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Schroders

News release

German Investor survey reveals demand for alternative Real Estate financing

03 December 2012

A recent survey of 122 professional investors based in Germany[1], undertaken on behalf of Schroder Property, revealed that banks are currently being as restrictive in granting real estate loans as they were after the collapse of the US investment bank Lehman Brothers in the autumn of 2008, according to 74 per cent of the participants.

The survey findings also revealed that the majority (94 per cent) do not anticipate any improvement in the situation in the foreseeable future sighting the key reason being that many financial institutions in Germany are reviewing their real estate debt offering due to regulatory reasons such as Basel III.

Philipp Ellebracht, Product Manager for Continental Europe at Schroder Property commented:

"The survey results clearly show that there is a need for alternative financing sources, there are however only a few providers of real estate debt funds in the market.".

While around 76% view lending by real-estate debt funds or insurance companies as a sustainable alternative form of financing only 11 per cent of those surveyed have invested in them.

Philipp Ellebracht continued:

"This is a clear indication that real-estate debt funds remain a niche segment. We understand that investments so far have been small with average amounts of less than EUR 100 million and almost exclusively in the domestic market."

29 per cent of the real-estate investors surveyed were considering investments in real-estate debt over the next 12 months. 83 per cent believe it is important that the manager of a real estate debt vehicle was also responsible for asset management capabilities.

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[1] The study was carried out on behalf of Schroder Property by contacting 122 real-estate investors based in Germany. Those polled included asset managers, insurance companies, funds of funds, family offices, IFAs, pension funds, cooperative banks, savings banks, foundations and employee benefit schemes. The survey was conducted in July and August 2012.

The study also revealed which real-estate risk return profile a real estate debt fund manager should focus on; 42 per cent would invest in core properties and 34 per cent on core plus properties, while 68 per cent would invest in senior secured real estate debt.

Preferences varied slightly with regard to the minimum maturity of a real-estate fund, 83 per cent favoured a minimum maturity of five to ten years.

63 per cent would not invest in distressed real-estate debt portfolios but 29% said that they were becoming increasingly interested in this investment class.

Philipp Ellebracht, Product Manager for Continental Europe, commented:

"Several interesting trends can be identified from the study. Although real estate debt fund providers and insurance companies remain a niche area, the obvious demand means that it is highly probable that this segment of the market offers growth potential.

"The survey also reflects a strong preference among the participants for security in the structure of a real estate debt product.

"The need for security among both institutional and private investors is something that Schroders as an established asset manager has been mindful of for decades. The Schroder family continue to own 47.75 per cent of the Company's voting shares. The family's influence provides stability, which is a significant advantage for Schroders."*

**As at 30 September 2012.*

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Schroder Property

Schroder Property has offices in Frankfurt am Main, London, Amsterdam, Milan, Jersey, Paris, Luxembourg, Stockholm and Zurich. The firm has many years of experience and employees around 100 staff. Schroder Property manages funds worth over EUR 12.9 billion (GBP 10.3 billion /USD 16.7 billion) (data as at 30. September 2012, excluding cross-holdings).

The team in Germany has around 25 members and manages a range of open-ended and closed-end real-estate funds with both diversified and focused portfolios. The business in Germany draws on the resources of the Schroders Group. You can find out more about Schroder Property on the internet at www.schroderproperty.com.

Schroders plc

Schroders has over 200 years of experience as a major independent, globally active asset manager, with EUR 254.5 billion under management for private and institutional investors worldwide (data as at 30 September 2012). The company has 2,998 employees, including 373 analysts and fund managers, in 34 offices around the world. At the end of 2010 Fitch AMR raised the asset management rating of the company from M2+ to M1, Schroders retained this rating for 2011.

Further information about Schroders can be found at www.schroders.com.

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