

## **Union Investment launches new institutional property fund focusing on shopping centres**

### **UII Shopping Nr. 1 enables investors to benefit directly from the positive market environment for retail property**

Union Investment is expanding its product range for institutional investors with a fund for retail property. UII Shopping Nr. 1 allows investors to benefit from the performance of European retail properties and achieve greater diversification of their property portfolio. The new fund leverages Union Investment's comprehensive retail property expertise. Over the past three years, the fund manager has steadily expanded its portfolio in this segment and purchased European properties for around EUR 2 billion. The scheduled total size of the new fund is EUR 750 million, with 30% to 40% being debt financed. There has been considerable interest from investors, with more than EUR 300 million already pledged.

"With their low vacancy rates, dependable cash flows and attractive medium-term total returns, retail properties – especially premium shopping centres – are a compelling proposition in the current market environment," says Dr. Christoph Schumacher, deputy managing director of Union Investment Institutional Property GmbH. "Our new thematic fund UII Shopping Nr. 1 allows institutional investors to benefit from the positive prospects for returns offered by retail property and provides the perfect opportunity to broaden their portfolio."

**Positive market environment for retail property**

In recent years, vacancy rates for retail property have been less than 5%, i.e. several percentage points below those for office properties. The vacancy rate for Union Investment's retail portfolio is actually less than 2%. With annual revenues in excess of EUR 400 billion and low sales fluctuations over the past few years, retailers also managed to achieve stable cash flows during the crisis. The total return on retail property is thus higher than that of other segments. Over the past decade, shopping centres delivered average total returns of just under 10% p.a. Retail performance has also been less volatile than in other segments. "Since most leases in the retail segment have a turnover element, rents look set to rise in virtually every European market, while initial returns are falling. We therefore believe that now is the time to build exposure to this highly promising segment," says Felix Gold, fund manager of the new product.

**Thematic fund leverages retail expertise**

UII Shopping Nr. 1 will invest primarily in actively managed shopping centres offering over 25,000 square metres of space and involving an investment of more than EUR 90 million. The portfolio will focus on shopping centres with a strong catchment area exceeding 250,000 people and a good long-term market position. The fund will also invest in smaller retail parks and individual commercial buildings in central locations with a favourable competitive environment. Many properties in medium-sized towns display these success criteria and thus offer attractive opportunities. The fund benefits from the in-depth expertise of Union Investment in this segment, with the Asset

Management Shopping Centres team of just under 20 experts currently managing retail properties worth around EUR 4.6 billion.

The fund's investment universe comprises the key eurozone countries of Germany, France, Belgium, Italy, the Netherlands and Austria. Properties in Poland and the Czech Republic may also be added to the mix. Backed by Union Investment's international network – the company has its own team of property management experts in France, for example – fund management will select properties in attractive locations in major and medium-sized cities in the various countries. “The new fund combines a high level of asset management expertise and strong international reach with Union Investment's extensive experience of developing and managing institutional assets,” says Dr. Schumacher. “Our team of retail property specialists plus Union Investment's many local experts in the individual countries will ensure targeted selection of properties. Investors in UII Shopping Nr. 1 can also rely on Union Investment's long experience of establishing and managing institutional funds when it comes to the detailed design of the fund.”

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