

PATRIZIA Immobilien AG

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

I understand PATRIZIA has gone through a reorganisation. What did you do to reorganise? What is different now compared with a year ago?

The starting point was a strategy meeting held in 2011 with senior management. At that time, the senior management defined PATRIZIA's strategy going forward to 2015. We wanted to become the leading real estate investment manager in Europe, including increasing overall assets under management from €6 billion to €10 billion — a growth in assets under management by €1 billion per year. Secondly, to promote and assist the European part of the strategy, we wanted to expand the business model into the rest of the core markets in Europe. In addition to Germany, where we already have a significant presence, we wanted to expand into the United Kingdom, France, Luxembourg, the Netherlands and the Nordic countries.

How does the new structure support PATRIZIA's strategy goals?

We thought about whether the organisation of the company was ready to assist that strategy or if there was a need to change its structure. We considered how, if we were starting from the beginning, we would set up PATRIZIA as an investment manager servicing investors from all over Europe with their investment strategies across Europe. The previous structure was a historically grown organisation — the company originated as a residential re-sale company servicing insurance companies to sell their residential units to the tenants of those units, and then it was an asset management company doing property management. For example, we had asset management groups within different parts of the company, which limited their ability to work together, interact and create synergies. So we thought once we began to expand out of Germany, in order to promote and assist the cross-border businesses, we needed to centralise these services to pool our resources and knowhow. So we merged all those legal entities into one company, which today is PATRIZIA Germany, GmbH. We centralised all of those asset management activities and merged three different acquisition departments into one doing transactions for the whole group.

How does the Alternative Investment Fund Managers Directive, AIFMD, affect your plans?

Under AIFMD you need a license in order to do investment management activities. We decided to pool management activities in an operational company in each country to create economies of scale. Next to that operational company, we



Wolfgang Speckhahn is the head of strategy and corporate development at PATRIZIA Immobilien. He is responsible for the creation and implementation of PATRIZIA's corporate and product strategies and its development across Europe. He has 20 years of global real estate experience. Before joining

PATRIZIA, Speckhahn was investment director at ZURICH Financial Services Investment Management with responsibility for the strategic management of the group's global real estate portfolio. Prior to working with ZURICH, he held various executive management roles, including head of transaction management at Deutsche Immobilien Chancen.

create an investment platform. Each country shall have the same organisation form, an operational company that comprises portfolio management, asset management, property management, etc, and alongside it, an investment platform, which in Germany is the KAG platform, where we are able to set up German Spezialfonds mainly for German investors. We also have platforms in Luxembourg, the UK, France and Sweden to set up local vehicles for investors.

How are you building these different country-specific platforms?

We are using both targeted acquisitions and executive hirings to build the platform in each country. For example, we acquired London-based Tamar Capital Partners; that team built the London office, as well as the Paris office. Last May, we in-sourced Rikke Lykke to set up a Nordic team, and one year later we already have seven employees located in Copenhagen, and we are now about to set up a management company under Danish law to be able under AIFMD to set up some vehicles for Scandinavia as well. We are already setting up investment platforms, and each platform will be licensed with an AIFMD license, which gives us a unique position in the market. Most of our competitors only provide their investors with a KAG platform under German law or with a Luxembourg platform for Luxembourg vehicles, but that is it. That gives us if not a unique selling point to our investors, at least a pole position, to use a racing metaphor. Whether you end the race in first place depends on the strength of your offering.

If you already start off structured in a way that allows investors to invest, then the decision is just whether they want to make the investment.

Right. Effectively what it means is that we have established and therefore provide a management company in each local country, and that

management company has a license and may have already established vehicles using the license in that very country. For investors, it means we are already experienced in that country — we already have a track record, establishing and managing vehicles in that very country — so if you choose PATRIZIA, you can be sure that from the five different platforms we offer, one of those platform is ideal for your situation.

Now that you are in the UK, the Nordics and, of course, in Germany, where else are you looking?

The first step now is that we set up platforms in the five core markets in Europe: Germany, France, the United Kingdom, Benelux and the Nordic region. We are well established in Germany, so the next three markets are Luxembourg, the United Kingdom and the Nordic region. Our main office in the Nordics is in Copenhagen; however, going forward the strategy is to set up in each of the countries. In Sweden we already have an office, but no management company, and we also plan to set up platforms in Norway and Finland. That is something for the next 12 to 18 months. Then the two countries where we need to establish platforms are France and the Netherlands. We have a team of six people in Paris, and we need to further develop that office.

What is the timeframe to complete this expansion?

According to the strategy I laid out earlier, we plan to do all these remaining activities by 2015. We have already grown assets under management to €10 billion by the second quarter of 2013, so in that sense we have fulfilled the strategy, with just the completion of the European expansion left to finish.

Are you looking at any other markets?

Yes. PATRIZIA is managed very entrepreneurially, so if opportunities arise, we evaluate whether it is worthwhile to follow those opportunities. Switzerland, for example, is such an opportunity. Switzerland is still an oasis for a lot of capital, but the Swiss market is kind of special. You need to be recognised in the market as a local player with a track record, and PATRIZIA, even though we already have Swiss investors in our different products, is not a brand in Switzerland. So we need to become better known to investors in Switzerland. Additionally, we are looking at the US market.

I am surprised to hear you say you are considering investing in the United States.

We listen to investors, and we know that, for example, the US multifamily market is interesting to them. German investors like to invest in residential in the United States; however, they prefer to do it with a German investment manager versus a US investment manager. Swiss investors like to invest cross-border, but they are hesitant to do that in the euro zone due to the euro situation; however, they are not hesitant to invest in US dollars. Taking all that information together, it makes

sense, if an opportunity arises, to provide those investors with a product in the United States. If we start that product in the US, we will start to think about the wider organisation because once we have made the market entry, we think investors will expect us to expand our business model and provide more products and more local services. I am quite confident that will be a development within the next six to 12 months.

Are there other new products that you are also looking at?

We are always looking at new products. From a geographic point of view and a sector point of view, we are constantly developing new products. We are expanding not only from a geographic perspective but from the risk profile perspective, from core to opportunistic, as well as from a sector point of view, from residential into commercial and now the more specific sectors of commercial — logistics, big-box retail, healthcare and such.

What are some of these possible investments?

We are thinking about entering a partnership with a logistics professional to provide investors with a German logistics product. At the same time, we recently closed a retail portfolio, and we are now in the marketing phase. Big-box retail plays a significant role in the German economy. We are also looking at UK residential. We have in-sourced Andrew Pratt from CBRE in the UK, and his mandate is to conceptualise and model the entry into the UK residential market and then establish that business for us in the United Kingdom. We recently entered into a second joint venture with Oaktree Capital Management in the UK as well, expanding our activity in the opportunistic segment of the market. ❖

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 €10 billion, primarily as co-investor and portfolio manager for insurance companies, pension fund institutions, sovereign wealth funds and savings banks.

CORPORATE CONTACT

PATRIZIA Immobilien AG
 PATRIZIA Bürohaus
 Fuggerstr. 26
 86150 Augsburg
 Germany
 +49 821 50910 000
 www.patrizia.ag
 immobilien@patrizia.ag