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Looking back at 2017: Union Investment sets milestones for growth in its real estate business

- **Measured growth**
- **Balance between net inflow and transactions**
- **Acquisitions and sales totalling EUR 3.8 billion delivered**
- **Strong expansion of hotel portfolio**

Union Investment exploited the positive economic conditions in the real estate markets over the past year to develop its open-ended real estate fund portfolios through targeted acquisitions and sales totalling some EUR 3.8 billion. Real estate fund assets actively managed by Union Investment rose over the course of the year from EUR 31.8 billion to EUR 34.5 billion. “This excellent result ties in with the course we have set for future growth, which we achieved in 2017 by entering the residential real estate segment and also through progress on digitisation,” explained Dr. Reinhard Kutscher, chairman of the Management Board. “As a business, we took two important steps to help build on our leading market position in Germany and Europe.” Launched in May 2017 by Union Investment and Zentral Boden Immobilien AG, Unilmmo: Wohnen ZBI instantly became the largest residential real estate fund for private investors distributed in Germany. The strategic investment in data room solution Architrave agreed in September 2017 opens up new opportunities for Union Investment to extend its business model in the area of digital property management.

“As with the successful entry into residential and micro-living in 2017, this year we will be considering other opportunities for diversifying our solution offering,” said Dr. Reinhard Kutscher. “That includes developing new skills and exploring new approaches, with our strategic investment in ZBI and Architrave serving as a possible template.”

Yet as emphasised by Dr. Reinhard Kutscher, this planned growth will not be pursued at any cost. “In recent years, we have adopted a very sensible balance between new sales and investment opportunities which takes account of growing risks in the investment markets.” In 2017, capital inflows from private and institutional investors of EUR 2.9 billion were matched by

real estate acquisitions totalling EUR 3.2 billion. In the prior year, by contrast, Union Investment acquired properties worth some EUR 4 billion.

“Strong competition for good properties naturally requires a great deal of flexibility from real estate managers at the moment. Our benchmark for every single deal, however, is always our investor promise to minimise volatility of returns, which means refusing to compromise in terms of the quality of the properties acquired,” stated Dr. Reinhard Kutscher.

Focus on medium to small lot sizes

The largest investment in a commercial property in 2017 was Magnolia Park in Wrocław for Unilmmo: Europa, at approximately EUR 380 million, which also delivered the strongest growth overall in Union Investment’s real estate fund family. Union Investment’s acquisition activity in the medium to small market segment was particularly successful and the Hamburg-based real estate investment manager intends to boost its visibility in this segment going forward. Twenty of the transactions involved an investment of less than EUR 100 million, while 13 were below EUR 50 million.

The 27 property sales in the commercial segment completed in the business year now ended were distributed across seven national markets: Germany, the UK, Poland, Sweden, Austria, Spain and the US. With 12 acquisitions totalling EUR 480 million, Union Investment was particularly active in the German commercial real estate markets. As in the previous year, however, the largest acquisition volume was in the US markets. In Denver, Portland, Seattle and Washington D.C., Union Investment secured a total of five office and hotel properties totalling approximately EUR 780 million.

In addition to the 27 acquisitions, the investment teams headed by Martin J. Brühl handled 19 property sales worth approximately EUR 600 million in the past year. The sales programme included The Hague, Brussels (Zaventem), Budapest and Jerez de la Frontera – locations which Union Investment exited for strategic reasons.

Looking to new hotel markets in Mexico and Australia

The hotel segment made a disproportionately large contribution to acquisitions in 2017, with five transactions in Germany, Poland and the US worth some EUR 460 million in total. “The accelerated acquisition of hotels outside Germany increases the sectoral and geographic diversification of our funds,” said Martin J. Brühl, Chief Investment Officer and a member of the

management team. “With strong demand for modern hotels, the US hotel markets remain attractive for further investment. It’s also possible that in future we will extend our investment spectrum to include hotels in Mexico and Australia, where we have been invested for a number of years.”

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