

80% of institutional investors to increase or maintain exposure to real estate over the next two years

- *New study shows 78% of institutions are positive or neutral about the outlook for real estate*

Approximately four in five (80%) institutional investors plan to increase or maintain their exposure to real estate over the next two years, according to a new study by Aquila Capital¹. With 38% of respondents feeling 'positive' or 'very positive' about the outlook for the asset class, the research suggests that institutional investor demand for European real estate shows few signs of abating.

Overall, 87% of institutional investors currently invest in real estate, with their average exposure equating to 11% of their portfolio. 58% of investors have exposure to a core real estate investment strategy with a third (33%) holding core-plus assets. 27% and 16% of respondents are invested in value-added and opportunistic strategies respectively.

Despite their enthusiasm, investors have a number of concerns about the outlook for European real estate: nearly half (47%) are worried by the impact of continued economic uncertainty while 43% think assets are at, or are close to, being fully priced. Around a third (31%) flagged falling yields in prime markets while 22% cited uncertain geopolitics and the threat of terrorism as being problematic.

The real estate investment vehicles most favoured by institutional investors include: collective funds (39%), specialist investment funds (35%) direct ownership (23%) and fund-of-funds (23%).

Rolf Zarnekow, Head of Real Estate at Aquila Capital, said: "Institutional investor demand for European real estate remains extremely strong and we are likely to see increasing amounts of new capital allocated to this asset class given the risk-adjusted returns it can offer.

"In our view, the Spanish residential sector currently offers a significant investment opportunity. We began investing in the Spanish property market two years ago and continue to see a significant increase in demand from international investors seeking to gain exposure to prime residential assets in key cities such as Madrid and Barcelona."

The findings follow Aquila Capital's recent launch of a new real estate strategy for institutional investors that invests in the reinvigoration of the Spanish residential property market. The strategy focuses on the construction of residential housing complexes and the conversion of existing properties to residential real estate in the metropolitan regions of Spain. Aquila Capital has already made a number of acquisitions and has a significant pipeline of further opportunities in this sector. The strategy targets a total return of 155% to 175% after local taxes and costs by the end of its investment term in 2019.

According to the research, almost 82% of investors are positive or neutral about the prospects for the Spanish real estate market and one in three respondents (31%) expects to see increasing numbers of institutional investors capitalising on the opportunities offered by the sector over the next two years.

Roman Rosslenbroich, CEO and Co-Founder of Aquila Capital, added: “We are delighted by the interest that our investment strategy has generated among investors and look forward to deploying newly raised-capital across a range of residential schemes that offer tremendous potential for capital appreciation.”

Source¹: Research carried out among 64 institutional investors across Europe in May 2016

Contact:

Julia Omeed, Aquila Capital
julia.omeed@aquila-capital.com
T +49 40 87 50 50 125

Patrick Evans / Stephen Sheppard
Citigate Dewe Rogerson
+44 (0)20 7638 9571
aquila@citigatedr.co.uk

Notes to editors

About Aquila Capital

Established in 2001, Aquila Capital is an alternative investment firm managing a family of strategies in real assets, financial and private markets. The company applies a multi-team investment approach with dedicated experts in their respective fields. From regulated mutual funds to direct investments and special mandates, as a long-term partner, Aquila Capital provides holistic investment concepts and comprehensive investment advice and services to its investors.

Aquila Capital is part of the owner-managed Aquila Group, which employs more than 200 staff at eight locations in Europe and Asia Pacific and manages assets of over EUR 7.1bn for a global investor base (as at December 2015).

Further information can be found at www.aquila-capital.com.