Commission de Surveillance du Secteur Financier

FAQ on the Data collection on Commercial Real Estate for Investment fund managers

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1. Which amount should be reported, the property value or the NAV?

The property value (fair market value) should be reported for both net new investments (acquisition or disposals) as well as for stock data (hence the fair market value at the end of the period).

The NAV can differ from the property value when the financing is via debt, e.g. an investment of 1bln can be financed by half debt half own funds, in which case the NAV is 0.5 bln. Therefore, we are interested in the property value as estimated by its fair market value.

2. How should "net new investment" for direct investments be interpreted?

"Net new Investments" should reflect the net amount of acquisitions and disposals made during the data reference period. The value of net new investments should be computed based on transaction values at the time of the transaction.

3. How should "loans to CRE" be interpreted?

A "loan to CRE" is a loan extended by the fund and aimed at acquiring commercial real estate or a loan extended by the fund and secured by a commercial real estate property (or set of commercial real estate properties). We are thus interested in a loan that would arise on the asset side of the fund's balance sheet. In this context, the following would be considered within our scope:

- The fund is directly lending money for RE projects;
- The fund buys back bank loans or similar that are directly backed by buildings.

These loans should be split according to three categories on a best effort basis (loans for acquiring property held by owners for own use, loans for acquiring income-producing real estate and loans for acquiring CRE property under development). The amounts of loans should be provided for stock data (data at end-June or at end-December), as well as for flows of loans over a period, i.e. the production of new loans over a period of six months (January to June or July to December).

4. Are funds' exposures in residential real estate within the scope of this data collection?

Investments into residential properties can still be considered as commercial real estate. The specific definition of commercial real estate is the following:

"Commercial real estate means any income-producing real estate, either existing or under development, including rental and social housing; or real estate used by the owners of the property for conducting their business, purpose or activity, either existing or under construction."

If the residential real estate property satisfies the elements of 'income-producing' and/or 'rental housing', it falls within the reporting scope. Typically, the residential real estate properties that are concerned would be apartments or houses that are held by the fund to be rent to tenants; or apartments/houses that are acquired and developed in a view to be sold or provide a rental income later on. These types of exposures should be included regardless of whether the fund is a CRE or RRE fund, or any other fund investing in real estate.

5. Should the reporting be in EUR? What exchange rate should be used?

Yes, the reporting should always be in EUR. The exchange rate that should be used to transform foreign currency exposures to EUR should come from a reliable source and refer to the end of the reporting period date.

6. Which funds are excluded from the scope?

Funds of funds, as well as feeder funds investing in LU master are excluded. Co-investments, to the extent that double counting issues may arise, should also be reported only once. Feeder funds investing in non-LU master funds are included.

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7. Are unregulated funds included in the scope?

Yes, unregulated funds with CRE investments and/or CRE loans are included in the scope. The manager is expected to report unregulated funds' exposures on a best effort basis.

8. How should investments through SPVs be reported?

Investments through SPVs should be reported as direct investments.

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