



## Catella: Asset management market in Europe benefits from value-added investors

The new Catella Market Tracker „Strong focus on value-add investments“ shows a considerable interest in “value-add” investments by institutional investors. With major consequences for the value added in downstream asset management markets: for each euro invested, asset management measures worth 20 cents are capitalized.

In 2016, properties with a total value of EUR 256 billion changed hands in Europe in the commercial segment (office and retail). Catella Research estimates that around EUR 50 billion of this (20%) is related to value-add properties. “As a basic scenario, we anticipate an average potential for resulting asset management services totaling at EUR 6 billion to EUR 10 billion by 2021” says Dr. Thomas Beyerle, Head of Group Research at Catella. On average, the AM potential thus comes to just under EUR 1.6 billion per year in Europe. “Based on the transaction data, we can see that in a comparison throughout Europe, the highest value-add transaction volume in 2016 was to be found in Germany (25%), the UK (22%) and France (14%)” Beyerle continues.

But what comes after the “value-add” investment, do these properties in fact have structurally higher risks in relation to the specific properties, tenants and locations? In this complex risk-adjusted situation, asset management therefore also increasingly requires attention as a value driver, say the analysts of Catella. To put it more simply: for the investor, a value-add classification is associated with more work with the property itself. In the current positive market situation on the European property markets, nevertheless the complex situation represents an opportunity for an increase in value. Stabilizing or increasing the cash flow component is a tactical objective. Strategically, this should certainly be accompanied by an increase in the change-in-value yield at the total return level.

Derived from the motives for value-add investments in the last years, profitable elements at property level will anticipate at the current purchase price by rational acting investors. Although general statements can only ever provide an indication and the operational value driver is only to be found at the level of the individual property, Catella assume that for each euro invested, asset management measures worth 20 cents are capitalized in the coming years. Nonetheless, documented expertise in strategic and operational asset management is essential.

The complete Catella Market Tracker “Strong focus on value-add investments” is available at [www.catella.com/research](http://www.catella.com/research).

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