

Going for sustainable growth

Investment manager Redevco is embarking on an ambitious new phase of growth to move away from its traditional ground of retail, towards a broader focus on creating vibrant places in cities and the urban environment that also contribute to the health and well-being of citizens and visitors alike.

BY RHIANNON CURRY

Although retail has historically been Redevco's main focus, the investment management company is beginning to set its sights on a much wider mandate in the urban area.

The company currently owns 280 assets worth €6.7bn and covering 2.4m sq m across Austria, Belgium, the Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Portugal, Romania, Spain, Switzerland and the United Kingdom.

Redevco has entered a new phase in its growth ambition, says Herman Jan Faber, global head of external clients and business development. At the heart of Redevco's growth and diversification strategy lies a fundamental belief in cities and the wider urban area, which has been the basis for the investment activities the company executed on behalf of its shareholder and the third parties it has been working with for five years.

"We want to grow our assets under management, but we also want to work with more investor clients. We're keen to diversify our portfolio and be more city or urban-focused, rather than simply an investor in retail real estate," Faber says.

With the retail landscape impacted for many years already by technological, demographic and societal changes, and with the Covid-19 pandemic only accelerating this process of transformation, Redevco is harnessing its retail real estate experience to create vibrant and future-proof destinations in the urban realm.

"We think there is a tremendous amount of work that can be done in order to transition our portfolio, and that of third parties, from retail to more mixed-use. We began investing in residential property two years ago, and now we also see urban logistics as an interesting area,



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HERMAN JAN FABER

as well as assets in the area of digital infrastructure and innovation," Faber explains.

THREE PILLARS

The company's route to growth is based around three pillars: first, establishing new partnerships and joint ventures; second, winning asset management mandates, and third, undertaking strategic mergers and acquisitions. "Right now, we have seven investor clients, and we would like to expand that with three or four within 12 to 24 months. Building a wider platform will further transform Redevco from

a single shareholder real estate company to a true investment management business with numerous clients," Faber says.

"We can leverage our capabilities in our existing platform and our knowledge of cities and the wider urban area to offer transaction management, asset management, property management and development management services to new clients."

"We will keep the joint ventures as an option but we also see ourselves fund raising for discretionary funds at some point," he says.

The second pillar of growth would mean Redevco takes on assets in which it has no material stake as an investor, which could include capitalising on work needed to manage distressed portfolios, among other things.

"Perhaps retail landlords are unhappy with their current manager or their portfolios are in distress, and they are looking for a specialised manager who can execute a work-out strategy over two or three years. That is where we could step in," he says.

"Alternatively, it might be that we can manage the properties over the longer term with a mandate from the investor."

In the medium term, this is likely to be retail portfolios, but Faber does not rule out taking on mandates for residential or logistics properties in time.

"I can imagine that in the future as we're building our residential or logistics strategy that asset management for external parties would be a second area for us."

ACQUISITION TARGETS

In terms of mergers and acquisitions, Faber says Redevco could buy an investment management platform in order to bring its expertise to a wider pool of investors.

"We're looking strategically to buy an investment management platform with existing



AuM and complementary capabilities, which we could then bring into the pan-European platform and add our capabilities, building to the services we have across different sectors.

"Probably our ideal investment management platform target would be not in retail, but in some of the other sectors we are moving into," Faber says. The company has begun analysing potential acquisition targets and is looking to see whether it can buy a company in logistics or residential real estate which is truly aligned with Redevco's priorities. Faber adds: "We also would look at acquiring retail platforms to create more scale."

The new strategy has been driven by Redevco's wider ambitions to transition away from being a purely retail company, to positioning itself as an urban specialist.

"We've already known for a couple of years that there is perhaps too much retail," Faber explains. "I personally think that there will still be some very good retail, but it will be far less than it was in the past. It comes back to the key elements of real estate: it is all about the location and finding the right use for the space. In that sense, we do realise that an 'only retail' strategy has become a niche. It can still be a very interesting strategy for specific investors, and for some it is best complemented with some other sectors."

"I do think we will always manage a significant portion of retail, but we are looking at some of our existing properties to see if a hotel operator might be brought in, for example, or if we could convert to offices to create a multi-function location."

The coronavirus pandemic has forced the team to revisit agreements with its tenants, and in some cases provided opportunities to look again at building uses. But Faber is keen to leave the last year's problems behind and concentrate on looking forward.

In order to bring about the new phase of growth, Redevco has established a new seven-strong team focused on business development.

"We are dedicated to our growth ambition, so we have created a team which can focus much more on areas of growth. That is both from a sourcing perspective, so introducing clients to Redevco, but also from an execution perspective."

"What we aim to have is a team which can raise equity, pitch for management mandates and execute M&A deals. Because the last thing we want is that the business development and the growth affects the service that we provide to existing clients, the execution of the mandates and running the portfolios."

He adds: "Setting up this new team is testament to the fact that we think this is of strategic importance to us as a business, and we need dedicated people to carry it out."

The end goal for Redevco is to grow to €10bn of assets under management by 2025, but Faber says there is more to the plan than simply increasing numbers.

MISSION 2040

"Our goal is also that the portfolio is highly sustainable, and complies to our Mission 2040 which is a plan to make the entire assets under management net zero carbon by 2040. We aim

to have a diversified portfolio, and ultimately, we want to be seen not as the retail specialist arm of one shareholder, but a leading investment management platform in the urban space.

"We want to make cities better and help them become the place that is sustainable and contributes to the health and well-being of the people that live in it. We want to create places where people want to work, live and play. I don't think we would be satisfied with simply hitting €10bn: we want to create the cities of the future by focusing with our clients to invest in the right places at the right time."

About Redevco

Redevco, part of COFRA Holding AG, is a real estate investment management company with a clear focus on vibrant places across Europe. As the partner in urban real estate we invest in properties with a view to developing future-proof buildings in dynamic urban locations where people want to live, work and play. Our specialist investment strategies, local real estate knowledge and the scale of our Pan-European platform enable us to create value for both our investor clients and occupiers.

