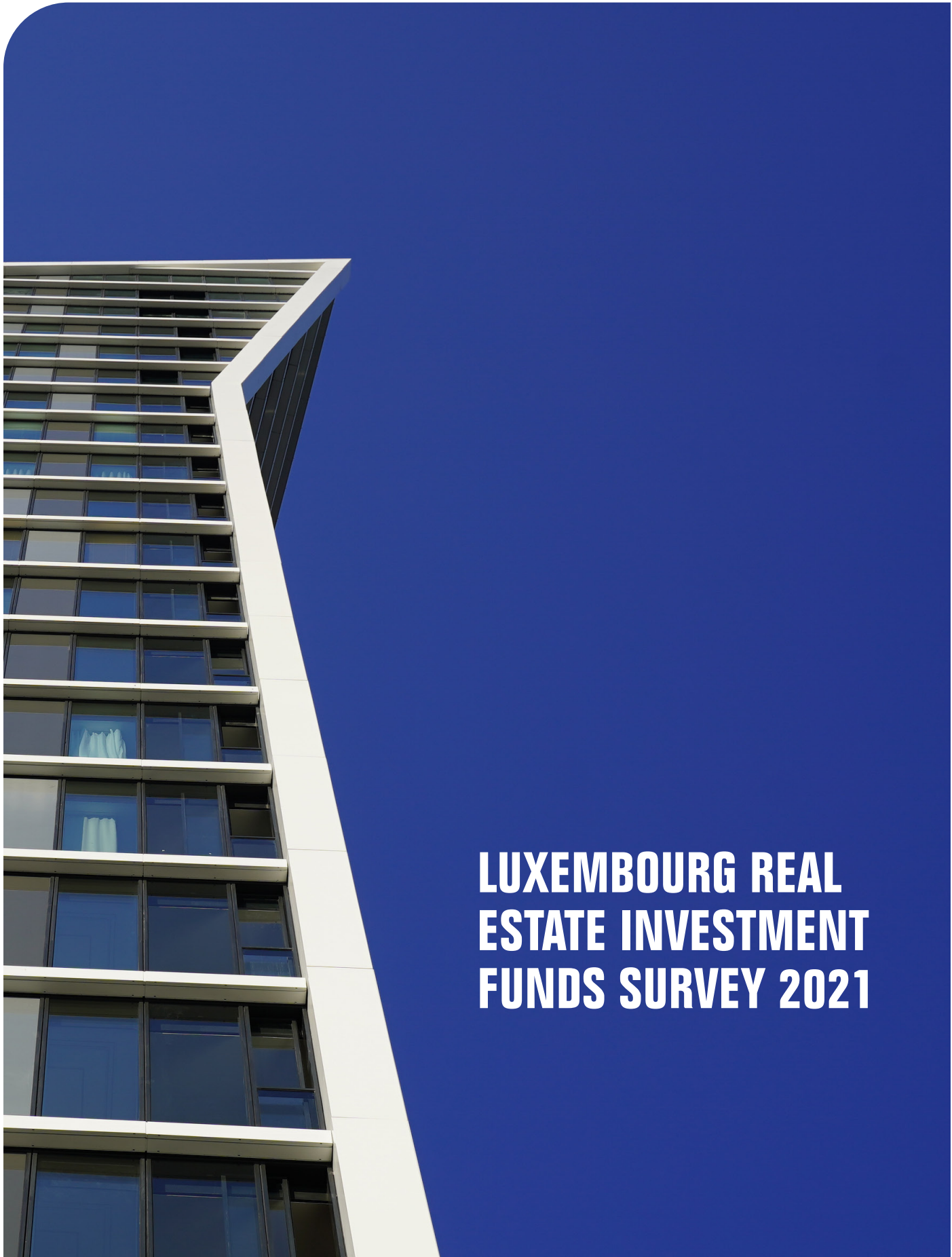




association of the
luxembourg fund industry

| survey



LUXEMBOURG REAL ESTATE INVESTMENT FUNDS SURVEY 2021

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ALFI is pleased to present the 2021 REIF survey, its 15th edition.

Unsurprisingly, 2020 and the first three quarters of 2021 were a slow growth period for Luxembourg-domiciled real estate funds.

The number of surveyed REIFs however continued to increase, this time by 69, bringing the total number to 518 surveyed vehicles.

This includes 88 manager-regulated AIFs, 134 RAIFFs dedicated to real estate, 9 SICARs, and 76 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.

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 RAIFFs is confirmed with 134 funds surveyed, compared with 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 2021 survey with 86 funds (76 in 2020). 40% of the total REIFs fall within the SIF regime, a slight but continuous decrease compared with past surveys (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

The global Covid-19 pandemic put liquidity of real estate funds to the test. 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.

Only 1% of the REIFs surveyed encountered special situations over the last 12 months. Two of the funds surveyed temporarily suspended redemption in 2020, and 14 of the funds surveyed indicated that they had large redemptions in 2020, which equates to approximately 3% of funds surveyed.

As expected, the REIF market has noticed the impact of Covid-19, appears however very resilient.

Investment strategies

The most common target sector strategy remains the "multi-sector" strategy, accounting for 47%, which continues the pick-up noticed in 2020 (42%) compared with 2019 (33%), 2018 (38%), 2017 (40%) and 2016 (50%) figures.

Among the single-sector strategies, "residential" remains the highest single sector strategy with 9% allocation, which has slightly decreased compared to previous years' results (12% in 2020 survey). "Retail" and "office" investments as single-sector strategies drop down to 7% (10% in 2020 survey) respectively of the surveyed funds.

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

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.

66% of the surveyed REIFs invest in Europe, whereas 7% of funds invest globally, 9% in North America and 8% in the Asia-Pacific region. We would like to note the increase of 4% of REIFs investing in all of Europe, which confirms the popularity of Luxembourg REIFs for European investments.

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, compared with 77% reported in the 2020 survey, and 73% in the 2019 survey. In 2021, 68% of the funds surveyed are closed-ended, against 65% reported in 2020, marking a slight increase of investor liquidity over the past years.

The SIF regime is the favoured regulatory regime for REIFs in Luxembourg (40% of the funds surveyed), although the significant and continuous increase of the RAIFs (26% against 22% in 2020, 18% in 2019) and the stability of the manager-regulated AIFs shows the interest for lightly regulated solutions.

The legal forms of the SCS/SCSp continue to increase in popularity since their introduction into Luxembourg law in 2013 with 53% (against 52% in 2020 and 46% in 2019).

Fund size and gearing

In line with the survey findings of previous years, smaller funds continue to make up the majority of REIFs, with 52% 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.

50% of funds aim to keep their gearing below 20% loan-to-value ratio (LTV), while a further 43% aim to keep LTV levels to below 60%, which confirms the significant increase of the latter over years.

Fees

This year's survey confirms that the most commonly used basis for management fee calculations is the NAV, with a share of 35%, compared to the GAV which stands at 25%.

Management fees stabilise as 42% of REIFs charge a management fee between 0% and 0.5% (41% in 2020 and 40% in 2019), while 14% charge a fee exceeding 1.5% (stable since 2019).

Investors

85% of investors come from Europe, with the remainder predominantly from the Americas. 5% 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 90% 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): 49% of funds are distributed in 2 to 5 countries, and 8% in 6 or more countries. There is also a significant proportion of funds (43%) that are distributed in one single country. The significant increase of the funds distributed in 2 to 5 countries contrasts with the proportional decrease of the funds distributed in one single country.

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 (43%) report under IFRS.

64% of the REIFs report a quarterly NAV. Due to the fact that 68% 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. 48% of the funds surveyed report consolidated accounts (against 39% in 2020).

59.4% of the funds value their property on an annual basis, with 24% requiring quarterly valuations. Almost all of the funds use an independent appraiser, with RICS (78%) 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

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.

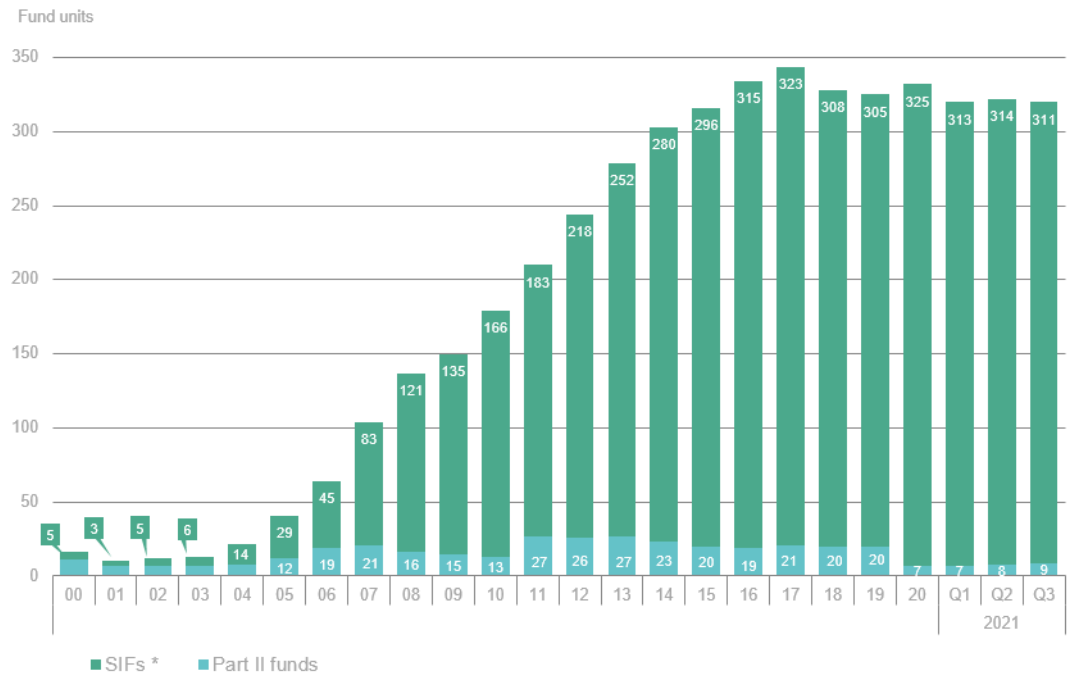
The ALFI REIF survey was conducted during the third quarter of 2021 and reflects the market composition as at the end of September 2021.

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 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 5 on page 11.

1. CSSF data on real estate funds in Luxembourg

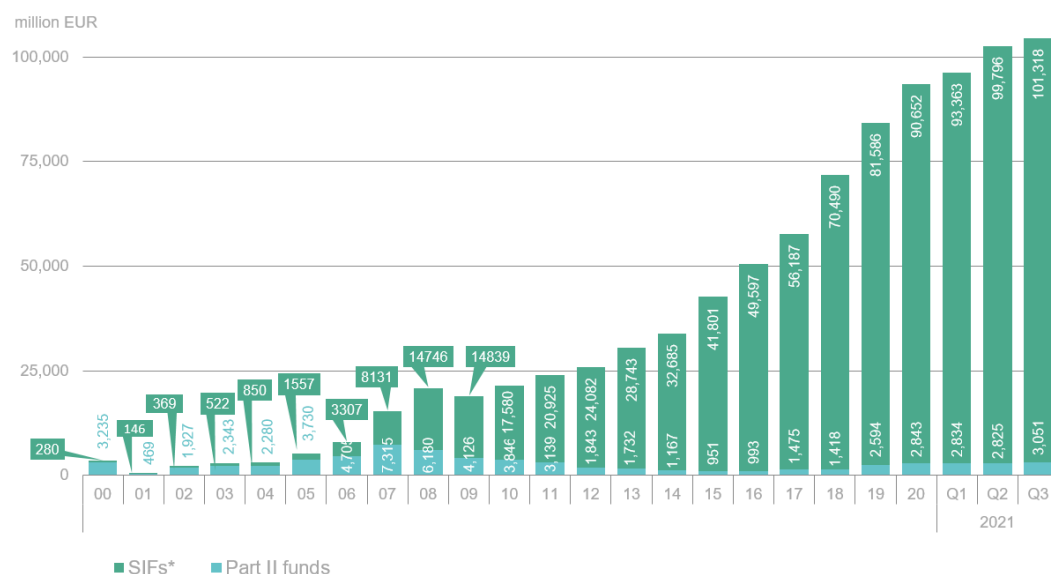
Number of Luxembourg real estate fund units



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

Sources: ALFI/CSSF

Net AuM of Luxembourg real estate funds



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

Sources: ALFI/CSSF

2. Survey scope

2.1 "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.

2.2 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.

3. Methodology

The ALFI REIF survey is based on a comprehensive questionnaire.

The questionnaire, which sampled the status as at September 2021, included questions relating to each fund's

- Liquidity management actions related to Covid-19;
- 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.

4. 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.

4.1 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.

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, and 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.

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.

4.2 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.

5. Market coverage

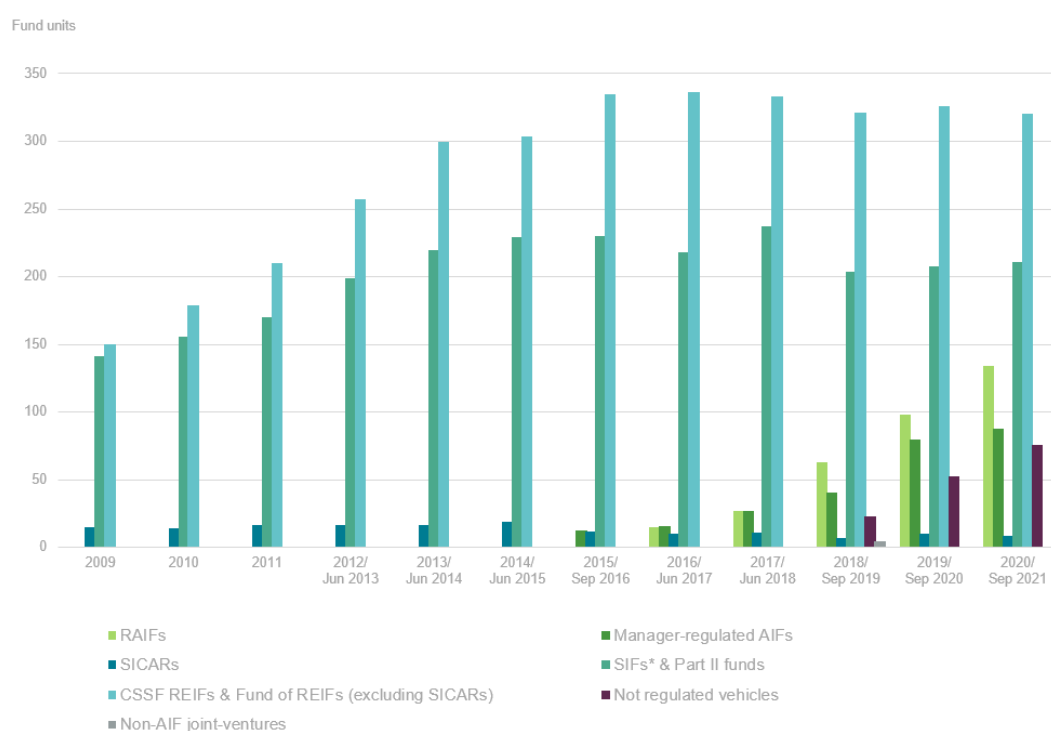
The data from the CSSF below shows that the ALFI REIF survey provides a good overview of the market.

CSSF data shows 320 REIFs in existence as at September 2021, 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 211 REIFs (i.e. Part II funds and SIFs, excluding real estate funds of funds).

In addition, the ALFI REIF survey includes 88 manager-regulated AIFs, 134 RAIFs, 9 SICARs, 76 non-regulated vehicles.

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



* excludes funds of REIFs as of 2016

Source: ALFI Luxembourg REIF survey 2021

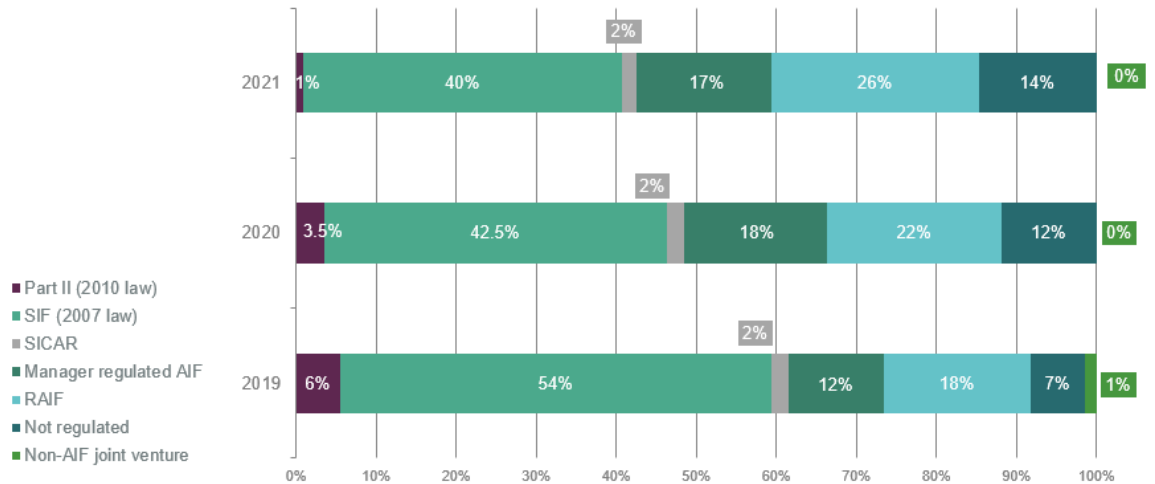
Trend over the last 3 years

This section shall provide insights into some noteworthy market trends over the past 3 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.

1. Legal regime and structure



Source: ALFI Luxembourg REIF survey 2021

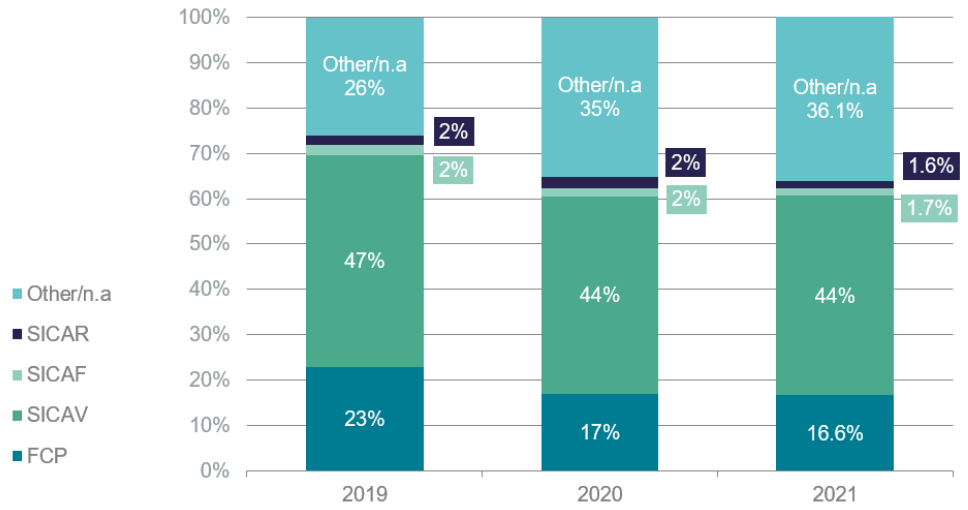
Simplicity is once again the driver as we observe an inclination towards lighter structures such as partnerships in their

corporate and opaque forms, as shown by the increased use of SCS/SCSp structures and, to a more moderate extent, SCAs.



Source: ALFI Luxembourg REIF survey 2021

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

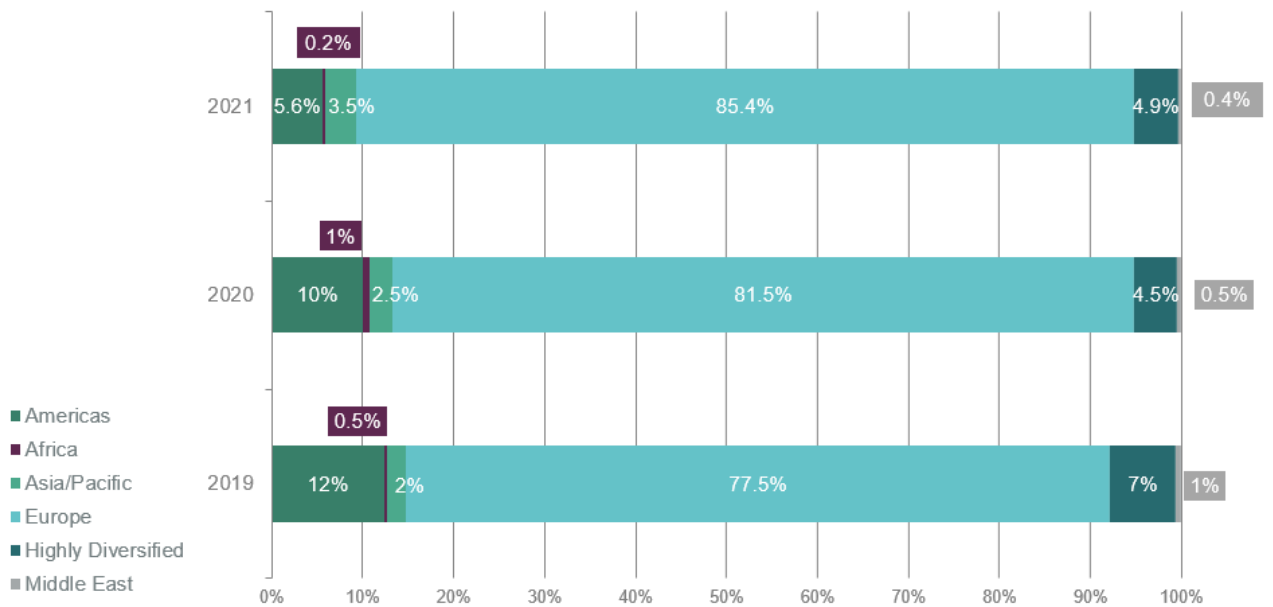


Source: ALFI Luxembourg REIF survey 2021

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.

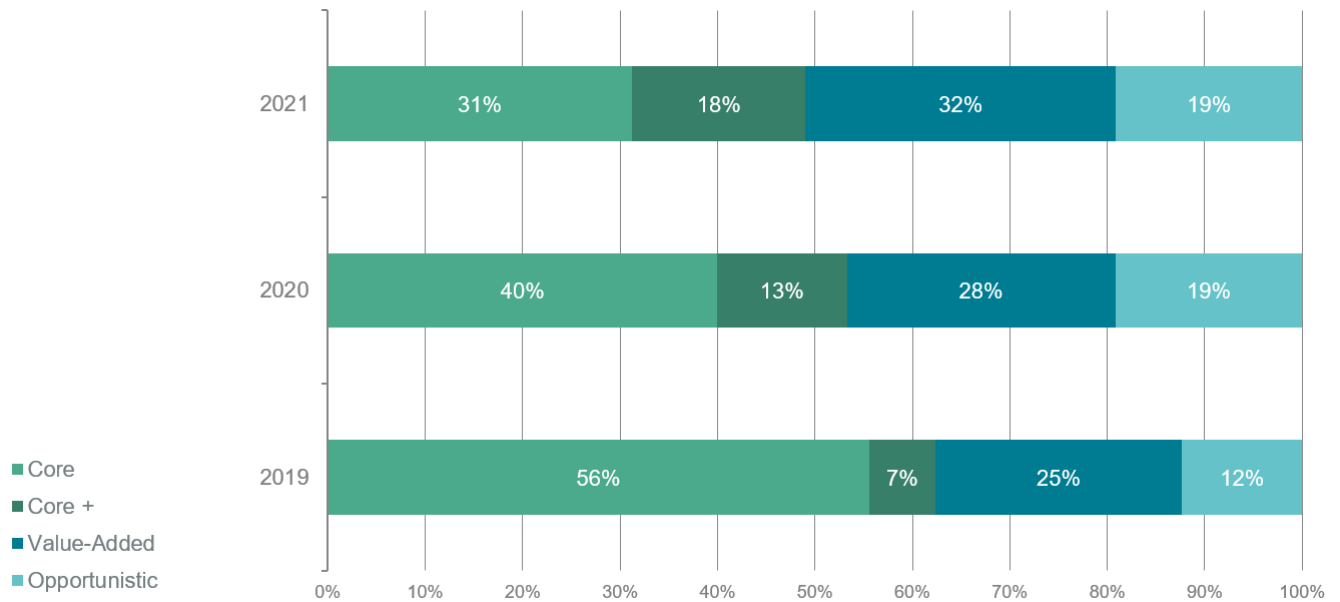


Source: ALFI Luxembourg REIF survey 2021

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 “opportunistic”.

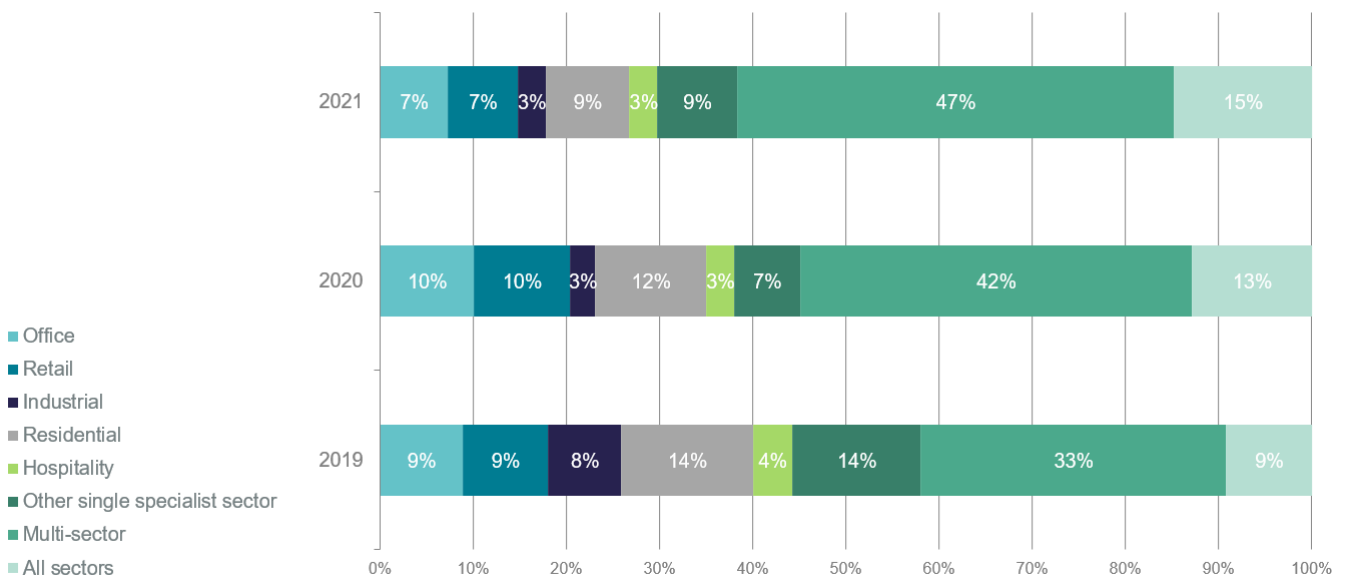


Source: ALFI Luxembourg REIF survey 2021

4. Target sectors

However, the even distribution of investment strategies in recent years is not reflected in the type of real estate in which REIFs invest. In this respect, it is curious that investment

choices have narrowed in the sense that there are more strategies focused on office space and that other types of real estate play a lesser role in investment decisions.

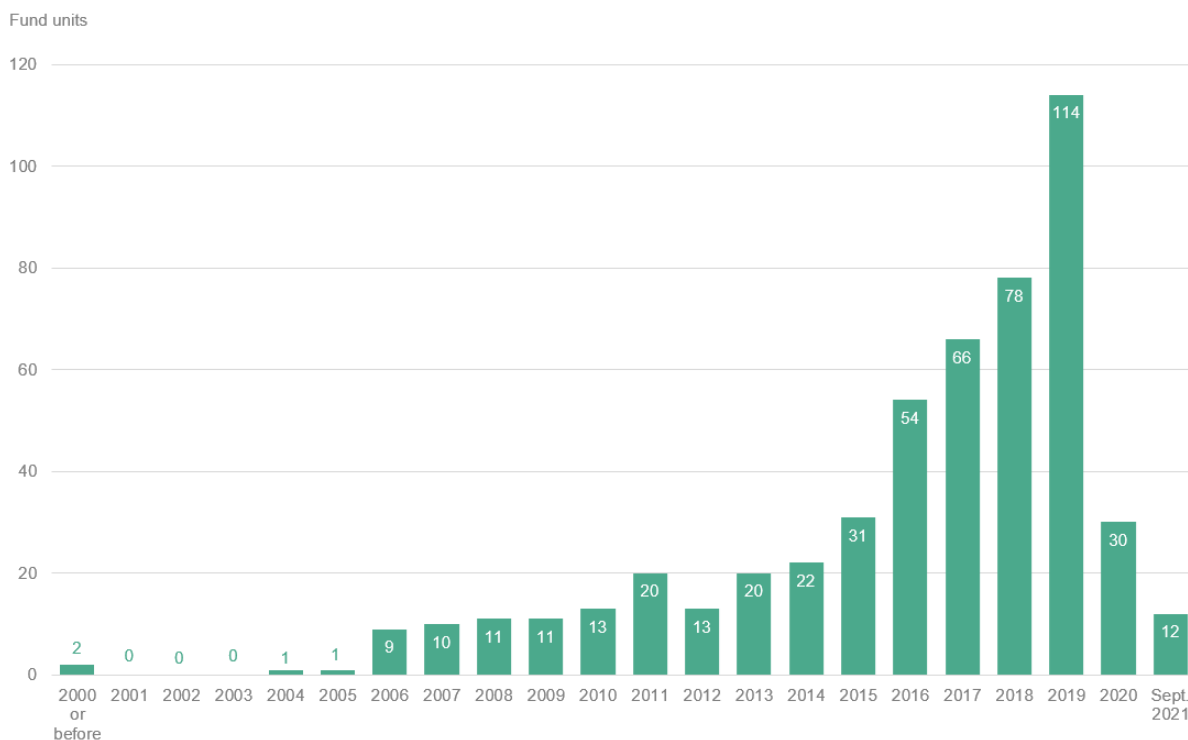


Source: ALFI Luxembourg REIF survey 2021

Survey results

1. New launches in surveyed period

Number of fund units launched



Source: ALFI Luxembourg REIF survey 2021

30 new fund units were launched in 2020 and 12 new fund units were reported as at September 2021, bringing the REIF population surveyed to 518. Nevertheless, it appears that

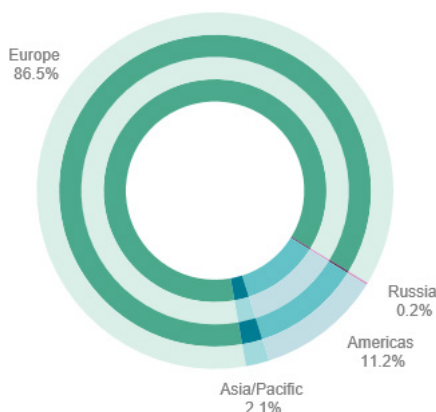
there has been a decrease of fund unit launches during the Covid-19 pandemic (something to be further analysed as part as next year's survey).

2. Initiator origin

Over the years, initiators from Europe have been responsible for the majority of REIF launches. This year, the Benelux countries represent 37% of initiators, followed by Germany (19%), the UK initiators which

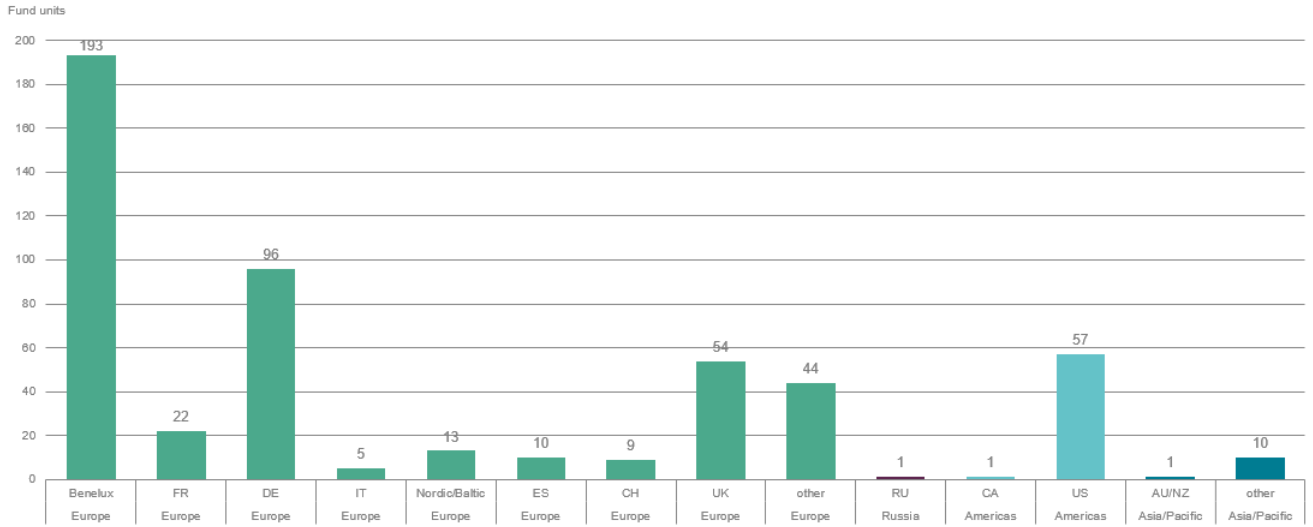
decreased by 4 pps this year with 10% and other Europe (8.5%). US initiators remain steady in terms of initiation with a market share of 11% for the surveyed period.

Proportion of REIFs launched by initiator origin



Source: ALFI Luxembourg REIF survey 2021

Proportion of REIFs launched by initiator origin



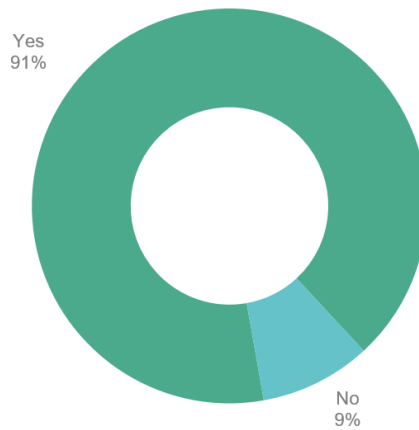
Source: ALFI Luxembourg REIF survey 2021

3. AIFMD

As in 2020, the 2021 survey encompasses a specific section on AIFMD coverage. Within the REIFs under survey for this section, 91%

(i.e. 459 funds) have the regulatory framework of an AIF.

AIFs

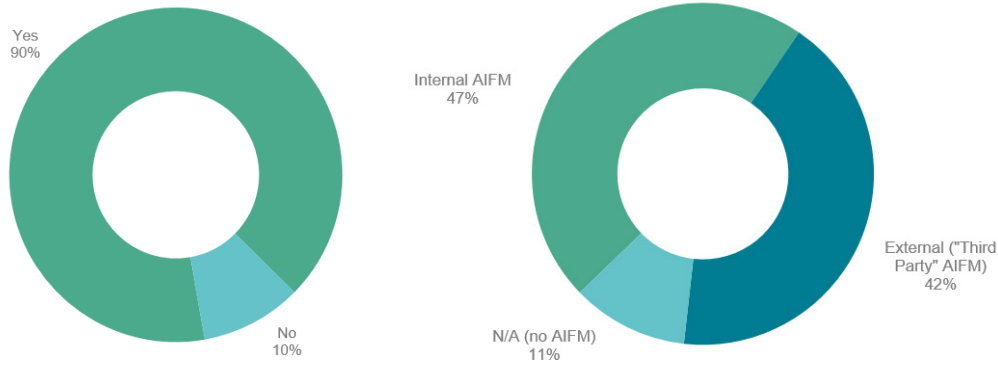


Source: ALFI Luxembourg REIF survey 2021

90% of the REIF under survey have appointed an AIFM. 47% of those who appointed an AIFM decided to appoint an internal one and most of them are located in Benelux (c.75%). For the remainder, 27 AIFMS are located in

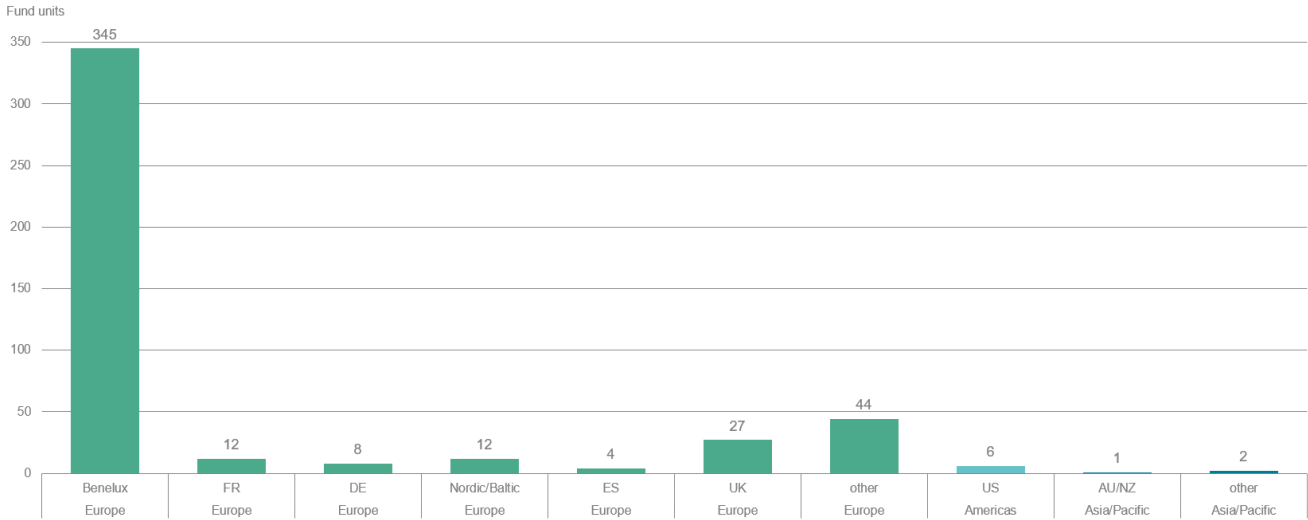
the UK, 12 in France and Nordic and Baltic countries respectively. Other Europe represents 10% of the AIFMs.

AIFM appointment

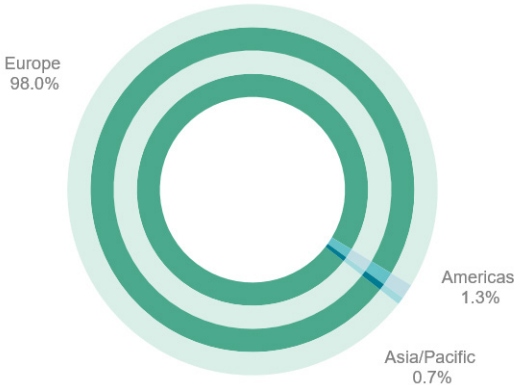


Source: ALFI Luxembourg REIF survey 2021

AIFM location



Source: ALFI Luxembourg REIF survey 2021



Source: ALFI Luxembourg REIF survey 2021

Most of the funds surveyed chose a European jurisdiction for its AIFM. The numbers are overwhelming in this regard with 98% of the funds surveyed choosing a European AIFM. The choice proxy was between European

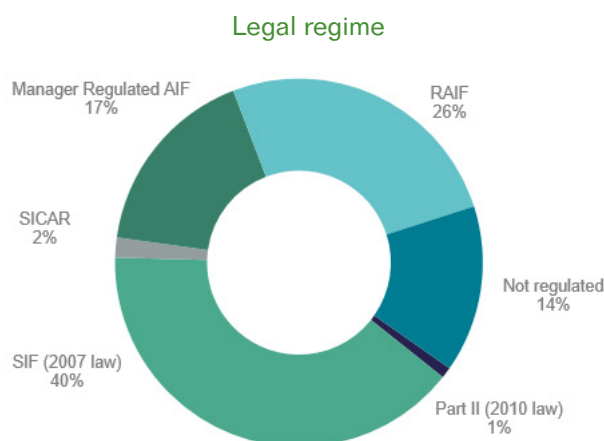
jurisdictions and this indicates that promoters typically choose an AIFM in the same jurisdiction as the funds. The slight decrease of 1 pps observed for EU AIFM benefited the AIFM located in the US and in the Asia/Pacific area.

4. Legal regime and structure

Despite the SIF regime maintaining the pole position with 40% of the legal structures, this survey confirms again a decrease in new SIF's launches (42.5% in 2020, 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 (17% in 2021, 18% in 2020, 12% in 2019) and RAIFs (26% in 2021, 22% in 2020, 18% in 2019,) for REIF initiators seeking a regulated onshore fund vehicle suitable for all types of alternative investment fund products.

This year's survey includes 134 RAIFs.



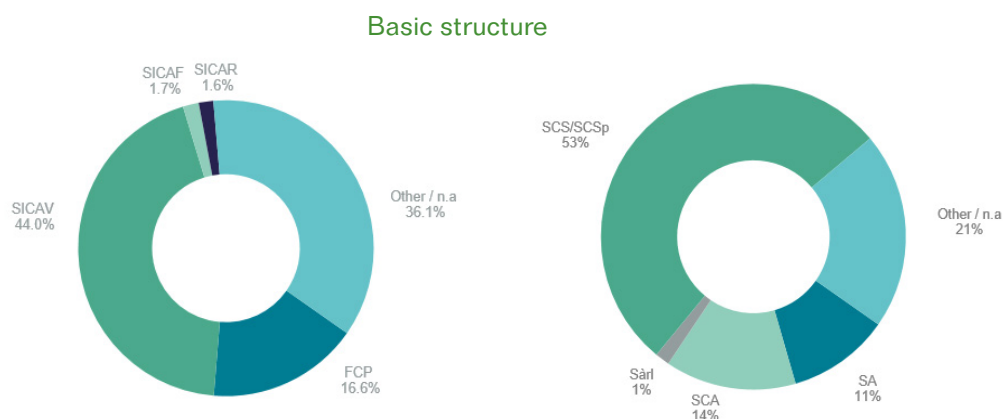
Source: ALFI Luxembourg REIF survey 2021

The increased popularity of the SCS/SCSp over the past years (53% in 2021, 52% in 2020, 46% in 2019) 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.

in 2020 survey. However in the 2021 survey we notice a rebound as of September 2021 with 86 FCPs).

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

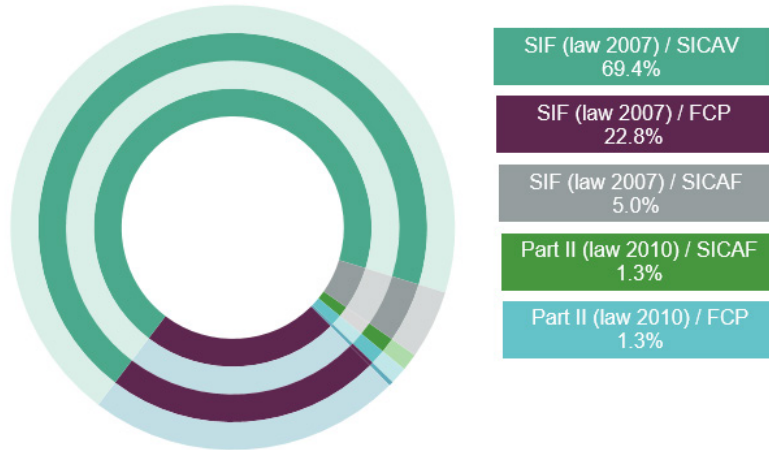
The overhaul of the limited partnership regime in 2013 has produced its effects with an undisputable popularity of this legal form for the purposes of incorporating REIFs. There are 274 funds set up in these forms as of September 2021 (53%) This is noteworthy alongside the introduction of the RAIF regime and its increased adoption for the past years and is also shown in the comparative sections above.



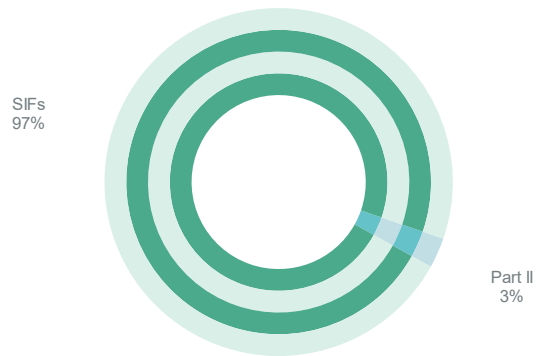
Source: ALFI Luxembourg REIF survey 2021

CSSF data on fund units excl. SICARs
as at 30 September 2021
for comparison purposes given the different approach to data collected

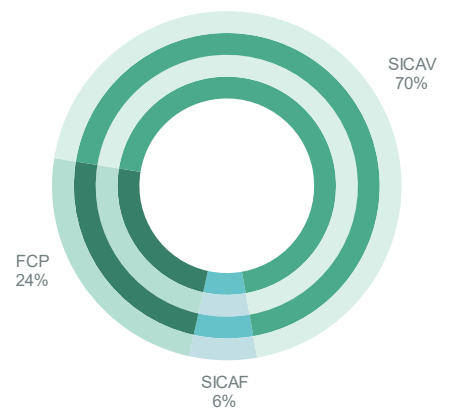
Legal regime and basic structure combined



Legal regime



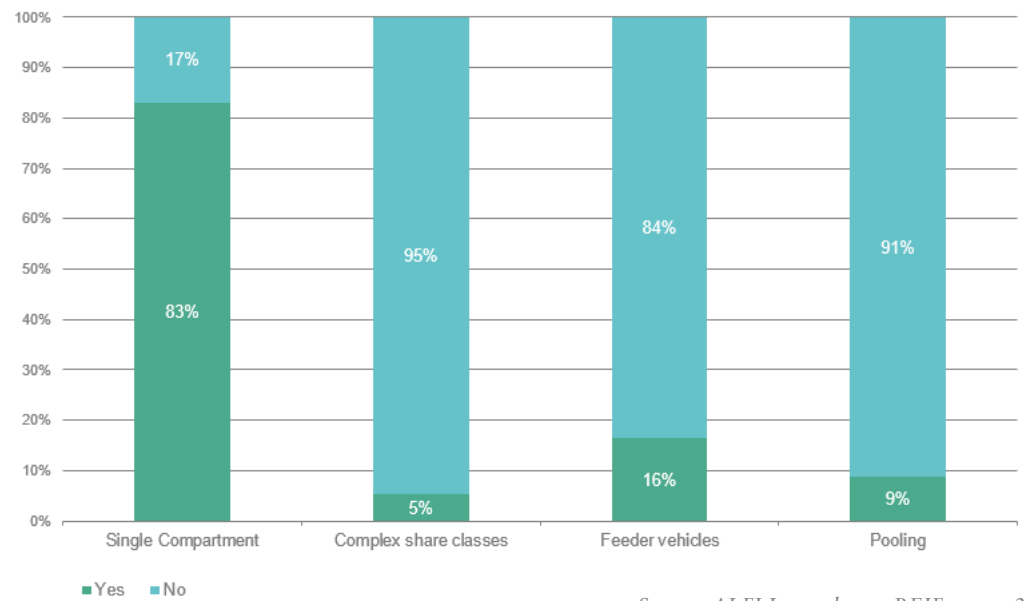
Basic structure



5. Fund structure

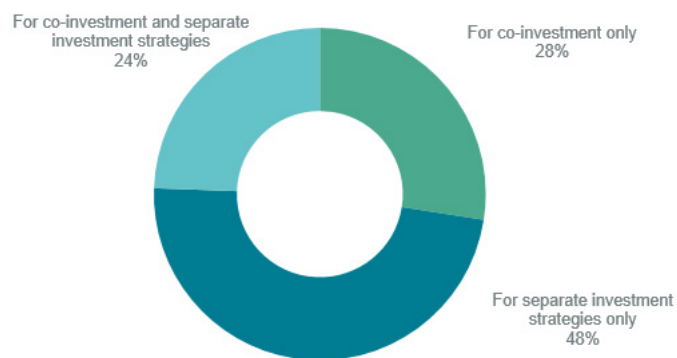
83% of the surveyed REIFs are single-compartment vehicles which marks a significant increase of this fund structure (77% in 2020). The remaining funds have a multi-compartment structure (i.e. umbrella with sub-funds). Of these, 48% use an umbrella structure solely for separate investment strategies, 28% use an umbrella solely for co-investment, and 24% combine both types of usage. 16% of the funds use feeder vehicles

and 5% have complex share classes allowing for different management and performance fee structures for different investors, for example. 35 of the surveyed funds use a pooling structure (23 in 2020). 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.



Source: ALFI Luxembourg REIF survey 2021

Use of sub-fund structures (single-compartment funds are not included in the below)

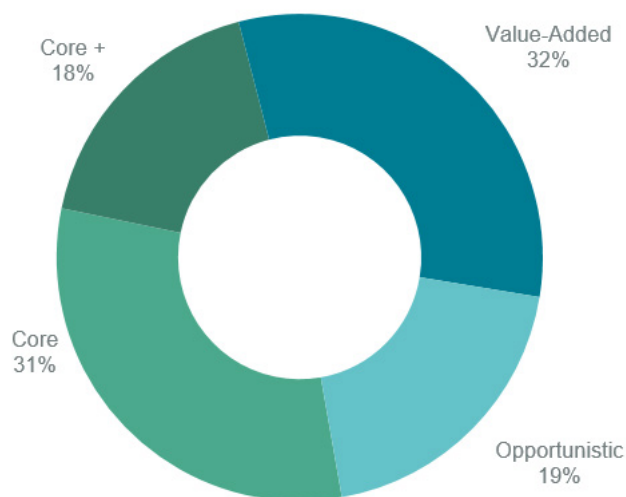


Source: ALFI Luxembourg REIF survey 2021

6. Investment style

Outside SICARs, which by default are “opportunistic”, 31% of the REIFs surveyed are “core” funds. The continuous and significant drop of these “core” funds is to the benefit of “core+” funds with 18% reported

(13% last year), with the remainder split between “value-added” (32%, increased by 4%) and “opportunistic” fund strategies which have remained stable (19% in 2021 and 2020).



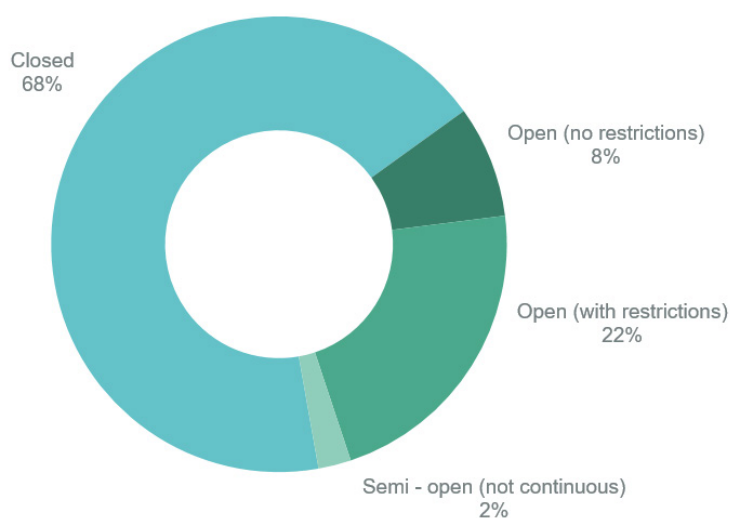
Source: ALFI Luxembourg REIF survey 2021

7. Liquidity

68% of the surveyed funds are closed-ended, a slight increase compared with the last 3 surveys. This continuous increase of closed-ended funds compares with a decrease of “open-ended funds with restriction” (from 29% in 2019 survey 25% in 2020 survey and 22% this year).

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 2% of REIFs are semi open-ended, with 8% being fully open-ended with no restrictions on redemptions.

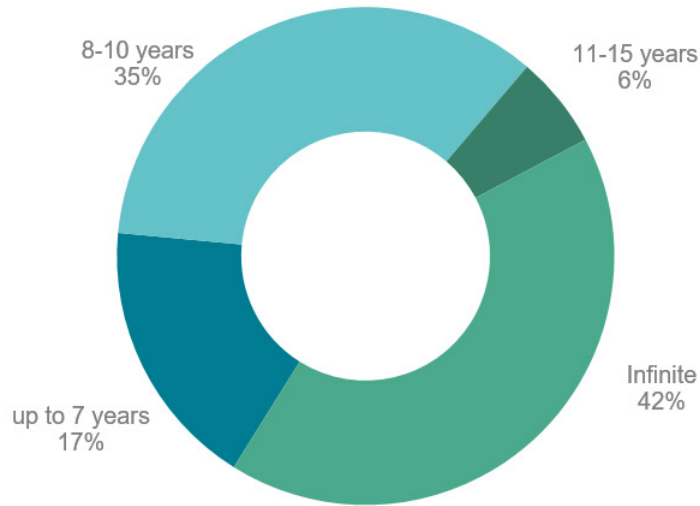


Source: ALFI Luxembourg REIF survey 2021

8. Term

Closed-ended funds benefitted from the decrease of the open-ended funds. 41% of all REIFs (compared to 36% last year) have a duration of 8 to 10 years or 11 to 15 years, while 42% of fund terms are “infinite”

(compared to 50% last year). 17% 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.



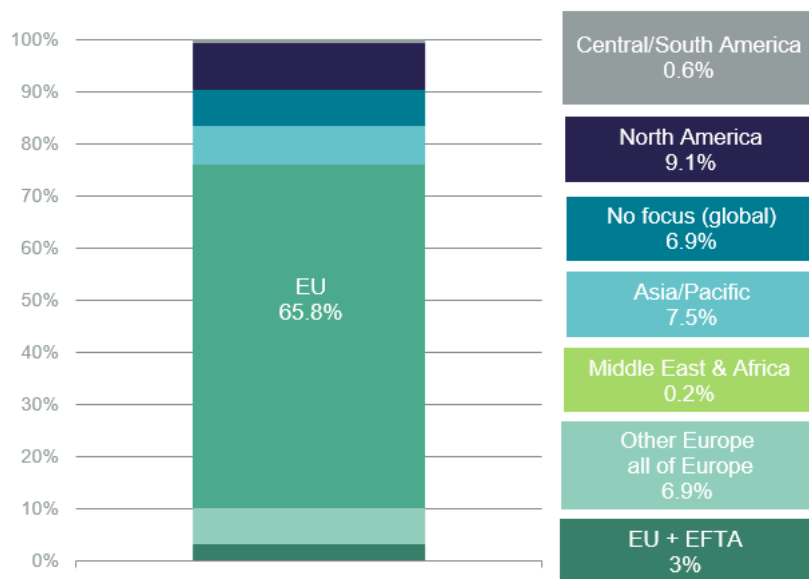
Source: ALFI Luxembourg REIF survey 2021

9. Geographical investment focus

66% of REIFs focus on investment in the EU-27. The Luxembourg REIFs’ appetite to invest mainly in North America (46 funds in this year survey) is confirmed. 35 funds invest in non-EU and non-EFTA states compared to 13 last year. 38 funds invest in the Asia-Pacific region. This is an important increase compared

to last year. Luxembourg REIFs are used for investment in all major regions of the world, which is also evidenced by the 35 funds that do not have a geographical focus (similar to last year), reflecting the suitability of Luxembourg REIFs for investment strategies spanning the globe.

Luxembourg REIF investment regions

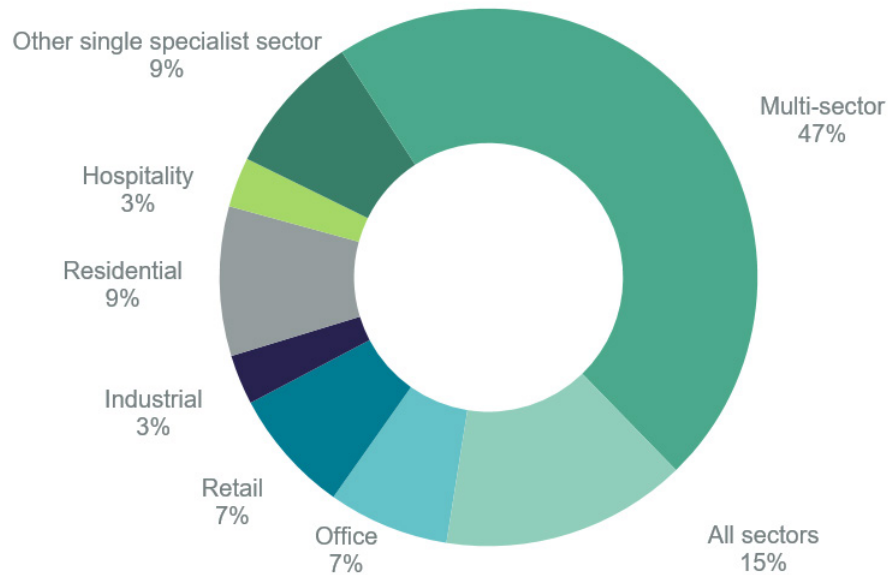


Source: ALFI Luxembourg REIF survey 2021

10. Target sectors

38% of REIFs focus on investing into one specific sector, of which residential property (12% in 2020) and other single specialist sector are the highest (9% each) followed by retail and office sectors respectively (7% each). Those two sectors, even if still in the top of the target sectors, have seen their influence

decrease over the past years. 47% of the REIFs surveyed report a focus on more than one sector (“multi-sector focus”), noting an increase from last year (42%), while 15% report that they do not focus on one or various sectors at all but consider all sectors equally.



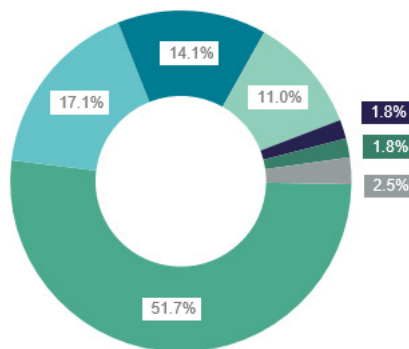
Source: ALFI Luxembourg REIF survey 2021

11. NAV distribution

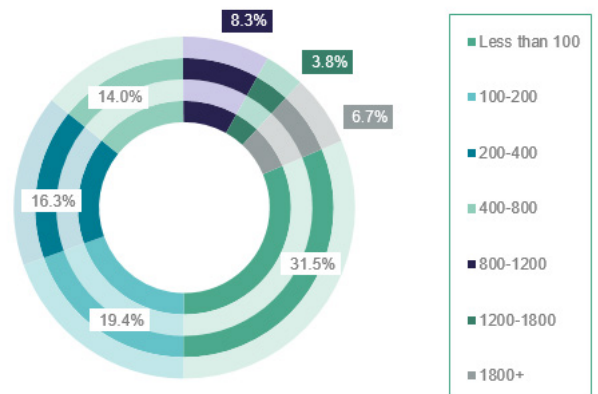
Smaller funds continue to make up the majority of REIFs, with 52% with a NAV of under EUR 100 million, which is quite similar to last year (54%). Overall, 141 funds reported a target NAV of less than EUR 100 million,

while 19.5% fall into the target NAV category of EUR 100-200 million. Target NAV greater than 400 million represents 32.7% (an increase of 5 pps from last year).

NAV (in million EUR)



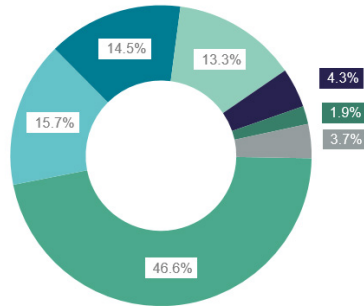
Target NAV (in million EUR)



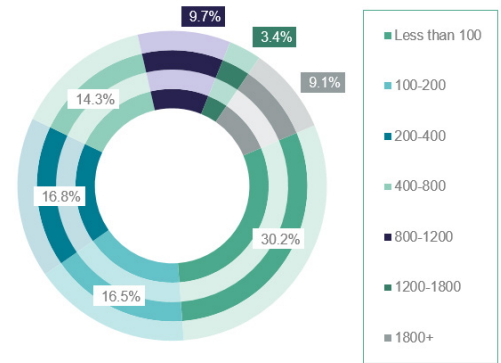
Source: ALFI Luxembourg REIF survey 2021

12. GAV distribution

GAV (in million EUR)



Target GAV (in million EUR)



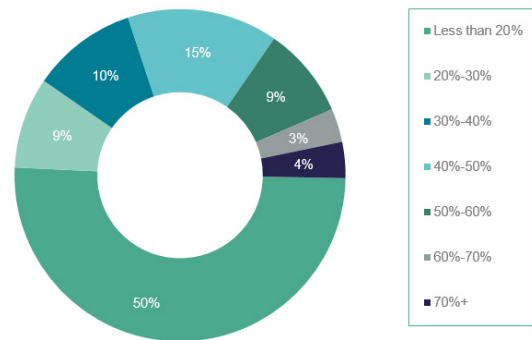
Source: ALFI Luxembourg REIF survey 2021

13. Target gearing

50% of funds aim to keep their gearing below 20% loan-to-value ratio (LTV), a slight

increase of 4% compared with last year, while a further 43% aim to keep LTV level to below 60%.

Target gearing of funds



Source: ALFI Luxembourg REIF survey 2021

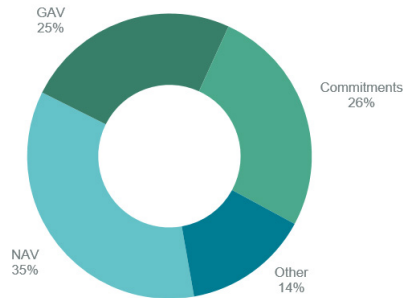
14. Fees

14.1 Management fees

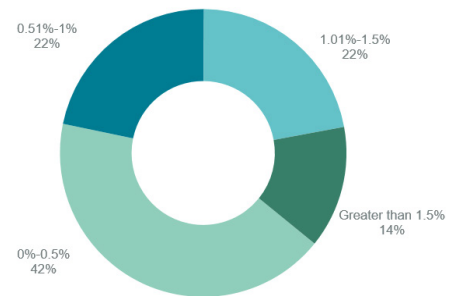
35% of the surveyed REIFs use their NAV as the basis for management fee calculations. The majority of the funds (42%) do charge a

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 22% respectively.

Management fee calculation basis



Management fee range distribution



Source: ALFI Luxembourg REIF survey 2021

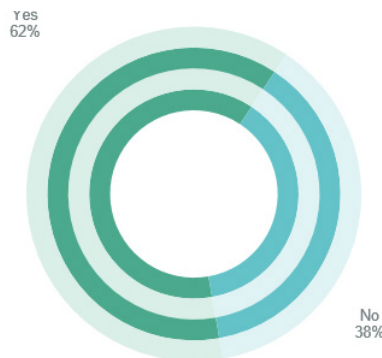
14.2 Performance fees

Compared to last year, this year's data indicates that more REIFs are charging performance fees (62% compared to 49% in 2020 and 55% in 2019). Among those that do charge these fees, 53% charge a fee that equals

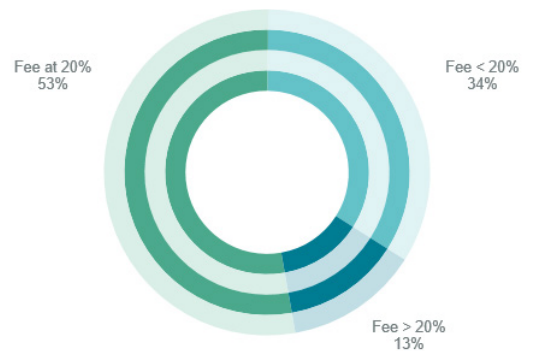
20%, which is basically the same as last year. Cases where the performance fee is less than 20% have seen a further decrease over the last years (34% in 2021 compared to 37% in 2020 and 39% in 2019).

The percentage of REIFs applying performance fees (38%) is quite similar to the percentage of open-ended funds (42%).

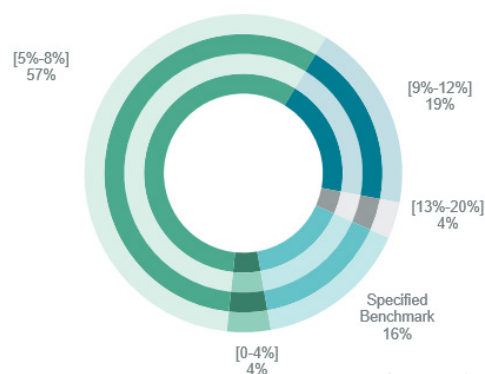
Charging of performance fee



Performance fee (%) charged as per PPM



Performance fee hurdle rate

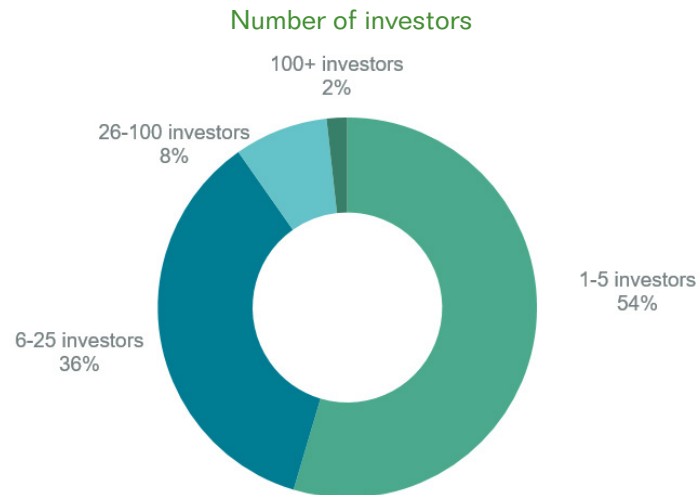


Source: ALFI Luxembourg REIF survey 2021

15. Investors

As in previous years, the 2021 results show that REIFs typically do not have a large number of investors. 90% of REIFs surveyed have 25 investors or fewer, and 54% have 5 investors or fewer. Only 10% 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

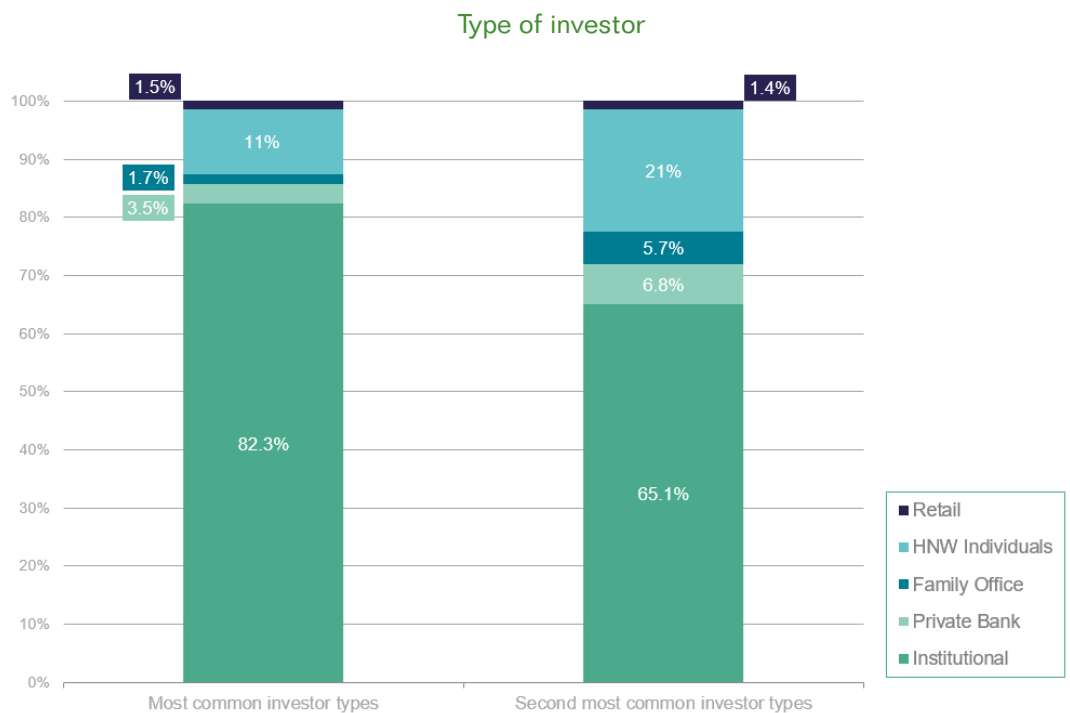
that institutional investors aiming for larger investments make up the majority in REIFs. As a result, there tends to be a smaller number of investors per fund. It is also an expression of the continuing trend towards a larger number of smaller funds, with a smaller number of investors per fund.



Source: ALFI Luxembourg REIF survey 2021

The vast majority of the funds surveyed (82%) have institutional investors, with HNWI's investing in 11% of the funds. Only 6 funds of those surveyed are sold to retail investors.

Compared to last year, proportions of HNWI's and retail investors notably increased. 5% of investors in REIFs are made up of private banks or family offices.



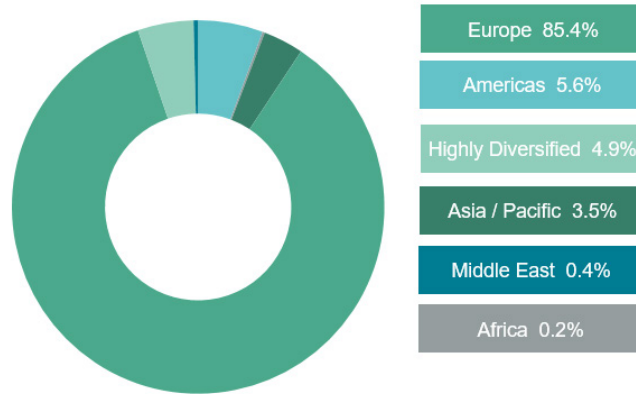
Source: ALFI Luxembourg REIF survey 2021

16. Investor origin

The majority of investors (85.4%) continue to be European; only 6% of funds have investors from the Americas. It is a drop of 4pps compared to last year's survey. 43% of the funds have investors from 1 country only

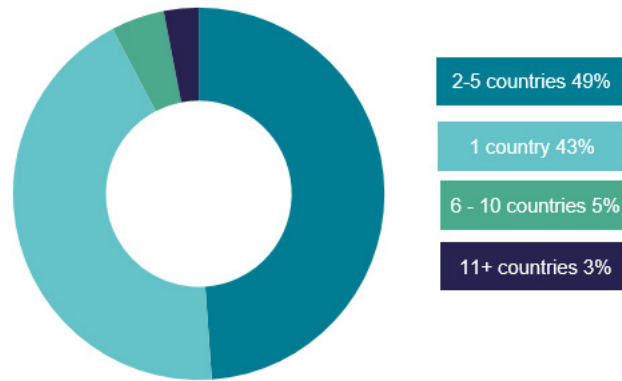
(in lieu of 49% in the previous survey, 49% (an increase of 6% compared to last year) have investors from 2 to 5 countries. Figures related to investors from 2 to 5 countries and 6 to 10 countries have been stable over the years.

Origin of investors



Source: ALFI Luxembourg REIF survey 2021

Number of investors countries

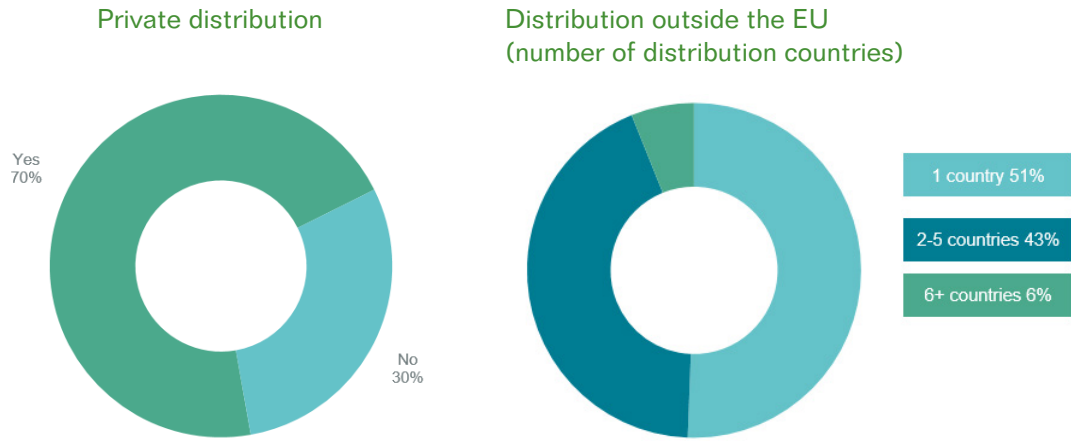


Source: ALFI Luxembourg REIF survey 2021

17. Distribution

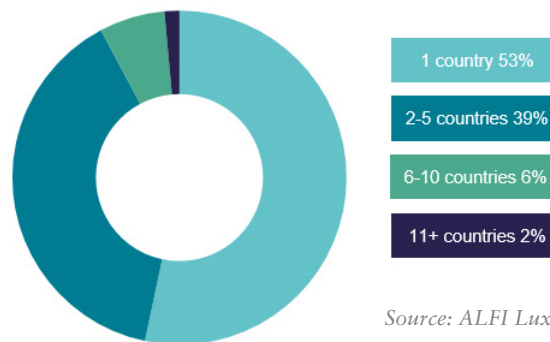
Private placement has been the predominant distribution channel for REIFs, but this has now been replaced by AIFMD-authorized

institutional placement in EU countries in most cases.



Source: ALFI Luxembourg REIF survey 2021

Distribution in the EU (number of AIFMD passporting countries)



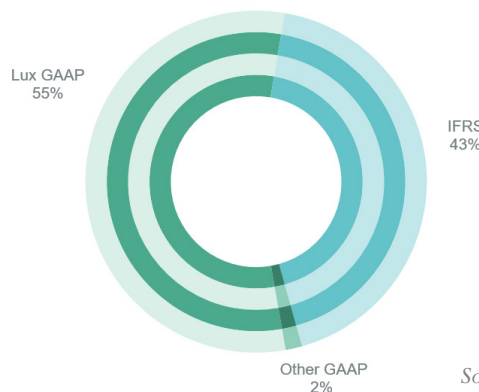
Source: ALFI Luxembourg REIF survey 2021

18. Accounting standards

55% of funds surveyed apply Luxembourg GAAP (Lux GAAP) as accounting standard, with the remainder applying IFRS (43%). Note

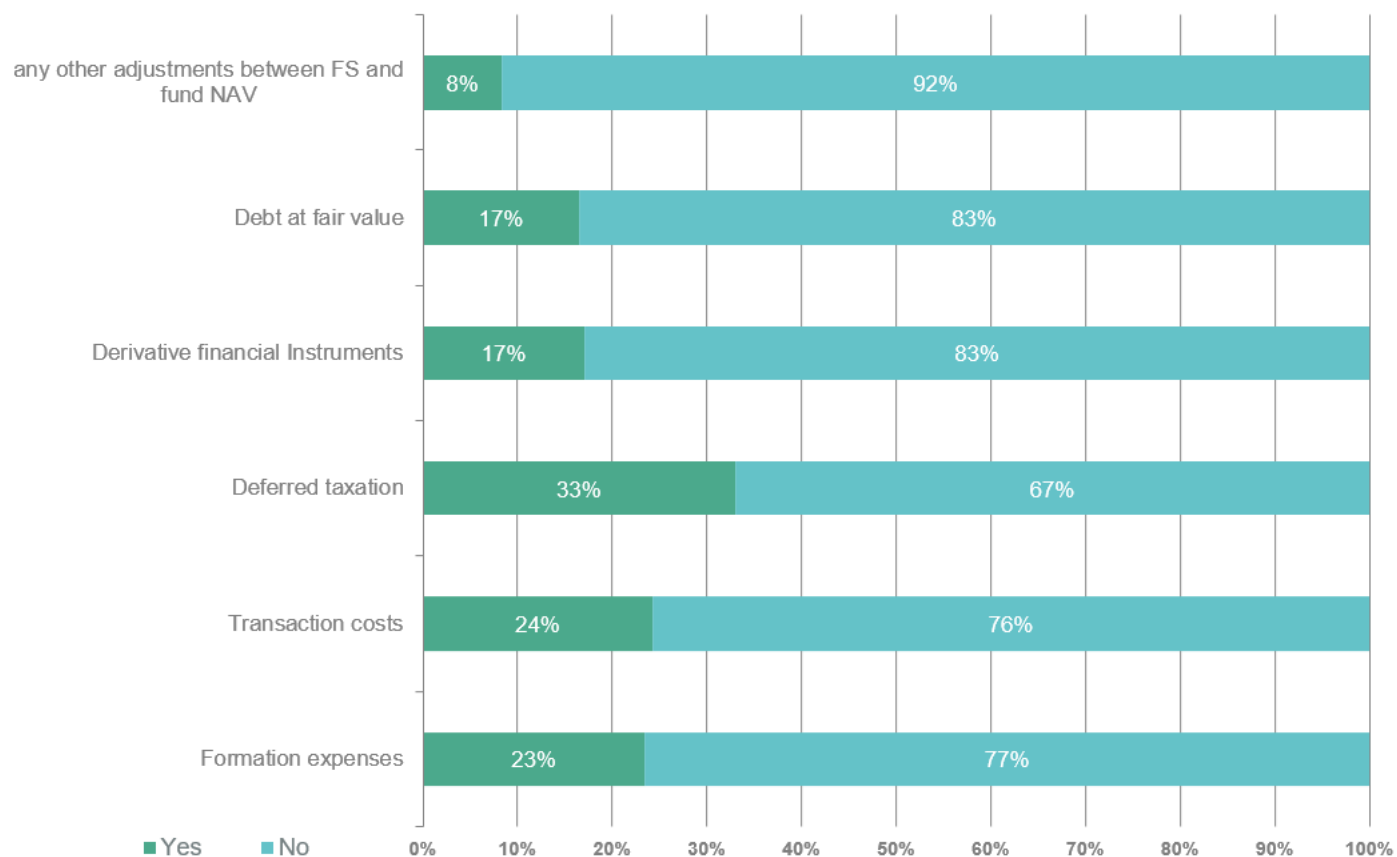
that the use of other GAAP has decreased by 5 pps and now only accounts for 2% of the funds surveyed (compared to 7% in 2020).

Accounting standards



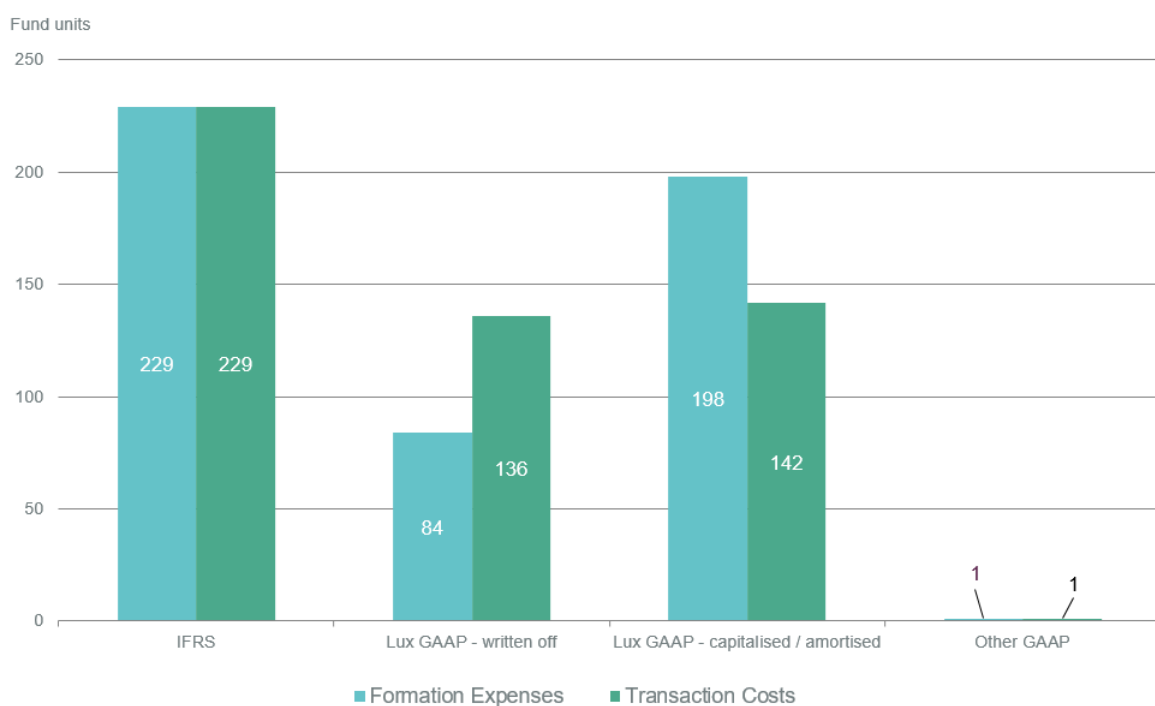
Source: ALFI Luxembourg REIF survey 2021

Fund units adjusting for various items



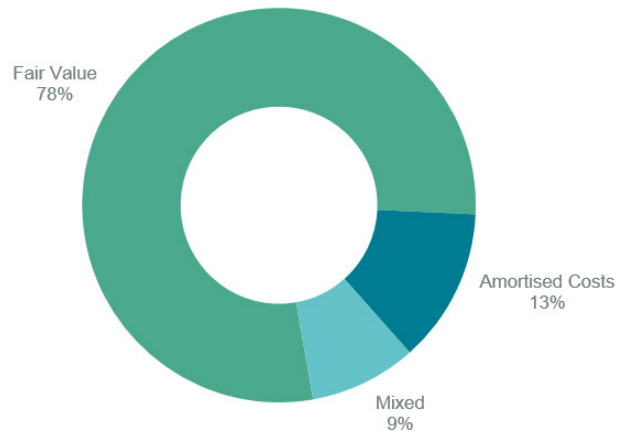
Source: ALFI Luxembourg REIF survey 2021

Trading NAV adjustments



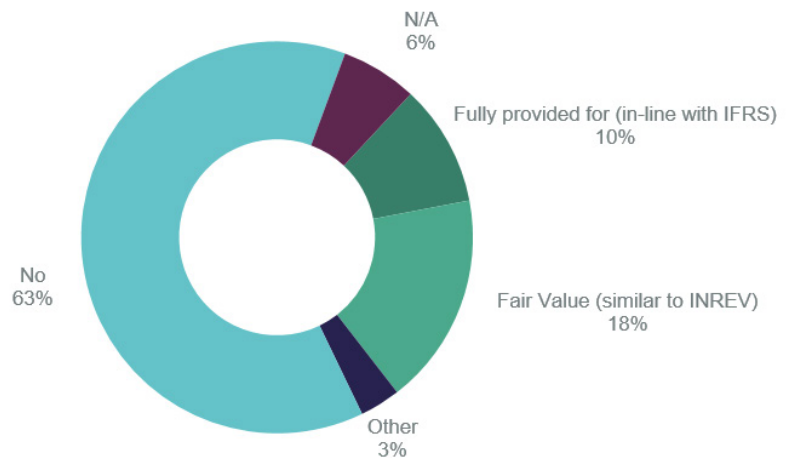
Source: ALFI Luxembourg REIF survey 2021

Accounting treatment of financial instruments



Source: ALFI Luxembourg REIF survey 2021

Deferred taxation treatment



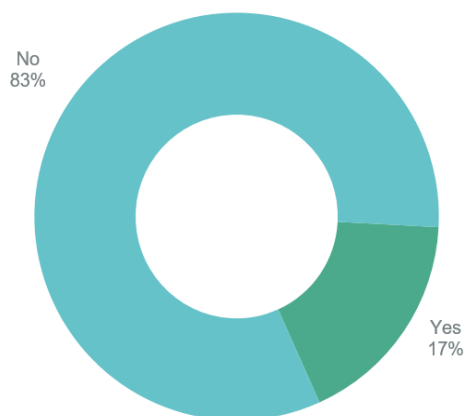
Source: ALFI Luxembourg REIF survey 2021

19. Consolidated accounts



Source: ALFI Luxembourg REIF survey 2021

20. INREV NAV

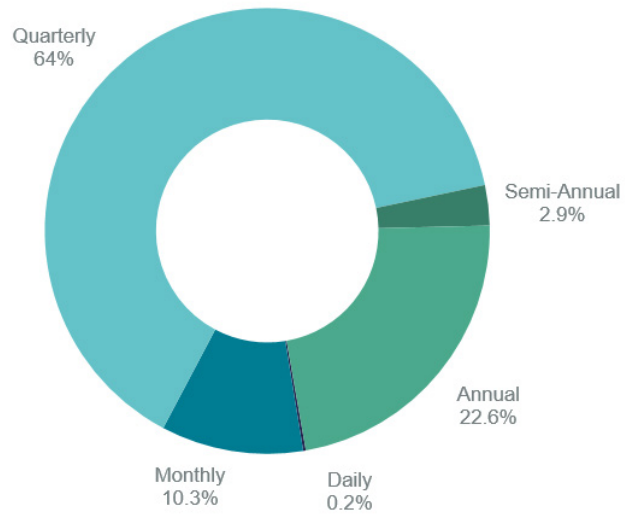


Source: ALFI Luxembourg REIF survey 2021

21. NAV calculation frequency

The majority (64%) of REIFs report a quarterly NAV calculation, while 23% produce an annual NAV. Among all the funds surveyed, 53 report a monthly NAV and 15 a semi-annual NAV. Compared to 2020, these figures show that funds tend to opt for quarterly NAV reports.

Since 68% 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.

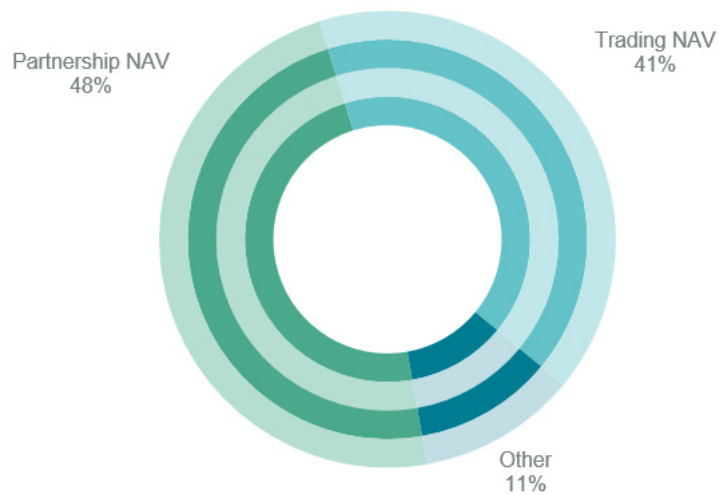


Source: ALFI Luxembourg REIF survey 2021

Of the surveyed funds, 19.5% (98 funds) indicated which “other NAV” they used. The

percentages are to be read in relation to these 98 funds.

Other NAV



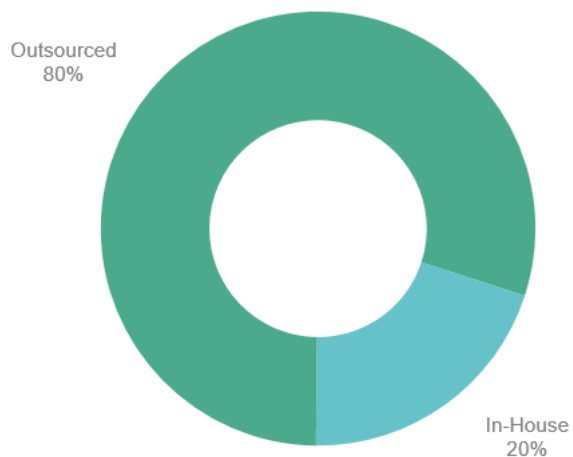
Source: ALFI Luxembourg REIF survey 2021

22. Fund accounting and valuation

Whilst the trend is for a continued growth of AIFMs being set up in Luxembourg to manage new AIFs, it is noteworthy to outline that the

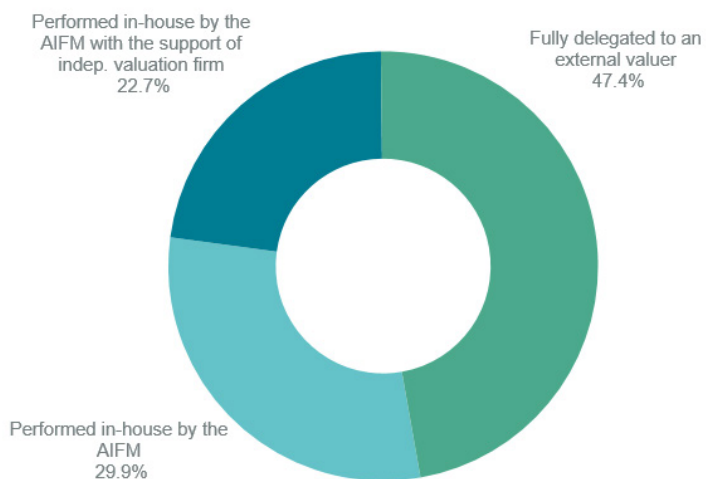
percentage of AIFMs that chose not to delegate this function is 57.7% (55% in 2020).

Fund accounting



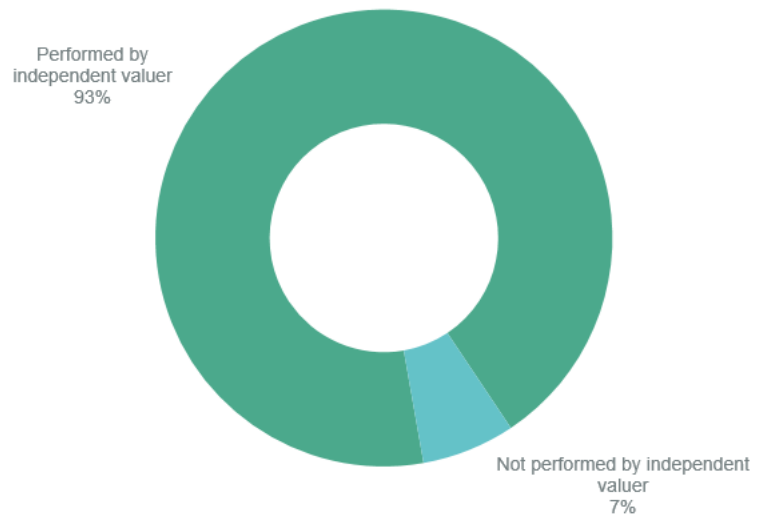
Source: ALFI Luxembourg REIF survey 2021

Fund level valuation



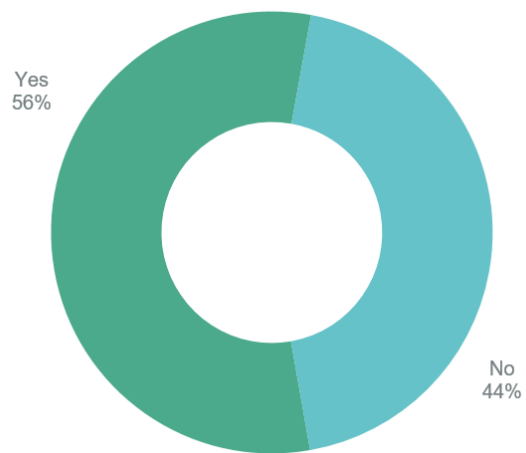
Source: ALFI Luxembourg REIF survey 2021

Asset level valuation



Source: ALFI Luxembourg REIF survey 2021

Independent valuer acting as AIFMD external valuer



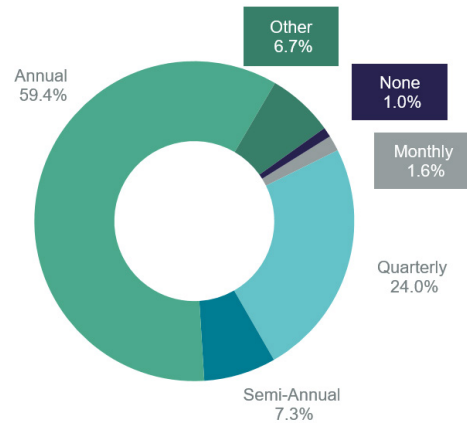
Source: ALFI Luxembourg REIF survey 2021

23. Property valuation

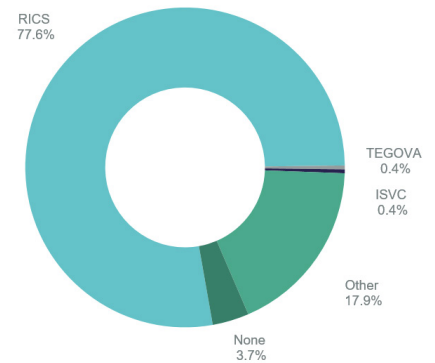
Almost all (93%) of the surveyed funds use an independent appraiser in respect of their property valuations. Valuations for 398 REIFs are carried out under RICS valuation and

appraisal standards. This has been the leading standard for property valuations for years, and the figures have remained stable over the past years.

Frequency of property valuation



Property valuation standards adopted

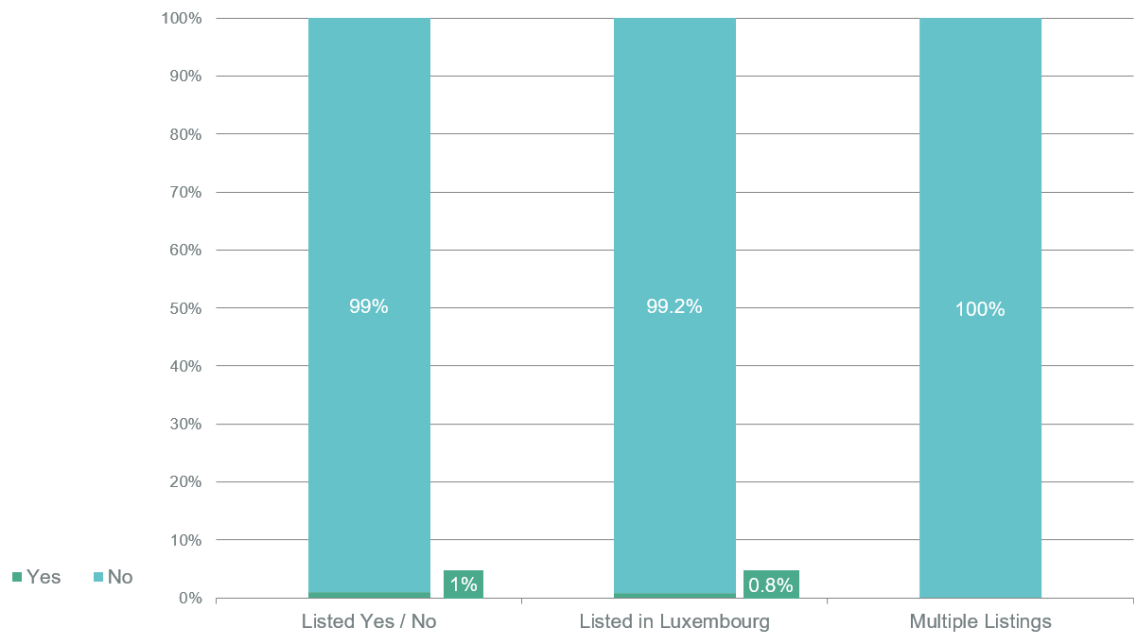


Source: ALFI Luxembourg REIF survey 2021

24. Listing

Out of the 518 funds covered in this survey, only 3 (0.8%) are listed on the Luxembourg

Stock Exchange. No fund reports several listings.

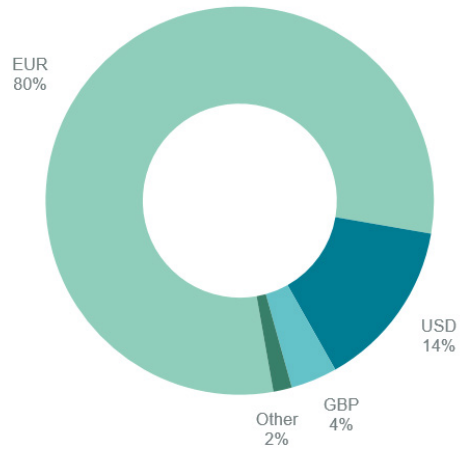


Source: ALFI Luxembourg REIF survey 2021

25. Currency

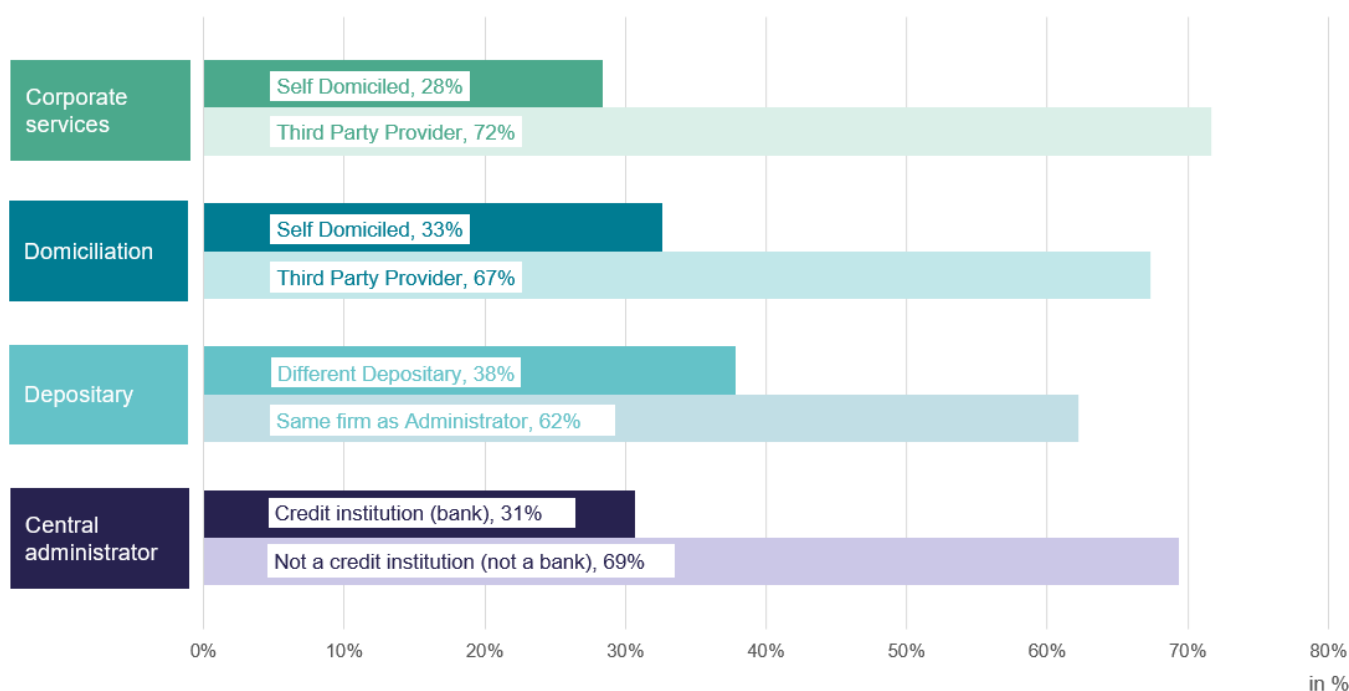
The great majority of funds (80%) report in EUR compared to 76% last year, while 14% report in USD and 4% in GBP, both slightly

down. Based on recent years' surveys, we note that trend is to move to EUR as reporting currency.



Source: ALFI Luxembourg REIF survey 2021

26. Service providers

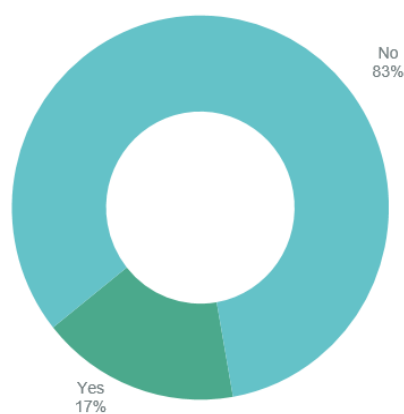


Source: ALFI Luxembourg REIF survey 2021

27. Delegation of risk management

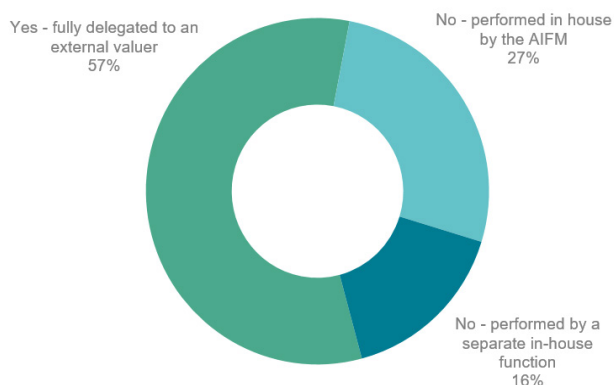
Luxembourg is the centre of excellence for risk management, unsurprisingly 83% of REIF

surveyed indicated that they perform risk management in-house in Luxembourg.



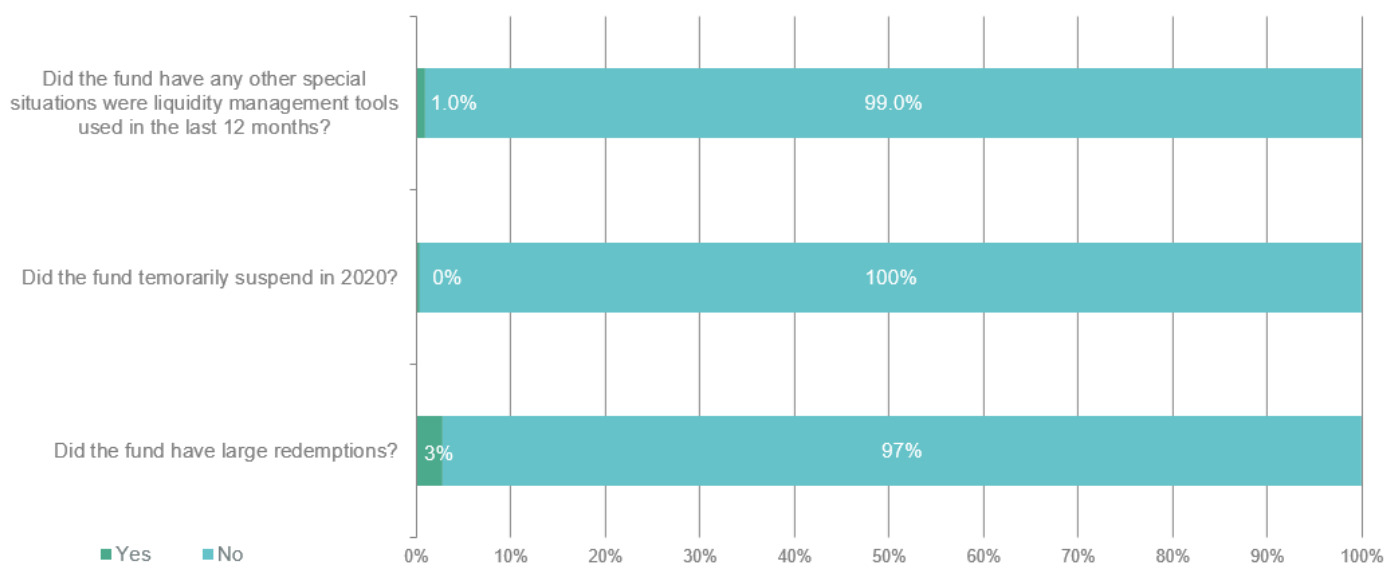
Source: ALFI Luxembourg REIF survey 2021

28. Performance of valuation



Source: ALFI Luxembourg REIF survey 2021

29. Liquidity management considerations and special situations



Source: ALFI Luxembourg REIF survey 2021

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 coronavirus 2) first identified in 2019
CSSF	<i>Commission de Surveillance du Secteur Financier</i> , 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	<i>Fonds commun de placement</i> : 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	<p>Core: stable income returns, stabilised properties located in strong and low risk markets; geared at less than 50%</p> <p>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%</p> <p>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%</p>
IVSC	International Valuation Standards Council
Law of 2010	Law of 17 December 2010 concerning undertakings for collective investment, as amended
Liquidity	<p>Closed-ended: REIF may not, at the request of investors, repurchase directly or indirectly their units or shares</p> <p>Open-ended: Fund may, at the request of investors, repurchase directly or indirectly their units or shares</p> <p>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.</p> <p>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</p>
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	<i>Société anonyme</i> (public limited company)
Sarl	<i>Société à responsabilité limitée</i> (private limited liability company)
SCA	<i>Société en commandite par actions</i> (partnership limited by shares)
SCS	<i>Société en commandite simple</i> (limited partnership)
SCSp	<i>Société en commandite spéciale</i> (special limited partnership)
SICAF	<i>Société d'investissement à capital fixe</i> (investment company with fixed capital)
SICAR	<i>Société d'investissement en capital à risque</i> (investment company in risk capital)
SICAR Law	Luxembourg Law of 15 June 2004 on the investment company in risk capital, as amended
SICAV	<i>Société d'investissement à capital variable</i> (investment company with variable capital)
SIF	Specialised investment fund
SIF Law	Luxembourg Law of 13 February 2007 on specialised investment funds, as amended
SOPARFI	<i>Société de participations financières</i> (financial holding company)
SPV	Special purpose vehicle
TEGoVA	The European Group of Valuers' Associations
UCITS	Undertaking(s) for collective investment in transferable securities



The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,500 Luxembourg-domiciled investment funds, asset management companies and a wide range of businesses that serve the sector. These include depositary banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialist 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 defines its mission as to “lead industry efforts to make Luxembourg the most attractive international centre for investment funds”.

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, the implementation of European directives and the 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 services. It represents the sector in financial and 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 International Investment Funds Association, of Pensions Europe, of the International Association of Pension Funds Administrators and of the Global Impact Investing Network.

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December 2021
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**Luxembourg real estate
investment funds survey 2021**