



association of the  
luxembourg fund industry

| alfi survey



Luxembourg real estate investment funds  
September 2011



## Table of contents

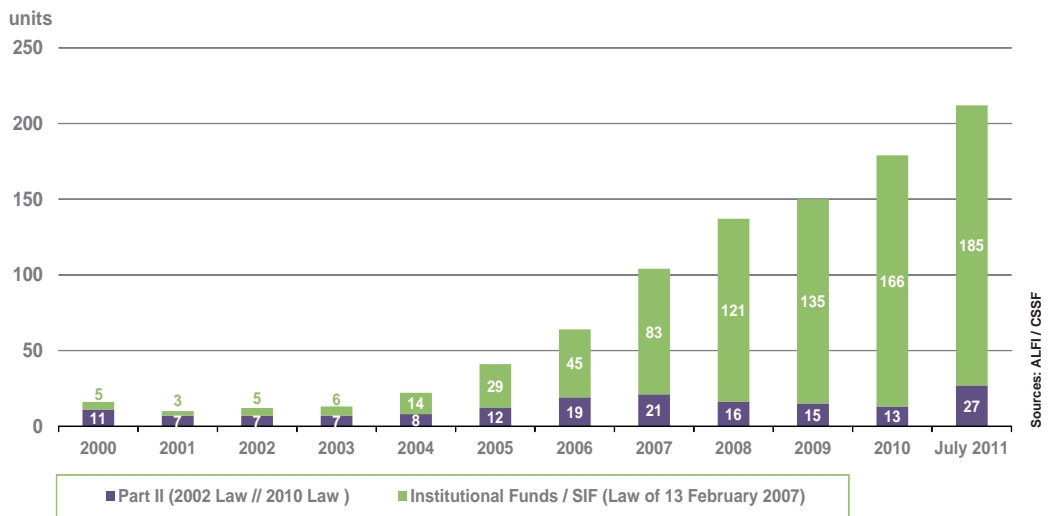
Introduction .....	4
<i>Luxembourg Real Estate Funds - the Framework</i> .....	5
Direct REIFs vs Funds of Real Estate Funds .....	5
Regulatory Framework: Regulated vs Unregulated Structures.....	5
Legal Structures.....	6
<i>Scope and Methodology</i> .....	6
Scope.....	6
Methodology .....	7
Part I - Direct Real Estate Funds & Real Estate SICARs.....	8
<i>Introduction</i> .....	8
<i>Commercial Design</i> .....	9
Initiator Origins.....	9
Legal Structure and Regime .....	9
Fund Structure .....	11
Investment Style .....	12
Investor Liquidity.....	13
Term.....	14
Geographical Investment Strategy.....	15
Target Sectors.....	16
Net Asset Value (NAV) and Gross Asset Value (GAV).....	17
Target Gearing of Funds .....	19
Fees.....	19
Number of Investors.....	21
Type of Investors.....	21
Investor Origins.....	22
<i>Financial Framework</i> .....	23
Accounting Standards.....	23
Frequency of NAV Calculation .....	25
Valuation Standards.....	27
Stock Exchange Listing.....	27
Currency .....	27
Part II - Funds of Real Estate Funds .....	28
<i>Introduction</i> .....	28
<i>Commercial Design</i> .....	28
Initiator Origins.....	29
Legal Structure and Regime .....	30
Investment Style .....	30
Investor Liquidity.....	31
Term.....	32
Geographical Investment Strategy.....	33
Target Sectors.....	34
Net Asset Value (NAV) and Gross Asset Value (GAV).....	35
Fees.....	36
Type of Investors.....	37
<i>Financial Framework</i> .....	38
Accounting Standards.....	38
Frequency of NAV Calculation .....	38
Stock Exchange Listing.....	39
Currency .....	39
Summary.....	39
Appendix.....	40
<i>Service Providers</i> .....	40
<i>Glossary</i> .....	41
<i>Acknowledgements</i> .....	43



## INTRODUCTION

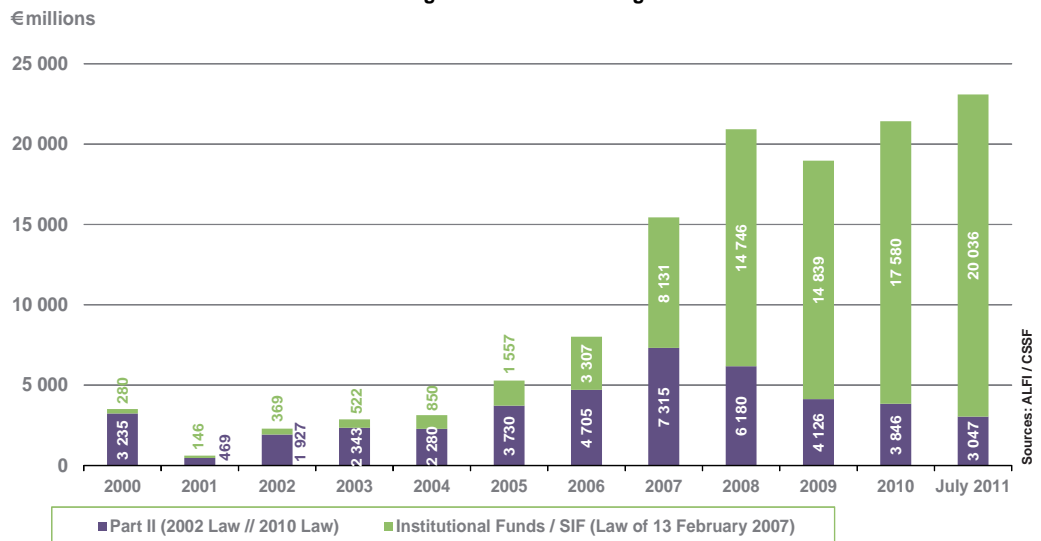
The ALFI REIF sub-committee conducted the sixth update of the survey of Luxembourg regulated real estate funds («REIFs») during the second quarter of 2011. The survey is focused in particular on direct REIFs, but also covers Funds of Real Estate Funds («FOREFs»). The main objective in producing the survey was to gain an understanding of market trends rather than to provide complete and comprehensive data, although a significant proportion of the Luxembourg REIF market was captured. This report presents the results of the survey and the key conclusions drawn. The sources of the data are the depositaries who support the Direct REIFs & FoFs and this population has changed year to year, growing over the 6 years of the survey.

**Growth in the number of Luxembourg real estate fund units (\*)**



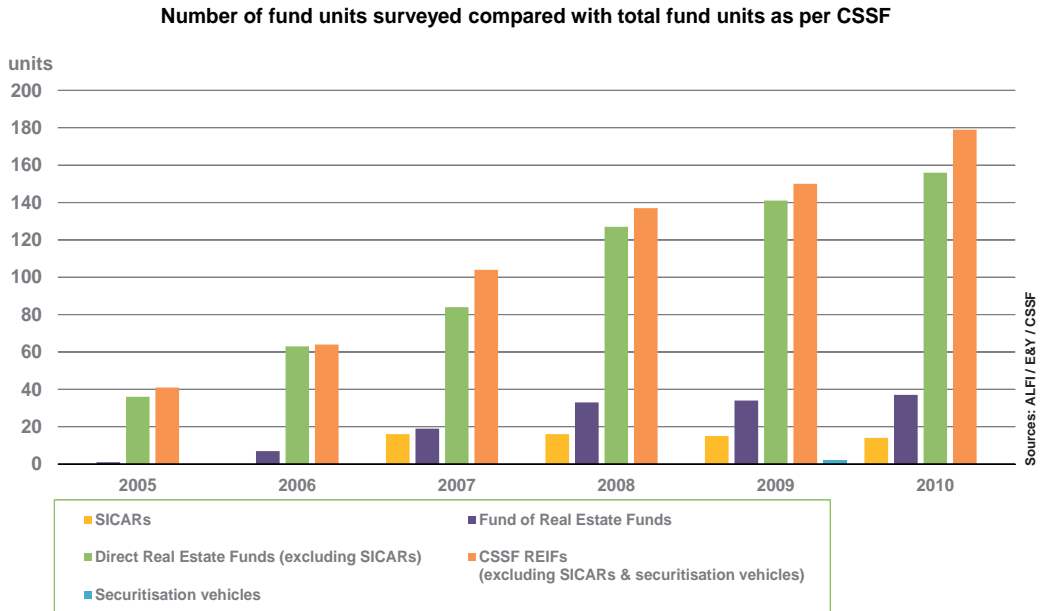
(\*) The number of single funds plus the sub-funds of umbrella structures

**Net assets under management in Luxembourg real estate funds**



### Survey Coverage

As shown below, the ALFI REIF Survey provides good coverage of the market compared to the CSSF data as at December 2010.



## Luxembourg REIFs - the Framework

### DIRECT REIFs vs. FUNDS OF REAL ESTATE FUNDS

For purposes of this survey, **Real Estate Funds** are characterised as either «**Direct**» or «**Funds of Real Estate Funds**»:

**DIRECT REIFs** include both fund vehicles and SICARs which invest in real estate assets either directly or via intermediary entities (special purpose vehicles, or SPVs).

**FUNDS OF REAL ESTATE FUNDS** typically invest in other real estate funds or SICARs, although other assets may be held.

«**Indirect Real Estate Funds**» invest in listed real estate related securities as portfolio investments: such funds are outside the scope of this survey.

### REGULATORY FRAMEWORK: REGULATED vs. UNREGULATED STRUCTURES

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

The primary law applicable to regulated funds is the law of 17 December 2010 relating to undertakings for collective investment, as amended (the 2010 law) which replaces the law of 20 December 2002. Of special relevance to real estate funds, the 2010 law is complemented by the law of 13 February 2007 on specialised investment funds (the SIF Law). The SIF Law replaced the 1991 Law and funds previously governed by the 1991 Law become subject to the provisions of the SIF Law.



Interests in funds which are subject to the 2010 law can in principle be sold to any type of investor, including institutional, high net worth and retail investors. 2010 law «Part I» funds (UCITS) may take advantage of the European passport, which means that they can be sold to any type of investor in any EU Member State after complying with certain formalities. They are, however, required to comply with detailed investment restrictions. 2010 law «Part II» funds must comply with each relevant member state's local distribution rules, and are required to comply with certain investment restrictions (much less stringent than for «Part I» funds).

Interests in funds which are subject to the SIF Law may only be sold to «well-informed investors». In addition to the usual market of institutional and professional investors, this opens SIFs to high net worth individuals who meet the requirements of the SIF Law. SIFs are not subject to general investment restrictions but must ensure adequate risk diversification and disclosure; exceptions are subject to case-by-case review.

Another useful Luxembourg vehicle is the SICAR, which is not classified as a fund. The Société d'Investissement en Capital à Risque is governed under the law of 15 June 2004, as amended on 24 October 2008. It is an investment vehicle tailored to qualified investors investing in venture capital and private equity. The SICAR can take various legal forms (such as the S.C.S., S.A., S.à r.l., S.C.A. or other legal structures as tax considerations usually dictate) and, whilst regulated, is not subject to investment restrictions and diversification requirements.

Unregulated vehicles are typically set up as companies under the law of 10 August 1915 on commercial companies, as amended. They often take the form of private limited companies (S.à r.l.) or partnerships limited by shares (SCA). When companies have as their main purpose the holding and financing of participations in other companies (which in their turn may own real estate) such companies are often referred to as SOPARFI's. SOPARFI's do not enjoy a special legal or tax regime, but like any other Luxembourg fully taxable companies benefit from the participation exemption regime on qualifying participations. 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 (as opposed to investment vehicles subject to regulatory oversight and restrictions). Regulated vehicles benefit, among others, from favourable tax status and a high level of investor protection. Unregulated vehicles tend to have a small group of investors and a simple capital structure. Notwithstanding the foregoing, unregulated vehicles may have a higher total Net Asset Value than regulated funds with more investors.

## LEGAL STRUCTURES

Real estate funds governed by the 2010 law or the SIF law may be set up either in corporate form («SICAV» or «SICAF») or in contractual fund form («FCP»). A key determining factor in the selection of one of these structures is the tax regime applicable to investors; FCPs are tax transparent whereas SICAVs and SICAFs are taxable, with certain exceptions.

Regulated funds governed by the 2010 Law or the SIF Law as well as the SICAR may adopt an umbrella structure with multiple sub-funds where, for instance, sub-funds have a different investment policy 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 assets and liabilities.

For the purpose of this survey, reference to the number of fund «units» means the number of single funds plus the number of sub-funds following separate strategies.

## Scope and Methodology

### SCOPE

The survey covers direct REIFs, real estate SICARs and Funds of Real Estate Funds to which ALFI members provide depositary services. It does not cover unregulated vehicles, nor does it cover the intermediary financing vehicles set up for the acquisition of property or similar collective investment vehicles. The survey also requested submissions on regulated infrastructure funds, but insufficient data was returned in this category for a separate analysis to be made. The survey has therefore included these in the Direct REIFs category.

## METHODOLOGY

The survey is based on a comprehensive questionnaire which was sent to all ALFI members. The depositaries responding are those which service the vast majority of direct REIFs and Funds of Real Estate Funds in Luxembourg. The questionnaire, which focused on the status as at the end of December 2010, included questions relating to each fund's:

- Geographical investment region
- Target segment of investment
- Net Asset Value (NAV), Gross Asset Value (GAV) and target gearing
- Investment style
- Legal regime and structure
- Investor types and origin
- Accounting standard (GAAP)
- Fees
- Valuation methodology
- Initiator origin
- Service providers including depositary, central administration, audit, legal and tax

Direct REIFs tend to be concentrated at a limited number of depositaries which have the specialised competencies to serve this market.

Where possible, survey results are at times compared with those published in Luxembourg Real Estate Funds: A comprehensive survey by Ernst & Young, published in January 2006 and the ALFI REIF Surveys 2007 - 2011.

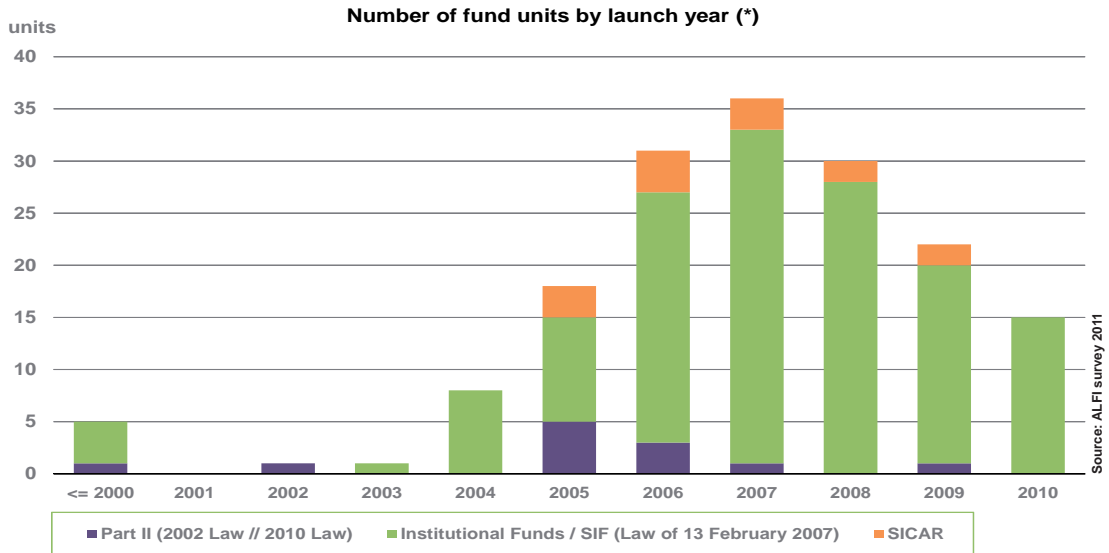


## PART I - DIRECT REAL ESTATE FUNDS & REAL ESTATE SICARS

### Introduction

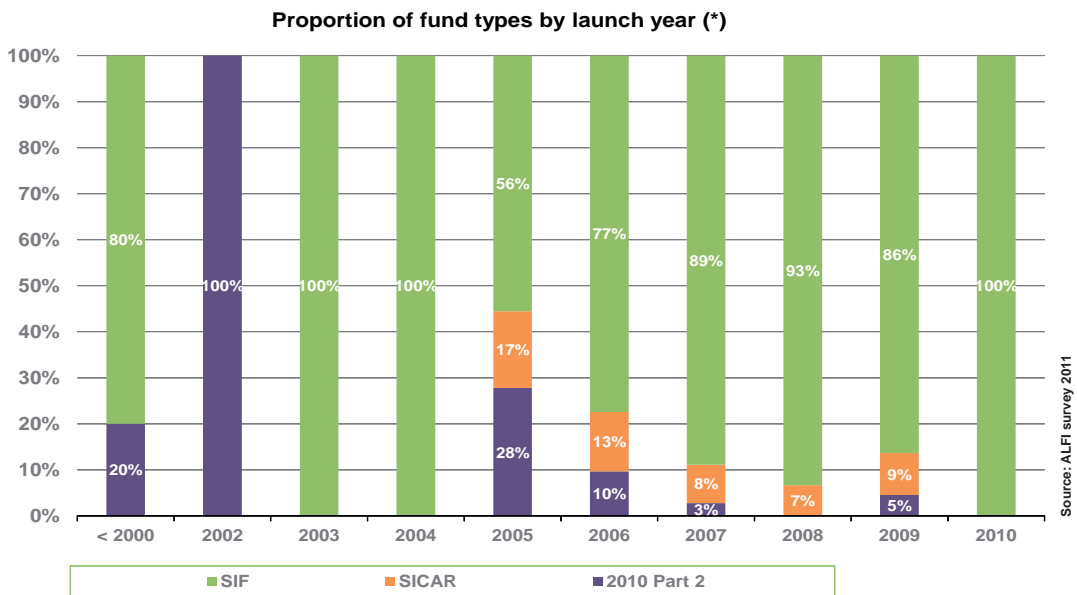
Direct REIFs surveyed (excluding SICARs) continued to perform with a constantly increasing number of fund units (+15) since 2009, bringing the total to 156 REIFs as at December 31, 2010.

The total number of direct REIFs has increased by 11% this year and by 206% since 2006, a compound annual growth rate (CAGR) of 32%. We also include data on 14 Real Estate SICARs.



(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2011. It is NOT a cumulative sequence.

Since 2004, Institutional / SIF funds became the majority and since 2008 have accounted for almost all new fund launches.

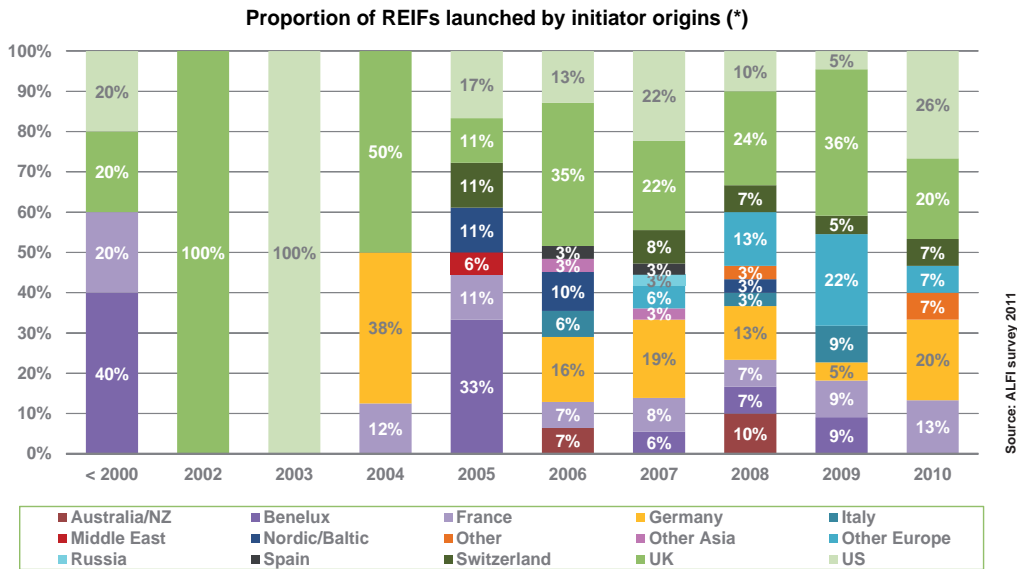


(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2011. It is NOT a cumulative sequence.

## Commercial Design

### INITIATOR ORIGINS

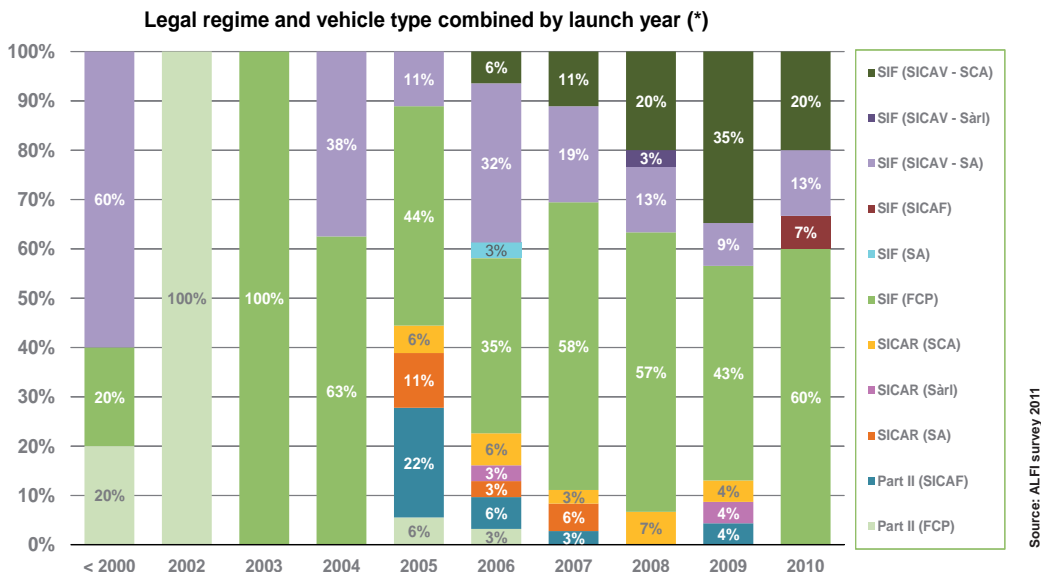
In 2010, German and US promoters returned to the market. However, UK and French managers continue to be active. European initiators were responsible for 67% of the new launches, compared with 95% in 2009. No new funds were launched by Asian groups, but with the US taking 26% of the total, it reconfirms the popularity of Luxembourg as a global fund centre.



(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2011. It is NOT a cumulative sequence.

### LEGAL STRUCTURE AND REGIME

The majority of real estate funds fall under the SIF Law. This reflects the popularity of this regime for real estate fund initiators for an onshore regulated investment fund vehicle for all types of alternative investment fund products (including direct REIFs and Funds of Real Estate Funds).



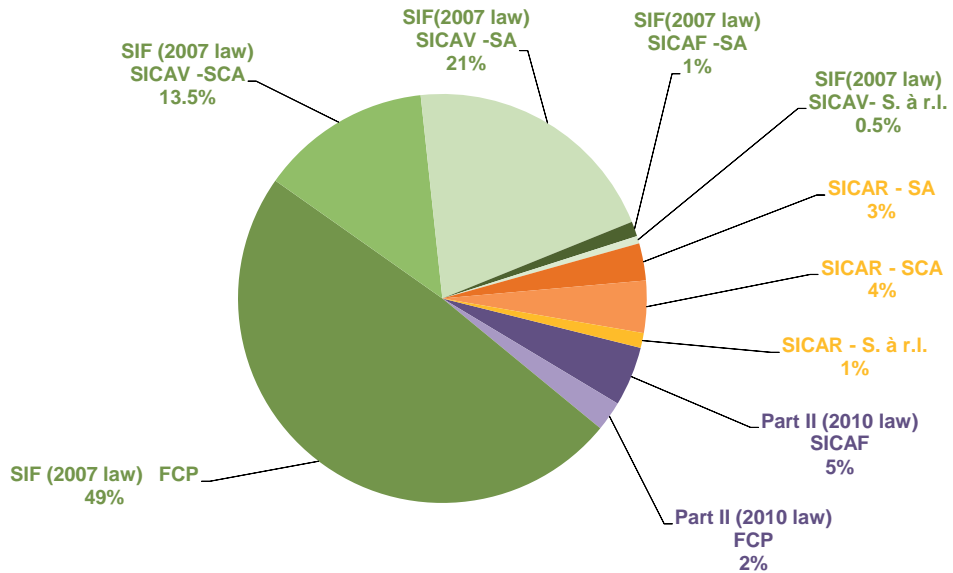
(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2011. It is NOT a cumulative sequence.



Over half of the 156 (excluding SICARs) surveyed funds (excluding SICARs) are using the FCP as the vehicle, usually in combination with the SIF regime - this is by far the most popular combination of regulatory regime and fund vehicle utilised.

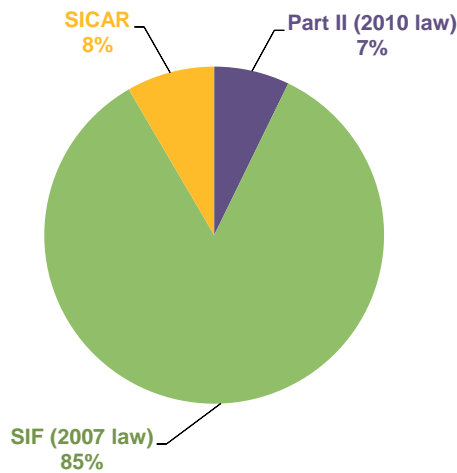
This reflects the versatility of the Luxembourg regime in offering both transparent and opaque vehicles.

**Legal regime and structure combined**

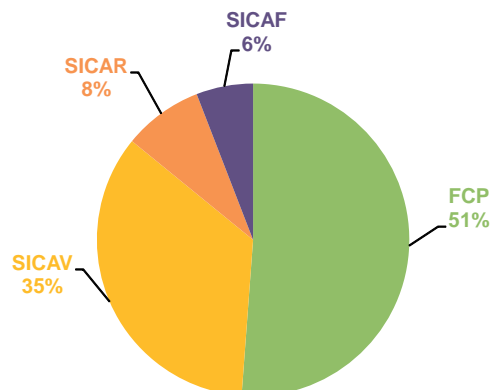


Source: ALFI survey 2011  
Data as of 31 December 2010

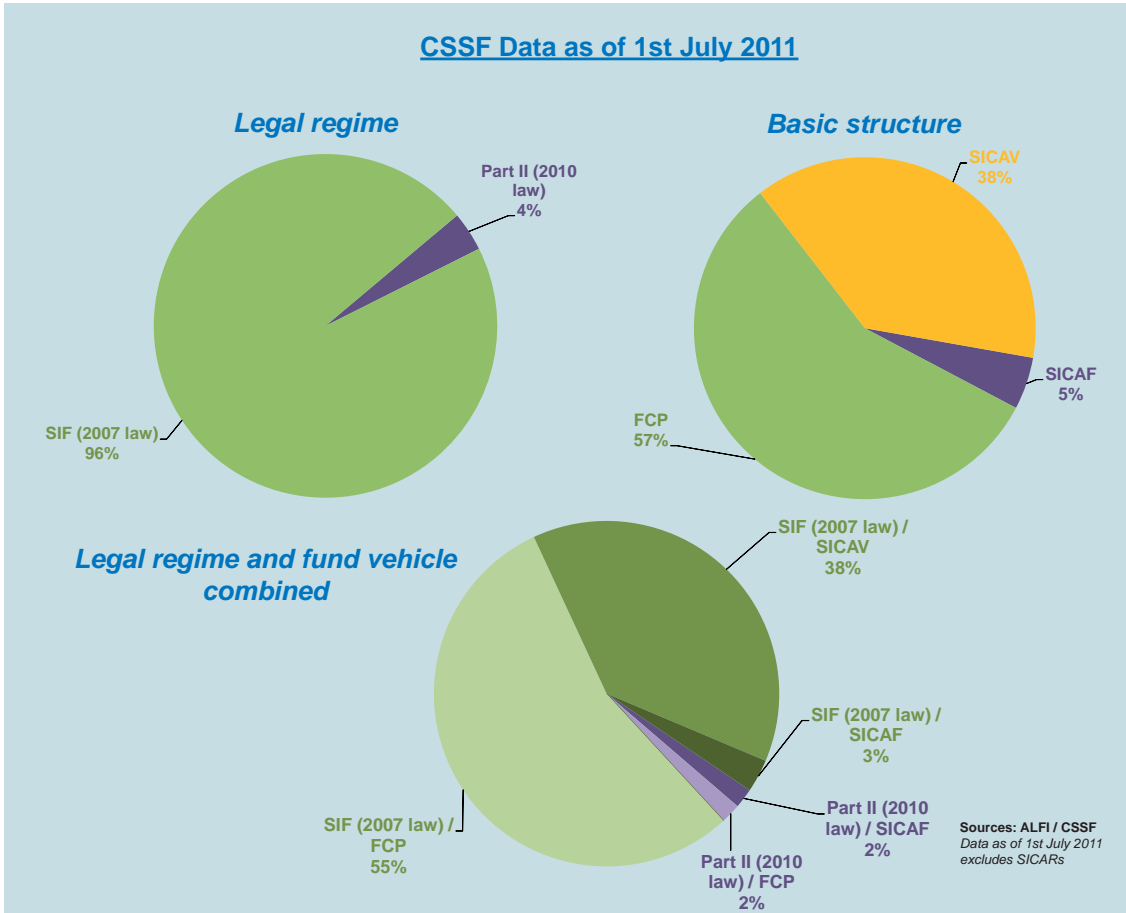
**Legal regime**



**Basic structure**

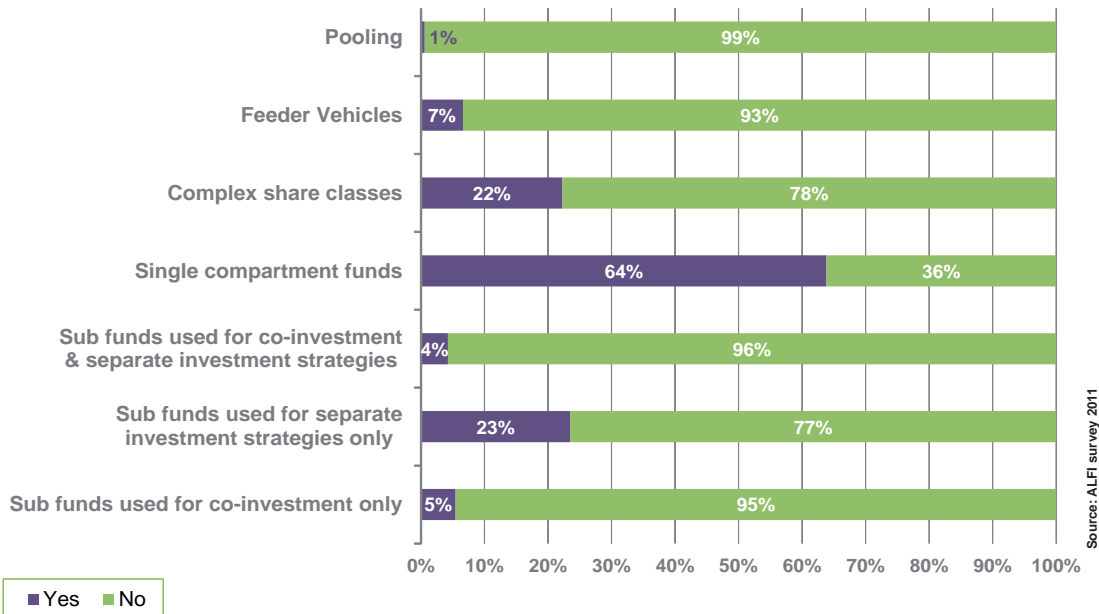


Source: ALFI survey 2011  
Data as of 31 December 2010



## FUND STRUCTURE

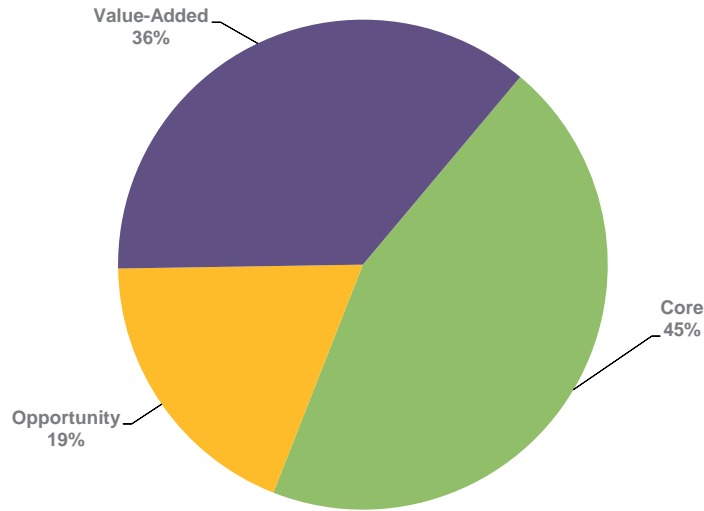
64% of the surveyed funds reported being single compartment vehicles. The remaining funds have a multi-compartment umbrella structure (i.e. sub-funds); 23% use this structure solely for separate investment strategies, 5% use an umbrella solely for co-investment and 4% combine both types of usage. 7% of funds use feeder vehicles and 22% have complex share classes so that, for example, different management and performance fee structures can be managed between different investors. There is only 1 fund which uses a pooling structure; possibly because in practice this is difficult to implement for direct real estate funds (as opposed, for example, to equity funds).



## INVESTMENT STYLE

45% of the 170 funds surveyed, including SICARs, are core funds with the remainder split between value-added (36%) and opportunity (19%) fund styles. This remained stable compared to 2009.

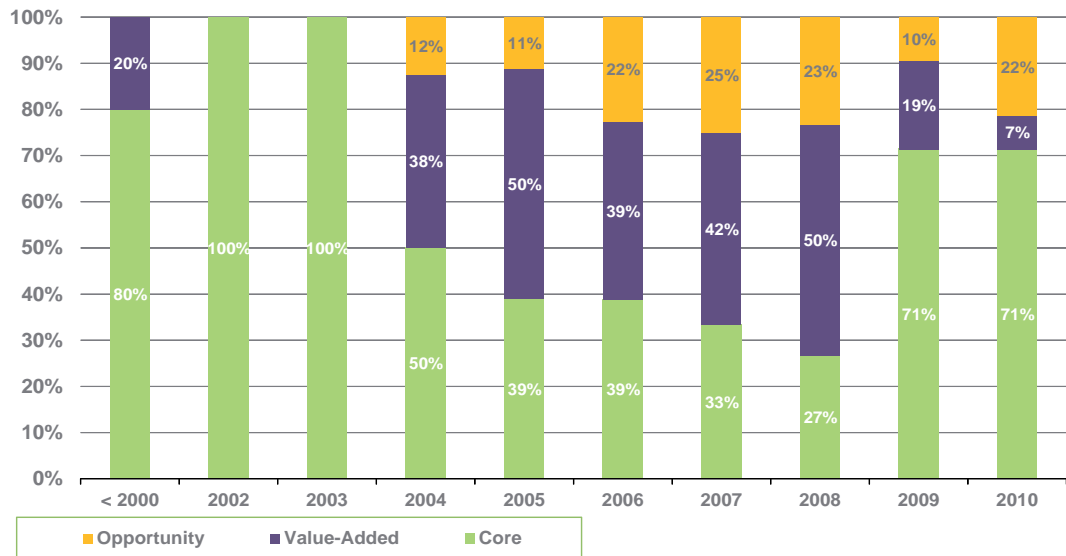
In terms of the regulatory regimes, all SICARs must be opportunity funds, 2010 Part II funds predominantly pursue a core strategy, whilst the SIF regime is flexible (encompassing core, value-added and opportunity strategies).



Source: ALFI survey 2011

The percentage of core fund launches have remained the same in 2010 (71%) with 10 fund launches; value-added funds have dropped dramatically with only 7% and opportunity funds have returned to the level of 2006 - 2008 with 22%.

Fund unit launches by strategy type (\*)

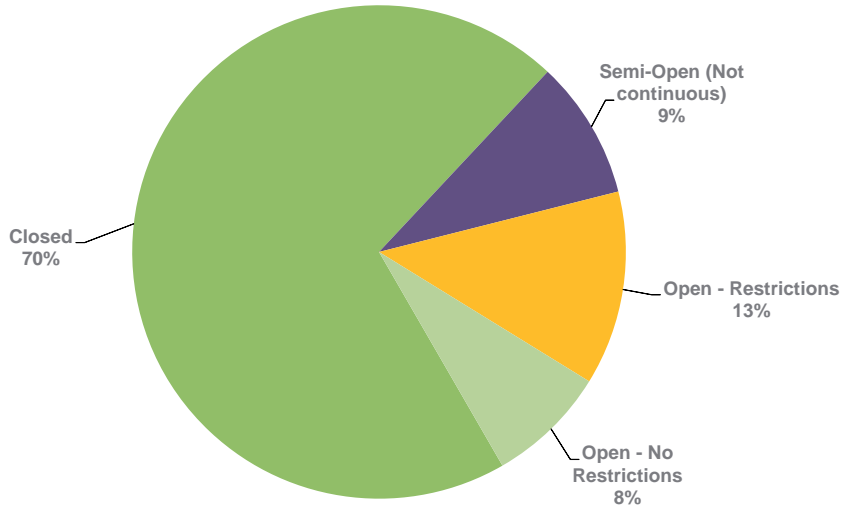


Source: ALFI survey 2011

(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2011. It is NOT a cumulative sequence.

## INVESTOR LIQUIDITY

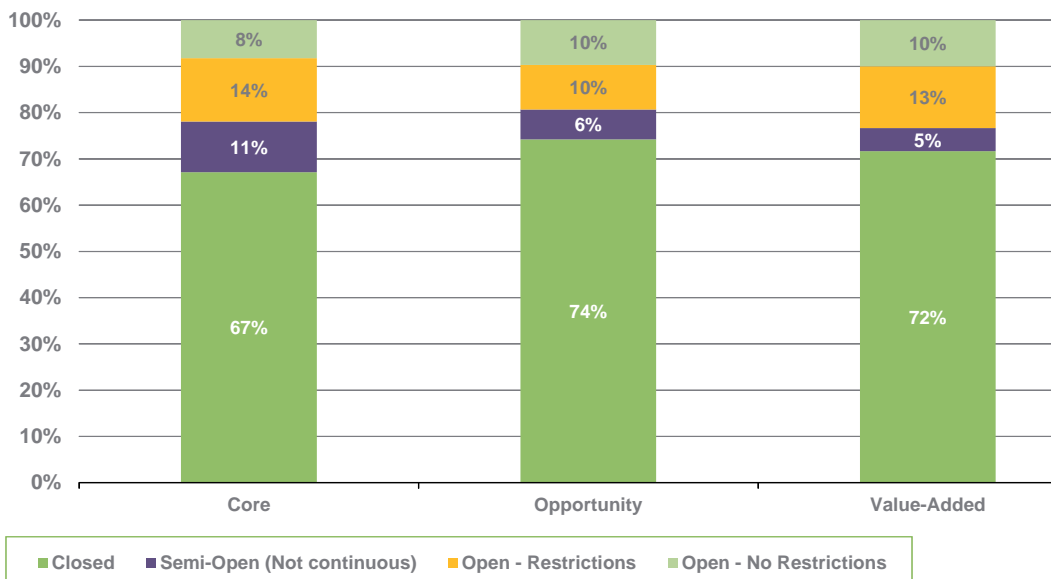
70% of the surveyed funds are closed-ended. 9% of the funds are semi open-ended with only 8% being fully open-ended with no restrictions on redemptions. 13% of the funds are open with restrictions, which can be compared to the 12% reported in 2008 and 2009. This reflects the inherent illiquidity of real estate as an asset class and thus the difficulties of achieving investor liquidity upon demand.



Source: ALFI survey 2011

Of the 31 opportunistic funds surveyed, 23 (74%) are closed-ended. Value-added funds tend towards being more closed-ended in type (72%), with 13% open-ended with restrictions. Core funds are mostly closed-ended (67%) but a third of core funds offer some form of regular liquidity to investors .

Fund investment style by investor liquidity



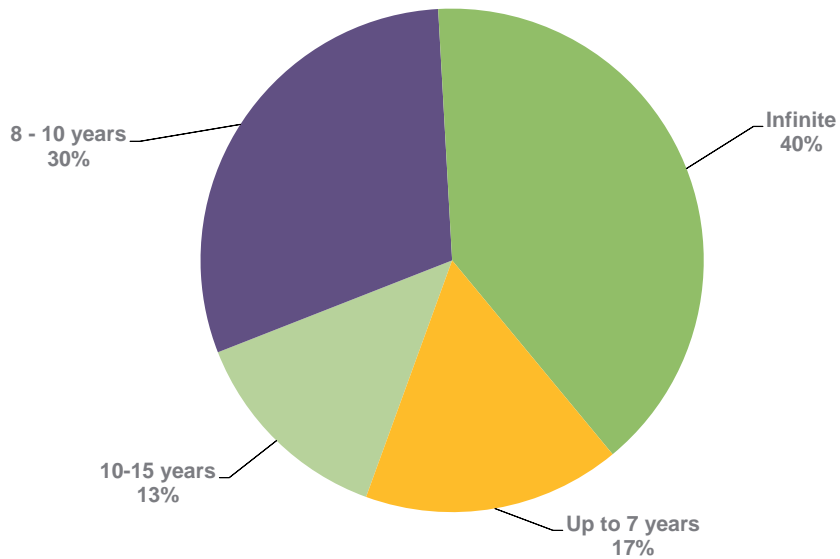
Source: ALFI survey 2011



TERM

Roughly a third of funds have a term of 8 -10 years, while a further 40% have an infinite life.

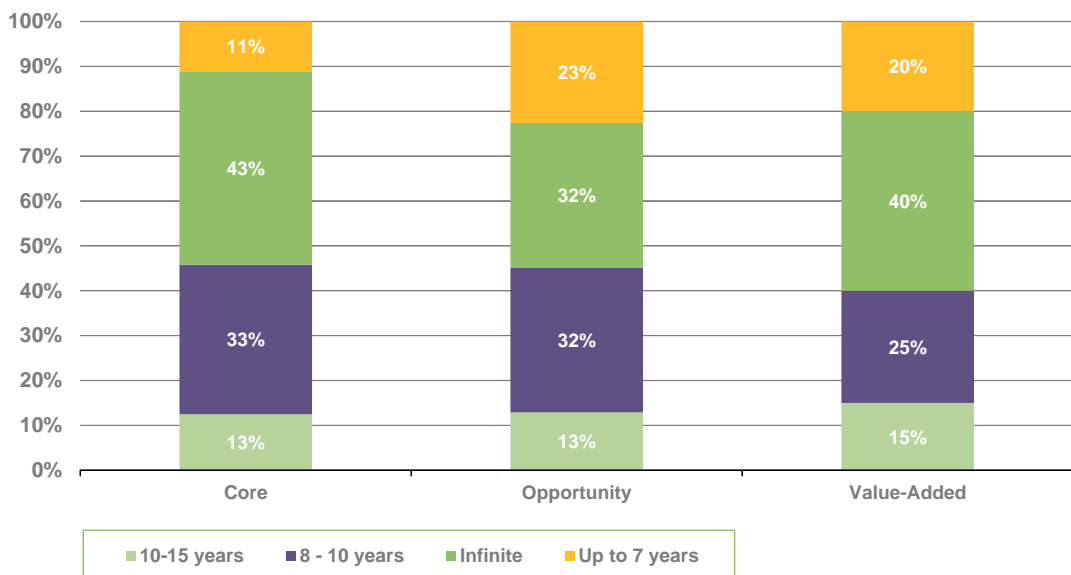
*Term of direct real estate funds*



Source: ALFI survey 2011

Notably, 43% of core funds have an infinite life, compared with 40% for value-added funds and 32% for opportunity funds. Meanwhile, a third of core funds and opportunity funds (with respectively 33% and 32%) have a term of 8-10 years.

**Fund duration by investment style**



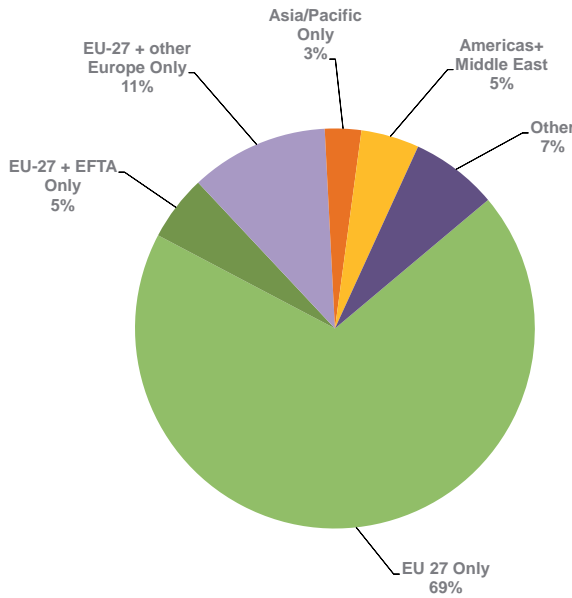
Source: ALFI survey 2011

## GEOGRAPHICAL INVESTMENT STRATEGY

Similarly to the 2010 survey, 25% of direct REIFs have a single-country investment focus, reflecting the suitability of the SIF for investment strategies focusing on various specific countries. 85% of the funds invest only in Europe, including the majority of the 31 single-country funds (74%).

Over two-thirds of the funds are focused only on the EU-27 countries (127 funds), with a further 11% (or 18 funds) of the surveyed funds also investing in other European countries.

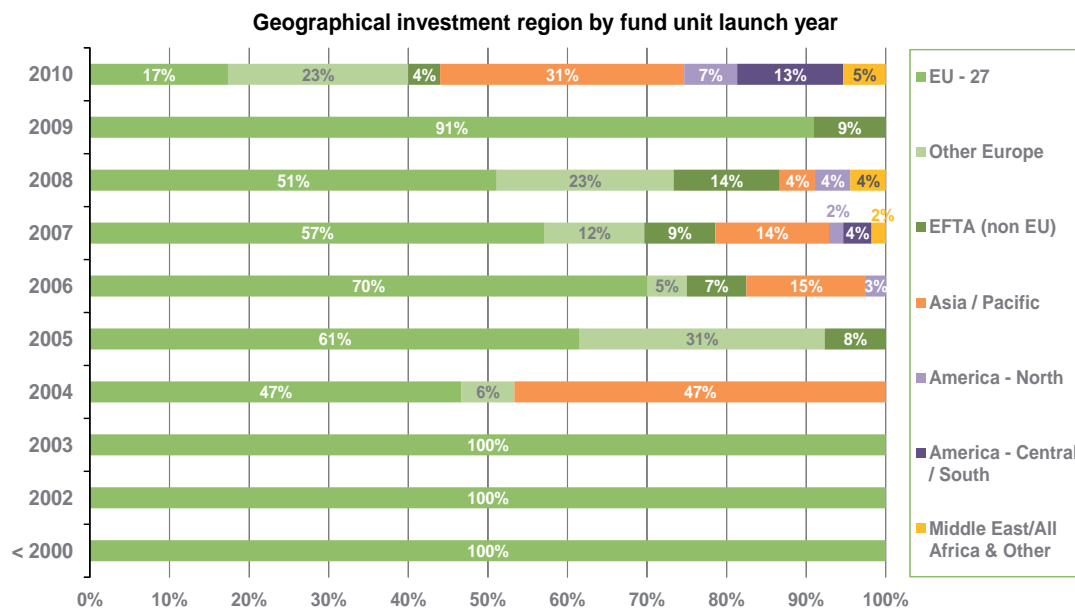
Two funds invest in North America only, one fund in Africa only and 4 funds in Asia / Pacific only. Finally, 31 funds invest in 2 or more world regions.



Source: ALFI survey 2011

Exclusive data: Each fund falls into one category  
Percentages based on the received responses.

We see a clear trend of diversification for geographical investments since 2004, particularly in 2010 with a large proportion of Asia Pacific launches, and the return of Central & South America on the market.



Source: ALFI survey 2011

Non-exclusive data: Each fund may invest in multiple regions shown here.

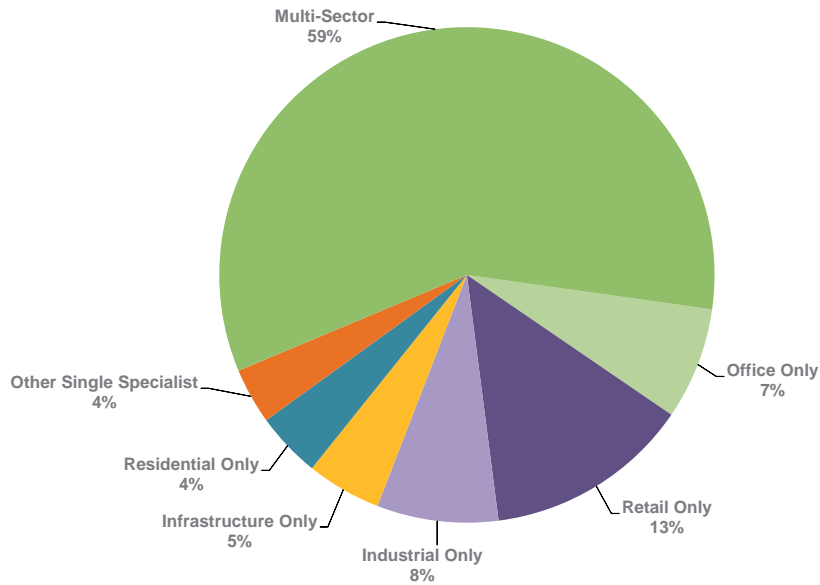


## TARGET SECTORS

Almost 60% of the surveyed funds (96 out of 164) have a diversified investment strategy in terms of property types and this has not changed significantly since 2007.

Since 2005, we have seen the emergence of funds investing in the infrastructure sector (20) as well as investment in residential properties (49), while 2007 saw an increase in investment in industrial / logistics properties (67). The 2011 survey also shows an increase in hospitality investment (included in 16 funds).

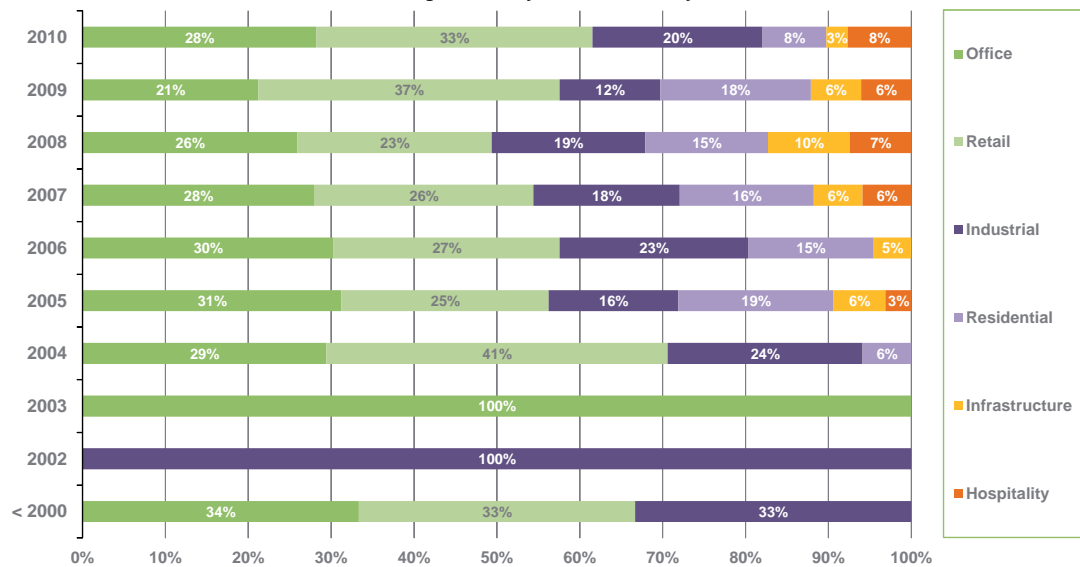
### Sectoral Investment Strategy



Source: ALFI survey 2011

Exclusive data: Each fund falls into one category  
Percentages based on the received responses.

Target sector by fund unit launch year



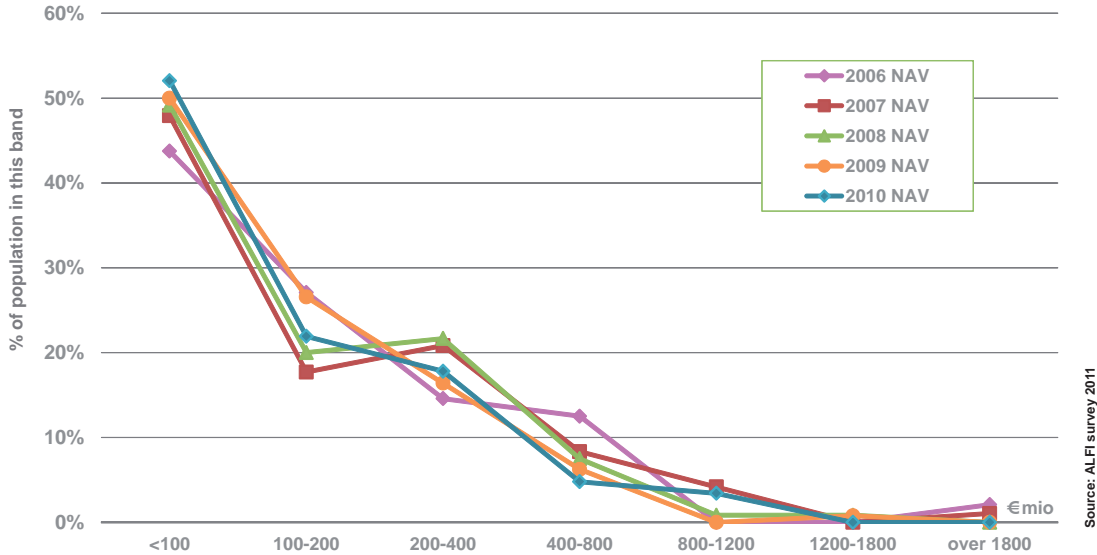
Source: ALFI survey 2011

Non exclusive data, i.e. funds can cover one or several sectors shown. The purpose of the graph is to highlight changes in strategy over time.

## NET ASSET VALUE (NAV) AND GROSS ASSET VALUE (GAV)

The charts below show a comparison of average NAV and GAV reported in the 5 years of the ALFI REIF Survey to date.

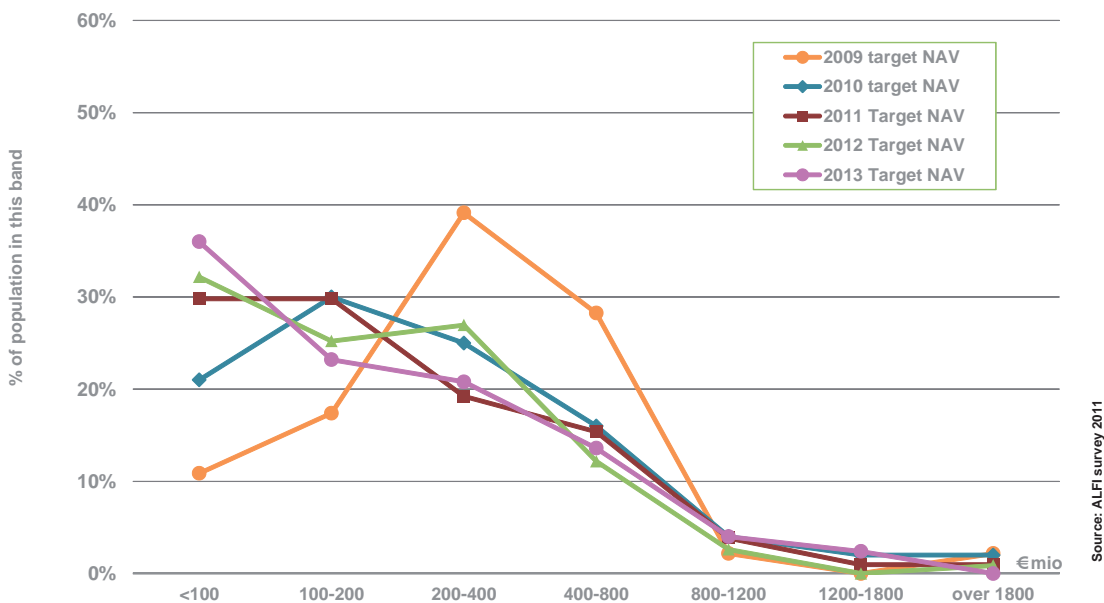
**NAV Distribution**



Source: ALFI survey 2011

More significant is the forecast Target NAV averages of the survey populations which shows a notable decrease in the average fund size, with the median moving from the 200-400 million euros band (2007 survey) to the 100-200 million euros band (2008 survey), possibly reflecting more cautious forecasts for capital raising in 2010 and the creation of numerous smaller funds.

**Target NAV distribution**



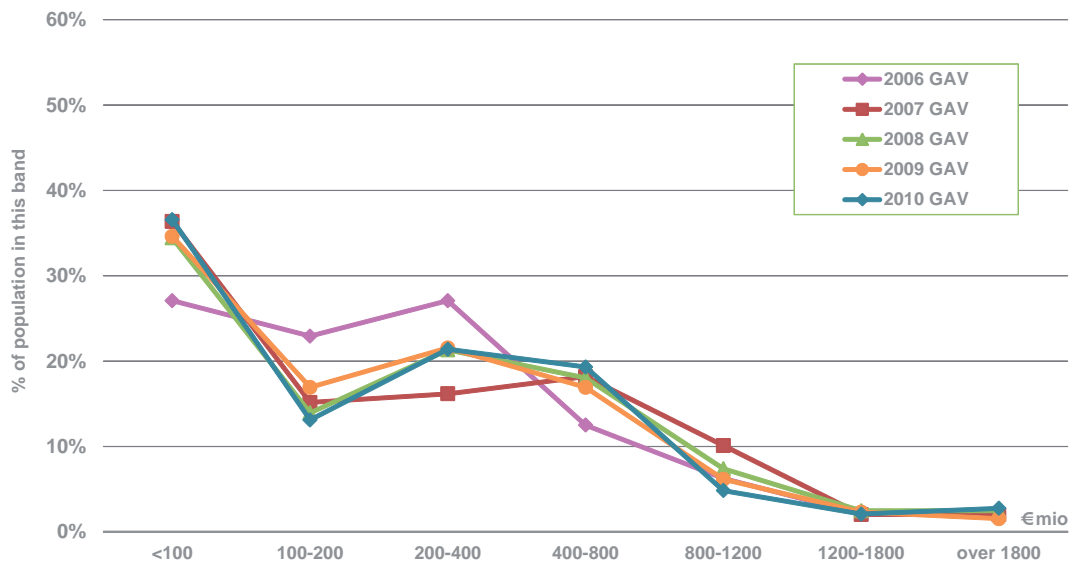
Source: ALFI survey 2011

Target NAV (i.e. in 3 years' time) stabilised in the 2009 survey (i.e. 2011 target) reflecting uncertain market sentiment, but appears to have recovered in 2010 (2013 target).



### GAV Distribution

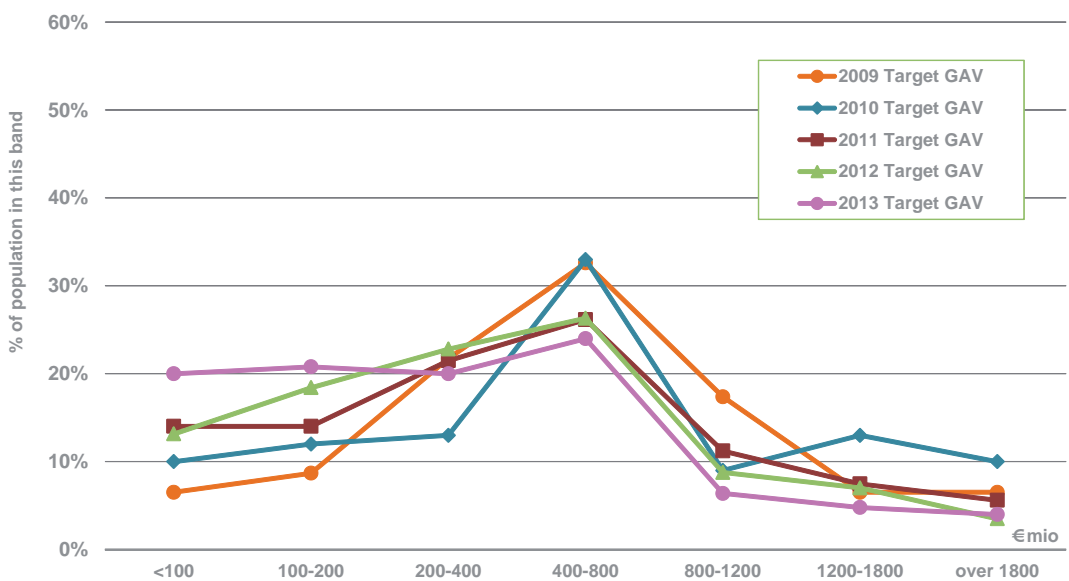
2010 shows a similar pattern to 2008 and 2009.



Source: ALFI survey 2011

The majority of funds' forecast Target GAV is between 400 million euros and 800 million euros - this has not altered significantly from the 2010 REIF survey. The remaining population is approximately evenly split below and above this band.

### Target GAV distribution

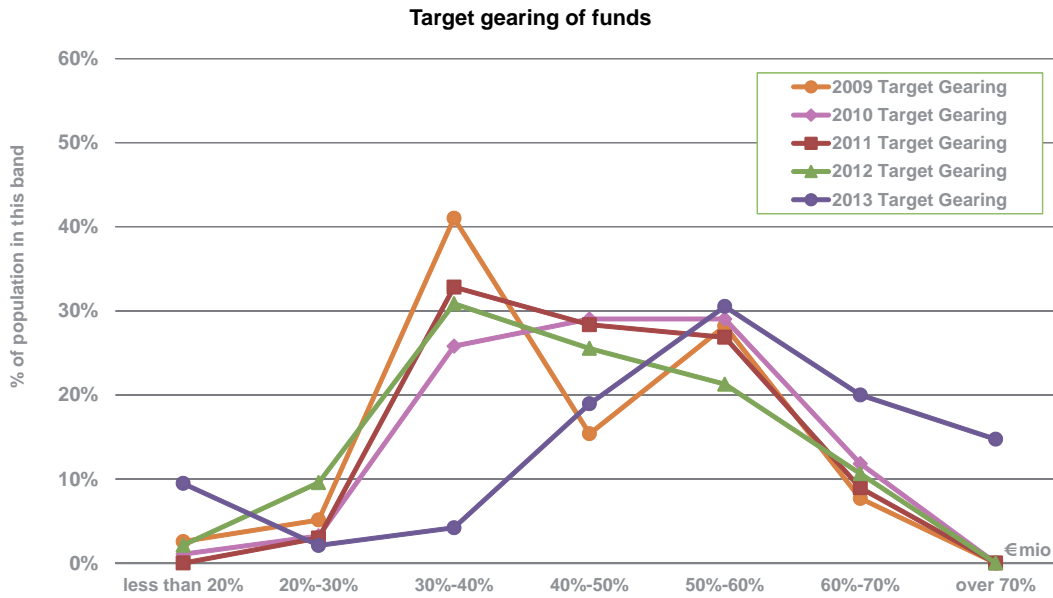


Source: ALFI survey 2011

Note: In this section, graphs exclude the funds that did not provide NAV / GAV figures.

## TARGET GEARING OF FUNDS

There has been a clear return in target gearing for 2013, with the 30-40% range falling to 5% of the population, while 30% report a target in the 50-60% range. The range of 60-70% has risen from 10% of the population to 20%. Notable the range over 70% has risen to 15% of funds.



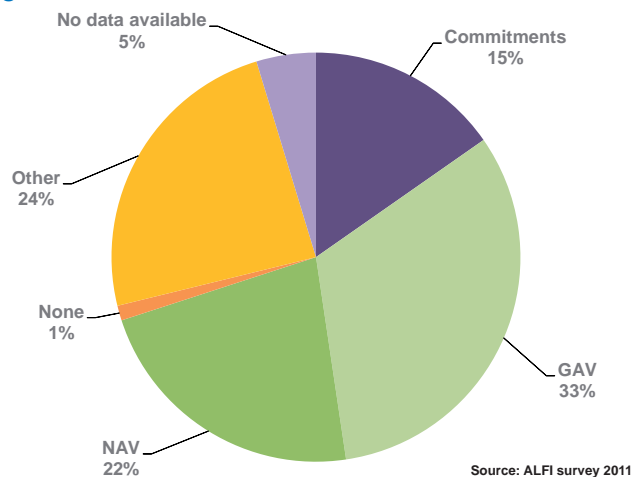
## FEES

33% of the surveyed funds use GAV as the basis for their management fee calculation.

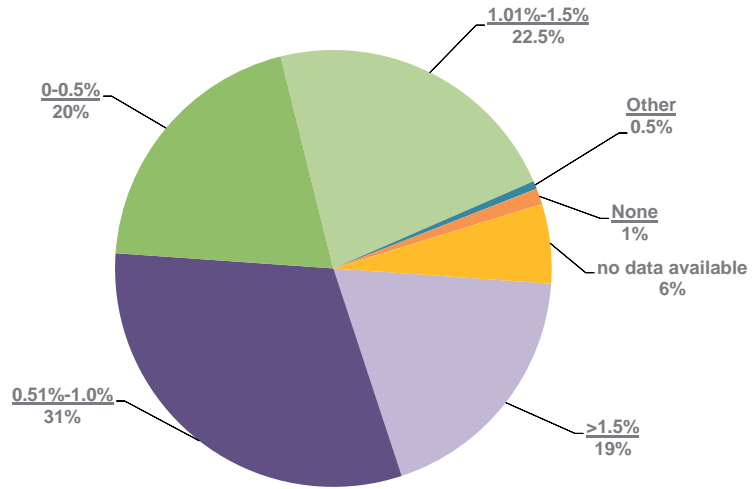
For the GAV Management Fee basis, the most common band is 0.51%-1.0%, similar to the 2010 survey, which covers 31% of the funds this year.

92 of the 170 surveyed funds do not levy a performance fee.

### Management fee calculation basis for direct real estate funds



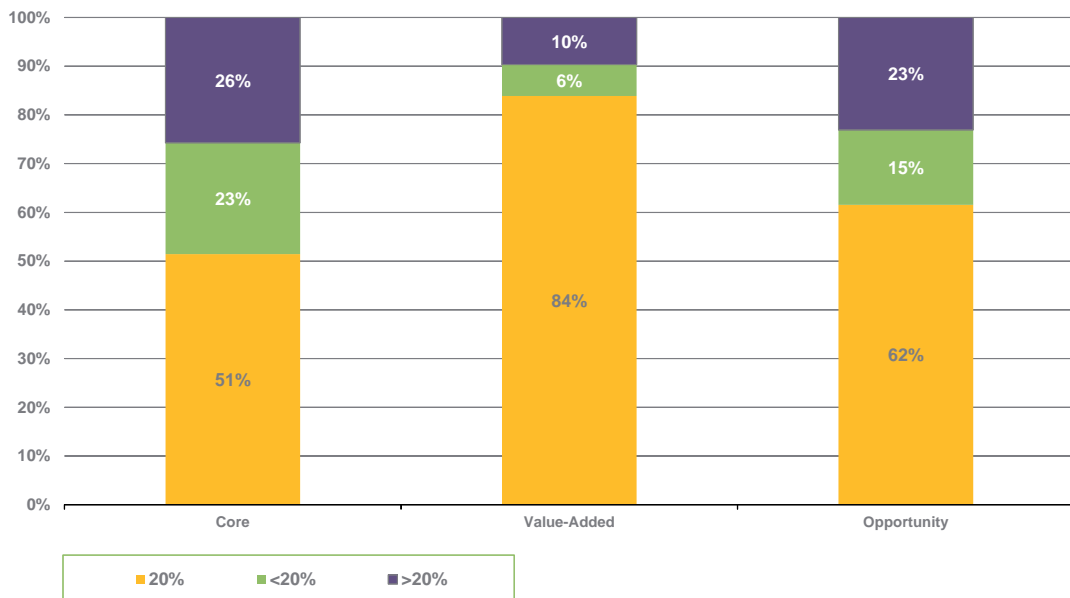
**Management fee range for Direct REIFs**



Source: ALFI survey 2011

Only 79 funds surveyed reported having a performance fee. We believe that the actual proportion is higher, but data has not been given. Of these 62 funds, the opportunity funds indicated a slightly higher payout rate. 62% reported a payout rate of exactly 20%, indicating that this is the market standard.

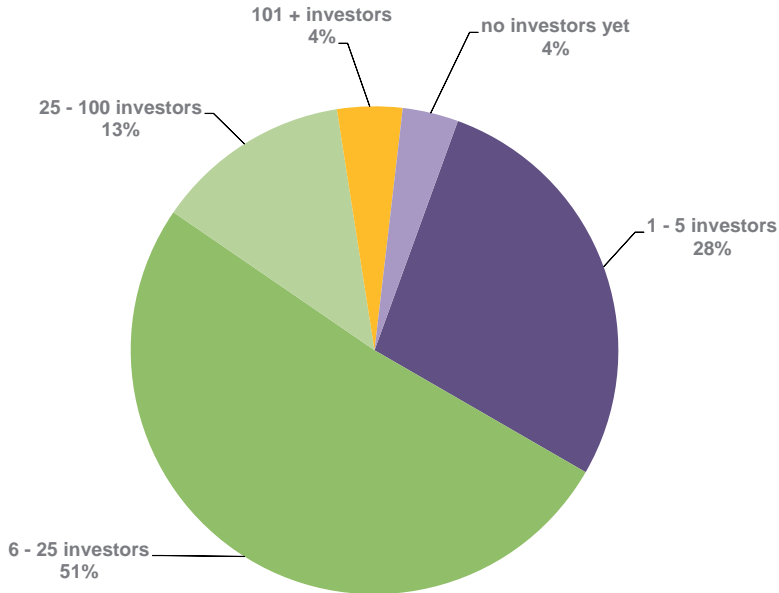
**Performance fee charged**



Source: ALFI survey 2011

## NUMBER OF INVESTORS

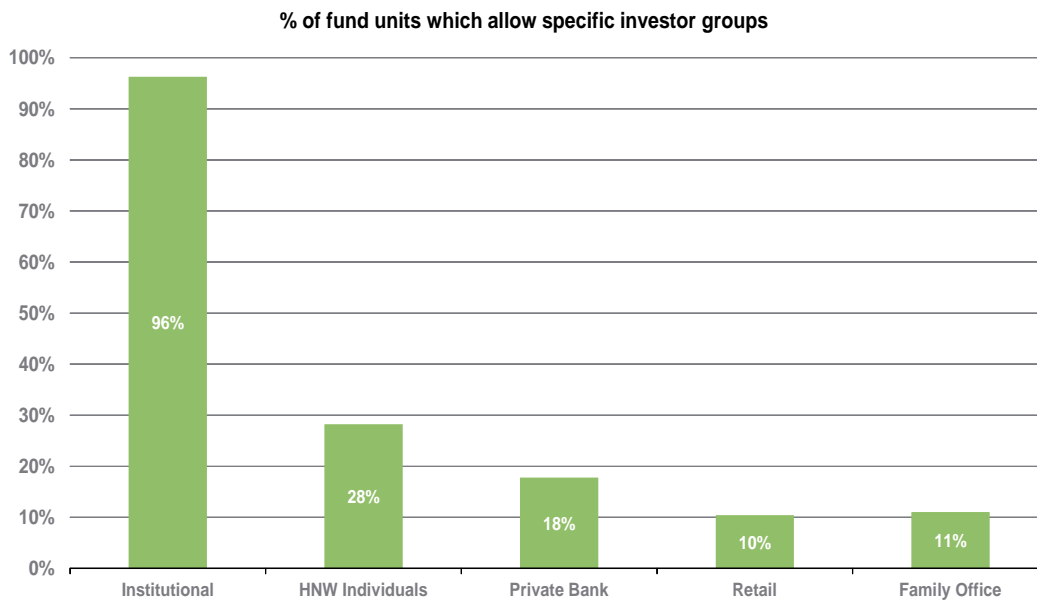
The survey results show that Luxembourg direct REIFs typically do not have a large number of investors. Approximately 79% of the population have fewer than 25 investors and 28% have five or fewer whilst less than 4% have more than 100 investors. This reflects the fact that the majority of investors in such funds are institutional and thus, inherently, there tends to be a smaller number of investors per fund. Only 17% of funds have more than 25 investors.



Source: ALFI survey 2011

## TYPE OF INVESTORS

Virtually all of the funds surveyed have institutional investors, with “high net worth” individuals (HNW) investing in 47 of the funds surveyed. Retail investors have invested in 17 of the funds. Some funds report no investors yet.

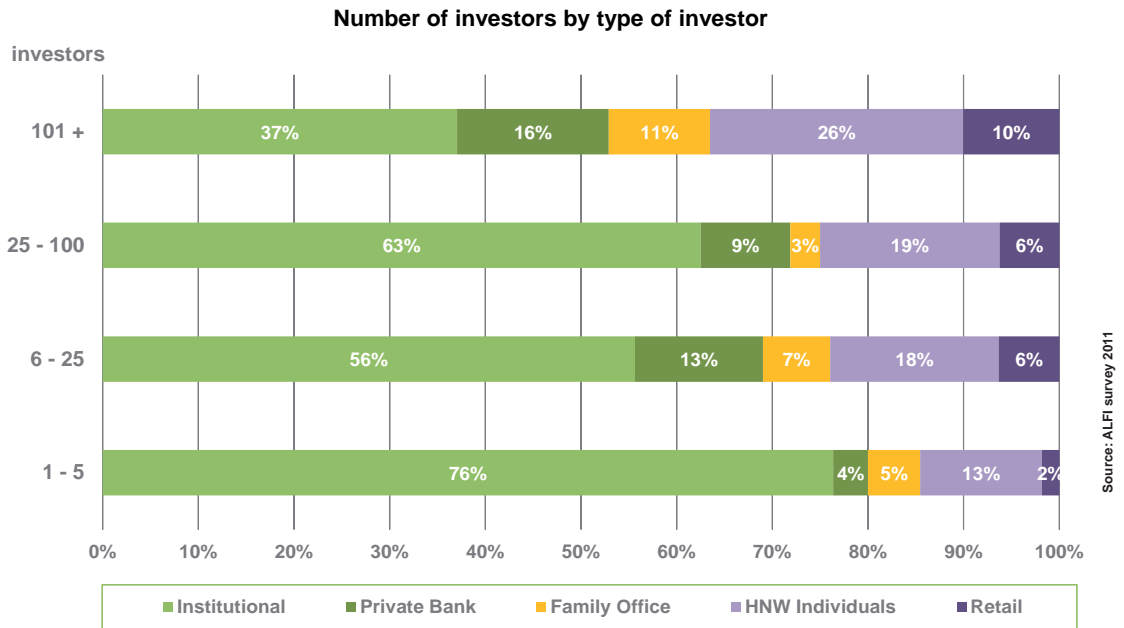


Source: ALFI survey 2011

Non-exclusive data: Several investor groups may be identified per fund. / Percentages based on the received responses.



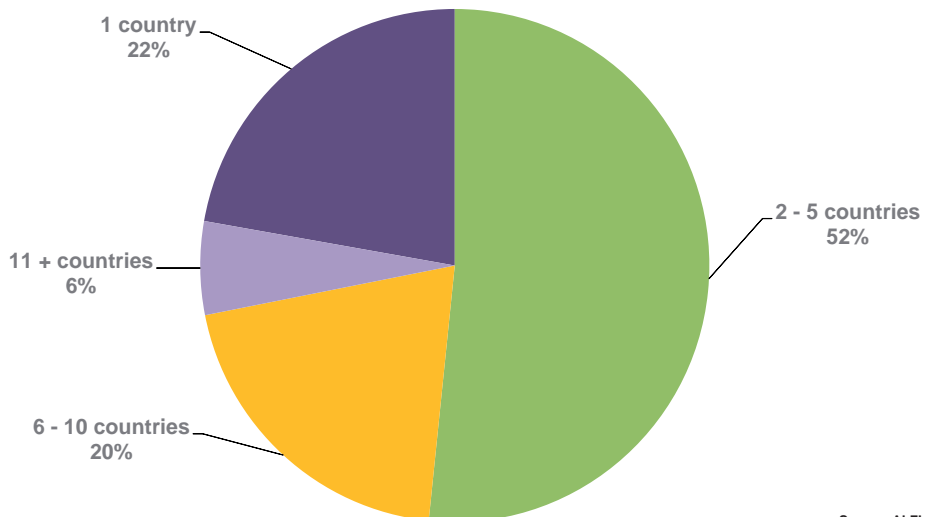
Institutional and HNW individuals represent the majority of investors in REIFs of all sizes.



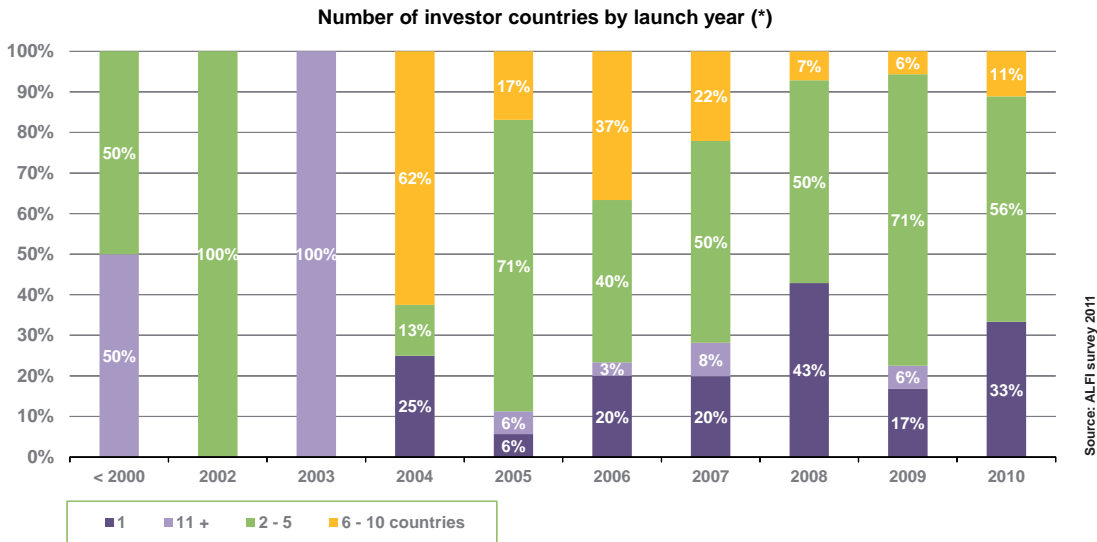
### INVESTOR ORIGINS

The majority of investors are from Europe. However, there are also significant numbers from the Americas and the Asia / Pacific region, reflecting the global appeal of the SIF regime. 79 (52%) of the surveyed funds have investors from between two to five countries, which again highlights the success of the SIF regime as a global investment offering.

### Number of investors' countries



The 2011 survey shows a slight increase in funds targeted for distribution in single countries (33%) compared to last year results. The biggest category remains the 2-5 country band, representing more than half of new fund launches in 2010. None of the widely distributed funds (11+ countries) were launched in 2010.

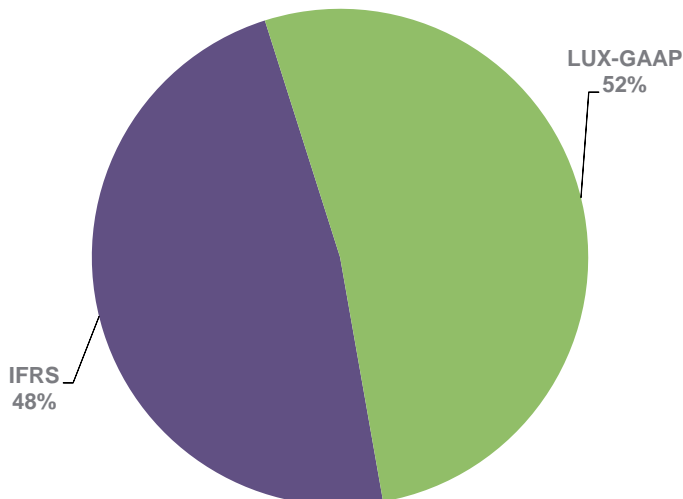


(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2010. It is NOT a cumulative sequence.

## Financial Framework

### ACCOUNTING STANDARDS

Just over half of all of the surveyed funds apply Luxembourg GAAP, with the remainder applying IFRS. Furthermore the reporting framework selected does not differ significantly depending on the strategy of the fund - i.e. for core and value-added, except for opportunity funds (22 Luxembourg GAAP vs 9 IFRS). Virtually all of the surveyed funds prepare consolidated accounts.

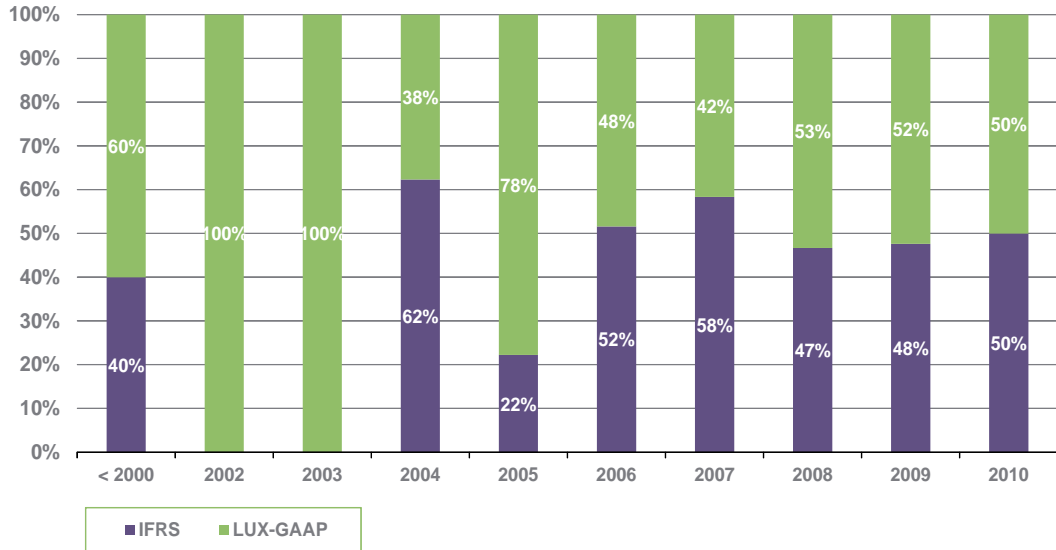


Source: ALFI survey 2011



Prior to 2006, Luxembourg GAAP was the preferred standard, whereas since 2006, IFRS and Luxembourg GAAP are more balanced.

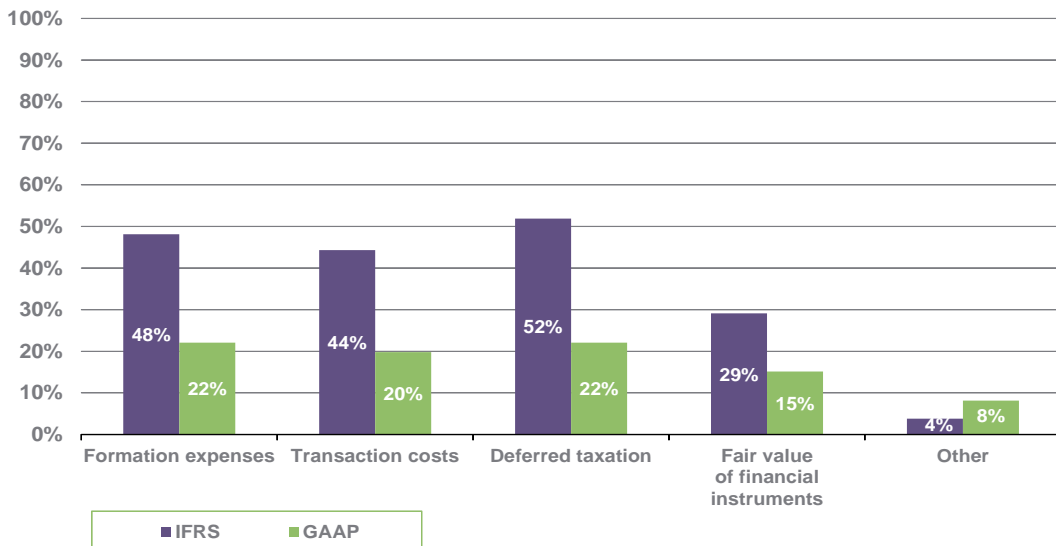
**GAAP adopted by new fund unit launches**



Source: ALFI survey 2011

Already 11 funds are reporting financial statements that are compliant with the INREV reporting standards. In addition, more than 65% of the funds preparing their financial statements under IFRS make adjustments to the amounts reported therein to arrive at their fund NAV compared with only 30% under Luxembourg GAAP. 29% of funds using IFRS now make adjustments for fair value.

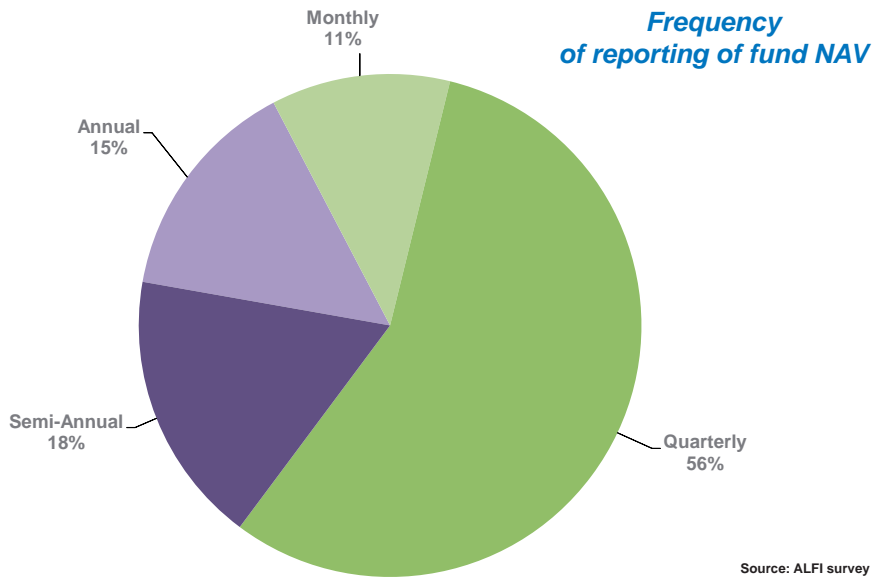
**Number of IFRS fund units (79 in total) and number of LUX GAAP (86 in total) adjusting for various items**



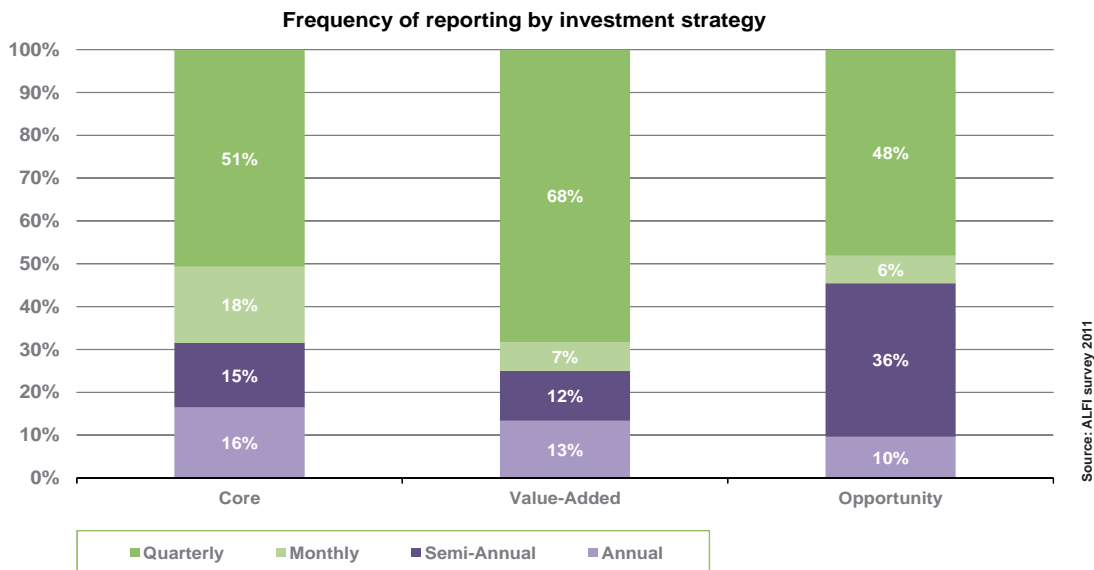
Source: ALFI survey 2011

## FREQUENCY OF NAV CALCULATION

The majority of funds report a quarterly NAV, similar across all fund types (i.e. core, value-added and opportunistic), whilst 11% produce a monthly NAV .

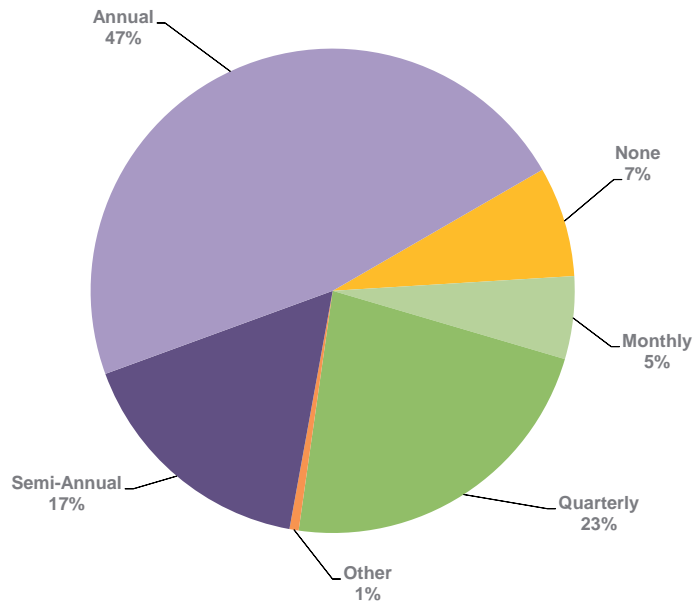


Since 70% of funds are closed-ended, the reporting of quarterly NAV is more likely due to investor demands for performance measurement rather than for the purposes of pricing the issue and redemption of units. 47% of surveyed funds rely on annual independent valuations of their properties, while only 6% employ a monthly valuation cycle. Almost of the surveyed funds use an independent appraiser in respect of their valuations with the exception of one fund.



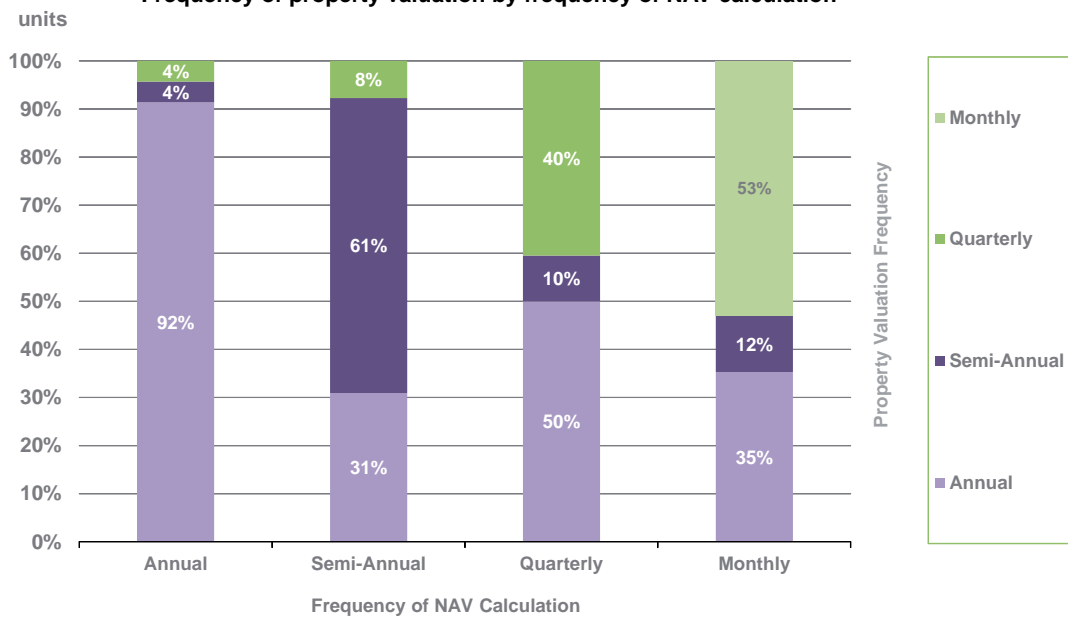
The frequency of property valuations does not necessarily correlate with the frequency of reporting of NAVs e.g. funds which report a quarterly NAV do not necessarily have quarterly valuations - these are slightly more likely to be annual (50%) rather than quarterly (40%).

**Direct real estate funds valuation**



Source: ALFI survey 2011

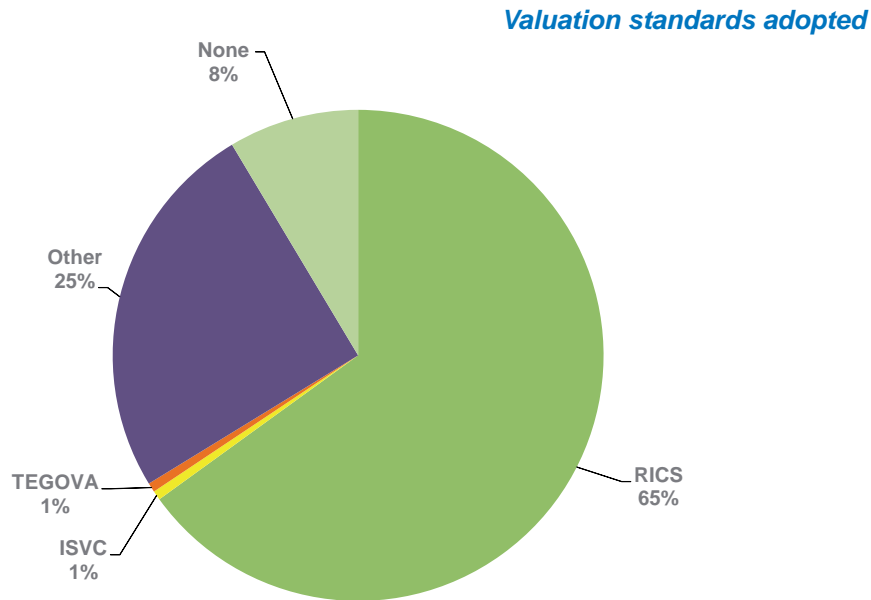
**Frequency of property valuation by frequency of NAV calculation**



Source: ALFI survey 2011

## VALUATION STANDARDS

Approximately two thirds of the direct REIFs' valuations are carried out under RICS Valuation and Appraisal Standards. This is by far the leading standard for property valuations used.



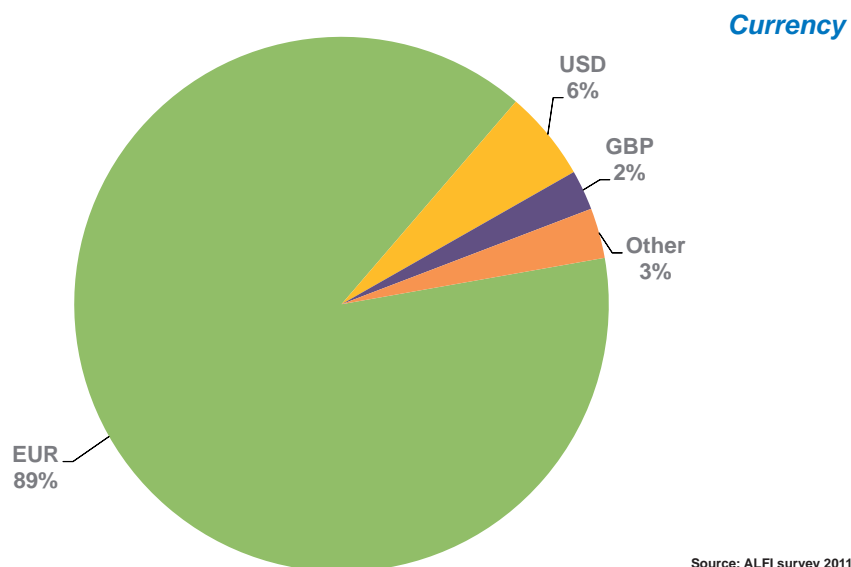
Source: ALFI survey 2011

## STOCK EXCHANGE LISTING

Out of the 170 REIFs covered in this survey, 13 are listed.

## CURRENCY

The great majority of funds report in EUR, whilst 6% report in USD and 2% in GBP.



Source: ALFI survey 2011



## PART II - FUNDS OF REAL ESTATE FUNDS

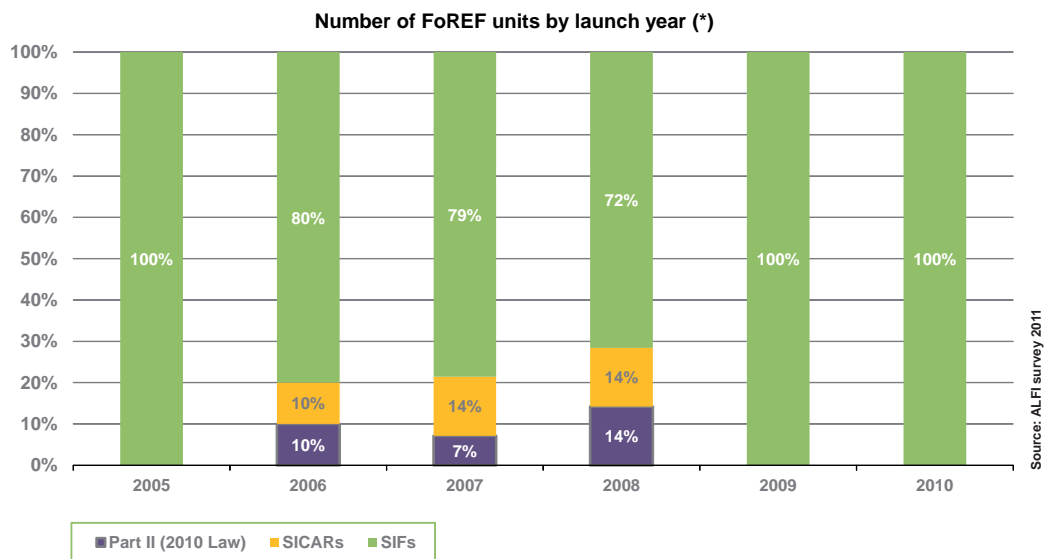
### Introduction

The first Fund of Real Estate Funds was launched in Luxembourg in 2005, more than five years after the launch of the first direct real estate fund.

Given the small number of Funds of Real Estate Funds operational at the end of 2006, these funds were not covered by the ALFI Survey 2007 and were first covered in the 2008 survey.

The majority of Funds of Real Estate Funds were launched between 2007 and 2009. Only one such fund was launched in 2009 and 4 additional funds were reported in 2010, bringing the total number of Funds of Real Estate Funds covered by this survey to 37.

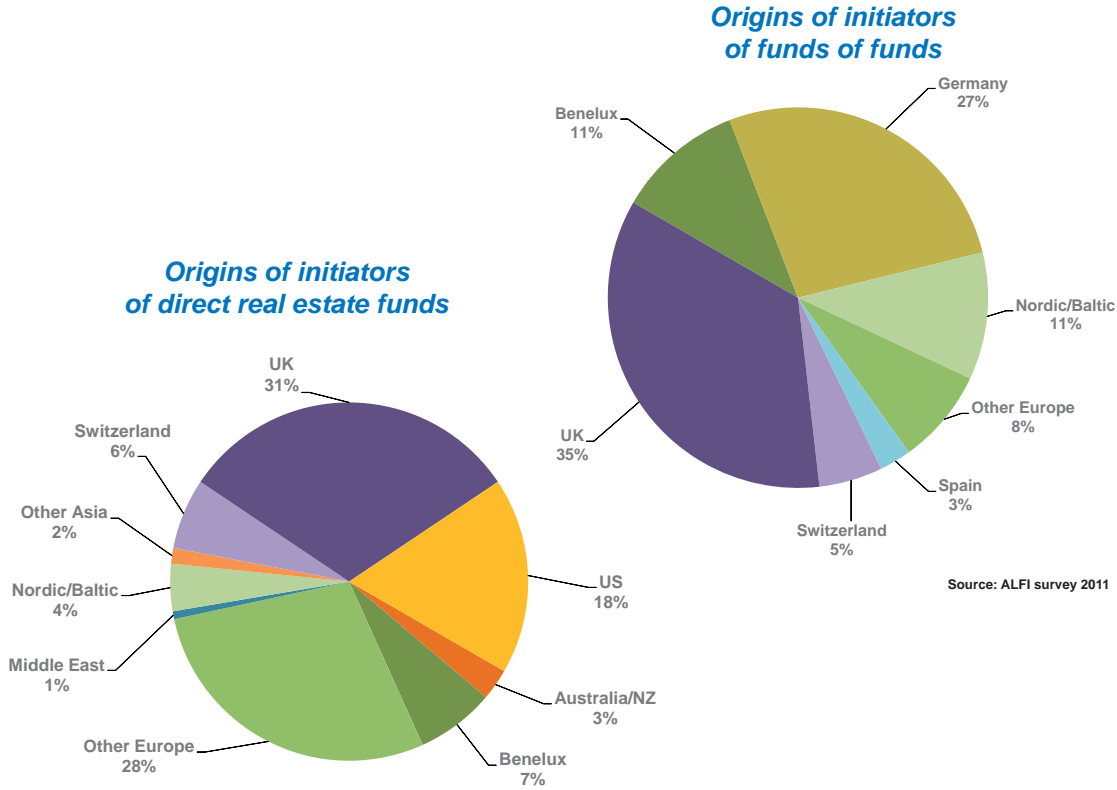
### Commercial Design



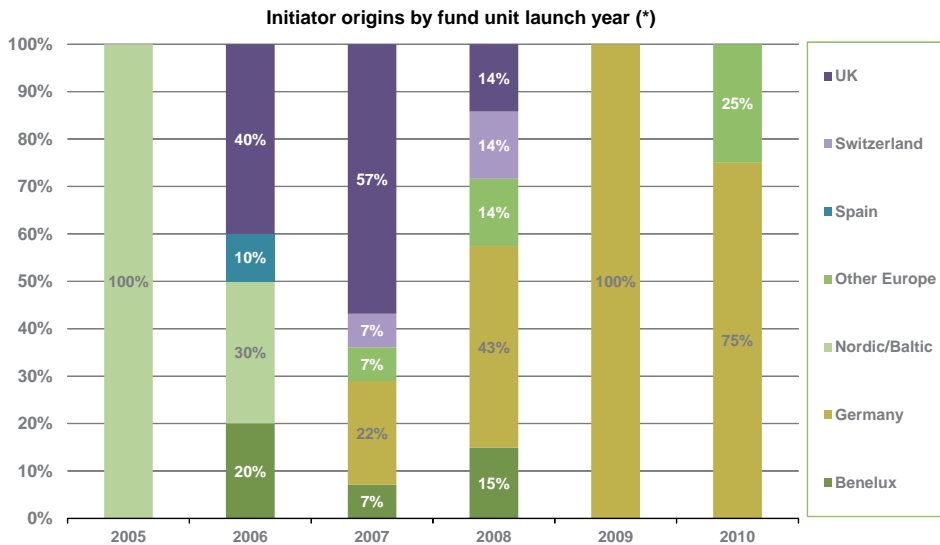
(\*) The chart shows the details for Funds of Real Estate Funds only. This chart is not cumulative, but shows the total number of funds by the year of launch.

## INITIATOR ORIGINS

Out of 37 funds active, UK initiators have launched the highest number of Funds of Real Estate Funds (13), followed by German initiators, who have been particularly active in 2010 with 3 out of 4 fund launches bringing the total to 10 funds. Unlike with direct real estate funds, US initiators are not present this year.



Whilst German and Swiss initiators entered the market strongly in 2007, 2008 showed that other countries also became more active in the Funds of Real Estate Funds sector, German initiators have been dominant over the last 3 years.



(\*) The chart shows the details for Funds of Real Estate Funds only. This chart is not cumulative, but shows the total number of funds by the year of launch.

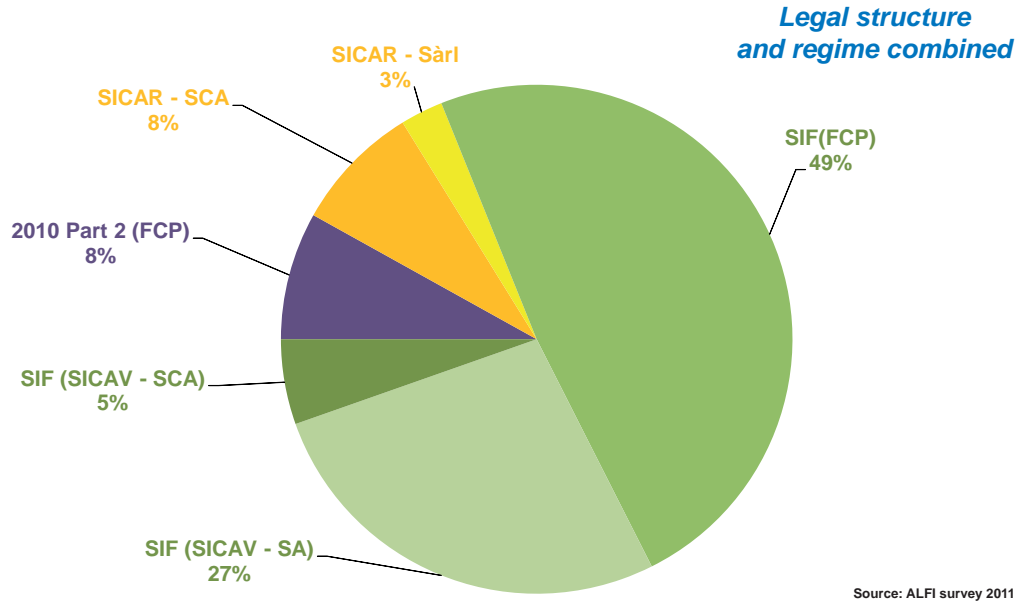


## LEGAL STRUCTURE AND REGIME

Only 3 out of 37 Funds of Real Estate Funds are 2010 Part II funds. As all of the funds launched in 2009 and 2010 were SIFs, 30 of the Funds of Real Estate Funds (81%) fall under the SIF law.

With regard to the legal structure, the FCP is the preferred option over the SICAV (12 funds). The FCP structure was chosen for 57% of the funds.

Since 2008, the SICAV is the legal form of favoured by promoters launching funds under Luxembourg law. In 2010, of 4 funds launches, 3 were SICAVs.



## INVESTMENT STYLE

81% of Funds of Real Estate Funds covered by this survey are classified as core funds (13 funds) or value-added funds (17 funds). There are 7 opportunistic Funds of Real Estate Funds.

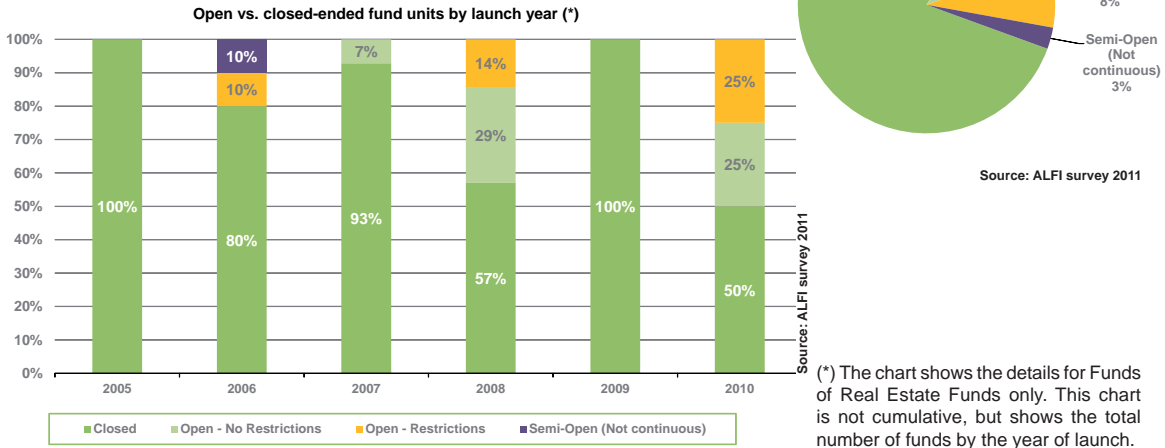
Investment style by launch year



## INVESTOR LIQUIDITY

Overall, the majority of Funds of Real Estate Funds (78%) are closed-ended. Interestingly, half of 2010 launches were either open-ended or open with restrictions.

### Open vs. closed-ended funds



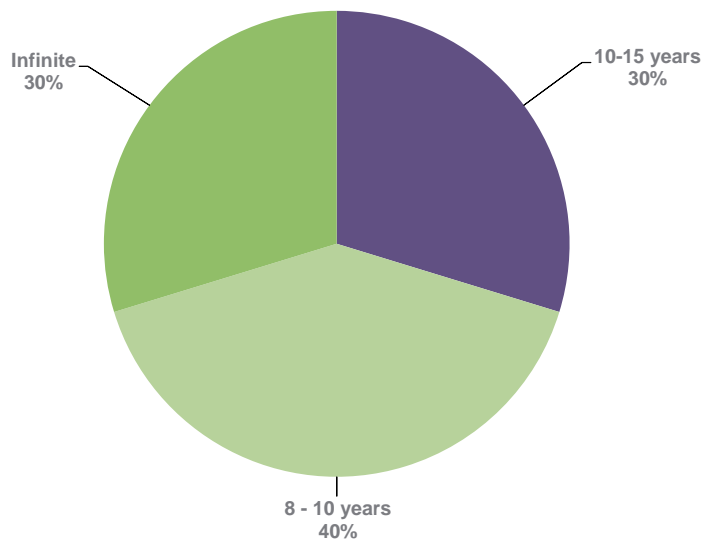
Most of the value-added funds are closed-ended (82%), with one fund “semi-open (not continuous)”.



TERM

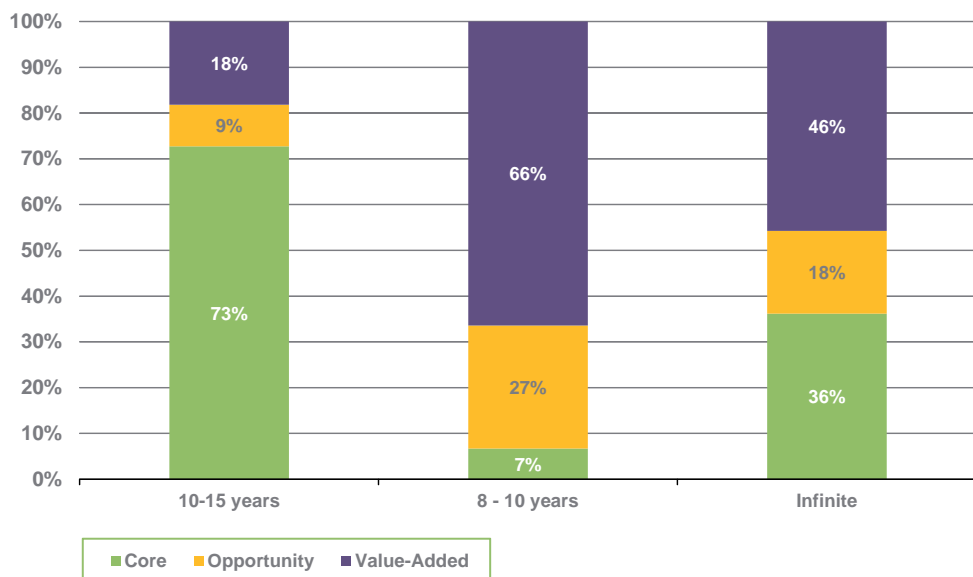
At 30% in 2010, infinite life funds continue to decrease by approximately 5% per annum in each of 2009 and 2010 compared to 2008. Most of the value-added funds have a fund term of 8-10 years, followed by an infinite duration similar to opportunity funds. 62% of the core funds have a 10-15 year term.

**Fund duration**



Source: ALFI survey 2011

**Fund unit duration by investment style (\*)**

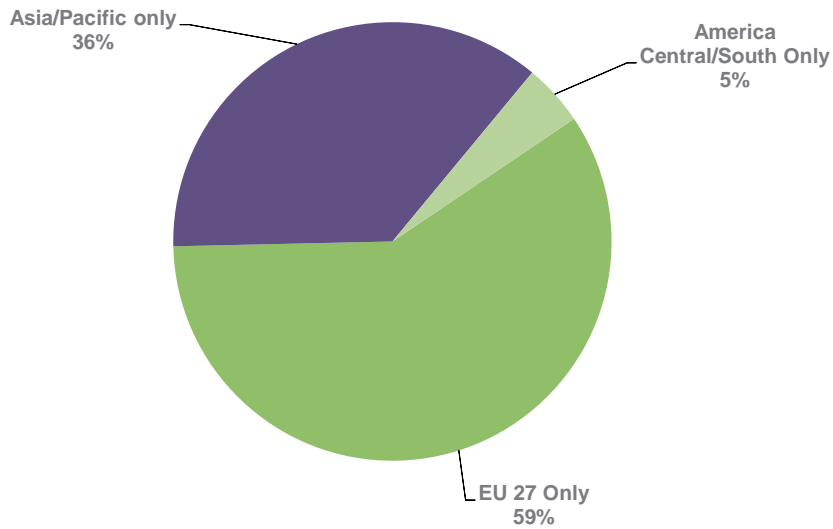


Source: ALFI survey 2011

## GEOGRAPHICAL INVESTMENT STRATEGY

While the Funds of Real Estate Funds launched in 2005 and 2006 focused mainly on Europe, 2007 to 2009 saw a bigger diversity of investment regions, including the Middle East, Central & South America and Emerging Europe, 2010 revealed a significant increase in focus on South & Central America.

**Geographical investment region**



Source: ALFI survey 2011

Exclusive data: Each fund falls into one category.

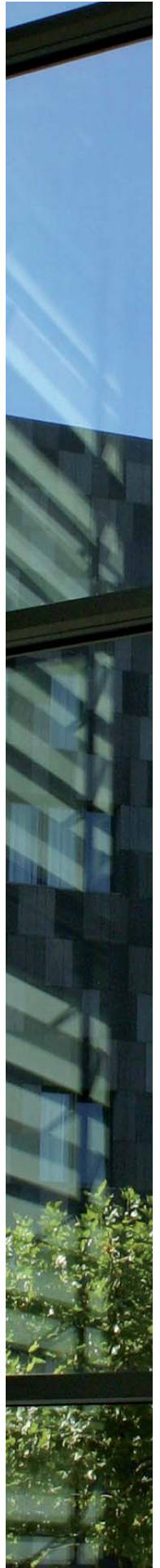
**Geographical investment region by fund unit launch year (\*)**



Source: ALFI survey 2011

(\*) The chart shows the details for Funds of Real Estate Funds only. This chart is not cumulative, but shows the total number of funds by the year of launch.

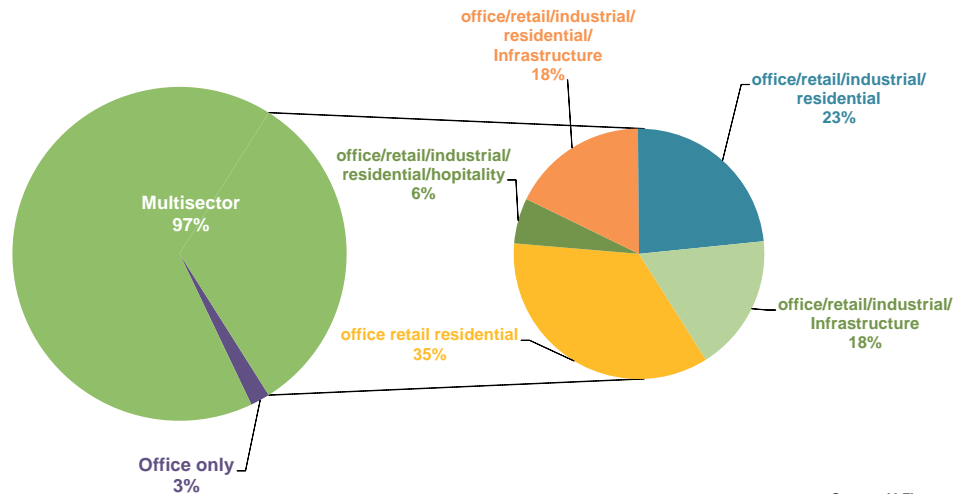
Non exclusive data, i.e. funds can cover one or several regions shown. The purpose of the graph is to highlight changes in strategy over time.



## TARGET SECTORS

The majority of the funds follow a multi-sector investment strategy. Only one of the funds targets a single sector and invests purely in office. Office and retail sectors remain the most popular.

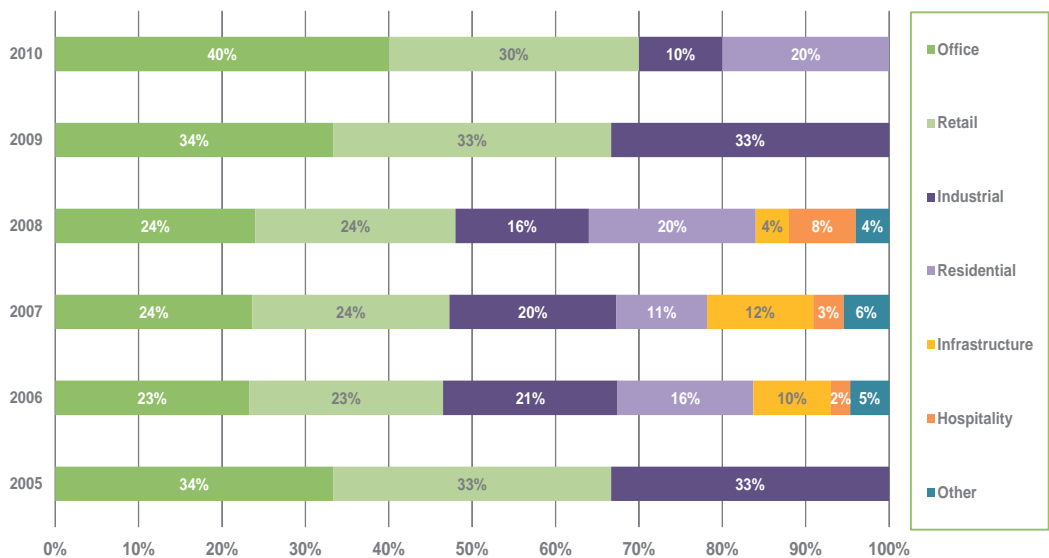
### Sectoral investment strategy



Source: ALFI survey 2011

Exclusive data: Each fund falls into one category.

Target sector by fund unit launch year (\*)



Source: ALFI survey 2011

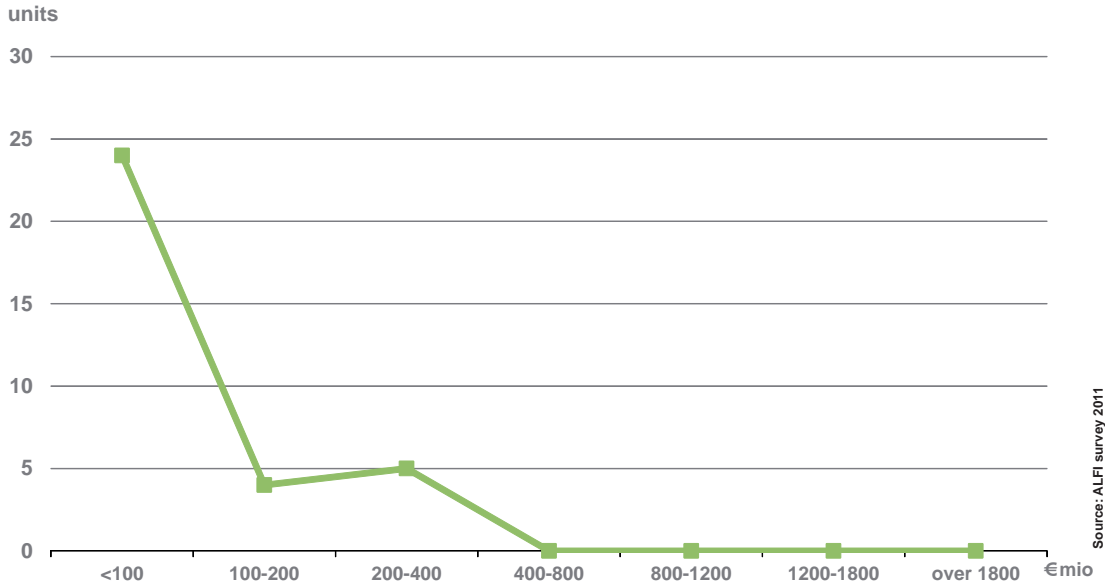
(\*) The chart shows the details for Funds of Real Estate Funds only by target sector. This chart is not cumulative, but shows the total number of funds by the year of launch.

Non exclusive data, i.e. funds can cover one or several regions shown. The purpose of the graph is to highlight changes in strategy over time.

## NET ASSET VALUE (NAV)

The 37 Luxembourg domiciled Funds of Real Estate Funds covered in this survey represented a NAV of 2.9 billion euros at the end of 2010. The average NAV at 31 December 2010 was 99.8 million euros, ranging from 5 million euros to up to 360 million euros. As most fund of real estate funds do not use gearing, NAV and GAV are similar.

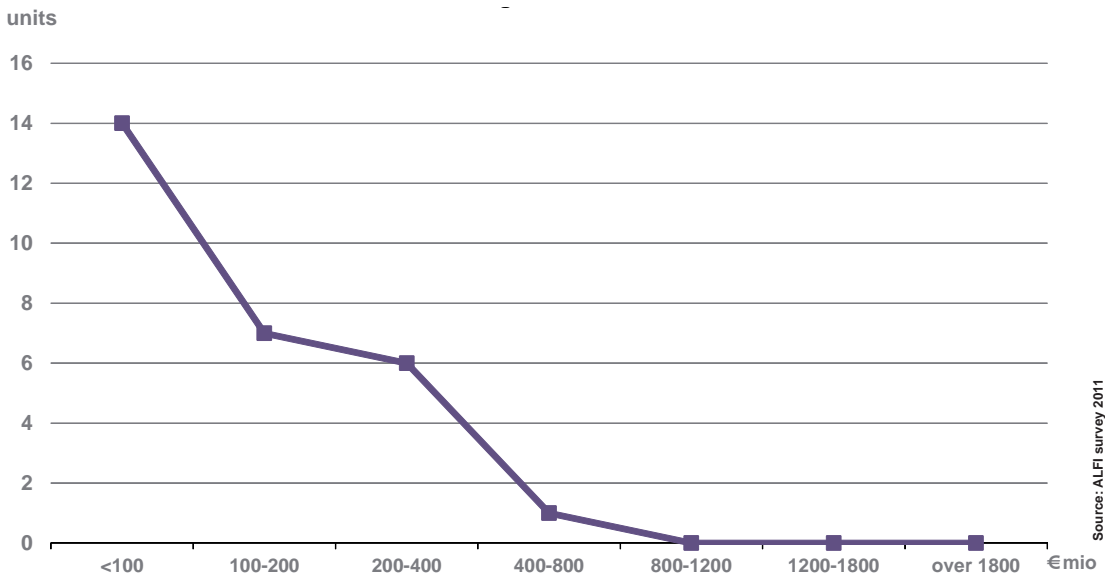
### End 2010 NAV distribution



Source: ALFI survey 2011

### 2013 Target NAV distribution

Although there is currently very little gearing in the Funds of Real Estate Funds (NAV=GAV), we note that some funds plan to include limited gearing by 2013, and any expect to raise new capital or draw-down existing commitments. This accounts for the divergence between 2010 NAV and 2013 target NAV shown.



Source: ALFI survey 2011

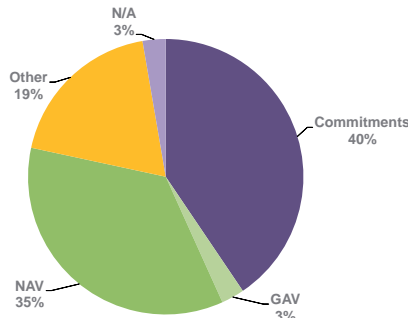


## FEES

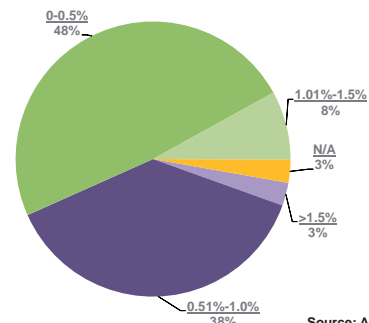
40% of the funds of Real Estate Funds covered in this survey base their management fee on commitments. Another 38% use the NAV or GAV as the basis for the management fee. A further 19% use «other» measures.

38% of the Funds of Real Estate Funds charge a management fee in the mid-range of 0.51%-1%. For around 48% of the Funds of Real Estate Funds the management fee is between 0% and 0.5%. The only fund which charges a fee of more than 1.5% is an opportunity fund.

### FoREF Management fee basis



### FoREF Management fee range

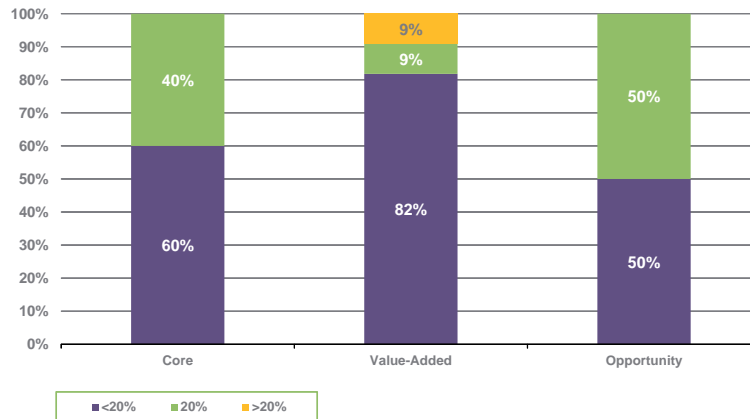


Source: ALFI survey 2011

72% of the funds (i.e. 13 out of 18 funds charging performance fees) charge performance fees below 20%. Among these funds, 69% are value-added funds.

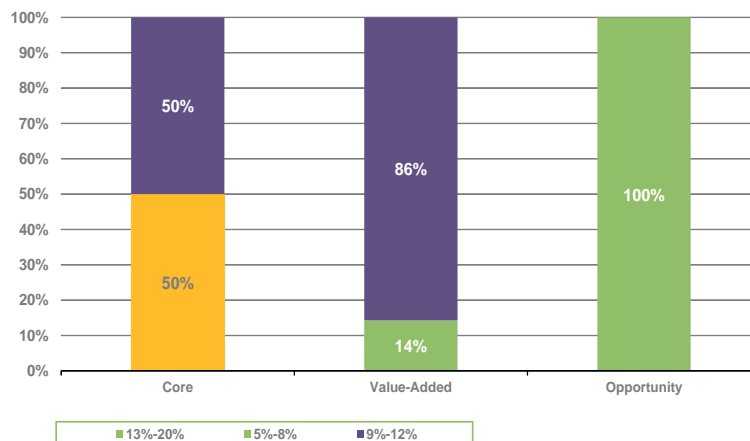
64% of funds (i.e. 7 out of 11 funds having a performance fee hurdle rate) fall under a mid-range of 9-12%.

### Performance fee charged



Source: ALFI survey 2011

### Performance fee hurdle rate

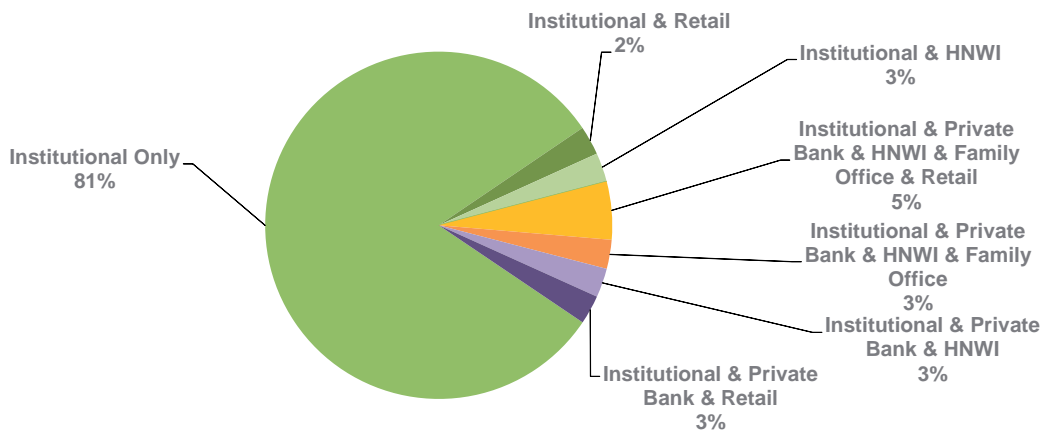


Source: ALFI survey 2011

## TYPE OF INVESTORS

Almost all of the Funds of Real Estate Funds covered in this survey are limited to institutional investors. Only 7 funds are also open to retail investors, family offices, private banks and/or HNWI individuals.

35% of funds have from 6 to 25 investors followed by 32% with 1 to 5 investors per fund. With regard to the numbers of investors for the different investment styles, no remarkable difference can be observed.



Source: ALFI survey 2011

Exclusive data: Each fund falls into one category.

Number of investors by fund launch date



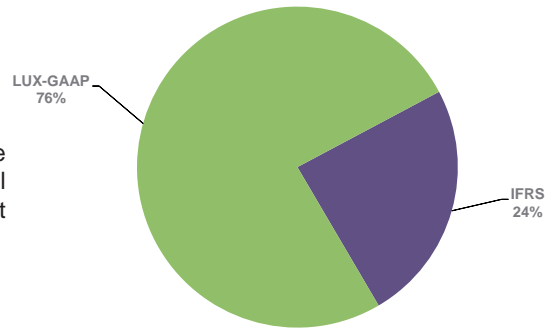
Source: ALFI survey 2011



## Financial Framework

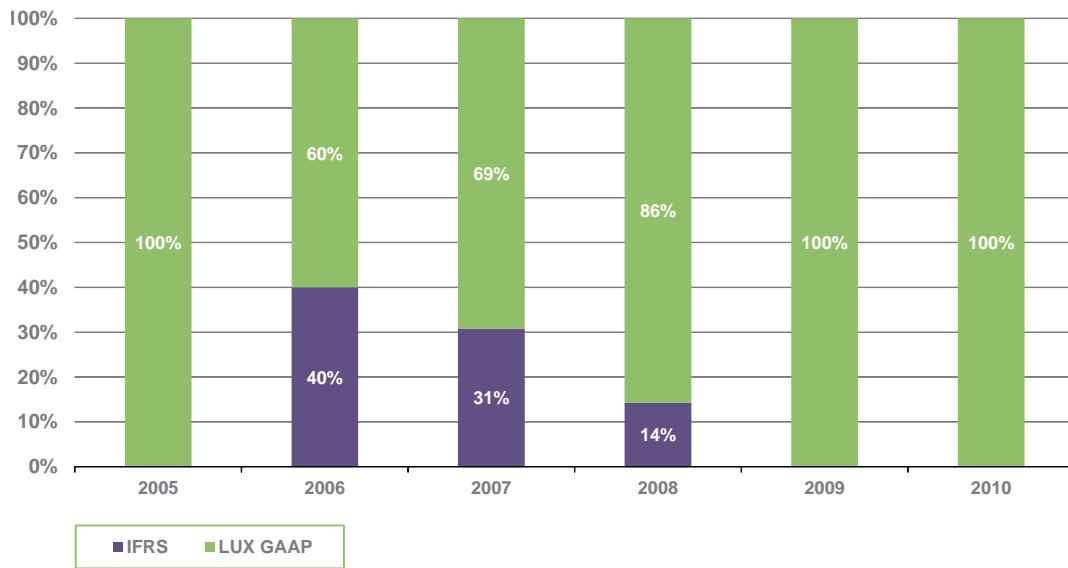
### ACCOUNTING STANDARDS

More than three quarters of the Funds of Real Estate Funds report under Luxembourg-GAAP including all funds launched in 2009 and 2010, whereas for Direct REIFs, this split is more balanced.



Source: ALFI survey 2011

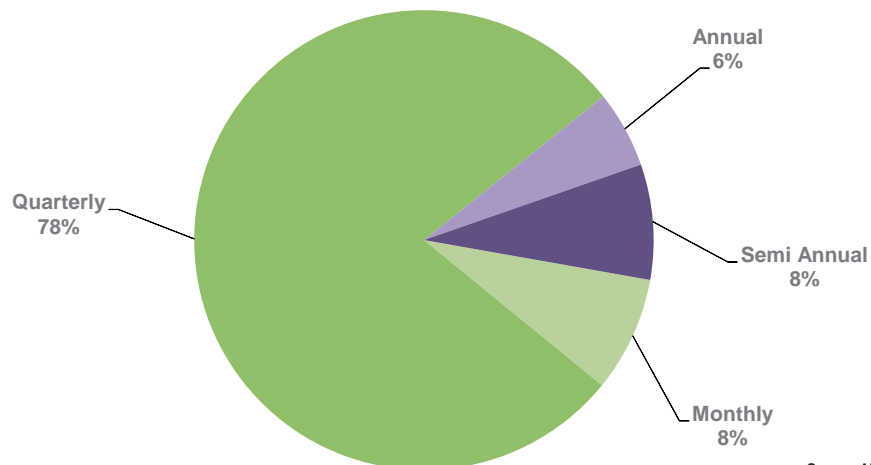
Accounting standard by launch year



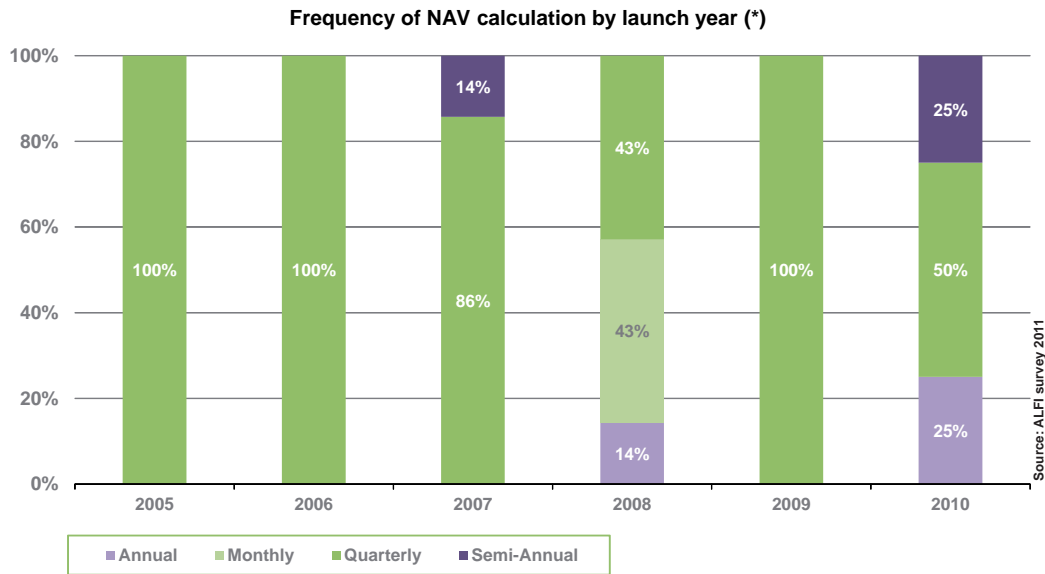
Source: ALFI survey 2011

### FREQUENCY OF NAV CALCULATION

More than three quarters of the Funds of Real Estate Funds have adopted quarterly NAV calculations, with only 3 funds calculating NAV on a monthly basis and another 3 funds on a semi-annual basis.



Source: ALFI survey 2011



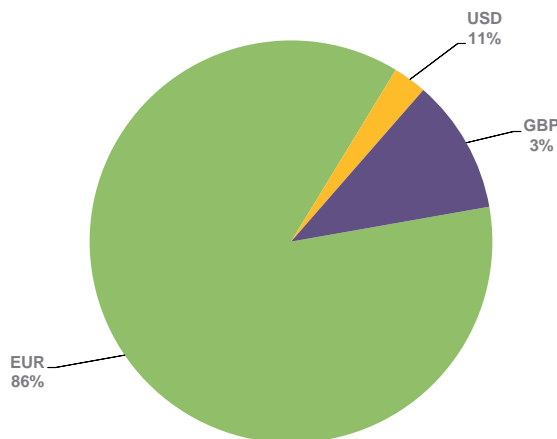
(\*) The chart shows the details for Funds of Real Estate Funds only. This chart is not cumulative, but shows the total number of funds by the year of launch.

### STOCK EXCHANGE LISTING

Out of the 37 Funds of Real Estate Funds covered in this survey, only one fund is listed on the Luxembourg Stock Exchange (Lux MTF).

### CURRENCY

As is the case for direct REIFs, the euro is the most common currency (32 funds).



### SUMMARY

Whilst a single Fund of Real Estate Fund was reported to be launched in 2009, 4 funds were launched in 2010. The number of FoREFs has continuously increased since 2005 when the first fund of funds was launched in Luxembourg. UK initiators have launched the highest number of Funds of Real Estate Funds, followed by German initiators.

Overall the majority of funds of funds are closed-ended funds and 81% are SIFs . The initiators continue to target a specific pool of investors (81% being Institutional investors only). In comparison to Direct Real Estate Funds which are more balanced in terms of accounting standards, Funds of Real Estate Funds generally report under Luxembourg GAAP, a trend that has gained momentum over the past two years.



## APPENDIX

### Service Providers

The following service providers (listed alphabetically) were identified in responses to the survey:

#### Depositories

- Banque de Luxembourg
- Banque et Caisse d'Épargne de l'État, Luxembourg
- Banque Privée Edmond de Rothschild Europe
- BGL BNP Paribas
- BNP Paribas Securities Services
- Brown Brothers Harriman (Luxembourg)
- CACEIS Bank Luxembourg
- CBP Quilvest
- CITCO Bank Netherlands Luxembourg Branch
- Citibank International Plc (Luxembourg Branch)
- Deka Bank Deutsche Girozentrale Luxembourg
- ING Luxembourg
- LBBW Luxembourg
- LRI Invest
- Natixis Bank
- RBC Dexia Investor Services Bank
- RBS Global Banking (Luxembourg)
- VP Bank (Luxembourg)

#### Central Administrators

- Abax Investment Services
- Alter Domus Alternative Asset Fund Administration
- Banque Privée Edmond de Rothschild Europe
- BGL BNP Paribas
- BNP Paribas Securities Services
- Brown Brothers Harriman (Luxembourg)
- Caceis Bank Luxembourg
- CF Fund Services
- Citco Fund Services (Luxembourg)
- Citco REIF Services (Luxembourg)
- Deka International
- European Fund Administration
- FIL (Luxembourg)
- Hauck & Aufhaeuser Alternative Investment Services
- Hines Luxembourg
- HSBC Trinkaus Investment Managers
- Intertrust (Luxembourg)
- Kreditrust Luxembourg
- LRI Invest

- Luxglobal Trust Services
- Oppenheim Asset Management Services
- Paddock Fund Administration
- ProLogis Management Services
- RBC Dexia Investor Services Bank
- Skandinaviska Enskilda Banken
- Suxeskey
- Warburg Invest Luxembourg

#### Auditors

- BDO Compagnie Fiduciaire
- Deloitte
- Ernst & Young
- KPMG
- Mazars
- PricewaterhouseCoopers

#### Transfer Agents

- Alter Domus
- Banque Privée Edmond de Rothschild Europe
- BGL BNP Paribas
- Brown Brothers Harriman (Luxembourg)
- CACEIS Bank Luxembourg
- CBP Quilvest
- CF Fund Services
- CITCO REIF Services Luxembourg
- European Fund Administration
- Fideos Financial Services
- JP Morgan
- LuxGlobal Trust Services
- RBC Dexia Investor Services Bank

#### Legal Advisors

- Allen & Overy
- Arendt & Medernach
- Bonn Schmitt Steichen
- Cayphas & Peuvrel
- Clifford Chance
- Elvinger Hoss & Prussen
- Kremer Associés & Clifford Chance
- Linklaters LLP
- Loyens & Loeff
- NautaDutilh Avocats Luxembourg
- Oostvogel Pfister Feyten
- Wildgen & Partners

#### Tax Advisors

- Arendt & Medernach
- ATOZ
- BDO Compagnie Fiduciaire
- Clifford Chance
- Deloitte
- Elvinger Hoss & Prussen
- Ernst & Young
- KPMG
- Kremer Associés & Clifford Chance
- Linklaters LLP
- Loyens & Loeff
- Mazars
- PricewaterhouseCoopers

#### Accounting - Non Lux SPVs

- Brown Brothers Harriman (Luxembourg)
- CF Fund Services
- Citco REIF Services (Luxembourg)
- Ernst & Young
- KPMG
- TMF

#### Accounting - Lux Holdco's

- Alter Domus
- Banque Privée Edmond de Rothschild Europe
- Brown Brothers Harriman (Luxembourg)
- CACEIS Bank Luxembourg
- CF Fund Services
- Citco REIF Services (Luxembourg)
- European Fund Administration
- KPMG
- RBC Dexia Investor Services Bank
- S&P

#### Domiciliation and Corporate

- Alter Domus
- Aviva Investors
- Banque de Luxembourg
- Banque Privée Edmond de Rothschild Europe
- Brown Brothers Harriman (Luxembourg)
- CF Fund Services
- Citco REIF Services (Luxembourg)
- Fideos Financial Services
- LuxGlobal Trust Services
- Pandomus S.A.
- RBC Dexia Investor Services Bank
- Structured Invest

## Glossary

<b>2010 Law</b>	The law of December 17, 2010 on Undertakings for Collective Investment as may be amended from time to time («UCIs»)
<b>2007 Law</b>	The law of February 13, 2007 on Specialized Investment Funds as amended («SIFs»)
<b>CSSF</b>	<i>Commission de Surveillance du Secteur Financier</i> (Luxembourg supervisory authority for the financial sector)
<b>Direct Fund</b>	Fund investing in property assets or structures holding property assets
<b>EFTA</b>	European Free Trade Association
<b>EU 27</b>	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
<b>EU Accession</b>	Croatia, Former Yugoslav Republic of Macedonia, Iceland, Montenegro, Turkey
<b>EFTA (non EU)</b>	Norway, Lichtenstein, Switzerland, Iceland
<b>Emerging Europe</b>	Albania, Belarus, Bosnia & Herzegovina, Croatia, Moldova, Russia, Turkey, Ukraine
<b>FCP</b>	<i>Fonds Commun de Placement</i> : Common fund, entity without legal personality based on contractual agreement
<b>FoREF</b>	Fund of Real Estate Funds
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAV</b>	Gross asset value
<b>HNW</b>	High net worth
<b>HNWI</b>	High net worth individuals
<b>Indirect Fund</b>	Fund investing in real estate securities or other real estate funds
<b>IFRS</b>	International Financial Reporting Standards
<b>Initiator</b>	<i>Initiator origin region</i> : Europe, Asia/Pacific/ME, Americas <i>Initiator origin country</i> : The country of the ultimate parent should be used
<b>INREV</b>	European Association for Investors in Non-listed Real Estate Vehicles
<b>Investment Style</b>	<i>Core</i> : Stable income returns, stabilised properties located in strong and low risk markets; geared at less than 50%  <i>Value Added</i> : combination of Income and capital return; stabilised properties located in low to medium risk markets, as well as an element in development or opportunistic investments; geared from 40% to 70%  <i>Opportunistic</i> : primarily through capital return; higher risk properties (e.g development projects, property repositioning, assets in higher risk countries or distressed assets); geared is in excess of 60%
<b>Investor liquidity</b>	<i>Closed-ended</i> : Fund 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** : in addition 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.

<b>ISVC</b>	International Standards Valuation Committee
<b>MTF</b>	Luxembourg Stock Exchange
<b>NAV</b>	Net asset value
<b>REIF</b>	Real estate investment fund
<b>RICS</b>	The Royal Institution of Chartered Surveyors
<b>SA</b>	<i>Société anonyme</i> (public limited company)
<b>SCA</b>	<i>Société en commandite par actions</i> (partnership limited by shares)
<b>SICAF</b>	<i>Société d'investissement à capital fixe</i> (investment company with fixed capital)
<b>SICAR</b>	<i>Société d'Investissement en Capital à Risque</i> (investment company in risk capital)
<b>SICAV</b>	<i>Société d'investissement à capital variable</i> (investment company with variable capital)
<b>SIF</b>	<i>Fonds d'investissement spécialisé</i> (specialized investment fund)
<b>SOPARFI</b>	<i>Société de participations financières</i> (financial holding company)
<b>SPV</b>	Special purpose vehicle
<b>TEGOVA</b>	The European Group of Valuers' Associations
<b>UCI</b>	Undertaking for collective investment

## Acknowledgements

The ALFI Real Estate Funds Sub-Committee would like to thank the following people for their efforts in compiling the data and commentary for the ALFI REIF Survey 2011.

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Johan Terblanche	Loyens & Loeff (WG Co-Chair)
José-Maria Ortiz	Hines Luxembourg
Keith Burman	Brown Brothers Harriman (Luxembourg)
Michael Hornsby	Ernst & Young Luxembourg
Michele Kemp	Arendt & Medernach (WG Co-Chair)
Pierre-Régis Dukmedjian	Linklaters
Saïd Qaceme	KPMG Advisory

and

Regine Rugani	ALFI
Virgine Lebbe	ALFI

The ALFI Real Estate Funds Sub-Committee plans to repeat this survey on an annual basis in the most comprehensive form possible. ALFI encourages any relevant fund initiators or depositaries who were not included in the 2011 survey to contact ALFI before May 2012 to ensure inclusion.



September 2011

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