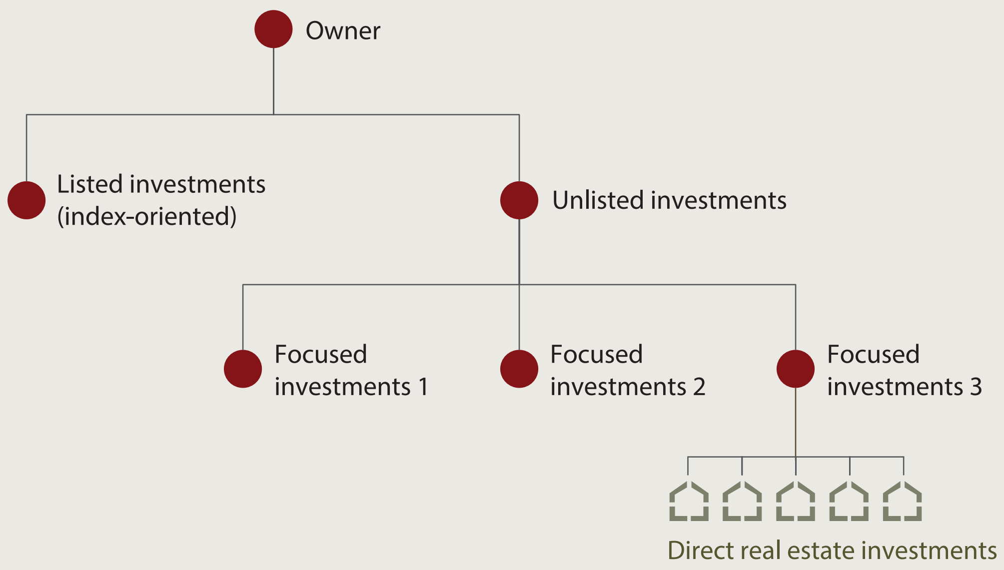
No. 2: Indirect real estate investments are costly

The 'packaging' of direct real estate investments in one fund incurs costs for management and the distribution of the investment structure, absorbing roughly 30% of a property's operating profit these days. Passive investing, enabling almost perfect diversification at minimal cost, is sadly impossible for unlisted investments.

Real estate funds with broad diversification are therefore potentially beneficial for small investors without any other alternative. Well-resourced investors take another direction, looking for focused investment structures that enable outstanding performance thanks to highly specialised management. The diversification is then done at investor level – and not by the manager or fund.

With a sufficiently large investment volume, one of the 'outperformers' can also be a direct investment managed at low cost. The most important real estate market segments in Switzerland move more or less evenly, so even just a few properties chosen in a targeted manner are enough for acceptable market coverage. It is also possible to diversify property-specific risks with shares or bonds.

Non-listed investments: diversification of focused mandates



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