



LUXEMBOURG BANKS TO CREATE A NEW EUR 250M SPECIAL PURPOSE VEHICLE TO HOLD UNSOLD RESIDENTIAL REAL ESTATE ASSETS

In a bold move to tackle the ongoing crisis in Luxembourg's property and construction sector, four of the country's banking entities with state participation have teamed up to create a special purpose vehicle (SPV) endowed with EUR 250 million capital to buy unsold residential assets (mainly, homes and apartments) from developers, aiming to bring around 1,000 new assets onto the market. The SPV is set to operate on an experimental basis until the end of 2024, with the possibility of extending into 2025 based on its potential success and ongoing needs.

Designed as a limited liability company, the SPV's mission is to bridge the gap between property developers and banks, easing the path for new housing projects. This initiative is a crucial addition to the government's comprehensive housing reform package and comes after high-level discussions about the need for banking sector support in these challenging times.



From an operational perspective, the SPV will purchase residential properties from developers provided that (i) a specific project is viable and meets the population's needs, and (ii) a certain rate of the project is pre-sold by the developer. Eligible developers can then focus on building without the pressure of having to pre-sell 80% of their projects, a current rule that's become increasingly difficult to comply with. At the end of the construction phase, properties that the developer was unable to sell will be bought by the SPV at a pre-agreed price with a comfortable discount of up to 20% off the sale price.

According to the founding banks, the SPV will have a robust governance framework, featuring a board of directors with a representative from each founding bank and an investment committee to examine and approve eligible projects. Other banks may as well join the effort to demonstrate a united front in tackling the Grand Duchy's housing crisis.

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