

# PATRIZIA Immobilien AG

Recently, **Sheila Hopkins**, managing director – Europe and infrastructure with Institutional Real Estate, Inc, spoke with **Klaus Schmitt** of PATRIZIA Immobilien AG. The following is an excerpt of their conversation.

*PATRIZIA wants to become the “leading fully integrated real estate investment house in Europe”. What does this actually mean?*

The best way to understand this is to look at the individual words: “real estate investment house” means that, in the future, we will continue to focus our activities on real estate. We were born and bred in real estate, and we want to remain in real estate. This covers all asset classes, from residential to commercial. So at the moment, we already manage real estate assets worth approximately €7.5 billion, 60 percent of which is commercial and 40 percent of which is residential. As an investment house, we want to make co-investments for our investors, or together with our investors.

*What does “fully integrated” mean?*

The “fully integrated” part refers to the fact that we can cover the full spectrum of value-chain activities through our own in-house human resources, at every level, independent of demands in individual countries. In Germany, we span every part of the value chain. This full coverage is something that differentiates us from the competitors.

*Where in Europe is PATRIZIA already active?*

In addition to our home market of Germany, we are growing more and more in other European countries. We already have locations in Great Britain, France, Luxembourg, Denmark and Sweden. Last December, we also acquired the British real estate investment and asset management company Tamar Capital Group. In future, we want to be represented in all of Europe’s major core markets. Today, we are active as an investor and service provider with around 600 employees in more than 10 countries.

*What’s PATRIZIA’s goal in this area?*

When we set up the asset management company in 2006, we were quick to recognise that the trend amongst individual investors was moving more and more toward indirect investments. PATRIZIA WohnInvest has allowed us to run an asset management company with an exclusive focus on residential property. The trend toward indirect investments has intensified since then. With the acquisition of what is now PATRIZIA GewerbeInvest, we had a second asset management company under our wing in 2011, and this bolstered our commercial activities in the long term. This not only expanded our fund business



**Klaus Schmitt** is COO of PATRIZIA Immobilien AG. Upon completing his legal studies at the University of Bayreuth and the Ludwig-Maximilian University in Munich, Schmitt worked for companies including Dyckerhoff & Widmann AG, Munich, and Siemens Real Estate GmbH & Co. oHG as a legal

expert, four years of which were spent as head of the Legal Affairs Department. In 2003, he became head of the Legal Affairs Department at PATRIZIA Immobilien AG and worked as a manager at operating PATRIZIA subsidiaries. Schmitt has been a member of the PATRIZIA Immobilien AG Management Board since January 2006.

abroad but also granted us access to other groups of investors. The aim is to keep offering our institutional investors innovative products and to offer them sound investments. We want to be the first port of call for all kinds of issues related to real estate, and to work closely with customers in the long term.

*How important is Great Britain for PATRIZIA?*

Great Britain, especially London, is of particular importance to us because many international financial investors are based there. The acquisition of Tamar is an important milestone in this respect. The London company manages commercial real estate assets equivalent to approximately €700 million. As well as in Great Britain and Germany, Tamar also operates in France, Ireland, Nordics and Benelux. With this acquisition, PATRIZIA is therefore not only enhancing the commercial real estate division with the very important light industrial segment and strengthening its presence on major core European markets, but is also significantly expanding in the prominent location of London. We are intentionally moving into the focus of investors in the English-speaking world. We believe that there is marked interest among opportunistic investors in partners like PATRIZIA with real estate expertise who also participate in the company’s success with a co-investment. London is the ideal location for this.

*In which parts of Europe do you see particular potential?*

The Nordic real estate markets in Denmark, Norway, Sweden and Finland, which are particularly attractive for real estate investments, are also very important to us. The potential of the Nordics, as we call them, lies in their economic power and their stable legal systems. We are sure that we are only at the beginning of our journey here and can yet grow substantially in this market. Prospects for real estate markets in Norway, Sweden

and Finland are similarly positive. Overall, approximately €400 million has been invested in Scandinavia for our fund and around €250 million acquired from institutional investors there, which we have in turn invested in Germany.

*While many companies specialise in one key market, PATRIZIA is developing from a residential specialist into a real estate investment house in Europe. Why are you taking this path?*

We are an investor and service provider, but one thing above all — a partner. This means we support our customers in all important real estate decisions — regardless of whether it relates to residential or commercial real estate. It's important to hold the reins at all stages of the value chain and to avoid being dependent on buying in support from third parties. This is the only way to ensure that we're offering our customers the full potential value.

*What value-add does this give the customers or PATRIZIA's business partners?*

For us, one thing's certain: Operating as a generalist allows us to provide our customers and business partners with optimal results. We can take full responsibility for top quality, as all the services we deliver are provided by our own in-house staff. By working across the board, we avoid unnecessary interfaces and can thus achieve the best result, without running into snags. On top of this, being set up in this way really does allow us to leverage every opportunity for our business partners, as we can always select the most economically coherent path to realise the real estate investment. Independent of the client brief, this allows us to focus on providing the best solution.

*Is further growth planned for residential and commercial real estate?*

Growth shouldn't be considered an indicator by itself, so it shouldn't be an end in itself. Growth only makes sense when the consequences of growth can be dealt with properly and when this brings tangible benefit to our customers or for our shareholders. The bigger PATRIZIA becomes, the more opportunities this creates, and these can be harvested to the good of our business partners. The way we're set up, we could actually expand our assets under management by €1 billion every year.

*What is planned in the area of real estate special funds?*

We'll have one or two new products on the market per year in this area. The products will be developed jointly with our customers through our two asset management companies, PATRIZIA WohnInvest and PATRIZIA GewerbeInvest. The additional purchases will be fairly significant for our funds, so we expect to grow in this area. Last year alone, we recorded real estate transactions valued at approximately €3.2 billion and obtained €1.1 billion equity from institutional investors.

*This development significantly strengthens services provided to third parties. What happens to PATRIZIA as an investor?*

Of course, we will also find ways to invest the equity we own within the company in future. In late 2011, we set up a fund called PATRIZIA Wohn-Modul I, opening up our established investment areas in residential privatisations and project development to investors. In the future, this type of activity will be restricted to co-investments. In collaboration with our business partners, we will make co-investments in this area and in transactions.

*Last but not least, looking to the future, where do you see PATRIZIA in 2015?*

We will systematically continue down the path of European expansion we have been on. In doing so we want to grow organically but also externally, that is by further acquisitions. PATRIZIA looks for new market opportunities that allow us to grow in moderation without overburdening our own organisation. By 2015, PATRIZIA will be overseeing at least €10 billion of assets under management. In addition to Germany, Great Britain, France, Denmark, Sweden and Luxembourg, we'll have offices in other European countries, staffed by our own people. We'll have realised significant investments in all core European markets as a highly regarded business partner for residential and commercial real estate. ♦

#### CORPORATE OVERVIEW

With around 600 employees in over 10 countries, PATRIZIA Immobilien AG has been active on the real estate market as both an investor and service provider for nearly 30 years. PATRIZIA's range includes the purchase, management, value increase and sale of residential and commercial real estate. As a recognised business partner of large institutional investors, the company operates in Germany and other countries and covers the entire value chain in the real estate industry. At present, the company manages real estate assets worth €7.5 billion. A good 80 percent of this is on behalf of third parties, primarily as a holder of a real estate portfolio for insurance companies, pension fund institutions, sovereign wealth funds and savings banks. Via its asset management companies, PATRIZIA GewerbeInvest KAG and PATRIZIA WohnInvest KAG, the company issues special real estate funds in accordance with the German Investment Act, and is now one of Germany's top names in this area.

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