

Bohillopoly – 2023 Edition

Despite the quiet state of the transactions market, 2023 was nonetheless an eventful year for the real assets sector. The impact of rising interest rates in light of the highest inflation since the early 1980s has created significant headwinds for the sector and has led to a decrease in the valuations of property. With inflation now falling and some central banks looking to cut rates next year, the outlook for 2024 looks a little rosier than this time last year, albeit many players are seeing signs of distress in the European market. In this year's edition of Bohillopoly, we review the big events of 2023 and look ahead to what 2024 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 INFLATION-LINKED PAYRISE	MORGAN STANLEY IM ACQUIRES STAKE IN ULTRAEDGE 70%	BROOKFIELD ACQUIRES DATA4 FROM AXA IM ALTS	 TPG ACQUIRES ANGELO GORDON	HARRISON STREET MARKETS FOURTH OPPORTUNISTIC FUND €1.5bn	GARBE LAUNCHES "THE SODA" SCI- TECH PLATFORM	CAUGHT GREENWASHING GO TO JAIL
JP MORGAN ASSET MANAGEMENT ACQUIRES 250,000 ACRES OF TIMBERLAND \$500m	BOHILLOPOLY 2023					22% AWARE SUPER OPEN LONDON OFFICE AND ACQUIRE STAKE IN GET LIVING
SAMSUNG LIFE ACQUIRES STAKE IN MERIDIAM 20%						\$7bn ONE IM LAUNCHES AND RAISES FIRST FUND
TRANSACTION VOLUMES ?						COMMUNITY CHEST  BECOMING A BCORP
PATRICIA INVESTS INTO DUBLIN AFFORDABLE AND SOCIAL HOUSING PROJECTS 1,600 apartments						€900m PGGM ACQUIRES SPANISH STUDENT HOUSING PORTFOLIO
LANDSEC LAUNCHES 'LANDSEC FUTURES' IMPACT FUND €20m						KKR LAUNCH PAN-EUROPEAN LIVING PLATFORM
JUST IN JAIL VISITING	up to £1bn QUADREAL ACQUIRES MINORITY STAKE IN PRECEDE CAPITAL PARTNERS	\$1bn ARES AND MUBADALA PARTNER ON REAL ESTATE DEBT STRATEGY	GIC ACQUIRE 35% STAKE IN HOTEL INVESTMENT PARTNERS 	\$3bn CERBERUS TARGETS FUNDRAISE FOR NEW GLOBAL DISTRESSED REAL ESTATE FUND	€500m BAIN CAPITAL ACQUIRES SUNSHINE PORTFOLIO	GO 

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Distressed real estate

2023 has seen the return of distress in the real estate market in response to the rising costs of refinancing, as well as the collapse of several household names in the development space, from Centrum Gruppe in Germany to SIGNA Real Estate headquartered in Austria. Further north, Sweden's largest landlord, SBB has seen its shares lose over 90% of their value since 2021. This is likely to lead to the first NPL portfolios coming to the market in 2024, though whether this will be of a similar scale to that seen after the Global Financial Crisis remains to be seen.

In response to this, distressed investors are gearing up to take advantages of such opportunities, with Cerberus seeking \$3bn for their new distressed global real estate fund, which invest in both the USA and Europe. Elsewhere, Bain Capital grew their exposure in Greece with the purchase of Sunshine Leases, a portfolio with a gross book value of c.€500m, comprising mostly of commercial real estate and hotel assets.

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Debt

The market for credit has been highly active over the last two years, with little let-up in what has been a busy hiring market. Larger institutional managers such as DRC Savills IM, Nuveen and AXA IM Alts have been adding headcount to their teams. Alongside these firms, boutique lenders have attracted the interests of institutional capital, with Canadian pension fund backed investor QuadReal acquiring a stake in Precede Capital Partners right at the start of the year, a business that focuses on the UK living sector. QuadReal have committed to investing up to £1bn in the company, and they haven't been the only Canadian player getting a slice of the real estate debt pie. Otera Capital, part of CDPQ taking part in a five-year investment debt facility alongside RBC Capital Markets in Blackstone-owned property developer, St Modwen. The deal, valued at £525m will provide St Modwen with funds required to offer 5m sqft of logistics space.

However, with a €176bn funding gap looming and more than a quarter of private commercial property debt maturing between 2024 and 2027, there is risk that some assets will not be refinanced. Back in October, Brookfield and Qatar Investment Authority had to inject £400m of capital into the Canary Wharf development following the announcement that HSBC would be vacating their flagship office in the area. Nevertheless, appetite from investors remains strong, with ARES having partnered with Mubadala on to jointly invest \$1bn in real estate credit opportunities over the next three to five years, and Cheyne targeting £7.5bn of capital for its UK and European real estate debt strategies.

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ESG

If ESG was a hot topic in 2023, it will be even more so in 2024, as the EU strengthens their legislation to encourage decarbonisation efforts in their jurisdictions through their Energy Performance Directive,

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with a target for all new residential and non-residential buildings to be zero emission by 2030. This puts real estate players under pressure to improve their ESG performance, not only to show that they are complying with the evolving legislation, but also to remain competitive. As a result, hiring has continued in the space in 2023. Businesses such as Landsec, Hines, Blackstone and GPE now have multiple professionals engaged in the delivery of their sustainability strategy.

Compared to previous years, the 'S' has also come to the fore in 2023, with still very little having been done at community level. Employers are therefore increasingly seeking talent with an understanding of biodiversity and of the community impact of investments. From a commercial perspective, small and big investment managers alike are launching impact funds and social impact initiatives, including Patrizia's 'Building Communities and Sustainable Futures' through which they are already developing affordable housing units in Dublin. A second example is Landsec's 'Landsec Futures', which aims to deliver £200m of social value by 2030, supporting at least 30,000 people from underrepresented socio-economic backgrounds.

In such a difficult fundraising environment, credibility behind one's commitment to ESG has become vital in securing capital, with NREP having had their most successful capital raise yet because of their performance in this area. In this respect, it has been important in 2023 to build an image around one's commitment to ESG, for example by following Stanhope (and Bohill Partners!) in becoming B Corp certified, or by hitting high GRESB scores and BREAM requirements in one's portfolios.

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Renewables

Already in 2022, we saw an increasing amount of interest towards infrastructure with a general realisation of its crucial role for the post-pandemic economy, ability to access and develop opportunities as well as generally improving quality of life for all. While infrastructure assets have not been immune to the turbulence of the past year, they have been resilient due to the essential nature of the services, inflation protection and strong cash flow generation.

This was particularly underlined with the interest and growth of a particular sector, renewable energy. Linked to the decarbonisation movement, the need to fulfil energy security requirements continued to present a major opportunity for infrastructure investors in both Europe and globally, with Portugal having run for six consecutive days solely on renewable energy.

Investment firms and boutiques already involved in renewable energy have paid close attention to the ambitions of governments and have shown increasing interest in the sector, as seen through the acquisition of specialist local infrastructure firms such as Samsung's Life purchase of a 20% stake in French renewables business Meridiam. Alongside this, companies are excitedly looking at new sources of sustainable investment such as JP Morgan Asset Management's recent foray into forestry and farmland infrastructure investment.

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Data centres and fibre

While renewable energy continued to be centre stage in 2023 for infrastructure investors, a newer asset class came to fruition and made its mark in the real assets industry: data centres. As well as decarbonisation, digitalisation is also here to stay and will continue to drive investments over the coming years.

Data has seen an incredible amount of movement with both the recruitment of specialised individuals as well as developing data specific strategies and purchase of large platforms. For instance, Morgan Stanley Investment Management acquired a 70% stake in UltraEdge, a French data centre platform with 257 data centres. Elsewhere, Brookfield Infrastructure acquired Data4 from AXA IM Alts. Other firms opted to launch their own dedicated data centre platforms, such as GLP with the launch of Ada.

A more recent trend has also been a tendency for the asset class to move away from being solely classified as infrastructure to also being considered as a real estate asset class. While the line is evidently blurred between the two, it seems professionals attempted to blur this even further this year to include data centres in their real estate investment allocations. While this may have enabled access to greater amounts of capital from investors, it will certainly have repercussions. Could this be the asset class to unify real estate and infrastructure once and for all? Only time will tell.

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Real estate alternatives

Spurred on by the autumn budget, which announced £520m of government funding into life sciences manufacturing, a £50m allocation to engineering and technology apprenticeship programmes, and simplified R&D tax reliefs for life sciences start-ups, life sciences seems set to continue its upward trajectory in the UK. This year, we have continued to see strong activity within the Golden Triangle with further London developments planned by Kadans Science Partner in King's Cross and British Land and AustralianSuper in Canada Water. However, there has also been an uptick in life sciences activity in other UK cities, such as in Birmingham, with the Woodbourne Group's Curzon Wharf development, and in Newcastle, where the local council hope to develop 1.7 acres of brownfield land into new commercial office and lab space for life sciences businesses.

While the UK continues to be a hotspot for life sciences investment, those seeking higher returns are now paying greater attention to the continent. There have been several notable life sciences deals in Germany in 2023, with new life sciences development plans from Driven and The Soda, Garbe Industrial's newly established science and technology property development platform, starting with the construction of an 8,400sqm site in Potsdam. As life sciences investors expand their Continental European footprint, demand for local asset management and leasing talent has increased, particularly those coming from a scientific background with a deep understanding of occupier needs.

Just as many mainstream investors are expanding into life sciences, life sciences heavyweight and alternatives specialist, Harrison Street, is also diving into new asset classes. They are currently in the

market with their fourth European opportunistic fund, targeting €1.5bn, and have announced plans to target new sectors in Europe including healthcare, self-storage, and data centres, following the success of these sectors in the US. Healthcare in particular is a sector in growth-mode and several healthcare specialists have made headline hires this year from outside of the industry. For example, Northwest Healthcare Properties REIT hired their new Head of Europe, Simon Betty, out of the hospitality industry, and Civitas hired Lisa Feifer, formerly a Partner at Orion Capital Managers, as their new Head of IR.

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New European market entrants

While many businesses in Europe have been reducing their headcount, there are always some who move against the grain, and in 2023 we have seen some exciting new entrants to the European market. US developer, Related, have expanded their real estate private equity arm, Related Fund Management (RFM), making their first hire in London with Sarah Warmisham. Sarah joined from Evercore where she was a Managing Director in their private capital advisory business and will be raising capital for RFM's existing US funds and future European funds. In the US, RFM are pursuing both high yield credit and value add equity strategies and will continue with these themes as they enter Europe.

Another example is Australian pension fund, Aware Super, who have announced plans to set up their first international office in London. Aware Super have already deployed over £8bn in Europe, including their recent acquisition of a 22% stake in BTR developer, Get Living, and intend to double down on their commitment to the European market with a further £5.25bn to be invested in real assets.

Last but not least, OneIM, a new global investment manager set up by former SoftBank and Deutsche Bank senior executives, made headlines by raising c.\$7bn for their first fund. OneIM are expected to add 20 new staff members to their existing team of 30 across London, the US, and the Middle East, and have already made significant hires in Europe, including former Oaktree Managing Director, Alex Mackenzie, who joined as their new Head of Real Estate, and Siddharth Trivedi, formerly a Principal in Blackstone's Real Estate Debt Strategies Group.

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Living strategies

With a chronic undersupply of residential assets across many European cities, the living sector continued to be one of the most active through 2023 despite rising construction costs, falling values and planning challenges. The various subsectors of 'living' continued the growth trend, with PE firms such as KKR signalling their commitment to the sector through the hire of Ross Netherway to lead their new pan-European living platform.

This time around, Spain has been less affected by the global downturn than most European nations. Lower than average LTV ratios and with greater weighting towards hot sectors like logistics and living has meant cheaper debt compared to its European neighbours. CBRE estimates a €45bn opportunity

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for the Spanish senior living market, spurred by comparatively cheaper project finance for ground-up development and an aging population looking to sunnier climes. The market fundamentals also appear strong for housing the younger population, with long-term investors like PGGM entering the region with a €900m student deal.

The situation in Germany is very different, with developers facing significant financing challenges. Gerch's 450,000 sq ft living-led mixed-use development in Nuremberg has failed in talks with its lenders and has now filed for insolvency. The situation looks similar for many others in the DACH region.

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Summary

For many parts of the real assets industry (at least those on the equity side), 2023 has been a challenging year with transaction volumes falling to historic lows and valuations dropping in many sectors. We therefore enter 2024 with question marks over the future path of interest rates, what this means for valuations and the ability and appetite of investment managers to invest, as well as to recruit the talent required to devise and execute on these strategies. For those who are well capitalised, particularly those with value add and opportunistic strategies, when the transaction market does get going again, 2024 is likely to be an exciting and interesting year.

This year, Bohill Partners again became very well acquainted with the UK monopoly board, carrying around a relay challenge around London, and visiting each of the squares on the board in the process. So far, we have raised almost £15,000 (including Gift Aid) for the Story of Christmas Appeal, supporting a number of great causes. You can continue to support us by donating [here](#).

We wish you all a happy, healthy and prosperous start to 2024 and a well-deserved winter break.



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Market moves

Three and a half years after retiring from the industry, real estate veteran **Chad Pike** has returned to the market with the headline launch of his own investment fund Makarora, with the intention of capitalising on current capital dislocation in the real estate sector.

Christina Ofschonka has been promoted to Head of Germany within AEW Europe, having previously been Head of Fund Management, Germany. She will take over from Stephan Bönning later in 2024.

Chantelle Pelletier leaves Schroders where she was Global Head of Infrastructure for Schroders Capital and CEO for Schroders Capital Management France. She joins Fidelity International as Global Head of Infrastructure Equity Investment.

Schroders has hired **Allen Chilten** as Global Head of Real Estate Capital Formation. Previously he was Head of Funds (Capital Markets) at Patrizia.

Patrizia has hired **Jan-Christoph Klein** as Managing Director and Head of Global Client Solutions. In the years prior to joining Patrizia, he co-founded alternatives-focused capital advisory firm eXapital and spent a year as a Managing Director at Lakestar.

David Emes has left Eastspring Investments, where he was Director and Head of Alternatives. He joins LGIM as Head of Infrastructure Capital Raising.

LCM has hired **Julian Schiller** as Managing Director and Head of Capital Solutions. Previously he was Head of Capital Solutions at JLL.

Johan Caspar Bergenthal joins VIA Outlets as their Chief Operating Officer, having left Klepierre where he ran the company's German, Dutch and Turkish divisions.

Stefano Marmo joins Europa Capital as Managing Director, Head of Operations. He was previously the Chief Financial Officer of Precede Capital Partners.

Picton has hired **Saira Johnston** as their Chief Financial Officer. She leaves Gravis Capital where she held a similar role.

Ben McComb leaves DFI where he was CFO. Having been the Interim CFO at Brydell Partners, he now joins Summix as their new CFO.

Stephan Ohlmeyer has joined EOS Group as a Managing Director. He joins from Hoist Finance where he was their Chief Investment Officer. **Marwin Ramcke** has also been internally appointed to the role of Chief Executive Officer by the company.

Barings has appointed **Christoffer Hedberg** as Managing Director, Head of Nordics Sales. His prior role was at Nuveen as Managing Director, Head of Nordics and Benelux.

Robert Varandas has been hired by Europa Capital as Head of Business Development EMEA. He leaves COS Capital where he was Managing Director, Head of Europe.

Daniel Gorosch leaves Colliers where he was a Partner and Chief Commercial Officer for the Nordics. He joins Catella where he is Head of Corporate Finance Sweden.

Joanne Pollard joins Empiric Student Property as their new COO. She was previously a Managing Director at Prime Student Living.

Guillaume Gentina leaves DTZ Investors, where he was Associate Director, to join La Francaise Real Estate Managers as their new Head of European Assets.

Jean-Baptiste Meyer has joined AXA IM Alts as a Senior Fund Manager, CRE Finance. He leaves PIMCO, where he had been a Senior Vice President. **Michael Shneerson** will join him at AXA IM Alts as a Fund Manager, CRE Finance. He leaves AIG where he was an AVP in their CRE team.

Libby Thelwall has joined Birchwood Real Estate Capital in the role of Director, Real Estate Lending. She joins from LGIM where she was an Investment Manager.

Kerri Hunter has moved to Knight Frank Investment Management as a Partner. She previously worked as a Fund Manager at abrdn.

James Bercich joins Telford Homes as an Investment Principal, having left CA Ventures as Senior Vice President.

Henderson Park have hired **David Knightbridge** and **Simon Dienersberger** into their investment and capital raising teams respectively. David previously worked at Partners Group as an Investment Leader and Simon at Cushman and Wakefield as a Director in their Munich-based capital markets team.

Jin Cui leaves Credit Suisse AM's UK division, where he was Head of Real Estate UK. He joins Singaporean listed business UOL Group in a similar role.

Christine Milne joins Newcore as Finance Director, departing Patrizia where she worked as a Managing Director and was Head of Fund Services London.

Tritax Symmetry has appointed **Adam Lloyd** as Development Director. His previous role was at SEGRO as an Associate Director for Logistics Development.

Jonathan Maher and **James Deane** have joined PLP as Development Director and Finance Director. They join from Bericote Properties and Chancerygate, where they worked as a Director and CFO, respectively.

EQT Exeter has hired **Johannes Brennecke** as Director, Client Relations/Capital Raising DACH. His previous role was at Bridge Investment Group as Director, Client Solutions EMEA.

Europa Capital has hired **Hamish Cameron** as Director, Living Asset Management. He joins from JLL, where he was Associate Director.

Catella has hired **Florence Shaw** as Director, Capital Raising and Client Relations. She joins from JLL, where she was a Director in the Funds Advisory Group.

Mareike Meyer has left Bentall Green Oak's capital raising and investor Relations team. She joins UBS Asset Management as Head of Investment Specialists for Multi-Manager Real Estate.

Maximilian Rooney has joined Clarion Partners as Vice President, Investments. He leaves WP Carey where he was a Vice President.

Blackstone has hired **Joris Bodez** as a Senior Associate. His previous role was as a Senior Associate at Franklin Templeton.

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