

Bohillopoly – 2022 Edition

2022 is a year that has had it all, marking the first full-scale downturn since the Global Financial Crisis of 2008/9. Although pandemic restrictions have been removed across Europe, meaning we can all see each other face-to-face, the invasion of Ukraine and the subsequent aftershocks of eye-watering energy bills, inflation at 40-year highs and interest rates at 3.5% here in the UK have created headwinds for the real assets space. Although some sectors have fared better than others, we enter 2023 with uncertainty on the horizon. In this year's edition of Bohillopoly, we review the big events in our sector in 2022 and a look ahead to what 2023 holds in store.

The Bohillopoly board is interactive. Click on property squares to navigate to corresponding topics. At the end of each section, click on 'advance to go' to return to the Bohillopoly board.

FREE PARKING PAYRISE ABOVE INFLATION	ARES SUPPORTS REFINANCING OF VERDION'S PORTFOLIO €98m	DRC SAVILLS IM FINANCES PURCHASE OF ABN AMRO HQ €765m	KGAL ACQUIRES STAKE IN RENEWABLE ENERGY PROJECTS DEVELOPER	GIC AND GREYSTAR ACQUIRE STUDENT ROOST £3.3bn	STONESHIELD RECAPITALISE MICAMPUS PORTFOLIO €600m	LET THE LIGHTS ON GO TO JAIL
PATRIZIA ACQUIRES ADVANTAGE MULTIMANAGER BUSINESS \$1.5bn	BOHILLOPOLY 2022					HEITMAN INVESTS INTO U STORE IT €195m
DIGITALBRIDGE ACQUIRES AMP INFRA BUSINESS \$5.5bn						STARWOOD FINANCES ECELON DATA CENTRES €855m
VALUATIONS ?						ENERGY BILLS £2,500 PER YEAR
BROOKFIELD RAISE BILLIONS FOR INFRA DEBT VEHICLE \$2.8bn						OXFORD PROPERTIES AND REEF INVEST INTO SNOWFIELD QUARTER £350m
KKR HOLD FINAL CLOSE OF FOURTH INFRA FUND \$17bn						GARBE LAUNCHES SCIENCE AND TECH FUND €100m
NO MASKS REQUIRED	\$15bn (by 2026)	€750m	SHAFESBURY AND CAPCO MERGER £5bn	€21bn	€1.6bn	GO ←
	NUVEEN REAL ESTATE LAUNCHES GLOBAL IMPACT INVESTING SECTOR	QUANTUM IMMOBILIEN LAUNCH IMPACT FUND WITH ProAM		BLACKSTONE RECAPITALISES MILEWAY PORTFOLIO	PROLOGIS ACQUIRES 127 ASSETS FROM CROSSBAY	

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Logistics

Despite headwinds in the global market, the logistics sector has remained resilient in 2022. Demand has continued from both investors and occupiers, with the sector accounting for 20% of all real estate investments in Europe so far this year. Vacancy rates across Europe are still at an all-time low, fuelling rental growth, especially in prime European markets such as the Netherlands and Germany. The most active investors have been American and Asian (Blackstone, Prologis, GIP, GLP) trying to find the right allocation for their raised capital and dry powder in order to make healthy returns for their shareholders. Notable deals include a massive €1.6bn purchase by Prologis, who acquired 127 assets located across Europe from Crossbay, as well as Blackstone's recapitalisation of its last mile logistics platform – Mileway, for €21bn.

Looking ahead to next year, will the sector that has continued to outperform despite current global uncertainties be able to remain on top? No one has a crystal ball but there are already signs things are beginning to slow down, with more caution seen especially among institutional investors. The reduction in activity is in part due to tight financial conditions and current market repricing as well as the wider global economic issues. Development activity has also showed signs of slowing due to the increasing cost of construction and financing as well as lack of space.

As we look towards 2023, despite a number of the challenges faced in 2022 set to continue, there may be some light at the end of the tunnel. If the European Union can tackle inflation and rising interest rates, investors will gain confidence, the cost of construction will come down and deal volume should pick up. When it does, investors will continue to look to logistics as one of the best places for their capital as it has proven itself to be one of the most resilient.

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ESG

In 2022, ESG has played a fundamental role and it is likely to do so in 2023. Key players have realised that they must address climate change and social inequalities, spurred on by the challenges imposed by the war in Ukraine and the energy crisis in Europe. This is reflected in the growth of GRESB, the ESG data benchmark, now covering €8.7 trillion of GAV across 74 countries worldwide, as well as in recruitment trends. Several advisors and fund managers – including PE funds, who have historically put less emphasis on sustainability – have hired regional and global Heads of ESG this year to guide them through the transition to net zero by 2050, as well as how to implement the “S” and the “G” elements of the equation. Even investment managers that typically lead on this space, such as M&G, have strengthened their ESG teams with new senior hires.

Impact investing has become a key topic of discussion within ESG this year, with Quantum in Germany having launched their first impact fund with ProAM, which invests in ESG compliant office buildings in large German cities, targeting a volume of €750 million. Nuveen Real Estate has also recently launched a global impact investing “sector” focused on sustainable communities and residential wellbeing,

hoping to achieve \$15bn of AUM by 2026. Others, like Patrizia, have been more active in the infrastructure space, investing in renewable energy. Increasingly, ESG is not only a requirement that firms need to fulfil to remain relevant but is also able to generate good returns.

Although the steps that have been made towards ESG implementation are positive, there is still much more that needs to be done, and there are several challenges to be faced, especially on the energy front. This includes sourcing expensive materials in a fractured supply chain, scaling up construction in a time of labour shortages, enduring long permitting processes, and inevitably hiring the right people for the job in a market that is still very tight and competitive. Firms are finding that they have to work hard to retain their ESG teams, upskill their employees and be creative with hiring.

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Capital inflows

2022 has been a challenging year for those raising capital in the EMEA region. What started as a positive and exciting environment to launch a new fund, turned quickly into a highly competitive and elongated period of tightened allocations.

For international LPs, the ongoing macroeconomic issues have caused a pause in decision making. With repricing of assets and deeper assessments of portfolios, investors have taken more time to diligence their prospective GPs, leading to a trickling of commitments as the year rounded off.

For real estate, the winners in capital interest have been logistics, residential and broader living and new debt strategies. On the infrastructure side, the largest players continue to expand with ever increasing flagship funds. Back in March, KKR closed their fourth flagship infrastructure fund with \$17bn worth of commitments. Later in the year, Brookfield held a first close on their fifth vintage at \$21bn, also raising \$2.8bn for their debt vehicle. The competition for mid-market specialised funds has increased as a result of these blockbuster funds, specifically in the energy transition and digital sectors.

A wider theme continuing to heat up is wholesale distribution for private market solutions, a channel that is developed in the US and gaining traction this side of the pond with the usual suspects fighting for talent at all levels. The structuring and positioning of strategies ready to sell to market in 2023 is well underway and, despite the significant wobble of redemptions from BlackStone's BREIT, there still appears to be plenty of excitement for semi-liquid funds, especially given the slowing pace of institutional capital in recently months.

The denominator effect has not helped with fresh allocations to real assets. However, re-valuation of portfolios and more stable markets in 2023 should spur on decision making at investment committees. Until then, all eyes are pointed towards the Middle East, where appetite appears to be strong for co-investment and direct deal exposure. Here's hoping for a boring year of stability in the markets!

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Private market solutions

Many investors have taken to the side-lines in the face of market dislocation and uncertainty, a move seen most clearly through the decline in transaction volume in the latter half of 2023 – a cliff-like drop off compared to the first half of the year. For some players however, these conditions provide opportunity. Private markets firms with ambitions and balance sheet earmarked for M&A activity have been active in their pursuit of complementary capability and track record.

Nuveen's majority acquisition of renewable infrastructure specialist Glenmont Capital is a nod to its strategy to provide investors full-suite solutions. While it is challenging to offer a truly 'one-stop-shop' product, provision of bespoke, liability matched solutions invested across private markets is alluring to investors, particularly with an ESG tilt. Indeed, DigitalBridge acquired AMP's equity infrastructure business (\$5.5bn AUM), following Ares snapping up their debt arm at the start of this year. Ares' addition more than triples its infrastructure debt AUM, which now stands at more than \$12bn.

Alongside product, managers have recognised the potential of new distribution channels. Patrizia's acquisition of infrastructure and private equity multimanager ADVANTAGE Investment Partners follows its 2021 purchase of infrastructure platform Whitehelm Capital. The most recent deal brings not only track record and AUM, but deep reach into Nordic institutional and wholesale distribution networks.

In addition to expanding into new products and geographies, the increased intensity, complexity, and cost of underwriting will drive larger firms to acquire smaller operators for their specialist knowledge. Sharing these costs across a larger business keeps fees lower for clients. Industry consolidation looks set to remain a theme for 2023.

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Debt

The current discrepancy between due debt repayments and available liquid capital across Europe is widely estimated to be well into the 10s of billions. This shortfall presents issues to borrowers who will inevitably need to refinance, as well as opportunities to adequately capitalised investors. Amongst the many businesses building out in the debt space are the likes of private equity giant KKR, but the growing debt market will also be fertile investing ground for the new lenders on the block such as Birchwood, launched by former Blackstone MD Lorna Brown back in June.

Within the alternative lending space, those who had been previously focused on core and core plus opportunities are now turning to higher yielding strategies. By contrast, lending by banks has greatly slowed down as credit policies have tightened and certain regulatory criteria are no longer being met. This gives a further opportunity for alternative lending platforms to step into the spheres more traditionally occupied by banks who now find themselves somewhat stuck. For example, 2022 saw the first real estate loans made by ARES in Europe, such as their €98m loan to logistics developer Verdion. Elsewhere, longer established platforms such as DRC Savills IM have also been getting a piece of the action, financing Victory Group's €765m purchase of ABN AMRO's head office in Amsterdam.

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For US funds looking to expand into Europe, the current sentiment is that the debt rather than the equity side looks like the most attractive entry point from which to build out a European strategy, rather than following the previously typical equity-first route. Alternative lenders who have a healthy balance sheet will be best positioned to take advantage of the current economic climate.

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Living strategies

The living sector has continued to grow despite the effects of the pandemic and the ongoing war in Ukraine. However, higher interest rates are causing the residential market to hit a bump in the road with mortgage rates here in the UK reaching highs not since before the GFC. However, there has been a rise of interest in the build-to-rent sector, multi-family living and other short-term living sub-sectors. Not only have investors in Europe seen an opening to a steady growing market, but the UK and European 'short-term' living markets have attracted an international pool of backers. APAC investors have accounted for 53% of cross-border investments into the living sector in 2022.

A particular sub-sector that has seen a lot of promise throughout 2022 has been student housing. Earlier this year, a joint venture between GIC and Greystar Real Estate Partners saw the acquisition of Student Roost – a purpose-built student accommodation provider in the UK - from Brookfield at a value of £3.3bn. This sector is expected to continue to grow as investors view the space as a defensive play in a downturn. In Spain, Stoneshield have decided to recapitalise its MiCampus student housing portfolio in 2023 to raise €600m. The aim is for them to become the leaders in the Spanish student accommodation markets and expand throughout Southern Europe in the coming years.

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Alternative real estate

While inflation and higher interest rates pose challenges for all sectors, alternatives such as life sciences, data centres, and self-storage are still attracting attention from investors. A testament to this is the fact that as transaction activity waned in the second half of 2022, one of the largest deals in Q4 was Brockton Everlast's £200m acquisition of three life sciences buildings at Cambridge Science Park.

The UK continues to be a popular choice for life sciences investment, owing to its high concentration of top universities, such as Oxford, Cambridge and Imperial College London, all of which sit within 2 hours drive from each other. In 2022, these three cities received investment from groups such as UBS Asset Management, who alongside Reef acquired four sites to seed their £2.5bn life sciences JV, Oxford Properties, funding the development of Snowfields Quarter in central London (also with Reef!), and NBIM, who acquired a 48.75% stake in Cambridge's Capital Park from PSP Investments.

However, investors are already starting to look outside of the 'Golden Triangle' to cities such as Manchester, Edinburgh, Leeds, and Liverpool, where the availability of affordable housing has led to high retention rates of students.

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We are also seeing an uptick in life sciences investments on the continent. German-headquartered GARBE Institutional Capital kicked off 2022 by announcing the launch of their science and tech fund, targeting €400m of equity. The fund is intended to be pan-European with a particular focus on German A and B cities and GARBE have already acquired “The Lab” in Berlin as part of a sale and leaseback transaction. Germany has also attracted capital from groups such as CBRE Investment Managers and La Francaise, who acquired life sciences assets in Leiden and Nuremberg respectively. In France, Oxford Properties and Novaxia, teamed up to acquire Paris’ Biotech life sciences campus, and AXA Investment Manager’s life sciences platform, Kadans Science Partner, entered the French market with the acquisition of a development in Villejuif.

Life sciences is not the only alternative asset class causing a buzz. Savills predicts that data centres will be one of the top five asset classes for core and core plus capital in 2023 with the data boom showing no signs of slowing down. They predict that in order to meet demand, data centre development would have to more than double over the next three years. Presumably, this is why, despite the increasing challenges facing development, data centre construction has continued in the top five European markets, Frankfurt, London, Amsterdam, Paris, and Dublin (which have earned the not-so-catchy nickname FLAP-D), with c. 900 MW under construction, according to Cushman & Wakefield’s November report. They have also reported growth in secondary markets such as Madrid and Milan. Data centres have proven to not only appeal to equity investors but also banks and debt funds, with ING and Bank of America fighting off competitors to provide £700m of financing to Ark Data Centres and Starwood’s debt vehicle agreeing a £855m loan to Echelon Data Centres.

And let’s not forget self-storage. Over the summer, Intriva Capital launched SpaceGenie, a platform to acquire more than 50 self-storage assets in Germany, aiming to get to at least ten sites by the end of this year. We have also seen a number of private equity firms participate in the self-storage sector through corporate acquisitions: Heitman continue to expand their Space Station platform and have also acquired the largest self-storage platform in Ireland, U Store It, while PineBridge Benson Elliot have acquired a controlling stake in Spain’s second largest self-storage operator, Necesito un Trastero.

It seems likely that despite economic headwinds investment in alternatives will continue to grow in 2023, but in what form remains to be seen. Will the need for liquidity and the challenging fundraising environment lead to even more corporate acquisitions in this space? Will investors ‘flock to safety’ with investments in the ‘Golden Triangle’ or ‘FLAP-D’ markets, or will we see interest in secondary markets continue to grow?

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Summary

2022 has been an eventful and challenging year for the real assets sector and the broader economy. On a positive note, it was the year that brought us all back together, whether that be at MIPIM or EXPO or in the various bars and restaurants across the continent. We enter 2023 with question marks over the future direction of inflation, energy prices, , the war in Ukraine, valuations and a whole host of other

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topics. However, for those that are well capitalised, 2023 may unlock discounted opportunities that haven't existed for quite some time.

This year, Bohill Partners became very well acquainted with the UK monopoly board, walking 17 miles (27 kilometres) around the British capital, and visiting each of the sites on the board. So far, we have raised almost £11,000 for the Story of Christmas Appeal (Bohill Partners have contributed £5,000), supporting a number of great causes. You can continue to support us by donating [here](#).

We wish you all a happy and healthy start to 2023 and a well-deserved winter break.



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Market moves

Sebastian Zilles has joined Apollo Global Management as a Partner. He leaves PIMCO where he had been their Head of Commercial Real Estate EMEA.

Iliya Blazic has been appointed as the Chief Executive Officer of Goodstone Living. Until recently, he was a Managing Director at Dominvs Group.

PfP Capital has appointed **Catherine Webster** as their Chief Executive Officer, effective January 2023. Her previous roles include as an Executive Director for Strategy and Investment at Quintain.

Richard Howe and **David Renshaw** have joined Fiera Real Estate as Co-Heads of Real Estate Debt. The duo had previously worked together at Cheyne Capital.

Just Pereboom has become CFO/CIO at Elfi in Amsterdam. Until recently, he had been an Executive Finance Director at EDGE.

Michael Sacher has joined Kingstone Investment Management as a Managing Partner, working alongside co-founder Philipp Schomberg. He had previously been a Managing Director at Aermont.

JC Klein has accepted a role as a Managing Director at Lakestar, a growth and early-stage investor. He was previously a Managing Partner of eXapital.

Madeleine Cosgrave has become a Senior Advisor to ICG. Until last year, she was the Head of Europe for GIC's real estate division.

Savills have appointed **Austin Mitchell** as a Senior Advisor in their capital markets team. He previously worked for Nuveen as a Senior Managing Director and as Head of International Housing.

Andrew Hynard has become a Senior Advisor to Orega. In his earlier career, he was the Chief Executive Officer of the Howard de Walden Estate.

Phillip Thomas has been appointed as a Senior Advisor to Sixth Street. He had previously been a - Managing Director at Marathon Asset Management.

John Harding has become a Managing Director, Real Estate Specialist at Nuveen. He leaves BlackRock, where he was a Director in their Alternatives Specialists team.

ARES have appointed **Michael Jenkinson** as a Managing Director with responsibility for investments. He joins the firm from Henderson Park, where he had held a similar role.

Gwendal Kalkofen has joined Europa Capital as Head of Real Estate Finance. He joins the firm from Tristan Capital Partners, where he had been a Managing Director.

Gerardo Manrique has moved from his Investment Director role at Urbania International to Laurus Property Partners, where he is now a Managing Director with responsibility for Iberia.

Mayfair Capital has appointed **Amirali Kasraie** as a Senior Fund Manager for their pan-European fund. He was previously a director for Fund Management at Patrizia.

Alison Lambert has joined M7 Real Estate as their Head of Finance for Listed Markets. Prior to this, she was a Senior Vice President and Finance Director at Oxford Properties.

Nikhil Gupta has been appointed by KADENS as their new CFO, having previously been Managing Director for Portfolio Management at Peakside Capital.

Arnold Musisi is now UK Head of Development at First Property Group, having previously been UK Head of Asset Management at Lum Chang Holdings.

HIG Capital has appointed **Alessio Lucentini** as their new Head of European Asset Management. Alessio was previously a Managing Director at EQT Exeter.

M&G Real Estate have hired **Laura Jockers** as their new Head of ESG for Real Estate. She joins from The Howard de Walden Estate where she was Head of Sustainability.

CBRE Capital Advisors have hired **Patrick Bone** as a Senior Director in their equity placement team. Patrick was previously Lead Fund Manager at Schroders.

Chris Fleetwood has joined Redevco as their new Head of Global Asset and Development Management. Until recently, he was a Development Director at Landsec.

Delin Property has appointed **Raffi Killian** as Head of Investments. Previously he was a Senior Vice President at Round Hill Capital.

David Silverman has left his role as a Director at Derwent London and moved to a new role with Lazari as an Executive Director.

Anika Bhagani has been appointed by KKR as a Principal in their Client and Partner Group, with responsibility for Middle East investor relations. Previously, she was an Executive Director for MENA and New Markets Institutional Sales at Goldman Sachs.

Tim Allibone has joined The Crown Estate as their new Head of Asset Management, having previously been head of Asset Management at Frogmore.

Lucy Williams has left her post as Head of Business Development and Investor Relations at M&G Real Estate and has taken up a new role as Head of Client Capital UK at Savills Investment Management.

Aviva Investors has appointed **David Hedalen** as Head of Real Assets Research. Prior to this, he was Head of UK and European Investment Strategy for Real Estate at abrdn.

Dean Harrison has left InfraRed Capital Partners where he was Investment Director to launch Harleyford Capital. He is joined by two of his former colleagues from the real estate team at InfraRed, **Thomas Mallindine** and **Zayn Khamisa**.

Irina Stoichova has joined Savills as a Director in their Capital Advisors team. She was previously a Director in the Global Advisory team at Rothschild.

Fabrix have appointed **Nicholas Schiloff** as their new Chief Investment Officer. He previously worked for Blackstone as a Principal within their European real estate acquisitions team.

Pav Lamba has become a Director within the direct private infrastructure investment team at CBRE Investment Management. Until recently, he worked for Boston Consulting Group as a Project Leader.

Gioia Torresi has become a Director of Asset Management at CBRE Investment Management. Until recently, she was a Vice President at Hermes Infrastructure.

Alvarium Investments have appointed **Alex Short** as their newest Real Estate Portfolio Manager. He previously held a similar position at AEW.

Ashtrom Properties has appointed **Benjamin Du Boulay** as an Asset Management Director. He joins from Seaforth Land where occupied a similar position.

David Diez has started a new position as Executive Director for Private Capital Advisory at Sera Global. Prior to this, he was a Senior Vice President at Threadmark.

Matilda Williams has started a new role as Director for Investor Relations at AEW. Previously, she worked in investor relations for PineBridge Benson Elliot.

Aikta Jain has been appointed as Director of Investor Relations at NREP. Until recently, she was Director of European Private Markets with ARA.

William Perrott has joined Crosstree as a Principal. He joins from Lone Star, where he held the position of Senior Vice President and Head of Living Sector Investments in Europe.

Jonathan Haas and **Oliver Pepper** have joined RBC Real Estate Capital Partners. Haas joins as a Director from Blackstone where he was a Principal in their Real Estate Debt Strategies team. Pepper joins as Vice President; he previously occupied a similar position in JP Morgan's Real Estate and Structured Finance team.

Tom Cazalet has accepted a position as a Development Director for Hines. Until recently, he occupied a similar position at Battersea Power Station.

Sarah Trahair-Williams has become an Associate Director at the FORE Partnership. Previously, she was an Associate Director at Cubex.