

# REAL ESTATE ASSET MANAGEMENT

A working paper of the  
“Asset Management Excellence”  
initiative





# REAL ESTATE ASSET MANAGEMENT

## at a glance

|   |    |
|---|----|
| 1. Motivation behind this working paper                         | 4  |
| 2. The Asset Management Excellence initiative                   | 5  |
| 3. What is real estate asset management, what is it not?        | 6  |
| 4. Providers of asset management services                       | 9  |
| 5. The demand side  | 12 |
| 6. Value drivers in asset management                            | 13 |
| 7. Possibilities and opportunities of external asset management | 16 |
| 8. Market trends – Where is the sector going?                   | 17 |
| A. Practical examples   | 18 |
| B. Company profiles   | 30 |
| C. Contact · Imprint  | 36 |



## 1. Motivation behind this working paper

As a result of the far-reaching changes seen in recent years on the financial and real estate markets, the sector of asset management companies has ensured that its activities have become even more professional at an already high level of performance. Compared with the other disciplines of the real estate industry, this segment can be viewed as a recent service, even if the individual functions and tasks had in practical terms been carried out long before the arrival of the definition of “asset management”. Services such as those in the fields of rental/sales, financing, redevelopment and also research have always been provided. However, in the past, these services have mostly been rendered by the owners or the respective institutional buyers themselves. For many years, there was no demand for asset management as an external service. This situation only changed as a result of the increasing number of international investors who did not have their own infrastructure in Germany, and also changed in connection with the outsourcing activities of German investors.

Recent years have seen the establishment of new asset management companies, and traditional companies have strengthened their focus. However, the actual advantage and benefit for domestic and international investors is not generally known. For international investors, the benefit is quite obvious; however, there are also many positive practical examples for domestic investors.

In recent years, investments in real estate have become even more important for many investors. This has also resulted in stronger demand for service providers who are able to provide investors with professional support that enhances value. This is particularly applicable in view of the current challenges facing the real estate markets. At present, institutional investors in particular are increasingly facing strong pressure to invest existing funds, which means that there is extremely strong competition for attractive properties. On the other hand, as a result of distressed real estate portfolios, banks have acute demand for management services and need professional know-how for winding up real estate holdings. The process of letting to commercial tenants has also become more challenging in recent years. In this context, suitably qualified and entrepreneurially minded asset managers are more than ever in demand.

The process of introducing professional practices into the sector has seen the development of a market with approximately € 117 billion assets under management. In particular, the upswing and boom phase seen in 2005/2009 has resulted in significant market growth. Anglo-Saxon influences and perceptions are evident in the market. The purpose of this working paper is to provide more transparency to the range of major asset management companies operating on the market and is also intended to detail the benefit of this professional service.

Particularly in the process of selecting a service partner, future success means that it is necessary for own requirements and property/portfolio conditions to be compared with the performance profiles and possibilities of the asset management companies. The property asset class and also the property and portfolio strategy which is followed are extremely important in this respect.

This brochure is intended to identify the possibilities and opportunities provided by professional asset management. It is a joint project of the Asset Management Excellence initiative, which comprises six leading asset management companies in Germany.

## 2. The Asset Management Excellence initiative

AM Excellence is an initiative of leading asset management companies in Germany with the aim of continuously improving professional practice in the asset management sector.

The initiative was set up by the managing directors and senior executives of the relevant companies in the summer of 2013. The detailed objective of the initiative is to establish and compare benchmarks, create market-oriented sector standards and permit the interchange of specialist knowledge with regard to further professionalisation of the sector.

It has to be emphasised that the character of the initiative is very much dependent on the personal commitment of the relevant managing directors and persons with appropriate responsibility. The composition of the individual companies with their various backgrounds and business models as well as customer groups is also a valuable enhancement for the interchange of specialist knowledge.

However, we should also not forget the suitably qualified employees in the companies, who are the basis of success in asset management with their commitment, knowledge and experience.

A sector can only achieve sustainable improvement as an entirety if the relevant players sit down at one table and jointly consider the issues facing the market. The satisfaction of customers and tenants constitutes the focal point of this professionalisation process.

The following companies  
belong to the Asset  
Management Excellence  
initiative:

The initiative is supported by Bell Management Consultants (BMC).





### 3. What is real estate asset management, what is it not?

#### What is asset management?

At the functional level, asset management as a generic term covers a wide range of potential elements. These include overall commercial management of the properties, lettings management, construction and project management as well as project development (refurbishment), lettings and contract management as well as transaction management and investment management.

External or non-captive asset management is a service which aims to enhance and assure the yield of real estate investment. The way to achieve this objective is by means of professional and holistic management for the property, consistently taking full advantage of all potential of the property and the cash flows. The responsibility of the asset manager is to represent the property owners and investors.

#### What are the core tasks of asset management?

With fund and portfolio management, the legal conditions of the overall investment are created (e.g. in accordance with the Investment Code (Kapitalanlagegesetzbuch; KAGB)), and the composition of the individual properties is put together in line with the portfolio strategy. In asset management, the focus is on the individual property and its cash flow by way of consistent implementation of the strategy defined in the business plan together with the customer.

The asset manager is responsible throughout the entire added-value chain for the yield generated by the properties and also risk management. Risk management relates to the levels of properties as well as processes. Responsibility starts with the initial purchase within the framework of transaction management, and ends at the point at which the property is sold. The decisions are taken in line with the portfolio strategy. They are based on sound information which is obtained by way of the constant valuation of property assets in the form of market and location analysis. In addition to research, strategic management duties also relate to the ongoing management of the properties. These include in particular the selection and monitoring of the property manager and other external service providers, the processes of drawing up and safeguarding documentation, reporting as well as process management. Further respon-

Market definition/  
overview of core tasks  
in asset management

Source:

Asset Management

Report 2014,

Bell Management

Consultants BMC

#### Yield/risk management and yield responsibility

Operational purchasing and sales as well as transaction management in line with the portfolio strategy

Ongoing portfolio evaluation in the form of market and location analyses

Designing and safeguarding documentation, reporting and process management

Selection and management of the property manager as well as external service providers

Co-ordination/monitoring of tenancy and property accounting as well as the dunning function and service charge statements

Risk management at the property and process level

Development and management of the letting strategy

Acquisition of new tenants and sales-oriented tenant contact management for each specific mandate

Optimisation and value enhancement of the individual property (in line with portfolio strategy)

Modernisation and revitalisation measures with major volume (Capex)

### 3. What is real estate asset management, what is it not?

sibilities include the co-ordination and monitoring of tenancy and property accounting as well as receivables management and managing service charge statements. The actual tasks which generate value comprise lettings management, optimisation of rental space and buildings as well as modernisation and revitalisation measures. This generates the major improvements and increases in the value of the individual properties. In lettings management, the main duties comprise the development and management of the letting strategy and the acquisition of new tenants with the aim of reducing vacant property levels. A further important consideration is to provide support for existing tenants and to ensure that such tenants are retained.

#### What structural developments have there been in recent years?

The process of breaking down the functions in the German real estate industry commenced more than 15 years ago. The various functions and areas of responsibility have been broken down into the currently familiar functions of asset management, property management and facility management. These functions are subordinated to the investor as the client and, depending on background, portfolio management. Many of the present-day asset management companies are the result of outsourcing activities, joint venture ideas or the establishment by an international investor.



#### What is the distinction between asset management and property management?

If we consider the following interface in the added-value chain, the property manager is responsible for the operational implementation of the property strategy defined in asset management. This directly involves the commercial and technical processes relating to the properties. The main responsibilities of a property manager include commercial functions such as accounting, dunning, service charge billing and providing support to the asset manager in the field of tenant and letting management.

Value-add chain  
Source  
Bell Management  
Consultants BMC

Property management is responsible for managing and monitoring facility management. In the technical field, property management is responsible for co-ordinating and managing technical processes, and in particular maintenance and repairs as well as for minor construction measures. The processes are documented, all relevant information is collated and forwarded to asset management in the form of regular reporting. The continuous monitoring of target attainment on the basis of reporting is also one of the responsibilities of the property manager.

Unlike the situation in many other European countries, facility management (at least as far as the portfolios of most institutional investors are concerned) is clearly distinguished from property management in Germany. This model has developed strongly in the course of the last eight to ten years. However, at present, there are signs of trends on the market pointing to an organisational rapprochement between property management and facility management.

The functional distinction between asset management and property management ensures the operational implementation of the various duties on the one hand and the monitoring and controlling implementation (strategic) for safeguarding the owners' interests on the other hand. However, this interface may differ depending on the customers' specific wishes.

### 3. What is real estate asset management, what is it not?

This clearly illustrates that the asset manager is the direct representative and first contact of the owner, and is responsible for safeguarding his interests.

#### **What specialisations are encountered in asset management?**

As is the case in other areas, asset management has seen a development of specialists for individual segments. The distinction is initially based on the property asset classes. In addition to the various types of property, there are differences relating to the specialist and methodical skills of the asset manager as well as the various individual client groups depending on the specific requirements and the specific situation.

The following are the main asset classes (types of use): “Office”, “Shopping centre/retail park”, “Other retail”, “Residential”, “Hotel”, “Logistics”, “Light industrial” (commercial real estate), “Retirement/nursing home” and “Multi-storey car park”, whereby the main asset classes are Office” and “Shopping centre”.

Every asset class has its own requirements and special features which require specialist knowledge, market expertise and experience. However, depending on the specific situation and condition of the various properties, there is also a demand for specialists. Legal, commercial and technical issues may have to be clarified depending on the particular task involved. On the other hand, there may also be a demand for conceptional skills or marketing talent.

In view of the varied nature and complexity of the market, an investor who is looking for a partner in the field of asset management must very precisely analyse the possibilities which are available, and must take the decision to engage the right partner suitable for his portfolio and strategy



## 4. Providers of asset management services

### What fundamental differences are there in asset management?

The first step is to analyse whether asset management is provided exclusively for one client/investor and whether there is also a close legal relationship (captive asset management) or whether the asset management companies operate as independent service companies for various customers (non-captive asset management). In practice, there are also very frequently hybrid forms involving various combinations. Some companies who have provided input for this brochure provide in-house services for their company and also simultaneously offer external asset management services. For the sake of simplicity, the following section will speak only of asset management, referring only to non-captive asset management.

### How many companies offer their services in asset management?

We can assume that more than 50 asset management companies offer their services in Germany.

### Is there a market overview?

Bell Management Consultants have been publishing the asset management report (AMR) every year since 2010. The aim of the AMR is to introduce more transparency into the market. It provides a comprehensive overview of the asset management companies operating on the market, together with their fundamental data and business models. It also includes market developments and market potential. The number of participating companies has been constantly increasing in recent years. The AMR is now firmly established at potential clients.

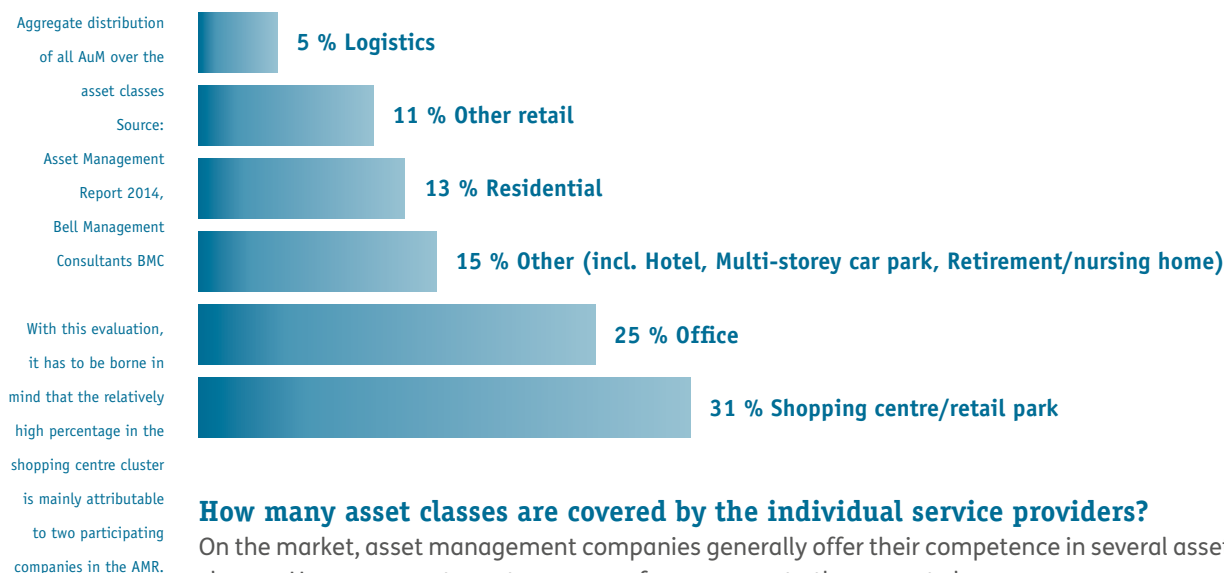
In the following, we have set out various extracts taken from the most recent asset management report. It is based on the data of 36 asset management companies in Germany. Accordingly, the overall volume of the asset management companies comprises approximately € 117 billion assets under management (AuM). Of this figure, the companies of the Asset Management Excellence initiative are responsible for managing approximately € 28.4 billion AuM. The market of asset management providers is overall characterised by significant differences in terms of company size. On the market, there are also many mid-size and small asset managers employing fewer than 25 employees.



## 4. Providers of asset management services

### How are the AuM distributed over the individual asset classes?

Of the AuM figures reported by the participating asset managers, 31 % (€ 36 billion) are attributable to the asset class Shopping centre/retail park. The leader in this particular field, namely ECE Projektmanagement GmbH & Co. KG, accounts for € 26 billion. The asset class Office is in second place, accounting for 25 % (€ 29.7 billion).



### How many asset classes are covered by the individual service providers?

On the market, asset management companies generally offer their competence in several asset classes. However, most asset managers focus on one to three asset classes.

### What will be the future development of the market of asset management service providers?

Most of the companies questioned in the asset management report (approximately 77 %) expect to see further growth reported for the sector. However, the expectation of growth has fallen from 93 % since 2011.

### What costs are incurred by external asset management?

It is not possible for a universal answer to be provided in relation to this question. The extent of the relevant fees depends on a wide range of factors, and is based mainly on the portfolio struc-

## 4. Providers of asset management services



ture and the agreed extent of services. In order to provide better orientation, the enclosed table sets out the individual components with their values based on an arm's-length consideration.

In addition to the fee components specified at this point, it is also necessary to consider the profit-linked remuneration in the case of co-investments. The purpose of this remuneration is

Source: Survey of  
companies  
Asset Management  
Excellence

### Standard fees for sample portfolio: Office properties of medium quality and complexity

| Service                                  | Minimum    | Maximum    | BG  |
|--|------------|------------|-----|
| Setup charges                            | € 5,000    | € 200,000* | P   |
| AM basic fee                             | 1.00 %     | 4.50 %     | MM  |
| Construction work/refurbishment          | 5.00 %     | 8.00 %     | PV  |
| Letting fee, new tenant with agent       | 0.5        | 3          | MM  |
| Letting fee, new tenant without agent    | 2          | 4          | MM  |
| Prolongation existing tenant             | 0.5        | 2          | MM  |
| Support for purchase/sale, with agent    | 0.30 %     | 2.00 %     | KP  |
| Support for purchase/sale, without agent | 0.75 %     | 4.00 %     | KP  |
| Consulting                               | € 800      | € 3,500    | TS  |
| Incentive fee/promote                    | individual | individual | KPI |

BG = calculation base · P = fixed amount · MM = monthly rent · PV = project volume

KP = purchase price · TS = daily rate · KPI = depending on the KPIs

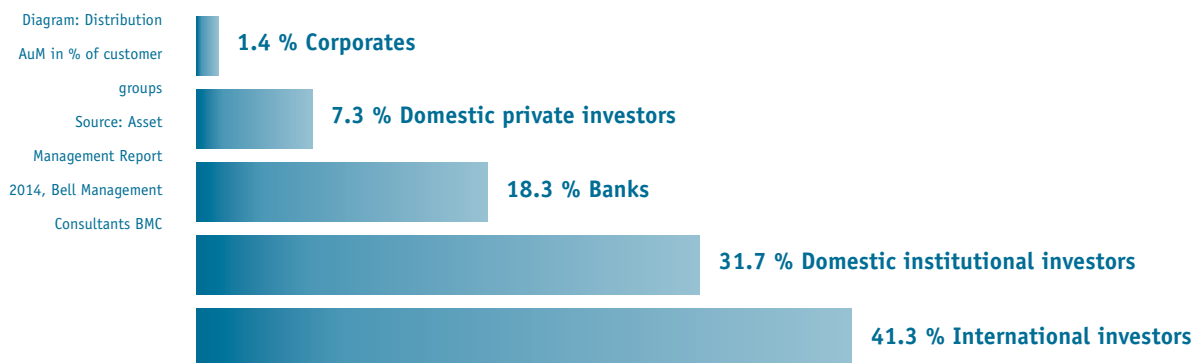
\*depending on the size of the portfolio

to enhance the equality of interests between the asset manager and the investor and also to enhance the motivation to devote maximum intensity towards ensuring that the property is optimised. This remuneration is linked to profit, and is higher than a minimum IRR hurdle (between 7 % and 14 % IRR depending on the fund and the customer), and may result in significant figures in the event of success. The co-investment of an AM service provider is usually between 2.0 % and 10 % of equity. Without co-investments, profit-linked remuneration is either not possible or is much lower.



## 5. The demand side

The customers of asset managers include national and international investors as well as institutions and family offices. International customers account for approximately 41 % of the overall market, measured in terms of AuM in €. The distribution of national customers is as follows: domestic institutional investors (approx. 32 %), banks (approx. 18 %) and private investors (7 %). Corporates at present account for only approximately 1.4 %. So far, there have hardly been any orders placed by the public sector.



In recent years, there has been a shift in the significance of individual target customers for asset managers. Attention now focusses to a greater extent on the groups of domestic investors and private investors.

We need to consider the question as to why external asset management is at all an interesting subject, and also what are the crucial arguments for an order being placed. The potential customers can be classified in three groups: international investors who do not operate their own platform in Germany use the services offered by asset managers. However, customers also include domestic investors who do not meet the criterion of a specific size and for whom an in-house asset management function is not an attractive solution. Flexibility and speed are some of the major advantages offered by external asset managers. However, investors with their own in-house asset management function can also consider whether an outsourcing arrangement might not offer strategic and financial benefits (possibly also only in relation to individual assets). It is also possible for sub-elements of services to be outsourced.

## 6. Value drivers in asset management



Although there is no entirely uniform definition on the market, asset management can be described as everything which is needed to ensure comprehensive management of real estate in the entire investment cycle. This essentially involves strategic and monitoring tasks, and in certain areas also of course includes executive tasks. The transitions and interfaces to the related functions such as investment management and property management are not clearly defined. Individual elements of the overall range of services are deployed selectively depending on the specific requirement. The asset manager should consider that his role and responsibility is to be a type of “chief administrator” of the property.

The various functions involved in asset management can be broken down into those functions which relate to the property and those functions which relate to management aspects. Property-related services (e.g. property and facility management) are necessary in order to ensure permanently smooth operation of the properties, and such engagements are normally placed and monitored by the asset manager.

On the other hand, management services tend to relate to unlocking the revenue potential of properties. These include in particular the revitalisation and letting functions as well as purchasing and sales, as they determine the period during which funds are allocated in the course of an investment, and also determine the extent of the funds which are deployed and the amount of the generated returns. These two functions have a major impact on success in meeting the investment targets.

### Revitalisation

Before re-letting and subsequently before the sale, the two essential management service functions of asset management, the revitalisation of office buildings constitutes a further (primarily construction-related) core value driver for the sustainable growth in the value of commercial real estate. The condition of a property and also the extent to which a property is adapted to its envisaged utilisation determine the level of rent which can be generated with the property.



## 6. Value drivers in asset management

Many older office properties no longer meet today's market requirements. They are either inefficient in terms of use made of the existing space, or they are expensive, subject to excessive wear and tear or are inadequate in terms of energy efficiency. Moreover, there are many office properties which offer an excessive amount of space for individual tenants for their location. In consequence, it is very difficult to find new users and tenants, and it is frequently only possible for such new users and tenants to be found if significant discounts are offered. There is a risk that such properties might become vacant, or indeed such properties are already vacant. The profitability of such properties is affected, as is their marketability. However, as part of a revitalisation concept, it may frequently make sense for properties to be repositioned in line with the location-specific circumstances instead of selling them in their existing condition and allowing the added value to be realised by the purchaser. In addition to the market-related classification which is subsequently achieved in the course of the re-letting process, the initial aim is to improve the structural condition of such properties. A wide range of possible structural measures are available in this respect:

- Restructuring of floor space where possible by means of a new room layouts
- Creating the possibility of letting small areas by way of separating individual areas
- Improvement of energy efficiency (mainly windows and roof)
- Refurbishing the external façade
- Modernising the building services

In order to implement a meaningful revitalisation concept, the asset manager must have extensive real estate and market knowledge in the fields of project development and project management. The asset manager will first assess the property- and market-specific circumstances and develop a concept which comprises a range of measures, including a plan of action which focusses on profitability. The quality of the experienced asset manager is revealed in the process of implementing such a concept. This is because it requires co-ordination of the requirements of structural issues and official authorities (approval planning) and in particular commercial skills. Timely implementation within budget for existing properties also imposes extremely stringent demands on project management.

At the same time, the asset manager also works on re-letting or marketing the properties during the period in which the revitalisation concept is being implemented.

### Transaction management

The asset manager or a transaction manager in an asset management company is frequently also responsible for supporting the purchasing and sales processes of the properties. Transaction experience and skill are very beneficial for the customer. The experience of an asset manager in the transaction field is also reflected in the extent to which he is also able to develop an accurate overall picture of large or complex properties from a very large quantity of data in order to use such information to identify the marketability of the property and also the possible price. In this respect, it is beneficial if the asset manager has a local representative or is at least very well networked locally.

## 6. Value drivers in asset management

A valid property appraisal is thus the basis of the actual investment or disinvestment decision. Speed and local presence are extremely important in this respect, particularly in liquid markets in order to be able to survive in the context of other professional potential purchasers.

The ability of the asset manager to access the market is also a further major criterion in this respect. As a result of the high transaction costs and the considerable amount of work involved in a real estate transaction, the reliability of the transaction partner is extremely important for all parties involved. The market players with an extensive track record enjoy considerable market advantages. They receive offers to buy property at an early stage, occasionally on an exclusive basis, which means that preference might be given to one specific player within a group of interested parties. This aspect is becoming even more important in market phases in which assets are in short supply and very much in demand.

### Letting management

Once the property has been acquired and included in a portfolio, the next step is to focus on optimising economic considerations. Letting management has a key role to play in this respect, because the letting process generates the income flows which represent the return on capital employed during the period in which the property is held.

Professional letting is a complex process and starts with the development of a property profile for marketing the properties. A property-specific marketing concept is a key element of this process. The letting process involves specific negotiations regarding the tenancy agreement, and results in the signing of the tenancy agreements. Based on a wide range of practical experience, the process of developing a tenancy agreement draft is complicated and in certain cases very time-consuming.

A wide range of competences is required in this respect, e.g. market knowledge, research analyses, contact with potential tenants, selection and management of competent agents, negotiating skills, speed in processing and the advanced formulation of tenancy agreements for both parties.

Property-specific specialist knowledge is necessary for successful letting. One important aspect is knowledge of the tenancy markets, because letting is always a regional activity which is only perfectly managed by a person who has established a local presence and who has contact with the other players in the market. Interdisciplinary property experience also has a major role to play in this respect. Anybody who provides professional support for a large portfolio of commercial real estate precisely knows the needs of the tenants, and is able to anticipate trends and market changes. This is an advantage when the aim is to successfully market premises.

However, other criteria are also important, such as the ability to draw up tenancy agreements with a good legal structure. The quality of the tenancy agreements can enhance value in the subsequent sales process, resulting in higher selling prices. Functioning and successful letting management is a quality feature of excellent asset management.



## 7. Possibilities and opportunities of external asset management

External asset management fundamentally offers the opportunity of professional investment in real estate or management to investors who do not have their own platform, necessary specialists or capacity. However, external asset managers also handle mandates for difficult single assets of investors with their own platform. The main advantages of an external asset manager are as follows:

1. Specialisation in the asset class: Asset managers are experts in real estate management. Good asset managers are able to offer customised solutions and enjoy extensive project experience. Typically, flat hierarchies are predominant, and daily action is characterised by entrepreneurial competence.
2. Flexibility: Support provided by staff can be rapidly adapted to meet the specific portfolio requirements. Load peaks can be handled rapidly without having to involve expensive personnel measures. This is a major advantage of external asset managers.
3. Market access to market players is frequently better and more extensive. This is a major criterion for unlocking property-specific advantages. International investors in particular are able to act as a local player. Due to the wide range of their mandates, professional asset managers have a stronger base in the market than investors who only appear on a sporadic basis. External asset managers are characterised by sector-specific and regional market networks and expertise.
4. Transparency: Non-captive asset managers are comparable with each other; performance features and specialisations can be chosen to meet specific requirements.
5. Where appropriate, provision of a regulated platform, e.g. a capital management company (KVG; Kapitalverwaltungsgesellschaft in accordance with Section 17 German Capital Investment Code (Kapitalanlagegesetzbuch)) by the asset manager is an essential criterion for gaining access to the asset class “Commercial real estate” in the case of indirect investments. The avoidance of interfaces is extremely important particularly in the vehicle/property relationship which involves multiple layers.
6. In some areas, the demands and expectations of institutional investors, and in particular those with an Anglo-Saxon background, are different to or more stringent than those of domestic investors. This is applicable to yield requirements and in particular the use of IT systems and reporting at the client with regard to standardisation and degree of detail. Communication with the contact in English is mandatory. As a result of a high degree of standardisation, it is frequently easier for external asset managers to meet such requirements.
7. The incentive culture of the external asset managers ensures a focussed and profit-oriented method of working. No resources are wasted.

To summarize, there can be good reasons for external asset management as a result of strategic and operational considerations. It can also make sense for internal and external asset management to be carried out in parallel. The success of asset management very frequently depends on the personal and professional skills of the individual asset manager – irrespective of whether that person works internally or externally.



CORPUS SIREO

CORPUS SIREO

LEVEL 0000  
LEVEL 0001  
LEVEL 0002  
LEVEL 0003



## 8. Market trends –

### Where is the sector going?

Looking ahead, we need to consider the question of the future market development of asset management service providers. This development will very much depend on the macro-economic conditions and the resultant strategies of domestic and international investors.

In particular, the macro-economic situation in Germany, with a very low level of interest rates and an economy which is performing well, has ensured that real estate is particularly attractive as an investment form. Moreover, there is a lack of alternative opportunities for investing capital. In consequence, real estate prices have risen strongly in recent years. As a result of the good state of the economy, rent levels are also currently at an attractive level. Overall, it is not very likely that major rent increases will be probable in future. The high property prices combined with stagnating rents are consequently resulting in pressure on yields. Moreover, at institutional investors, the ratio between real estate and investments in securities has been gradually increased. As a result of the strong demand, there have been signs of investors moving to sub-prime and lower-quality locations for quite some time. Because there is still a considerable amount of liquidity in the market, pressure on institutional investors to invest their funds is also increasing. The development of the macro-economic situation will in future not release any of the tension on the real estate markets in Germany. Overall, real estate investments will be associated with higher risks.

There is a dynamic transaction market at present. The annual volume of transactions for commercial real estate has gradually risen from approximately € 10 billion in 2009 to € 40 billion in 2014. The recent trend of portfolio transactions will also accelerate in future. In this context, there will continue to be demand in future for the specialist know-how of asset managers. The degree of specialisation with regard to specific regions and sectors is increasing.

However, not only the macro-economic situation will lead to stronger demand for external asset management services. Structural factors at domestic institutional investors will also affect this trend in demand. With constantly expanding portfolios, there will also be a constant increase in demand for personnel and resources. This is where many portfolio managers are coming up against limits. External asset management offers the possibility of adjusting capacities or accessing specialist knowledge as required. The handling of asset classes which do not belong to the core skills of the investors/clients means that external asset management is also an attractive proposition. External asset management offers a high degree of flexibility for handling fluctuations in the size of a portfolio or changes in the asset classes.

The increasingly stringent transparency requirements and information obligations (AIFM regulations) in relation to the management of investment assets mean that investors and clients are generating positive demand for external asset management services.



## A. Practical examples

### Mixed portfolio – Value enhancement by repositioning and reduction of vacancy levels

#### **Initial situation** **Practical example 1**

Mixed portfolio (office/commercial premises/residential) with 11 properties at 7 locations. The portfolio was acquired after the original purchase in the peak of 2007 by replacing original asset management. The properties were affected by high vacancy levels, short tenancy agreement durations and (in certain cases) repositioning requirement.

#### **Target customer**

The international investor wanted to sell off the portfolio in three to four years with ambitious ideas regarding prices and also wished to receive active asset management for enhancing value (lease-up; development).

#### **Procedure/measures**

To stabilise and sell off the residential properties in order to generate liquidity for investment measures. Fundamental repositioning or reclassification of the use of the office and commercial premises with subsequent re-letting and sale to long-term investors. Partial concept development and sale to developer.

#### **Challenges**

The main challenges were to be seen in the low level of liquidity of the portfolio, an excessive assessment (release prices) as well as the portfolio of properties, some of which did not generate any realistic demand in the market (incl. empty single-tenant administration building; retail gallery which was not functioning). The property management company had to be replaced as a result of poor performance.

#### **Special events/ existing problems**

There was a delay in implementing the business plan as a result of the financial crisis. The lengthy period during which the properties were held (involving more tenant changes/ more tenant fittings) resulted in a two-fold increase in the original investment volume which had been set. The financing bank had classified the portfolio as “workout”, although itself was in the workout phase and therefore no longer capable of taking action.

#### **Economic success**

Considerable reduction in vacancy levels, process of enhancing value by way of repositioning successfully concluded. Sale without complete investment. Selling prices of the business plan were attained, although a delay was involved.

#### **Factors of success**

Proximity to the market and speed due to local operational asset management.

#### **Why external AM?**

The client was an international investor which does not have its own asset management function and which regularly looks for local partners.

#### **Strengths of the AM service provider:**

Nation-wide asset management team. Track record of management team. Strong operational asset management, repositioning and project development know-how.

## A. Practical examples



### Professional asset and property management with success in stabilising the value of a retail portfolio

#### Initial situation Practical example 2

Micro-retail portfolio with 67 properties covering a rental area of 227,000 m<sup>2</sup>, mainly in small towns with negative demographic and economic development, focus in Eastern Germany.

#### Target customer

The customer focussed on achieving long-term stabilisation of the retail portfolio in connection with the creation and implementation of a central AM strategy/management facility with business planning at the property level.

#### Procedure/measures

Responsibility for asset and property management was taken on within a few weeks. AM measures were based on intensive letting management (conclusion of new agreements, prolongations and extension and refurbishment measures for tenants) as well as measures and budget planning for maintenance and expanding areas to stabilise value, closely liaising with the owner.

#### Challenges

The saturated retail demand and (an associated factor) displacement competition at the various locations were the challenges. Most of the discounter premises no longer complied with the strict requirements of the tenants (size and quality were not adequate). Further challenges were the excessive requirements for investments in the portfolio in order to guarantee follow-up lettings and new lettings as well as outstanding receivables of € 300,000.

#### Special events/ existing problems Economic success

The customer insisted on in-house rendering of property management services.

Overall, despite the weak demand, success was achieved in signing new and prolonging 105 tenancy agreements for a total of 121,000 m<sup>2</sup>. The WALT increased by 23 % to 8 years within 24 months. Structured and active receivables management resulted in a 60 % reduction in the outstanding amounts. Various upgrades and extensions to premises were achieved (growth in premises of approx. 4,000 m<sup>2</sup>).

#### Factors of success

The main factors of success were an active letting performance as well as efficient receivables management, professional building management and also the various and flexible AM strategies.

#### Why external AM?

The customer did not have his own market network and expertise or local presence. The customer's own in-house AM had reached and even gone beyond the limits of his resources in terms of quantity and quality.

#### Strengths of the AM service provider:

Letting specialist with a nation-wide network and a total of 10 locations. Local market know-how and many years of experience in the Retail asset class.



## A. Practical examples



### Restructuring of a nation-wide commercial real estate portfolio

#### **Initial situation** **Practical example 3**

As part of the process of restructuring a complex financing structure, the investor of a real estate portfolio had transferred ownership to the providers of debt. The portfolio (which was originally acquired in 2006) with more than 100 properties and 600,000 m<sup>2</sup> of lettable area is invested in a range of commercial types of use throughout Germany.

#### **Target customer**

The aim was to achieve an optimum “total return” for the providers of debt by ensuring constant capital servicing and also by ensuring that the debt was repaid within approximately 36 months.

#### **Procedure/measures**

Following a structured take-over of the portfolio, a detailed identification of the value drivers and also clustering of the portfolio were carried out. The management service focussed on stabilising and optimising the letting situation, carrying out building measures designed to enhance purchase prices and also specific marketing of the properties. Effective controlling and reporting were implemented to ensure constant performance measurement.

#### **Challenges**

The challenge posed by the portfolio was to be seen in the nation-wide distribution of the individual properties in different local sub-markets as well as the variety of types of use. In addition, considerable personnel resources were tied up by the high number of properties and tenants.

#### **Special events/ existing problems**

In the management period, the client initiated a change of strategy involving the use of incoming purchase prices for generating and developing value-added potential. Moreover, the original volume of debt and the securitisation structure involved a high number of stakeholders with a wide range of interests.

#### **Economic success**

By means of active asset management, it has been possible for the letting situation to be significantly optimised by way of reducing vacancy levels, prolonging existing tenancy agreements and expanding the premises occupied by existing tenants. Resources for building measures were also employed to boost purchasing prices. In this way, the underlying valuations were exceeded in the course of the restructuring process.

#### **Factors of success**

In addition to knowledge of local markets as a result of a nation-wide presence, further factors of success were adequate resources of experienced and inter-disciplinary employees as well as a clear focus on the value drivers.

#### **Why external AM?**

Neither the providers of debt nor the property companies had their own management capacities.

#### **Strengths of the AM service provider:**

The demonstrable experience with regard to taking on, managing and arranging exits from comparable portfolios as well as a nation-wide presence at five locations with adequate resources combined an efficient and profit-linked offer were crucial factors for the decision.

## A. Practical examples



### Extensive refurbishment of a core property incl. tax consideration

#### Initial situation Practical example 4

Older office building on the periphery of the city centre in Hamburg; after the previous tenant had moved out, the property (approx. 6,300 m<sup>2</sup>) had been empty for 6 years in 2005. The private owner wanted to achieve a top-quality letting in order to generate a long-term income flow. Plans for sales in long term. Stringent quality requirement regarding management and building quality.

#### Target customer

Complete refurbishment and addition of further storey in 2005/2006. Also involving refurbishment of underground parking facility and a new glass façade. The period until the new tenant moved in (major auditing company in Germany) was bridged by way of a five-year interim letting arrangement with one of the client's own companies. Before new tenant moved in in 2012, densification of the premises by establishing an office tower in the inner courtyard.

#### Procedure/measures

15-year graduated rental agreement with new tenant.

#### Challenges

The older building had to be upgraded in all technical and structural aspects to meet modern high-quality office standards. Initially involving extensive redevelopment, followed to a certain extent by new building measure for subsequent tenant. The task involved releasing the new tenant from an old rental agreement. Restructuring of redevelopment without incurring property purchase tax.

#### Special events/ existing problems

The process of implementing both building measures was challenging. The interim letting arrangement had to be co-ordinated smoothly with the construction work for re-letting the premises. The equity structuring was determined in line with legal and tax considerations of the investor.

#### Economic success

After completion of the building and letting measures, 94 % of the shares in the property company were sold to a professional pension scheme. The investor will receive annual distributions in the long term, of approximately 6 % before tax on average. Graduated rental agreement guarantees long-term inflation protection. Successful sale from the point of view of the previous owner.

#### Factors of success

The smooth co-ordination of the wide range of individual tasks was vitally important. This was achieved by means of in-house skills in the fields of asset and property management, letting, structuring as well as product sales and product management.

#### Why external AM?

Stringent quality requirement which had to satisfy the special nature of the long-term upgrading and management task. The full service provider nature of HIH meant that it was possible for the broad requirement structure in the project to be handled entirely in-house.

#### Strengths of the AM service provider:

The transaction task was handled centrally and responsibly by the AM, so that the investor did not suffer any interface losses. Structuring and marketing competence.



## A. Practical examples



### Investment of an international investor without his own AM infrastructure

#### **Initial situation** **Practical example 5**

An international investor was looking for a new investment management platform for a portfolio of 11 existing commercial properties in Germany with an investment value of approximately € 350 million.

#### **Target customer**

Greater pooling of the entire service relating to the portfolio, incl. research, portfolio management, financing and asset management. The portfolio mainly comprises retail properties as well as offices and residential properties, including certain refurbishment/redevelopment elements.

#### **Procedure/measures**

Delivery of a detailed inter-disciplinary portfolio analysis, which was put together as a result of close liaison with acquisition, asset management, research and finance. This comprised precise hold/sell analyses and recommendations for development/refurbishment measures at the property level. It also identified approaches for stabilising the cash flow via lettings and refinancing.

#### **Challenges**

#### **Special events/ existing problems**

The overall portfolio comprised very complex corporate structures in conjunction with a problematical letting situation and financing arrangements which were about to expire. In addition to stabilising the cash flow by means of an active letting strategy and reducing costs, property management was restructured.

#### **Economic success**

A redevelopment project was initiated and carried out during ongoing operation of a retail property (project volume approximately € 11 million) during the phase in which the mandate was being taken on. The process of passing on information and documentation of the previous asset manager was not ideal. The complex corporate structures meant that it was necessary for various tax issues to be resolved.

#### **Factors of success**

Successful completion of the project, with the property being virtually fully let during the construction phase. Refinancing subject to much improved conditions. Re-letting/prolongation of approximately 14,500 m<sup>2</sup> during the first 12 months. Considerable reduction of open items and stabilisation of the cash flow. Clarification of unresolved litigation.

#### **Why external AM?**

The inter-disciplinary approach involving the intensive co-operation of all teams was the main driver enabling all optimisation potential to be fully utilised. Very close, open and transparent communication with the investor was of crucial importance in this respect.

#### **Strengths of the AM service provider:**

International client without own asset management structure in Germany.

Existing client relationship (international client). A further crucial criterion for the investor was the ability to obtain the necessary package of services from a single source.

## A. Practical examples



### Joint venture for unlocking value-add potential in a residential/retail complex

#### Initial situation Practical example 6

An outdated complex with 282 apartments on floors 1 to 5 with approximately 18,000 m<sup>2</sup> and approx. 11,000 m<sup>2</sup> retail passage on the ground floor located in a good area of Düsseldorf. The property was in poor condition and the retail sector, apart from two anchor tenants, was weak. Acquired in 2011 as part of a forced sale, socially subsidised housing with rents fixed until 31 December 2014.

#### Target customer

The customer and joint venture partner was a real estate private equity fund. The joint idea was to acquire the property and then to unlock the value-added potential by means of full revitalisation and re-letting of the retail premises as well as the general areas and façades as well as free apartments. The rent level was considerably lower than the general market level.

#### Procedure/measures

After partial termination of tenancy agreements in the retail sector, complete refurbishment of the retail premises and letting to good tenants. The general residential area and 56 free apartments were also modernised to a high-quality standard. New tenant structure, rent increases for retail and residential premises as well as cost and process optimisation. Reduction of service charges and costs for owners by way of optimising the service agreements, etc. Signing of new tenancy agreements and introduction of branding.

#### Challenges

The forced sale process meant that only limited due diligence (DD) was possible; there was thus no reliable estimate of the costs involved as a result of acquiring the property. The property had a difficult tenant structure, combined with a negative property image and press, rent controls and a huge backlog of repairs. Because the property was built in 1978, there was an outdated mall concept, unattractive retail tenants and also a slightly excessive percentage of retail premises for this location.

#### Special events/ existing problems

The restructuring process of the retail premises involved greater complexity and higher costs than originally planned in due diligence, but also resulted in better rents. Letting of the refurbished apartments was much better than originally planned (more attractive tenants and rents). The project was realised and the property was sold after three years instead of the originally planned five years.

#### Economic success

In the final analysis, as a result of higher rents and a better factor, the project produced a higher economic success than originally planned. The property eventually generated an IRR of almost 30 %, and the capital employed was doubled. The purchaser was a German pension fund.

#### Factors of success

The property is situated in a good district close to the city centre. The tenancy agreements of the anchor tenants EDEKA and Aldi were prolonged on a new and long-term basis. Notice of termination provided to the other retail tenants due to a forced sale permitted a high-quality refurbishment process to be carried out. Rent controls expired after three years due to a forced sale. Active AM with own technical competence.

#### Why external AM?

The customer, which is based abroad, fundamentally only works in joint ventures with very entrepreneurially-minded partners. However, in view of the complex nature of the AM task, it would also not have been possible without a local presence and without development experience.

#### Strengths of the AM service provider:

We have identified the property and presented it to the investor with the idea of revitalisation and unlocking the value-add potential. He obtained references regarding our track record and was able to see that we have previously successfully realised projects of this nature in the past.



## A. Practical examples

### Retail portfolio – Completion of process after reducing vacancy levels and prolonging tenancy agreements



#### **Initial situation** **Practical example 7**

Retail portfolio with more than 50 properties at more than 40 locations. Examples of conditions at the time of taking on the portfolio: low financial reserves, high vacancy levels, backlog of maintenance, financing in default, considerable influence exerted by financing banks.

#### **Target customer**

The level of debt was to be reduced by way of a rapid sales programme, and the price expectations were ambitious. Further objectives included enhancing value by way of active asset management (lease-up, development, retention) as well as completion of the process within three to four years.

#### **Procedure/measures**

Asset management focussed on the large properties with the potential to unlock value and also on major tenancy agreements. The smaller properties were sold off rapidly, some were even sold at a discount. Where possible, tenancy agreements were prolonged or projects were “initially developed” and then sold.

#### **Challenges**

Challenges at the property level were the low liquidity in the portfolio, short/excessive lease contracts, a high appraisal (release prices) and the portfolio with some properties for which there was no demand (part ownership/lease).  
Complex interfaces and unclear objectives at the project level.

#### **Special events/ existing problems**

Database, e.g. Rent Roll, was errored and was not able to be used for sales. This resulted in delays in sales.

#### **Economic success**

Long-term prolongation of crucial tenancy agreements. Successful “initial development” of properties which needed to be developed. Rapid sell-off of small properties.

#### **Factors of success**

Asset management activities clearly focussed on mid-size and large properties with the potential of unlocking value, rapid sell-off of small properties, existing contacts with large retailers, local asset management.

#### **Why external AM?**

The financing bank demanded the closure of the internal unsuccessful asset management department of the client in Germany, and demanded that the responsibilities be awarded to an external asset management company with a track record.

#### **Strengths of the AM service provider:**

The crucial factors were the retail know-how, the nation-wide presence as well as the track record of sales of individual properties in sub-prime locations.

## A. Practical examples



### Development of a single-tenant property in a multi-tenant service property

#### Initial situation Practical example 8

The AM mandate was acquired for an existing property which had undergone a core refurbishment programme between 2007 and 2009, incorporating new building standards, with approximately 22,000 m<sup>2</sup> rental office space as a single-tenant property in a good location of Munich.

#### Target customer

The focus was on establishing asset management, on the basis of a 100 % vacancy level with the objective of achieving full letting status.

#### Procedure/measures

The creation of a marketing strategy, development and implementation of the letting concept and also converting the property into a multi-tenant property, incl. implementation of all tenant fittings. The crucial measures also included the establishment of a website with extensive information concerning the property and the tenancy arrangement, as well as intensive co-operation with sales partners (agent events, letting competition, etc.) and direct marketing combined with events designed to enhance the property visibility.

#### Challenges

This was not an established office location. The subsequent effects of the economic crisis were evident in the tenancy structure. In addition, the single-tenant concept posed problems for a necessary multi-tenant letting arrangement.

#### Special events/ existing problems Economic success

Continuous development of a service property.

Financial success was achieved by boosting the letting ratio with the conclusion of 13 tenancy agreements (most of which were of a long-term nature: > 10 years) with well-known tenants and also by extending the areas occupied by existing tenants. Extensive and transparent reporting enabled the property budget specified by the client to be fully monitored for planning purposes relating to building measures and measures relevant for letting purposes. At the same time, existing tenancy and service agreements were optimised to a considerable extent.

#### Factors of success

The tenancy ratio was considerably increased by way of active letting services. Development of multi-tenant service property.

#### Why external AM?

The client did not have (his own) market network and expertise or a local presence with relevant letting skills.

#### Strengths of the AM service provider:

AM as comprehensive letting specialist with clear ideas regarding the concept for reclassification of use (single-tenant to multi-tenant), local market know-how and many years of experience in the Office asset class.



## A. Practical examples

### Stabilisation of a property with mixed use and a high hotel content



#### **Initial situation** **Practical example 9**

At the time at which the asset manager was engaged in May 2012, 4,550 m<sup>2</sup> (13 % of the lettable space) was empty. Tenancy agreements for a further 10,865 m<sup>2</sup> (31 %) were due to expire in the near future (within six months) or were to be prolonged. The property with mixed use (hotel, office, retail) with 34,500 m<sup>2</sup> was let to 43 tenants. The owner company was already insolvent.

#### **Target customer**

The aim was to stabilise the property in the long-term and to prepare for the property to be sold out of insolvency. By maximising the proceeds of the sale, the amount of the outstanding loan to be repaid in the near future (12-18 months) was to be maximised.

#### **Procedure/measures**

The focus was on actively letting the property in a structured manner in order to reduce/avoid the (threatened) vacancy levels in the immediate future and also to maximise total rental revenues, thus enabling the basis for the sales valuation to be maximised. For this purpose, the existing tenancy agreements were reviewed and a modified new rental strategy was developed. Close contact was established with the relevant existing tenants.

#### **Challenges**

The challenge was to be seen in the relatively short response time for individual letting measures, the considerable reduction of vacancy levels and the reduction of the accumulated backlog of maintenance in the course of active insolvency proceedings, of course in conjunction with no liquidity or extremely limited liquidity.

#### **Special events/ existing problems**

Insolvency proceedings were initiated in relation to the assets of the property company at the beginning of June 2012. In the same month, a major office tenant (1,500 m<sup>2</sup>) exercised his special right of termination, and terminated the tenancy agreement. Many of the agreements which were not profitable for the owner still had medium terms to run in conjunction with tenant options.

#### **Economic success**

Significant improvement in the results of operations within a period of 9 months due to prolongation of existing agreements and new lettings. Provision of liquidity required for letting and maintenance, mostly by way of new lettings. Compensation agreements for tenants leaving the property and collection of rent arrears. Total increase of 27 % in the value of the property.

#### **Factors of success**

As a result of the knowledge of the local market and the close contact with agents, the existing (letting) problem was rapidly identified and remedied. The local presence enabled contact to be established rapidly with the relevant tenants and assured the existence of agreements which were due to expire in the near future.

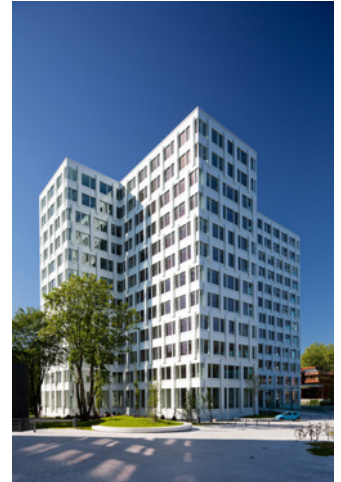
#### **Why external AM?**

Neither the provider of debt nor the insolvency administrator of the property company based in Munich had their own management resources. As a result of the convincing advice analysis results from the phase of the imminent insolvency, the company was convinced that a local asset manager would be able to meet the objectives.

#### **Strengths of the AM service provider:**

As a result of the convincing advice analysis results from the phase of imminent insolvency, the provider of debt and the insolvency administrator were convinced that the AM with the local presence would be able to meet the specified objectives. Customer convinced by extensive expertise and inter-disciplinary team. Service provided from a single source and pooling of interfaces.

## A. Practical examples



### Repositioning of a large office property in a difficult market climate

#### Initial situation Practical example 10

Main tenants Degussa and E.ON left the property at the beginning of 2008, the property was completely vacant (approx. 19,600 m<sup>2</sup>). The building was initially tailored specifically to meet the needs of Degussa, and the fittings reflected the year of construction of 1974.

#### Target customer

The owner (special fund) wished to adopt a value-add strategy and achieve a market positioning as a core property which could be occupied at short notice with high standards incl. new building services. In addition, pollutants were to be cleaned up and the façade was to be refurbished.

#### Procedure/measures

Project planning was carried out between June and October 2007, headed by the AM, with the aim of achieving viable and profitable letting and project realisation. The project was implemented in 2008 and 2009, the property was fully let in mid-2013 and sold in 2013.

#### Challenges

Completion of the design-ready structure at the end of 2009 - the rental market in Düsseldorf had virtually hit rock bottom at that time as a result of the financial crisis. High-quality competitor properties in the immediate vicinity (e.g. Sky Office) resulted in strong competition.

#### Special events/ existing problems

Extensive levels of pollution (asbestos) were identified and remedied during the construction period. The company was able to cope with the insolvency of one contractor. The main potential tenant for whom the building had been originally planned withdrew from the tenancy arrangement in mid-2008; this means that the revitalisation process was carried out on a speculative basis and without any pre-letting.

#### Economic success

Despite the difficult market situation in Düsseldorf, two initial rental agreements for the building were concluded shortly after the completion of the design-ready structure (show room and auditor). Further lettings were gradually achieved, enabling the building to be sold fully let as a core property subject to market conditions in 2013. Successful implementation of the owner strategy.

#### Factors of success

Good fit-out quality of the building subject to arm's-length rents, high flexibility of the rental spaces and attractive visual overall concept (contemporary modern façade).

#### Why external AM?

Strong local letting competence of the AM as a result of the branch based in the same location. Lack of in-house skills for carrying out extensive revitalisation measures, high-quality requirement, a wide range of real estate skills was required for the property.

#### Strengths of the AM service provider:

Many years of experience in project development business, demonstrable letting skills at the location, open communication/central responsibility of the AM.



## A. Practical examples

### Speculative project development with 34,000 m<sup>2</sup> office space



#### **Initial situation** **Practical example 11**

Acquisition of a site in 2007 with the aim of carrying out a speculative project development with approx. 34,000 m<sup>2</sup> office and retail space for an opportunist fund managed by the AM.

#### **Target customer**

The property was part of a closed opportunist fund. The aim was to complete and let the property and sell it to an institutional investor.

#### **Procedure/measures**

Definition of the building and space design in close co-operation with the joint venture partner and external advisors, focussing particularly on the flexible division of a range of sizes between 400 m<sup>2</sup> and 4,000 m<sup>2</sup> and also certification in accordance with the LEED Gold Standard.

#### **Challenges**

In the first two years following completion, the development of the rental market was particularly challenging as a result of the financial crisis. After a major user had withdrawn from an arrangement in relation to approx. 20,000 m<sup>2</sup>, the entire concept was restructured, with the premises being let to a number of smaller tenants.

#### **Special events/ existing problems**

Very sluggish rental market with low number of letting arrangements and vacancy levels directly after the property was completed. Reclassification of special-use areas on the ground floor (conference providers, fitness operators, catering concepts).

#### **Economic success**

The building was sold fully let and without any defects in 2013 to an institutional investor with excellent financial success.

#### **Factors of success**

The rapid and unbureaucratic co-operation between the AM project team and all agents involved made a vital contribution to the letting success. The aim of being able to submit a tenancy offer to potentially interested parties within 48 hours after viewing was of crucial importance in this respect, and was supported by an external office planner.

#### **Why external AM?**

The project was part of an opportunist fund managed by the AM.

#### **Strengths of the AM service provider:**

The AM is one of the leading independent investment managers in the world in the real estate field, and benefits from a broad, established and global real estate platform with 670 employees who in turn have established good networking in their local markets. The AM has had a presence in Germany for more than 15 years with a broad inter-disciplinary platform..

## A. Practical examples



### Transaction involving an office portfolio with two properties in Berlin

#### Initial situation Practical example 12

The vendor with two distressed properties had a clear schedule for the sale. Liquidation of both properties (one attractive property, one less attractive property) by means of bidding process. Property 1: in Lichtenberg, approx. 15,000 m<sup>2</sup>, built in 1995, 100 % vacant, not office location. Property 2: approx. 30,000 m<sup>2</sup>, built in 1996, 88 % let, “up-and-coming” office location on the banks of the river Spree, main tenant Federal State with approx. 50 % of the space and rents approx. 50 % lower than current market levels. Purchased in 2013 as a share deal.

#### Target customer

Immediate sale or rental of property 1 and “manage to core” of property 2 with minor (mainly “cosmetic”) revitalisation measures, image improvement and improvement in occupancy levels, optimisation of tenant structure and rents, long-term prolongation of main tenant with rent in line with market rents/re-letting and sale.

#### Procedure/measures

Implementation of the revitalisation project, contract prolongations incl. main tenant with market level rents, re-letting, optimisation of service provider and supply agreements, tenant restructuring, completing fire protection measures, repositioning/branding, improvement of overall image and building structure.

#### Challenges

In the case of property 1, the main challenge was the fact that the property is not situated in an office location and that the district has a poor image. Property 2 is situated in an attractive location, but the layout is somewhat narrow and cramped. In addition to the main tenant, there are some relatively small existing tenants. The condition of the property was moderate due to the failure of maintenance to be carried out, and fire protection issues had not been tackled properly. Considerable room depths in certain cases.

#### Special events/ existing problems

Prolongation ahead of schedule with one tenant, although there was still time until 2016 to speak with the owner with regard to the tenancy agreement. The process of implementing the concept took longer.

#### Economic success

It was much easier and quicker for the property 1 to be sold to a private investor. The WALT of property 2 was successfully optimised on the basis of a higher rent, and the revitalisation programme as well as the positive market development were factors which enabled the value of the properties to be considerably increased. The business plan was again considerably exceeded in this respect.

#### Factors of success

The fact that the local team was well networked in the Berlin market was very important. Good location development and good infrastructure were helpful, as were the attractive main tenant with a new and longer-term agreement, the flexible floor layouts, the moderate rent level, adequate parking spaces and also the revitalisation programme.

#### Why external AM?

The customer, who is based abroad, fundamentally works only within the framework of joint ventures with local and entrepreneurially-minded AM partners.

#### Strengths of the AM service provider:

Good experience in recent years and further co-operation elsewhere. The Berlin office provided convincing arguments with access to the market, experience and a motivated team. The asset manager had sourced the transaction at an early stage with the existing network, and thus had a lead in terms of time and information..



## B. Company profiles



The following provides brief details of the asset management companies who are behind the Asset Management Excellence initiative and who have provided input to this brochure. The tables set out a summary of the key aspects of the companies.

### ATOS Asset Management GmbH

ATOS is an independent owner-managed real estate company focussing on investment, asset and property management of commercial real estate in Germany. The company was established in 2006 and is currently handling approximately 180 commercial properties in more than 100 cities with a portfolio value of more than € 1 billion.

With central management and local organisation, the strategic Investment and Asset Management function, which is based in Hamburg, works closely with the local operational asset managers. With approximately 45 employees at 13 locations, ATOS covers all regions in Germany and guarantees nation-wide direct access to the local markets, properties and tenants.

The company's range of services comprises purchasing, financing, letting, repositioning and sale, primarily of office and retail properties as well as techno parks in prime and sub-prime locations. Its customers include international investors, financing banks and German institutional investors such as pension funds, insurers and savings banks.

#### Key data AM company

|                               |                          |
|-------------------------------|--------------------------|
| Number of employees           | 45                       |
| Assets under management       | € 1,000,000,000          |
| Number of locations, domestic | 13                       |
| Total space                   | 1,000,000 m <sup>2</sup> |
| Company established in        | 2006                     |
| Company structure             | Owner-managed            |

#### Managed portfolios

|                                    |   |
|------------------------------------|---|
| Focus asset classes                | Office, Retail, Technology parks                                  |
| Transaction volume (avg. 3 years)  | € 250,000,000 p.a.  |
| Letting performance (avg. 3 years) | 110,000 m <sup>2</sup> p.a.                                       |
| Risk/return profile                | Average   |
| Mandate scope                      | Portfolio level   |
| Portfolio difficulty class         | High  |
| Networking                         | National and international  |
| Time horizon                       | Exit-oriented and development-oriented                            |
| Range of services                  | Full service provider IM/AM/PM                                    |
| Investor situation                 | Workout and development portfolio                                 |
| Co-investments                     | Yes   |
| Target group                       | National/international institutional investors and family offices |
| Specialisation on customer type    | Banks, private equity, loan investors                             |
| Product focus                      | Office, retail, technology parks                                  |

## CORPUS SIREO

### REAL ESTATE

#### CORPUS SIREO Asset Management GmbH

As the leading independent real estate asset manager in Germany, CORPUS SIREO has been operating as an independent business unit of Swiss Life Asset Managers (Zürich) since January 2014.

The company was originally established in 1995, and manages real estate assets of approximately € 16.3 billion (10/2014) with more than 550 employees at a total of 11 locations in Germany and Luxembourg.

CORPUS SIREO offers extensive expertise in asset management services covering all types of use along the entire real estate added-value chain for national and international customer groups. The broad package of services ranges from purchasing and development, management which aims to boost value and which has been designed with cost efficiency in mind right through to the sale of properties. Combined with services in investment and fund management, the company designs customised and market-oriented solutions at the single-property or portfolio level.

Regular awards issued by various stakeholders support and confirm the record of success and also the constant expansion of the company.

#### Key data AM company

|                               |   |
|-------------------------------|---|
| Number of employees           | 550   |
| Assets under management       | € 16,500,000,000                            |
| Number of locations, domestic | 10  |
| Total space                   | 15,000,000 m <sup>2</sup>                   |
| Company established in        | 1995  |
| Company structure             | Wholly-owned subsidiary of Swiss Life Group |

#### Managed portfolios

|                                    |  |
|------------------------------------|--|
| Focus asset classes                | Office, Technology, Residential, Retail  |
| Transaction volume (avg. 3 years)  | € 1,100,000,000  |
| Letting performance (avg. 3 years) | 630,000 m <sup>2</sup>   |
| Risk/return profile                | Low to high  |
| Mandate scope                      | Project and portfolio level  |
| Portfolio difficulty class         | Low to high  |
| Networking                         | National and international   |
| Time horizon                       | Exit-oriented and development-oriented   |
| Range of services                  | IM/AM/PM   |
| Investor situation                 | Workout and development portfolio  |
| Co-investments                     | Yes  |
| Target group                       | All customer groups  |
| Specialisation on customer type    | No   |
| Product focus                      | Asset and portfolio management (incl. DTA)<br>Transaction management (acquisition, letting and sales services)<br>Investment and fund management |



## B. Company profiles



### CR Investment Management GmbH

CR Investment Management (CR) is one of the leading management and consulting companies in Europe. With approximately 100 employees in ten offices and six countries, CR focusses on providing management and advisory services for real estate ventures and loans.

The company which was established in 2004 is headquartered in Berlin and London. CR is independent and is entirely owned by management.

With its German offices located in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich, CR has since 2009 actively supported more than 1,000 properties of different use types in Germany alone.

Throughout Europe, the CR Group manages assets of approximately € 7 billion (incl. consultancy). During the past 18 months, the CR Group has supported mandates within the framework of purchasing loans and/or real estate with a volume of approximately € 12 billion.

Our clients are well-known financial institutions, investors, funds and institutional buyers from all over the world.

#### Key data AM company

|                               |                          |
|-------------------------------|--------------------------|
| Number of employees           | 73                       |
| Assets under management       | € 3,510,000,000          |
| Number of locations, domestic | 5                        |
| Total space                   | 4,000,000 m <sup>2</sup> |
| Company established in        | 2004                     |
| Company structure             | Owner-managed            |

#### Managed portfolios

|                                    |  |
|------------------------------------|--|
| Focus asset classes                | Office, Shopping centres, Retail parks, Retail, Residential, Logistics   |
| Transaction volume (avg. 3 years)  | € 500,000,000  |
| Letting performance (avg. 3 years) | 175,000 m <sup>2</sup>   |
| Risk/return profile                | Average to high  |
| Mandate scope                      | Project and portfolio level  |
| Portfolio difficulty class         | Average to high  |
| Networking                         | National and international   |
| Time horizon                       | Exit-oriented and development-oriented   |
| Range of services                  | AM   |
| Investor situation                 | Workout and development portfolio  |
| Co-investments                     | No   |
| Target group                       | National/international institutional investors and family office   |
| Specialisation on customer type    | Financial investors, banks, private equity, loan investors   |
| Product focus                      | Holistic and cross-border asset and credit management as well as consultancy services. The company focusses on restructuring existing or establishing new real estate investment products. |

## B. Company profiles



### HIH Real Estate GmbH

For decades HIH Real Estate (HIH) has pooled the property-related investment and service activities for the Warburg Group. HIH Real Estate is one of Germany's biggest independent managers for real estate investments and steers and manages real estate assets worth more than EUR 10 billion. The main focus of HIH's activities is found in portfolio- and asset management as well as in property management, letting and project development. HIH Real Estate is headquartered in Hamburg and employing close to 400 professionals including subsidiaries and affiliates.

The Asset Management function of HIH develops, manages and supports the real estate with which it has been entrusted. With managed assets of approximately € 5 billion and approximately 2 million m<sup>2</sup> rental space, HIH is one of the largest independent asset managers in Germany. A key aspect of asset management is to ensure the sustainable optimisation of income and also to enhance the value of the real estate assets under management. The Asset Management function develops individual strategies for the respective properties and initiates and monitors the process of implementing these strategies. The developer function occupies a particular role in this respect. Accordingly, the Asset Management function of HIH handles demanding refurbishment tasks as well as the entire range of complex project developments.

| Key data AM company                |   |
|------------------------------------|---|
| Number of employees                | 52 (240)  |
| Assets under management            | Approx. € 5,000,000,000   |
| Number of locations, domestic      | 6   |
| Total space                        | 1,950,000 m <sup>2</sup>  |
| Company established in             | 1992  |
| Company structure                  | Bank Group subsidiary   |
| Managed portfolios                 |   |
| Focus asset classes                | Office, Retail  |
| Transaction volume (avg. 3 years)  | € 1,000,000,000 p.a.  |
| Letting performance (avg. 3 years) | 135,000 m <sup>2</sup>  |
| Risk/return profile                | Low to average  |
| Mandate scope                      | Project and portfolio level   |
| Portfolio difficulty class         | Simple to demanding   |
| Networking                         | National and international  |
| Time horizon                       | Development-oriented  |
| Range of services                  | Full service provider FO/AM/PM  |
| Investor situation                 | Development portfolio   |
| Co-investments                     | No  |
| Target group                       | Corporates, national/international institutional investors, family offices                          |
| Specialisation on customer type    | Institutional investors with strong quality requirement   |
| Product focus                      | Creation and management of long-term commercial real estate portfolios with different risk profiles |



## B. Company profiles



### LaSalle Investment Management

LaSalle Investment Management (LaSalle) is one of the leading independent investment managers in the world in the real estate field. LaSalle specialises exclusively in the real-estate asset class, offering the entire range of regional and sector-specific investment forms.

LaSalle has 24 offices in 17 countries with 670 employees throughout the world. The LaSalle teams in Europe, North America and Asia-Pacific focus exclusively on real-estate investment management. As a result of its long-standing experience as an investment manager, LaSalle has excellent access to on- and off-market property acquisitions.

LaSalle is a wholly-owned independently operating subsidiary of Jones Lang LaSalle Inc. (JLL Inc.), one of the largest real estate companies in the world, which is also listed on the New York Stock Exchange (NYSE).

LaSalle has been represented for more than 15 years in Germany, and has established a strong platform with 41 employees at its location in Munich. These include ten asset management specialists with expertise in all sectors..

#### Key data AM company

|                               |   |
|-------------------------------|---|
| Number of employees           | 41 (Germany) / 673 (global)                             |
| Assets under Management       | Global - AUM - \$ 55.3 billion (approx. € 45.5 billion) |
| Number of locations, domestic | 1   |
| Total space                   | Approx. 1,000,000 m <sup>2</sup>                        |
| Company established in        | 1999  |
| Company structure             | Wholly-owned subsidiary of Jones Lang LaSalle Inc.      |

#### Managed portfolios

|                                    |  |
|------------------------------------|--|
| Focus asset classes                | Real estate (all sectors)  |
| Transaction volume (avg. 3 years)  | Approx. € 620 million p.a. (Germany)   |
| Letting performance (avg. 3 years) | 125,000 m <sup>2</sup> (Germany office)  |
| Risk/return profile                | Low to high  |
| Mandate scope                      | Portfolio and fund level   |
| Portfolio difficulty class         | Low to high  |
| Networking                         | National and international   |
| Time horizon                       | Development-oriented   |
| Range of services                  | Full service provider FO/AM/PM   |
| Investor situation                 | Development portfolio  |
| Co-investments                     | Yes, but dependent on risk-return profile or investor  |
| Target group                       | Corporates, nat./int. institutional investors, family office, high net worths  |
| Specialisation on customer type    | Real-estate investment products for customers of institutional nature  |
| Product focus                      | Wide range of funds with differing investment strategies and investment focusses, from core to opportunist, individual sector, individual country through to diversified pan-regional products |

## B. Company profiles

**PAMERA Cornerstone REA GmbH**

“Maintaining and creating value by inter-disciplinary competences and nation-wide presence”

PAMERA CORNERSTONE Real Estate Advisers is a powerful partner for real estate investors, focussing on office and retail premises, and was established by four partners in 2010. Since 2014, PAMERA has been a subsidiary of the US investment manager Cornerstone Real Estate Advisers with USD 44 billion under management. PAMERA is integrated in an international structure which however has strong local operations. In Europe, there are further locations in London, Helsinki, Stockholm and Rotterdam. Many years of experience with commercial and residential real estate, an established competence network as well as an experienced team form the basis for our owner-oriented services:

Asset management: Active portfolio, letting and transaction management for institutional investors and banks

Development: Revitalisation for existing and new properties, project development

Fund management: Development of customised real-estate investment solutions as pool funds or individual mandates, e.g. special funds under German investment law.

PAMERA CORNERSTONE Real Estate Advisers GmbH is a subsidiary of Cornerstone Real Estate Advisers Europe Finance LLP, which is regulated by the FCA. Cornerstone is a company of the MassMutual Finance Group.

**Key data AM company**

|                               |                                       |
|-------------------------------|---------------------------------------|
| Number of employees           | 37                                    |
| Assets under management       | € 1,010,000,000                       |
| Number of locations, domestic | 6                                     |
| Total space                   | 807,000 m <sup>2</sup>                |
| Company established in        | 2010                                  |
| Company structure             | Bank/insurer (formerly owner-managed) |

**Managed portfolios**

|                                    |   |
|------------------------------------|---|
| Focus asset classes                | Office, Retail  |
| Transaction volume (avg. 3 years)  | € 218,000,000   |
| Letting performance (avg. 3 years) | 82,000 m <sup>2</sup>   |
| Risk/return profile                | Average to high   |
| Mandate scope                      | Project and portfolio level   |
| Portfolio difficulty class         | Average to high   |
| Networking                         | National and international  |
| Time horizon                       | Exit-oriented, development-oriented and long-term   |
| Range of services                  | Fund and asset management   |
| Investor situation                 | Workout and development portfolio   |
| Co-investments                     | Yes   |
| Target group                       | National/international institutional investors, family offices  |
| Specialisation on customer type    | Most experience with customers whose properties require very active management                          |
| Product focus                      | Larger and/or more complex properties in the asset class Office in the field of value-add/opportunistic |



## C. Contacts



### **ATOS Asset Management GmbH**

Dr. Michael Hermes, Partner  
Moorfuhrweg 17  
D-22301 Hamburg  
+49 40 37645200  
michael.hermes@atos-am.com



### **CORPUS SIREO Asset Management GmbH**

Ingo Hartlief, Geschäftsführer  
Jahnstraße 64  
D-63150 Heusenstamm  
+49 6104 664101  
ingo.hartlief@corpussireo.com



### **CR Investment Management GmbH**

Claudius A. Meyer, Geschäftsführer  
Zoofenster/ Hardenbergstraße 28a  
D-10623 Berlin  
+49 30 856162240  
Claudius.Meyer@de.crmanagement.eu



### **HIH Real Estate GmbH**

Erik Marienfeldt, Geschäftsführer  
Gertrudenstraße 9  
D-20095 Hamburg  
+49 40 32824403  
emarienfeldt@hih.de



### **LaSalle Investment Management GmbH**

Uwe Rempis, Head of Asset Management Northern Europe  
Alter Hof 5  
D-80331 München  
+49 89 21111359  
uwe.rempis@lasalle.com



### **Cornerstone Real Estate Advisers GmbH**

Christoph Wittkop, Sprecher der Geschäftsführung  
Guiollettstraße 54  
D-60325 Frankfurt am Main  
+49 40 361228710  
wittkop@pamera.de



#### Initiators and project managers:

Bell Management Consultants  
Dr. Markus G. Bell, Geschäftsführer  
Eichenstraße 3a  
D-50858 Köln  
+49 221 69048093  
markus.bell@bell-consultants.com



Bell Management Consultants  
Markus Franz, Senior Manager  
Eichenstraße 3a  
D-50858 Köln  
+49 221 69048093  
markus.franz@bell-consultants.com

Further information can be found in the Web at  
[www.bell-consultants.com](http://www.bell-consultants.com)

- Our core business: Management and M&A consultancy for banks, real estate investors and service providers
- Our basis: Experience and method skills gained in projects. Exclusive know-how from benchmarking initiatives with sector leader, market reports and customer survey

#### Imprint:

Published by: Asset Management Excellence initiative

Contact: Dr. Markus G. Bell · Bell Management Consultants · Eichenstraße 3a · D-50858 Köln · +49 221 69048093  
markus.bell@bell-consultants.com

Project management: Markus Franz · Bell Management Consultants · Eichenstraße 3a · D-50858 Köln · +49 221 69048093  
markus.franz@bell-consultants.com

Design: artstudio.de, photos: Asset Management Excellence initiative, photo page 26: Reiner Freese  
Copyright © 2015

All rights reserved. Extracts may be used quoting the source: "Asset Management Excellence" initiative. More extensive reproductions, publications and forwarding of contents to third parties in any form permitted only with the prior written approval of the Asset Management Excellence initiative and also only in conjunction with details of the original source. This is not applicable for the use of the market reports or parts thereof for marketing prospectuses - in this case, the prior written approval of the Asset Management Excellence initiative must always be obtained. The contact is Bell Management Consultants.

