being the most active;
- The most common target sector is still 'multi-sector', with, 57% of the surveyed REIFs investing in a variety of sectors, with a preference for 'office' at 27% and for 'residential' at 21% in 2013. 30% of early 2014 launches, meanwhile, were in the more traditionally preferred 'retail' sector.
- A single country investment focus still represents only 41% of the geographic investment strategies. This is a rise compared with 27% and 35% in the 2012 and 2013 ALFI REIF Surveys and supports a move toward simplification, but nevertheless underlines the suitability of Luxembourg investment vehicles for multi-national investments. The vast majority of the Direct REIFs surveyed invest in Europe, whereas eight funds invest in the Americas only and eleven in the Asia/Pacific region;
- Although umbrella fund structures remain popular due to practical and cost considerations, the trend over the last few years has been towards a simplification of structures and strategies; as indicated by 64% of the funds surveyed having a single compartment structure.

- In total 70% of Direct REIFs are closed-ended, reflecting the inherent illiquidity of real estate as an asset class and the difficulties of achieving investor liquidity on demand;
- Similar to the findings of the previous two ALFI REIF surveys, average fund sizes continue to decrease, with the most common net asset value range between EUR 100 and 200 million and with the most common gross asset value range between EUR 400 and 800 million. Funds are becoming smaller, which reflects the more cautious capital raising forecasts of 2014 and preceding years. While target gearing is down in most of the ranges, the results are mixed, indicating some optimism in relation to the ability to borrow;
- Investors are predominantly European, but a significant number also come from the Americas, Asia and the Middle East. Direct REIFs are widely distributed (but with a focus on specific geographical areas), with only 27% limited to a single country, and 24% being sold in more than six countries. The growing trend toward wider distribution confirms the global appeal of the Luxembourg real estate investment vehicles, especially those set up under the Specialised Investment Fund (SIF) regime, which has accounted for all new launches over the last 30 months;
- Luxembourg domiciled Direct REIFs and funds of REIFs are mainly used for small groups of institutional investors, with 84% having less than 25 investors. Only 2% reported having more than 100 investors.

\*Luxembourg Real Estate Investment Fund (REIF) Survey can be downloaded here:  
<http://www.alfi.lu/node/2807>

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**Notes to editors:**

**The Association of the Luxembourg Fund Industry (ALFI)** is the representative body of the Luxembourg investment fund community. Created in 1988, the Association today represents over 1300 Luxembourg domiciled investment funds, asset management companies and a wide range of service providers such as custodian banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax experts, auditors and accountants, specialist IT providers and communication companies. The Luxembourg Fund industry is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment structures are distributed on a global basis in more than 70 countries with a particular focus on Europe, Asia, Latin America and the Middle East. For further information, do not hesitate to consult our website at [www.alfi.lu](http://www.alfi.lu)

To keep up with all the news from ALFI and the fund industry in Luxembourg, join us on [LinkedIn](#) (The Luxembourg Fund Industry Group by ALFI), [Twitter](#) (@ALFI-funds), [Youtube](#) and [Vimeo](#).