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Trends in Real Estate Fund Structures

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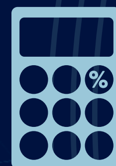

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1 Executive Summary

- To ascertain recent and future trends in UK and European real estate fund structures, interviews were undertaken with 22 leading industry professionals, with current experience of fund structuring. In addition, to garner further opinion, an online survey was sent out to all AREF members and representatives of 35 distinct firms responded.
- In the UK, PAIFs and JPUTs have dominated the open-ended space in the last three years and this looks set to continue in the near term. However, there is some hesitation concerning the longer-term future of JPUTs.
- REITs are expected to grow in popularity, and, to a lesser extent, ACSs may become more commonplace.
- The effects of Brexit are expected to have the greatest influence on UK fund structures over the next year. One potential outcome could be a move, by fund structures and supporting workforce, to Luxembourg.
- The SCSps has been the most prominent European, open-ended fund structure in the last three years, followed by the FCP. It has also been the most dominant closed-ended fund structure preference. Little change is anticipated in these trends going forward.
- Luxembourg is the domicile of choice for European funds and its dominance looks set to continue. It has been adept at listening to investors and fund managers and adapting its offering accordingly; the introduction of the SCSp is a good example.
- Luxembourg has an array of regulatory regimes and has recently introduced the RAIF regime, which has a lighter regulatory touch. It has been positively received and its popularity is expected to grow.
- Dublin has not seen the same take up in real estate funds as Luxembourg, due to a lack of familiarity and issues with the structural offerings.
- BEPs is influencing fund structure trends as it is encouraging pan-European funds to base holding structures in same jurisdiction as the overall fund structure, due to substance rules. Luxembourg is the main beneficiary of this movement.

2 Introduction

With an uncertain political environment and a demanding regulatory landscape, UK and European real estate fund structures face challenging times. To better comprehend the issues involved, this paper has been commissioned, by AREF's Education and Training Committee, to explore the current trends for both open and closed-ended vehicles; what structures are currently being utilised and how this may change in the future. The paper forms part of a series of events, covering Funds, Operations, Regulations and Tax (FORT) issues.

Opinion on fund structure trends and key influences were sought during interviews, both by phone and in person, with 22 AREF members. These members were specifically chosen, having current experience of the fund structure universe. They also represent a wide range of real estate professionals, including fund managers, investors, fund administrators, consultants and lawyers. The interviews were carried out between mid-November and the beginning of January.

In addition to the interviews, further market opinion was gathered through an on-line survey, via Survey Monkey. The survey was open between mid-October and mid-December 2018 and the link was sent out to all AREF members. There were responses from representatives of 35 distinct firms, covering a similar range of industry professionals as the interviewees.

The report is separated into seven sections, commencing with an executive summary and introduction. The main body of the report is divided into three parts to discuss: UK fund structure trends; European fund structure trends; and influences on both markets. UK and Europe refer to the jurisdictions where the funds hold assets. Following the conclusion, the appendix contains a brief snapshot of the main fund structures.

It is important to emphasize that this report is based on contributors' views and opinions and, hence, it is not a definitive picture of the real estate fund structure market in the UK and Europe. In addition, it should be noted that several of the issues discussed are currently on-going and opinions may change in the future depending how they are resolved. However, this report does offer a useful insight into the UK and European fund structure market at the time of writing. All information was provided in confidence and is reported in aggregate.

3 UK Real Estate Fund Structuring Trends

3.1 Recent Trends

To gauge which structures have been most commonly utilised for real estate funds with UK assets, in the past three years, interviewees were asked to identify the most prominent structure, in their experience; some mentioned more than one type of fund structure. Both open and closed-ended funds were considered.

For open-ended structures, Jersey Property Unit Trusts (JPUTs) were most commonly mentioned, closely followed by Property Authorised Investment Funds (PAIFs). This was supported by the survey results.

Jersey is well established as a domicile for real estate funds and there were several comments relating to the ease and cost efficiency of establishing a JPUT. Its structure suits start-up firms or sector specialists, who are selling their asset management skills, rather than their expertise at fund management and may prefer a less regulated vehicle. However, there was reference to hesitation in take up following the announcement of the changes to capital gains tax (CGT) relief in November 2017. This is discussed in more detail in Section 5.2 of the report.

For closed-ended vehicles, English LPs were, overwhelmingly, the most popular structure.

3.2 Future Trends

With uncertain times ahead for UK fund structures, interviewees were probed about what they considered to be the most prominent fund structures in the next year or so. An opinion was invited for both open and closed-ended funds.

There is a general consensus that, in the next year, there will be little change in the most popular fund structures; PAIFs and JPUTs will continue to dominate in the open-ended fund space and English LPs for closed-ended funds.

A future trend, gathered from the interviews, is the potential increase of Luxembourg as a domicile for UK funds, particularly if the fund manager is considering attracting European investors, following Brexit. Survey contributors were asked for their views of the most prominent jurisdiction for both open and closed-ended UK funds over the next three years. The results are shown in Figure 3.1. Luxembourg was ranked joint first with England, while Jersey was third.

There is a dichotomy of opinion about the future of JPUTS, beyond the next year. The CGT issue looks to be resolved, to the great relief of the industry (See Section 5.2), and there were comments that JPUTS will still have a place in the fund structure market, offering flexibility, ease of establishment and an experienced administration infrastructure in Jersey. However, its prominence was questioned. Jersey is not within the EU and, hence, is unable to market funds through AIFMD. In addition, there was considerable comment about the reputational issues surrounding the treatment of tax. A number of interviewees observed that Jersey may suffer from the perception, by some, of being a "tax haven".

While capital raising has been challenging for REITs, in recent times, there is now an expectation that the structure may become more prevalent over the next few years, particularly as an alternative to some of the open-ended vehicles. A number of interviewees mentioned that sources of capital looking for tax transparency or retail investors searching for an alternative to the open-ended funds may choose REITs. In addition, the current interest in residential, and in particular the private rented sector (PRS), may favour the structure. (See Section on REITs.)

THE CHALLENGES OF OPEN-ENDED VEHICLES...

Following the EU referendum result in 2016, several open-ended real estate funds, were forced to suspend redemptions given the high levels of investor withdrawals. These developments made headline news at the time.

Interviewees were asked about the impact of these events and there was agreement that no structural changes have been made. There is agreement, from the interviews, that no structural changes have been made. However, for institutional vehicles, amendments have been made to fund terms, particularly redemption policies and mechanisms, for example, the threshold for deferrals and longer redemption periods. The objective is to provide the fund manager with greater flexibility to deal with shock events, such as the referendum result, and to protect the fund for remaining investors. Institutional investors are also pursuing greater governance, transparency and oversight of the vehicles they are invested in.

For retail products, it is noted that there has yet to be any fundamental changes in terms. At the time of writing, the Financial Conduct Authority (FCA) is in consultation with the industry. It has stated that there will not be a major overhaul to the funds but want to consider what lessons can be learnt from what happened after the referendum result to help provide greater clarity to retail investors.

There is an expectation going forward that REITs may become more prevalent, as an alternative to these open-ended vehicles.

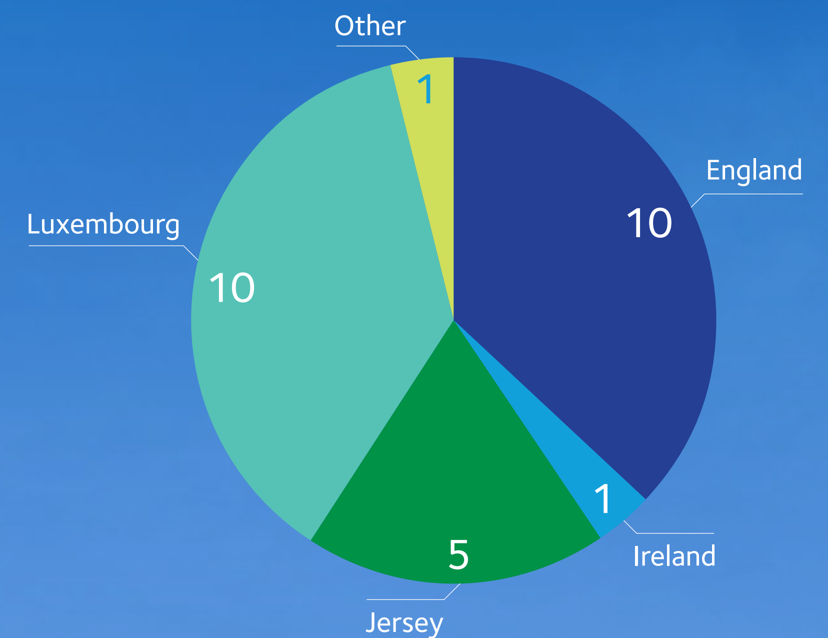

Figure 3.1: Top Ranked Jurisdictions for UK Funds

Source: AREF Fund Structures Survey 2018
Note: By number of respondent firms. Over next three years

REAL ESTATE INVESTMENT TRUSTS

In common with REIT regimes globally, the UK REIT legislation has evolved considerably. At the time of inception in January 2007, there was a conversion charge to adopt REIT status, and the shares had to be listed on the main market. These requirements no longer exist. The initial REITs were purely conversions of the largest listed property companies to REIT status. The anticipation was, that as a result of the requirement for 90% of taxable rental income to be distributed as dividends, there would be a lower level of development activity and a higher level of equity fund raising to finance new acquisitions. In the event this has not occurred, but what has emerged is a convergence of styles between listed companies and unlisted funds. In particular, we have seen the emergence of the following trends:

- Acceptance of externally managed fund structures, listed as REITs, e.g. Tritax Big Box
- Listing of GPUTs and JPUTs as UK REITs
- Specialist funds, particularly student accommodation, logistics, healthcare and social housing funds listing as REITs
- Fund structures which previously would have been open-ended and targeted at retail investors listing as REITs, e.g. AEW UK REIT
- Income focussed fund structures listing as REITs, e.g. Secure Income REIT
- "Follow on Funds" listing separately rather than as part of the existing REIT, e.g. Tritax EuroBox
- Existing UK REITs reassessing their dividend pay-out ratios in the light of structural changes to their sector e.g. Intu Properties

REIT structures now account for 75% of the total market capitalisation of the UK listed real estate sector, and recent changes to the legislation are likely to enhance further the attraction of REITs as a structure. In particular, if they can be seen to achieve the combination of real estate pricing with equity market liquidity (but not volatility), we would expect the number of UK REITs to increase.

Alex Moss, Director, Real Estate Research Centre, Cass Business School

Another fund structure that may become more commonplace is the Authorised Contractual Scheme (ACS), driven by investor desire, for more authorised, tax transparent funds. The ACS was first established in 2013. Few have been brought to the real estate market so far, but they are more widely found in other asset classes. Familiarity and cost of establishment are two issues that are constraining the adoption of this structure for real estate funds.

> "The idea behind the ACS regime was to bring the UK's fund range in line with those offered in jurisdictions such as Luxembourg and Ireland. The regime puts ACS investors in the same position (or better) with regard to income and capital gains taxes than they would have been in if they had invested directly in the underlying fund assets.

Pamela Thompson, Chair, Eversheds Sutherland (International) LLP

4 European Real Estate Fund Structuring Trends

4.1 Recent Trends

To ascertain the most frequently utilised structures for European assets, interviewees were asked to consider, in their experience, what they thought was the most prominent structure in the last three years, for both open and closed-ended funds.

For open-ended vehicles, Luxembourg funds were most favoured, including the special limited partnership or société en commandite spéciale (SCSp), closely followed by the fonds commun de placement (FCP).

The Luxembourg SCSp was also identified as the most dominant closed-ended fund structure type by both interviewees and the survey. It was first introduced in 2013, at the same time as the implementation of AIFMD, to encourage alternative funds to locate to Luxembourg. Being a limited partnership, the SCSp structure is already familiar to investors and is straightforward to establish.

> "We have seen continued growth in the use of the Luxembourg SCSp for both open and closed-ended funds focussing on real asset opportunities in Europe. This structure offers the benefit of a defined regulatory framework, without the requirement for Luxembourg regulatory approval prior to launch. By simplifying the entry process, whilst maintaining regulatory principles, this has proven attractive to both funds and investors alike.

Fund Administrator/Advisor

There was little comment concerning other structures, including the English LP structure, which is not surprising given the introduction of the SCSp.

4.2 Future Trends

Looking to the future, interviewees were asked to consider what they believe to be the most prominent fund structure in the next year or so, for open and closed-ended funds in Europe.

The clear message, from the interviews, is that little change is expected in European fund structure trends. For both open and closed-ended vehicles, the results closely mirror those trends seen in recent years.

Another significant finding is the dominance of Luxembourg, as the home for real estate fund structures. This was also supported by the survey results, shown in Figure 4.1. All but one of the 22 respondents, asked to clarify which jurisdiction they expected to be the most dominant over the next three years, noted Luxembourg.

Luxembourg has been very good at listening and adapting to the demands of the real estate funds industry and has benefitted from significant political support, with the introduction of the SCSp a good example.

It also offers an expansive range of products and regimes to suit all scenarios, whether fuller regulation under the SIF or SICAR regimes, a lighter regulatory touch under the RAIF regime or unregulated funds. The introduction of AIFMD has also helped to support Luxembourg's dominance to build "Luxembourg Inc".

As well as its wide-range of structures, Luxembourg is also able to offer significant infrastructure to support the real estate funds industry. The physical infrastructure is straightforward to build and up-to-date technology is in place. However, there were mixed comments, from the interviews, concerning the workforce. Due to the great demand for staff, it is a very competitive market and there is considerable fluidity. Concern was expressed, from several contributors, about attracting the necessary staff to manage the burgeoning demands of the fund structuring industry. However, another explained that the workforce required for these back-office functions are not as location sensitive as those in other parts of the fund management business and, so far, staff have been attracted from countries bordering Luxembourg and from eastern Europe. Some functions have even been outsourced.

One interviewee commented on the expense of establishing a fund in Luxembourg. However, another contributor explained that Luxembourg has adapted again to support those who cannot afford to establish a full fund management business in the country, by providing a range of fund managers for hire who will provide the risk and portfolio management responsibilities, which are required through AIFMD.

Another indication of Luxembourg's flexibility is its RAIF regime, introduced in 2016, which was discussed frequently in the interviews. Under the regime, funds are not subject to supervision by the Luxembourg supervisory authority as the fund manager rather than the fund is authorised. The fund establishment process is therefore less complex, and the fund is quicker to market, which will suit certain types of real estate vehicles, for example, those that look to benefit from short-term cycles in the market. One interviewee described the regime as "regulatory light". It also offers segregated compartments, a first for Luxembourg non-regulated funds, which allow investors to tailor their investments.

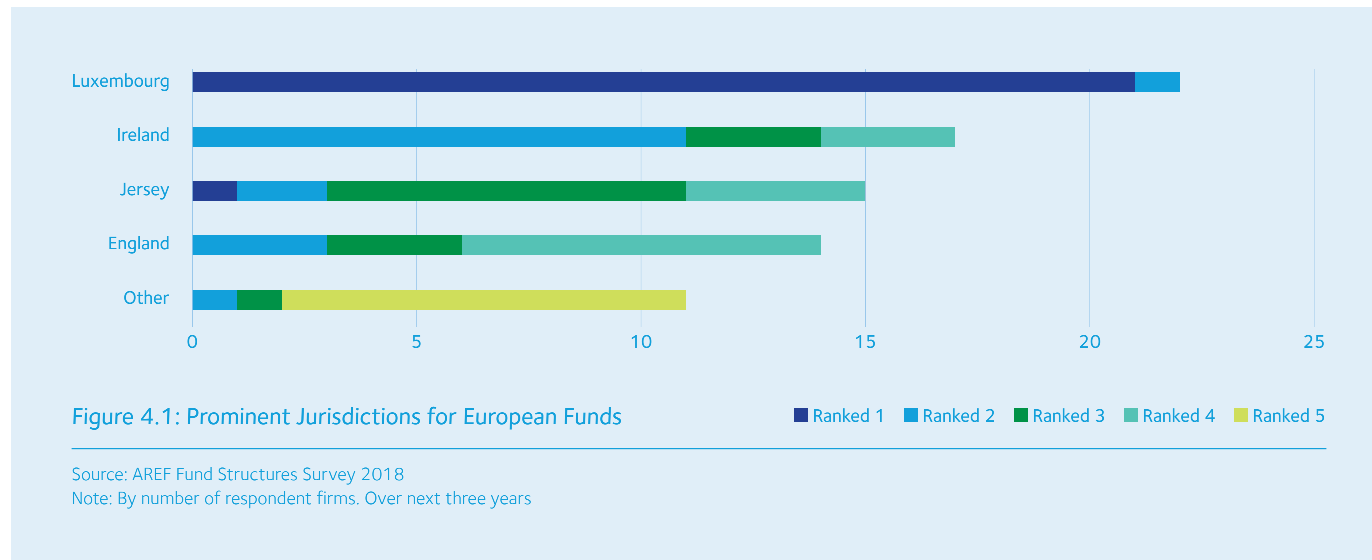

Figure 4.1: Prominent Jurisdictions for European Funds

Source: AREF Fund Structures Survey 2018
Note: By number of respondent firms. Over next three years

Are there other jurisdictions that could loosen Luxembourg's grip on the real estate fund structure industry? From discussions, it seems unlikely in the near future. While Dublin has a large funds industry, it is evident that it has not experienced anywhere near the uplift in real estate funds that Luxembourg has. It seems this is due to the lack of a workable unregulated product and a possible reluctance, by investors and managers, to be the "first mover". One interviewee said they would like investors to have "more of an open mind in terms of jurisdiction", while another said they had found the Irish regulator to be more responsive than Luxembourg's CSSF. Several interviewees mentioned that there has been a move to reform the Irish limited partnership, to create a more flexible structure. However, as there are also political considerations with this reformation, this is yet to happen.

Two interviewees mentioned France as a potential home for European real estate fund structures in the future. Employment laws are being changed, regulations are being relaxed and there is work underway to bring in a new partnership structure.

> "Luxembourg's flexible legal and regulatory environment, extensive double tax treaty network and familiarity to institutional investors has made it an obvious choice for real estate fund promoters seeking European distribution.
>
> Dublin offers some similar advantages but has not developed in the same way as a major domicile for private real estate products. A number of factors have contributed to this, including Luxembourg's established leadership position, geographic proximity to continental Europe, and favourable tax treaties. The lack of a market standard Irish limited partnership vehicle has also been considered to be a clear disadvantage. With this in mind, the upcoming introduction of the new Irish Limited Partnership legislation could be a catalyst for Dublin to emerge as a more viable option for real estate fund managers.

Jonathan Brady, Vice President, Blackrock Real Assets

5 Influences on Real Estate Fund Structures

The investment market, particularly in the UK, is undergoing a period of uncertainty. Some of these uncertainties may determine real estate fund structures going forward. Interviewees were questioned about the prospective effect of a number of influences and their thoughts are documented in this section of the report.

5.1 Brexit Effect

It is quite challenging to write about the effect of Brexit on the real estate fund market, particularly in the UK, given the continuing changing landscape. It is important to re-iterate that interviews took place between the middle of November and the beginning of January.

Brexit has not yet had a significant effect on UK fund structures as the majority of those involved have adopted a "wait and see" approach. Others have acted and there has been some recent movement of personnel to Luxembourg and a number of funds that would previously have been UK-based, are now overseas in Luxembourg or Dublin.

Depending on the outcome, the potential effect of Brexit on UK funds is likely to be more significant. In the survey, 26 out of 30 respondents stated that Brexit will be the greatest threat to UK funds over the next three years.

Fund managers wanting to attract an EU-base of investors will need to re-consider jurisdiction and Luxembourg seems likely to be the winner. To what extent funds may move location will depend on whether access is still retained to the single market by UK financial services. The longer the indecision goes on for, the likelihood more fund managers may move to Luxembourg to gain the certainty they require.

As a way of providing more flexibility around investor domiciles, parallel structures may become more common. However, it was observed that it is still the preference, of UK managers, to be domiciled in the UK or the Channel Islands if a fund is composed of UK assets and they are targeting a predominantly UK investor base.

5.2 Proposed Changes to UK Capital Gains Tax Relief

In the November 2017 budget, the government announced plans to eliminate capital gains tax (CGT) relief for overseas investors of UK commercial real estate, with this change due to come into force in April 2019, bringing the UK in line with other developed nations.

Following this announcement, there was concern that tax-exempt investors, such as UK pension funds, holding UK assets in an offshore structure could find themselves liable to pay additional tax. In November 2018, following extensive discussions with AREF and others, HM Treasury clarified that these tax-exempt investors would not have to pay CGT. In addition, it was confirmed that non-exempt, overseas investors will pay CGT when they sell their interest in a fund and not before.

Therefore, the effect from the CGT changes is expected to be minimal on fund structures. While many interviewees commented that JPUTs should remain a popular fund structure choice, it was noted, by some, that the CGT announcement may be an indication of changing times, with more scrutiny of taxation and demand for regulation, which could weaken the JPUT's popularity.

Overseas investors are already familiar with paying CGT elsewhere in Europe so should not be impeded from investing, into the UK, by the tax relief changes.

> "The JPUT has historically served as an effective vehicle for indirect investment in UK real estate, having been widely used by the UK real estate funds industry. The extension of UK tax on capital gains to cover gains made by non-UK residents investing in UK property from April 2019 risked creating unfair tax outcomes for exempt investors holding UK property through offshore funds, including JPUTs. However, following extensive consultation with the industry, the UK government has published draft legislation which preserves the efficiency of JPUTs that meet certain qualifying conditions and make appropriate elections, and so we very much expect JPUTs to continue to be attractive investment structures for certain funds and their investors. It has been a great example of the UK government and industry working effectively together."

Justin Cornelius, Partner, Bryan Cave Leighton Paisner LLP

5.3 Base Erosion and Profit Shifting

Over 115 countries and jurisdictions have been brought together to collaborate on the implementation of the Organisation for Economic Cooperation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) initiative. Under an inclusive framework, jurisdictions are collaborating to introduce measures to tackle tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. The initiative was adopted in November 2016 and came into force in July 2018.

It is clear, from both the interviews and the survey, that BEPS is encouraging holding vehicles to be domiciled in the same jurisdiction as the overarching fund structure. Due to the increasing substance requirements, fund managers need to carefully consider mingling jurisdictions within their fund structures, without good commercial reason. In the past, a fund may have had holding structures in different jurisdictions for tax efficiency purposes. However, having substance on the ground is now a more important driver in terms of structuring, than squeezing out every drop of tax efficiency. There is an added benefit in cost efficiency, utilising the same people to provide substance for both fund and holding structures.

These developments have benefitted Luxembourg, in particular, as many fund structures are located there already. One remarked that, in Luxembourg, the number and seniority of people involved has increased for complicated fund structures. This has helped to provide a robustness to the frameworks for tax purposes.

BEPS is also having an impact on structures that use internal gearing to reduce the tax liability. The result is that investors must pay more tax.

> “As a result of BEPS it's now even more important for funds investing on a cross-border basis to ensure that there is proper substance in the fund, the holding companies and the portfolio companies that own the fund's real estate assets. This is likely to be easier to achieve where the fund has people in the relevant jurisdiction and is itself domiciled in the same jurisdiction as the fund's main holding companies. Commonly, the fund will be in Luxembourg in the context of real estate funds investing in pan-European assets.
>
> **Nick Holman, Hogan Lovell**

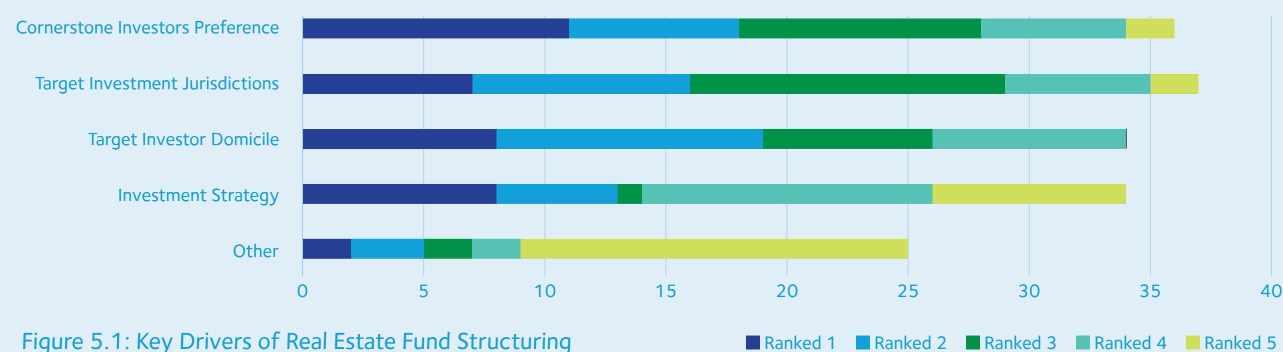

Figure 5.1: Key Drivers of Real Estate Fund Structuring

Source: By number of respondent firms. AREF Fund Structures Survey 2018

5.4 Alternative Investment Fund Managers Directive

It is evident, from the interviews, that the Alternative Investment Fund Managers Directive (AIFMD) is well established, following its implementation in 2013, and it has not resulted in any major changes in fund structures.

One interviewee remarked on the positive impact the directive has had in terms of helping the EU to become a global structuring hub.

However, following Brexit, the UK will sit outside the EU and its passporting arrangement, for marketing funds into the EU under AIFMD, is likely to stop. At this stage, it is not clear what will happen. The UK may adopt the national private placement rules (NPPR), which Jersey currently utilises. However, the regime is more labour intensive with a NPPR required for each member state. Jersey-domiciled funds have more difficulty in marketing to France and Italy, for example. Will UK funds face a similar fate in the future?

5.5 Investors

When contemplating the fund structure and jurisdiction, consideration of the domicile of potential investors is now more important than ever. One interviewee explained that, historically, investor domicile was a "nice to know" rather than essential information for determining the fund structure and jurisdiction. Today, there is a "need to keep flexibility", remarked another contributor, to be able to attract the widest range of investors. This seems particularly pertinent for UK funds going forward.

In addition, given the current market cycle position, investors are opting for core strategies which tend to favour an open-ended structure, rather than a closed-ended one.

In the UK, the increase in defined contribution (DC) flows, at the expense of defined benefits (DB) contribution flows, may also influence fund structure choices in the future, as DC flows are unlikely to be directed towards unauthorised funds.

The findings of the interviews were supported by the survey results. Respondents to the survey were asked to rank the key drivers when determining the structure of a real estate fund, from five criteria. The five criteria are listed in Figure 5.1, which also illustrates the range of responses and the relative importance to contributors of the survey. Some of the criteria were not ranked by every respondent.

6 Conclusions

Along with most of the world's capital markets, the UK real estate fund industry is in a period of flux. The terms, by which the UK will leave the EU, are still to be decided, hence, its influence on real estate fund structures going forward is unclear. There has already been a small amount of movement, in terms of funds and personnel, to Luxembourg and Dublin, but there is an expectation, depending on the outcome, that this will intensify in the future if fund managers want to attract EU-based investors. For UK-based investors, there is likely to be a preference to remain onshore.

To the relief of the industry, the issue of CGT for non-residential investors now looks to be resolved satisfactorily and JPUTs should still have a role to play. However, some are questioning the longer-term future of this structure.

PAIFs and JPUTs are expected to remain prominent UK open-ended structures, in the immediate future, and English LPs will continue to be popular for closed-ended funds. However, REITs and, to a lesser extent, ACSs are expected to become more prevalent over time. The issue of the daily dealing retail funds is currently under FCA consultation and new rules and guidance are yet to be published.

In Europe, the consensus, from the interviews, is that little change is expected in the short-term to fund structures; the SCSp and FCP will remain the most common. The impetus for more regulation and an increased scrutiny of tax treatment, BEPS being one example, may challenge the way funds are managed rather than encourage structural changes. Fund managers need to ensure there is sufficient substance, in terms of infrastructure and staff, in the location where their funds are domiciled.

Luxembourg is expected to remain the jurisdiction of choice, for European funds. The recently created RAIF regime could enhance Luxembourg's offer, providing a lighter touch to regulation. It seems other jurisdictions will need to work hard to challenge Luxembourg's dominance

Appendix – Fund Structure Analysis*

Investment Vehicle	Tax Treatment	Transfer Tax	Listable	Open/Closed Ended	Regulatory Supervision	Investor Restrictions	Best Feature	Worst Feature	Best Used For
Luxembourg FCP SIF	Tax transparent.	Nil	Yes (if open ended)	Usually closed-ended (umbrella fund allows mixture)	Needs to be approved and registered by CSSF in Luxembourg and comply with AIFMD.	Only well informed investors: institutions, professional or €125,000 minimum. Not open to retail market.	Tax and legal transparency. Can be organised as a FCP or a limited partnership. Suitable to large number of investors worldwide.	No access to tax treaties at fund level. Not entitled to EU Tax Directives. Diversification requirements.	Pan-European property investment
Luxembourg SICAV SIF	Tax treatment dependent on legal form.	Nil	Yes	Usually open-ended (umbrella fund allows mixture)	Needs to be approved and registered by CSSF in Luxembourg and comply with AIFMD.	Only well informed investors: institutions, professional or €125,000 minimum. Not open to retail market.	Suitable to large number of investors worldwide. Can be in limited partnership format – so flexible.	Access to double tax treaties if no tax transparent legal form/No access to double tax treaties if tax transparent legal form. Diversification requirements.	Pan-European property investment
Luxembourg SCSp - RAIF	Tax transparent.	Nil	Yes (but complicated)	Open/closed-ended	Fund itself is unregulated but management must comply with AIFMD.	Only well informed investors. Not open to the retail market.	Tax and legal transparency. Fund itself not subject to regulatory oversight by CSSF.	No access to double tax treaties. Diversification requirements.	Pan-European property investment
UK Limited Partnership and UK Private Fund Limited Partnership	Tax transparent.	5% on direct underlying UK property GAV above £250k (lower rates applied to portion of GAV below £250k).	No	Usually closed-ended	Manager regulated by FCA in UK and must comply with AIFMD (unless JV exemption applies).	Limited to institutional, high net worth or knowledgeable investors.	Tax transparent.	Illiquid and can be subject to transfer tax.	UK/Pan-European property investment funds. UK property joint ventures with exempt tax payers
UK - REIT	Tax exempt on UK real estate investment business.	0.5% if UK PLC.	Yes. There are listing/stock exchange requirements.	Closed-ended	Regulated according to listing/ recognised stock exchange. If structured as a fund, it will also need to comply with AIFMD.	Yes. There are close company ownership tests with exemptions for institutional shareholders. There are also 105 corporate owner tests.	Corporate form, which can include a group structure, with tax exempt status and liquidity as a listed vehicle. Is a UK resident tax exempt vehicle for investment.	As a listed vehicle there are securities laws, continuing obligations and costs. Ongoing conditions to maintain tax status.	Real estate businesses and funds investing in UK real estate (wanting to have access to and liquidity of stock markets). They can also invest in other jurisdictions subject to local tax laws.
UK Unauthorised Exempt Property Unit Trust	Effectively tax-free at fund level.	Nil on redemption, 0.5% on a transfer of beneficial ownership only	No	Usually semi open-ended	Manager regulated by FCA in UK and must comply with AIFMD	Only available to UK tax exempt investors, i.e. pen-sion funds and charities.	Tax efficiency and allows for trading income in structure.	Tax exempt investors only.	Pooled property for exempt investors.
Property Authorised Investment Fund ("PAIF"), OEIC	Tax free at fund level for property investment income and gains. Withholding tax on distributions to non-exempt investors.	Nil on redemption, 0.5% on a transfer of beneficial ownership only	No	Open-ended	Open-ended investment company authorised by FCA in UK and must comply with AIFMD as well as broader FCA rules (such as COLL)	Not available within UCITS. Suitable for ISAs if structured as a NURS. Certain investors require a feeder. No corporate may hold 10% or more of the PAIF.	Available to general public if structured as a NURS.	Investment restrictions and need for feeder for some investors.	Public access to the property sector.
Co-Ownership Authorised Contractual Scheme (Co-ACS)	Tax transparent for income. Exempt from CGT, investors potentially taxable on the disposal of units depending on their status.	Nil on redemption, 0.5% on a transfer of beneficial ownership only	No	Open-ended	Vehicle authorised by FCA in UK and must comply with AIFMD as well as broader FCA rules (such as COLL)	Only available to professional, sophisticated investors or those with a minimum of £1million to invest.	Tax transparency.	Administratively complex.	Pooled property for institutional investors.
Jersey Property Unit Trust	Usually tax trans- parent for income. Potentially subject to capital gains tax.	Nil	Yes but unusual	Usually closed- ended	By JFSC in Jersey. Unregulated funds now available for institutional and large investors. The functionaries of funds are supervised. If marketing in Europe, must consider AIFMD.	Depends on regulatory approval obtained.	Tax treatment and potential liquidity. Capital gains tax can benefit from CIV regime.	Must be managed and controlled outside UK.	UK property investment.

*This table is intended to be a high level introduction to the key features of some popular property investment vehicles but not a comprehensive/definitive guide.

The Association of Real Estate Funds (AREF) is the body that represents the interests of its fund managers, those firms that advise and support them and the end customers that invest in our member funds. Our work focuses on four complementary areas:

1. The Code of Practice
   AREF has a unique code of practice, widely recognised as the gold standard in corporate governance. With investors in real estate funds increasingly looking at governance, as well as environmental and social issues, membership of AREF and hence committing to the code, allows funds to display our Quality Mark. This makes it easier for investors and their advisers to discern which funds have and which have not made this commitment.

2. The Forum
   AREF brings together stakeholders from across the real estate investment spectrum to discuss and debate topical issues, to learn and to network. We seek to bring the industry together to help influence its evolution, for the benefit of both the practitioners working in the industry and the investors in the funds.

3. The Lobby
   With over sixty-five fund members, representing around £72bn AUM* and nearly as many affiliate members, advisers and service providers for our fund members, AREF acts as the collective voice of the real estate funds industry.

4. The Index
   The majority of AREF's member funds choose to have their performance measured using the leading NAV-level MSCI/AREF UK Quarterly Property Fund Index and are included in the Property Fund Vision Handbook – the property fund researchers' bible. This enables investors and their advisers to compare fund performance and other relevant data, to appropriate alternative funds, either individually or at an aggregated level.

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The Centre's purpose is to provide a dynamic link between the academic community and practitioners involved in real estate. Its aim is to build on the foundations of existing rigorous research, with a particular focus on real estate finance. By integrating existing real estate expertise within the broader finance and management capabilities at Cass, we seek to provide wider and deeper perspectives and insights across all aspects of real estate and real estate finance

Details of the Centre's activities can be found on the website:
https://www.cass.city.ac.uk/faculties-and-research/centres/real-estate

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Acknowledgements

We would like to thank the following firms for their contribution to this paper:

Alter Domus
BlackRock Investment Management
Bryan Cave Leighton Paisner
Citco (UK)
CMS UK
Deloitte
Eversheds Sutherland
First Names Group
Hogan Lovells International
Kames Capital Asset Management
KPMG
Langham Hall (UK)
Legal & General Property
Linklaters
Mayfair Capital Investment Management
Nuveen Real Estate
Ogier
Schroders Real Estate Investment Management
UBS Global Asset Management
Vistra
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February 2019

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