

## Press Release – PropertyEU

### Union Investment to increase foreign investment

Date published: **1 October 2007**

Union Investment, one of Germany's leading open-ended funds, plans to boost the level of new investment to between EUR 1 and EUR 2 bn annually in the next few years with a growing focus on shopping centres. This year new investment is set to hit around EUR 1.5 bn compared with EUR 1.1 bn in 2006, chairman Reinhard Kutscher said on Friday during a conference for international journalists in London.

A growing proportion of new investment will be outside Germany. Following a massive sell-off of assets in Union's home country in the wake of the open-ended fund crisis in 2003-04, its global portfolio currently accounts for 56.9%. This compares with 32% in 2002. Last year transaction volume in Germany totalled EUR 1.3 bn, more than double the figure for 2002. At the same time, the fund invested in 13 new foreign markets in the last two years with a record EUR 1.6 bn spent in 2005 alone. It now has more assets in Paris than in Frankfurt. Besides Europe, Union Investment is also active in North and South America and Asia. In total, the fund has EUR 13.1 bn assets under management and 271 employees.

Currently shopping centres account for about 20% of the total but this will grow to 25%-30% in the coming years, board member Frank Billand revealed. 'Retail is a cornerstone of our portfolio, it provides a steady cashflow and low vacancy levels. In recent years our retail vacancy levels have been less than 1%. In offices on the other hand, vacancy levels can go up to 50% if you lose only one tenant.'

The German fund also plans to boost investments in other sectors including hotels and logistics and is targeting new developments in both German and foreign markets. In addition, it aims to expand the number of new funds in a bid to target the institutional sector in particular. Currently it has five funds including two for institutional investors. The shift to a multi-product strategy is in line with the conclusions of a survey Union Investment recently commissioned on current trends in **real estate investment management from Munich-based consultancy group ICME**. Kutscher: 'There is big potential in the institutional sector with investors increasingly looking for indirect product. Today only 15% of their investment is in indirect product, but this will grow to 70% by 2012. This will be a driving force for growth.'

A growing need exists for more specialized products focusing on specific sectors or individual target regions, Kutscher added, pointing to the growth of the derivative markets and fund of funds. 'The capital and real estate markets are merging and influencing each other. Real estate is becoming more of a financial product. There will be a shift to more specialized vehicles and markets and the number of products will grow.' Kutscher declined to specify what types of vehicles the fund was planning to develop, but pointed out that tax-friendly Luxembourg-based structures fit the needs of many institutional investors. He said he had no specific plans at present for the creation of a real estate investment trust (REIT), but added he was 'watching what's happening'. 'You need a portfolio to bring to the market and we don't have the apparatus for creating a big portfolio. Long term though REITs will form an important part of the market. We'll see what happens then.'

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