

Patrizia enters Europe's top-10 league of investment managers

The acquisitions of Triuva and Sparinvest have fuelled the Augsburg-based firm's growth, lifting assets under management to over €30 bn

BY VIRNA ASARA

A few years ago, Patrizia Immobilien was a small German residential investment outfit. Since then it has grown into one of Europe's 10 largest real estate investment managers with assets under management rising 11-fold over the past seven years from €2.7 bn in 2010 to over €30 bn this year. In 2017 alone, the company has nearly doubled the value of its portfolio which stood at some €18 bn at the beginning of the year.

This year's explosive growth was achieved largely through two large corporate M&A deals. In October Patrizia, which was founded in 1984 by CEO and majority owner Wolfgang Egger, acquired Copenhagen-based Sparinvest Property Investors (SPI), a global real estate fund of funds investment manager in the small- and mid-cap segment. SPI manages four real estate funds with equity commitments totalling €1.5 bn and has over 20 Nordics-based institutional clients.

A month later the company emerged ahead of shortlisted bidders DIC Asset and Hamburg Trust as the buyer of German institutional real estate fund management business Triuva. The purchase price for what was formerly IVG Institutional Funds was not disclosed but the vendor, the restructured IVG business, said the transaction reflects the fair value of the company.

GOOD FIT

Egger claims Patrizia was 'the best partner' for Triuva. 'We offer the company a stable ownership structure with which we can help it unlock its growth potential,' he said. 'This acquisition is a perfect fit for our growth strategy. It will strengthen our European network, expand our market presence and broaden the range of products and services



'The acquisition of Triuva is a perfect fit for our growth strategy'

WOLFGANG EGGER, CEO PATRIZIA

es for our clients. We will also consolidate our position as the leading independent real estate investment manager in Europe.' The deal increases the stability of Patrizia's business model by providing greater diversification and ensuring an even greater share of revenue will come from recurring asset management fees, Egger added.

Commenting on the advantages of moving into the Top 10 of investment managers in Europe, Patrizia's COO Klaus Schmitt told PropertyEU that the company is striving to become 'an established and recognised address for all international institutional investors looking at investing in European real estate'. 'Being in the European top 10 will be an enabler for this,' he noted.

Triuva manages around 40 funds, partners with more than 80 institutional investors

and consists of around 200 employees across its 15 European locations. The Augsburg-based company focuses on commercial real estate in the office (50%), retail (13%) and logistics sectors (4%) as well as infrastructure. Currently, Triuva manages real estate assets of around €9.8 bn. In 2015, the last year for which financial figures are available, the company posted earnings before interest and taxes of €16.2 mln.

GROWTH STRATEGY

Dietmar Binkowska, CEO of property group IVG Immobilien, is 'firmly convinced' that Triuva will benefit from the new ownership. 'Triuva has always successfully pursued an international growth strategy. IVG as the parent company had the ambition to support this strategy by providing favourable conditions whenever we could. It is our firm conviction that Triuva gains the best possible partner in Patrizia to create further growth, at an international level as well, and to further accelerate the development of its fund business,' Binkowska said.

Bonn-based IVG hired financial advisor Rothschild back in May 'to explore various options' for the future of Triuva, including a spin-off or direct sale. IVG's core office operations had already been spun out as Office-First and were subsequently sold to US alternative investment giant Blackstone for €3.3 bn. That deal was finalised in April this year. The former institutional business of IVG was rebranded as Triuva in September 2015 as part of a process to extract it from the legacy of IVG's insolvency. Since then Triuva has been pitching itself as a provider and manager of structured real estate products for institutional investors.

In addition to its traditional client base in Germany and Austria, the firm has also

been expanding into new areas such as the Netherlands and Scandinavia. One of the assets in Triuva's portfolio is the former headquarters of the ECB in Frankfurt.

Once completed, either before the end of the year or in the first quarter of 2018, the Triuva acquisition is expected to broaden Patrizia's product range, enabling its institutional and private investors to access new markets, asset classes and risk profiles with their investments. 'With Triuva we significantly strengthen our presence across Europe, including new markets such as Poland, Austria and Italy. The acquisition expands our footprint in the different countries and sections, so we can provide our clients more investment opportunities. At the same time we have broadened our service spectrum. In the future Patrizia's clients will also have access to real assets, e.g. caverns [which represent around a quarter of Triuva's portfolio],' added Schmitt.

GROWTH PATH

Patrizia derives from the Latin word Patricius and, in ancient Rome, it referred to the upper, wealthy class. Over the past few years, the company has remained true to its name, attracting some of the most high-profile institutional investors in Europe and continuously delivering robust returns to its clients. This year the company's strong fundraising drive resulted in higher-than-expected performance fees and recently led the company to increase its full-year guidance, said Karim Bohn, Patrizia's chief financial officer.

In its financial report for the first nine months of 2017, the company said it now expects to deliver an operating income of slightly above €75 mln, up from the previous guidance of between €60-75 mln. Patrizia's operating income for the first nine months of 2017 was €46.6 mln, up 6.1% on the same period in 2016. In the period under review, total service fee income – including recurring revenues generated from management fees, transaction fees and performance fees in particular – increased by 5.2% to €128.8 mln, compared to €122.4 mln during the same period in 2016. Assets under management increased by €1.9 bn over the nine-month period to €20.5 bn. Including SPI, the company expects a net increase in AUM



ECB HQ IN FRANKFURT, ONE OF TRIUVA'S ASSETS

FACTFILE

COMPANY	Patrizia Immobilien
DEALMAKER	Wolfgang Egger
MAJOR DEALS	Triuva and Sparinvest Property Investors
POST DEALS AUM	€31.4 bn

of around €3 bn in 2017 to €21.6 bn. Founded in 1984 when Egger was just 19, Patrizia has a track record of mergers and acquisitions. In 2010 it took over LB Immo Invest, at the time one of Germany's largest providers of institutional real estate funds. In 2012, it bought London-based Tamar Capital Group, a real estate investment and asset manager with assets across continental Europe and teams on the ground in London, Dublin, Berlin and Paris. 'Our strategy includes both organic growth of at least €2 bn per year, and growth through M&A where we have the liquidity to pursue opportunities that fit culturally and strategically with Patrizia,' COO Schmitt told PropertyEU.

SPENDING POWER

Patrizia has considerable firepower for acquisitions, with around €740 mln in cash available 'to take advantage of future oppor-

tunities', said Schmitt. 'We will continue to pursue our growth strategy – at least €2 bn per year AUM organic growth – while we have the liquidity available to pursue inorganic growth opportunities.'

The company's aggressive M&A activities reflect the group's ambition to become 'the global provider of European real estate assets'. In 2016 the company raised a total of €2.2 bn of equity, only €400 mln of which came from investors outside Europe. This is expected to change in the future. 'Our long-term aim is to raise equal capital from our core Germany market and the rest of the world,' Schmitt said. ■

TOP INVESTORS

BY EUROPEAN AUM AT END-2016

1	Corpus Sireo	€67.9 bn
2	AXA IMRA	€58.1 bn
3	Unibail-Rodamco	€40.5 bn
4	Credit Suisse	€37.8 bn
5	Deka Immobilien	€33.3 bn
6	Ece Projektmanagement	€31 bn
7	Aviva Investors	€29 bn

28 Patrizia Immobilien €19.6 bn
will jump to **sixth place** after the Triuva acquisition based on these figures.