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COMMENTARY ON THE INREV INVESTMENT INTENTIONS SURVEY 2018: JOINT VENTURES AND CLUB DEALS ARE THE MOST POPULAR VEHICLES AMONG INVESTORS IN 2018

- ◆ Institutional investors intend to invest around €51 billion in property in 2018
- ◆ United Kingdom, France and Germany are the most important investment destinations in Europe
- ◆ Spain catching up
- ◆ Two-thirds of investors planning investments in logistics

Large sums are expected to be invested in property again by institutional investors worldwide in 2018. Based on its “Investment Intentions Survey 2018”, INREV expects around €51.1 billion to be invested in property this year. The largest share of this €51 billion will go to Europe (around 41.2 percent), followed by the USA (31.7 percent). The Asia-Pacific region (17.4 percent) is in third place.

In which vehicles will the funds come to Europe? A large proportion of the planned investment sum will be in the form of joint venture and club deal structures. 55.8 percent of investors stated that they wanted to expand joint ventures and club deals. In second place with 48.8 percent were non-listed funds, followed by individual mandates (39.6 percent) and direct investments (39.5 percent).

Michael Schneider, Managing Director of INTREAL International Real Estate Kapitalverwaltungsgesellschaft (INTREAL), comments: “These data match our own view of the market. Indirect property investments are currently seeing stronger demand from most investors than direct investments. Many investors also wish to invest as part of a small group (club deal) or together with just one other investor (joint venture).”

United Kingdom, France and Germany are the most important markets

Where in Europe does the money go? There is a very clear group of favourites among investors, consisting of the United Kingdom, France and Germany. The strongest demand – despite all the Brexit turbulence – is for the United Kingdom, which is cited by 66.1 percent of investors. It is followed by France (62.5 percent) and Germany (60.1 percent) in second and third place. Fourth place on the list of the most popular investment destinations was shared by the Netherlands and Spain with 33.9 percent each. Spain in particular has risen up the ranks quickly over the past two years. In 2016, it was still in ninth place. In last place is Turkey with 3.5 percent of investors.

Schneider comments: “It is very surprising that Brexit has not had any major negative effects on investors’ interest in the United Kingdom. The London property market in particular, which is considered highly transparent and fungible, has thus remained stable even in a critical environment. It is also pleasing to see that interest in Spain has increased relatively substantially. This is likely due to the ongoing recovery of the

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Spanish economy and thus of the property market, too. As such, investors' interest has expanded to at least a few other alternative locations as well as Germany."

Almost two-thirds of investors want to invest in logistics

Which types of use are in demand among investors in 2018? 89.3 percent of the respondents expect investments in office property. This is followed by retail with 75.0 percent, housing with 73.2 percent and logistics with 64.3 percent. Fifth and sixth place go to project developments and student housing, which were cited by 33 percent and 25 percent of investors respectively.

Schneider comments: "Logistics is currently seeing very strong demand. Alongside office, retail and residential use, it can almost be regarded as one of the big four types of use now. This is also reflected in the transaction figures for the German logistics property market for 2017. We currently administer three special funds for logistics property as well as other funds that invest in logistics properties and projects. We anticipate further fund initiatives in this segment."

With regard to risk classes, a shift towards more risk can be observed for 2018. The "value-added" segment is in the lead with 56.5 percent of investors, followed by the "core" class in second place with 52.9 percent. Around a third (28.2 percent) of investors are open to opportunistic investments. "Here, too, we can see how a trend that has been observable for years is continuing. Although many investors also pursue core strategies, risk propensity is increasing," says INTREAL's Managing Director Schneider. "This is undoubtedly partly driven by the unchanged yield compression in all property market segments. At the same time, higher-risk investments – with the right management partner – are often very attractive even compared to transactions previously classified as core investments."

For its Investment Intentions Survey 2018, published on 16 January 2018, INREV surveyed a total of 320 participants. They included 107 investors, 206 fund managers and seven fund-of-funds managers. Of the 107 investors, 46 were from North America, 40 from Europe and 21 from the Asia-Pacific region.

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About INTREAL

As a third-party AIFM, INTREAL concentrates exclusively on the business of launching and managing regulated real estate funds on behalf of third parties under the German Capital Investment Act (KAGB). The platform lets clients take advantage of all the options of a real estate AIFM without having to set up one in their own right. Options include the launching of property funds or the outsourcing of AIFM back offices. Employing 211 staff, the INTREAL Group offers long-term real estate know-how along with detailed and highly professional fund management expertise.

INTREAL collaborates with a number of third-party fund partners to administrate 114 investment funds with a combined investment volume of c. EUR 18.6 billion (all figures as of 31/12/2017, not including the business mandates of INTREAL Solutions).

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Press Release

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