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TOP SOVEREIGN WEALTH FUNDS INCREASE SPEND ON EUROPEAN REAL ESTATE BY 30% TO €5.5 BILLION IN 2013

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According to a survey by international real estate advisor Savills, of the top investors in Europe's key markets of Belgium, France, Germany, Ireland, Italy, Netherlands, Poland, Spain, Sweden and the UK, Sovereign Wealth Funds (SWFs) increased their activity in 2013 and now account for total investment volumes of €5.5 billion of deals in those markets compared to €4.2 billion in 2012, representing a year-on-year increase of 30%.

The research analyses capital flows and identifies the preferred asset types, average deal sizes and destination markets of the different investor groups. The firm notes that the top SWFs identified by the report comprise of five funds from the Middle East and Asia Pacific and the average deal size per investor group during this period was €700 million, up on €247 million in 2012, with two of their nine transactions being portfolios, according to the data. Going forward Savills expects SWFs to record similar investment volumes in 2014, albeit coming partly from new countries.

Marcus Lemli, head of European investment at Savills, comments: "Sovereign Wealth Funds tend to favour low risk, core assets and will usually only target investments of at least €200 million, which limits the markets in which they are active due to lack of suitable stock. However, we have seen this investor type broaden its investment spectrum looking for value in non-core deals as well as smaller lot sizes. In addition, a greater number of players are entering real estate investment."

Overall the report reveals that investment managers have the strongest presence across the markets surveyed in 2013 with domestic and international investment managers present in the top 10 of all countries monitored, particularly in the Netherlands and Germany. In these countries they represent six of the 10 largest investors by volume in this period. In contrast, Savills research highlights that Sweden and Belgium are dominated by insurance and pension funds, usually domestic, with five of Sweden's top investors by volume falling into this category, and three in Belgium. This investor group tends to focus on office assets according to the analysis and, as they are usually domestic investors with local knowledge, their purchases are not restricted to tier one markets. The average deal size for this group of buyers is recorded at €80 million.

Julia Maurer, in Savills European research team, comments: "By analysing the biggest investors across the European region we get a picture of which markets these different groups favour, what product they like to buy and how much they spend. We find that the pattern of dominant investors in Europe is changing as the share of global cross-border flows increases. Global buyers from the USA and AsiaPac are reshaping peripheral markets, often looking for core-plus opportunities, while newcomers to real estate investment, ranging from private investors to insurance companies, are looking for higher returns in a low-interest rate environment."

According to Savills report private buyers invested approximately €1.3 billion in 2013. This represents slightly more than 3.5% of the total investment volume in Europe during this period making them one of the biggest European investor groups. The remaining large-scale buyer types identified in the analysis include REITs, property companies, investment banks and corporate investors.

Going forward, with the improving economy and leasing market outlook, the firm predicts that all the top investor types identified by Savills research, with the exception of private investors, will become less risk averse and opportunistic investments will rise. The firm believes buyers will become increasingly willing to consider opportunities in European fringe markets and secondary assets across the region.

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Savills Vietnam

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