

## Press Release

### **Large German investors like to stick together – RUECKERCONSULT surveyed institutional investors about their real estate strategies**

- Indirect investments preferred
- Little interest in alternative investments like real estate bonds, convertible bonds or credit funds
- Focus remains on major cities - particularly for office real estate
- Growing interest in development projects

**Berlin, 6<sup>th</sup> November 2014.** RUECKERCONSULT surveyed around 100 institutional investors about their real estate strategies in the run-up to the FondsForum 2014. The result: institutionals prefer indirect investments. “Real estate special funds are the number one investment vehicle, but German investors prefer to stick together”, explains Thomas Rücker, managing director at RUECKERCONSULT. He adds: “As the need for security remains high, expected returns are low.” Other key findings: institutionals tend not to stray from the beaten track despite the pressure to invest. This is especially evident in two areas: there is little interest in alternative investments like real estate bonds, convertible bonds or credit funds; and the focus is still largely on major German cities – particularly when it comes to office real estate.

#### **Increase in indirect investments**

The share in indirect real estate investments is likely to rise. 28 % of those surveyed wanted to increase their share of indirect real estate investments and only 19 % wanted to expand their share of direct investments. Another 26 % also said they planned to invest exclusively in indirect real estate investments in future. The vehicle of choice is real estate special funds.

#### **Preferably German co-investors**

Most special fund investors want a minimum of two to ten co-investors. The majority think between one and three is an ideal number. “They also have specific ideas

about what type of co-investors they want”, explains Rücker. That’s why German investors like to stick together. 45 % of those surveyed could imagine investing with German pension funds, retirement funds and additional pension funds and 20 % with German insurance companies. “They were especially averse to non-German investors, particularly international private equity funds and international government funds”, added Rücker.

### **Little interest in alternative real estate investments**

In recent years, a growing number of alternative real estate investment vehicles have appeared on the market – bonds issued by real estate companies, convertible funds or debt funds / credit funds. “Investors are showing the most interest in credit funds”, said Nikolaus von Raggamby, managing director at RUECKERCONSULT. 30 % of those surveyed said they would consider investing in credit funds, while 58 % rejected the idea. “Willingness to invest in real estate bonds or convertible bonds is much lower. 14 % said they would include bonds of real estate companies in their portfolio, while only 8 % would be willing to buy convertible bonds of real estate companies”, added von Raggamby.

### **Modest return expectations**

The investors surveyed are relatively modest when it comes to average rental returns (from all real estate investments): around two thirds targeted average rental returns of between 4.0 and 5.0 %. 14 % said they were satisfied with 3.75 % or less and only 7 % targeted more than 6.0 %.

The majority of investors – 74 % of those surveyed – continue to focus on the classic office and retail segments. The share is higher among insurance companies and pension funds at 87 % and 83 % respectively. Investors are predictable when it comes to office real estate: around 70 % want to continue investing in major cities and only 20 % would consider investing in large/medium-sized cities. Insurance companies are again cautious when it comes to medium-sized cities: only 8 % would consider investing in office real estate in medium-sized cities, while 77 % would consider large cities.

### **Interest in real estate, development project funding**

Real estate prices have soared in recent years, but real estate investments are still in high demand: “Around two thirds of those surveyed said they invested in both large and medium-sized locations”, commented Rücker. “The higher funding for development projects also indicates a slightly greater willingness to take risks. 57 % would consider investing in office, retail or residential development projects”. Some 60 % of insurance companies indicated a willingness to invest in development projects, while among German pension funds the figure is almost 80 %.

### **About RUECKERCONSULT**

RUECKERCONSULT is a strategic communications consultancy for the real estate industry. RUECKERCONSULT's 14 full-time and freelance staff members are specialized in professional marketing and complete public relations services for real estate companies, properties, and real estate investments, financing, and services. RUECKERCONSULT's employees have operative experience in the real estate industry and its relevant financial markets, and use this experience when crafting custom communication solutions and strategies.

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