

# DEVELOPING PAN-EUROPEAN INVESTMENT AND DISTRIBUTION CAPACITIES

- Jean-Marc Coly & Stanislas Henry, Amundi



*Building on its strong fundraising capacities and its experience of real estate investment products for French retail clients, Amundi is now focusing on strengthening its offering for institutional investors and working on the pan-European distribution of a retail solution. These funds, which express the firm's strongest convictions, are uniquely structured and distributed, as **Jean-Marc Coly**, Chief Executive Officer and **Stanislas Henry**, Head of Institutional Funds and Solutions for Amundi Real Estate explain.*

## **Oliver Senchal: You claim to have strong beliefs about real estate investment.**

### **What are they?**

**Jean-Marc Coly:** First of all, we believe the French market has strong potential, with numerous opportunities. France is one of the only European countries where the economic recovery is not yet in full swing, which means there is still room for improvement. As a matter of fact, real estate performance will no longer be driven by low rates, but by the rise of economic rents. And this trend will soon accelerate in France.

## **OS: Which French real estate assets do you consider the most promising in 2018 and beyond?**

**JMC:** Our investment strategy on the French market is threefold. First, we offer core products, with investments in Paris or La Défense (France's premier business district, located a few miles west of Paris) for example, that ensure solid returns. Secondly, we think today's best opportunities with moderate risk profiles are found in France's regions, especially in major provincial cities. These are areas in which institutional investors are not largely present. Hence, the launch of a fund focused on French regional real estate for institutional clients.

**Stanislas Henry:** We have been investing in France through funds for over 40 years. We believe we must now go up the value chain and offer "value added" funds, along with active management. We will create value by restructuring buildings in France before renting them out. So the third component of our offer is a restructuring fund, through a partnership with a large national property developer, and with the

## RECENT INVESTMENT EXAMPLES

### **CŒUR DÉFENSE:**

Creation of a club deal with three main French investors to acquire the largest European office asset. Coeur Défense comprises five buildings of Grade-A space and ancillary accommodation including two high-rise twin towers and consists of 181,800m<sup>2</sup> of offices and 2,819 parking units. The five buildings are linked by a vast, 40m high, fully glazed Atrium. Coeur Défense is ideally located in La Défense, the main business district in the Paris area and one of the largest in Europe. Coeur Défense features a very attractive multi-tenant prime asset with 26 tenants, highly diversified by type and industry sectors. This landmark transaction was coordinated by Amundi RE for its acquisition, structuring and financing.



### **NEW ATRIUM:**



Acquisition by a group of Korean investors and by funds managed by Amundi of the New Atrium office building in South Axis- Amsterdam. Korean investors will control 50% of this investment while Amundi funds will control the other half. This very large asset (59,044m<sup>2</sup>) was recently refurbished and had major extensions built to constitute an exceptional office ensemble. Amundi RE shall act as fund manager of this club deal.

aim of attracting French and international institutional clients.

## **OS: Amundi is also launching a pan-European real estate fund for institutional investors. Is this move driven by high return prospects?**

**SH:** Europe is a genuine source of diversification, and we seek to take advantage of it, on core and core-plus assets. So far, we have elected to invest in continental Europe and stay away from the UK, but we stay flexible as the situation on the UK market is evolving quickly and we will readjust our views accordingly. With this strategy, we are able to take advantage of different practices and market cycles, and reduce risks for our pan-European funds .

**JMC:** We already have five years of experience within the pan-European market, with a retail offer that now amounts to €7bn in assets under management. We wanted institutional investors to benefit from that expertise, through a Luxembourg-structured fund. We are also reinforcing our "club deal" offer, which is built around specific assets in Europe and has already raised a lot of interest from foreign investors.

## **OS: You just mentioned different market practices across Europe. How did you simultaneously establish yourself in several countries?**

**JMC:** You can only succeed if you are intimate with each market. So we established strategic partnerships in

Europe, for sourcing, management or to assist investors. This allowed us to quickly penetrate several markets, and be agile in our investments thanks to those specific local skillsets. We are now working on harmonizing information and accounting systems between Amundi and all its partners.

**SH:** We are one of the leading French investors in Europe. We already operate in six countries. We have quality partners, and often more than one in a single country, in Germany, Benelux, Spain, the Czech Republic or the Nordic countries. Amundi itself is only present in France, Luxembourg and Italy, and we see it as a real strength when compared to traditional vertical organizations, which are less flexible.

**OS: Amundi also seeks to develop a unique retail investment offer, available in various European countries. Is this actually possible, despite the diverse and burdensome national regulations?**

**JMC:** Real estate regulations are, indeed, not harmonized across Europe. Our European partners have, however, asked us to

offer retail-targeted investment products that they could market locally. And we have actually carried out such successful operations in the Czech Republic for instance. Our goal is now to distribute the same pan-European real estate investment product in several EU countries. We have been granted permission to market a fund governed by French law in Austria, but not in Italy.

So we are looking at creating a product that could be marketed throughout European retail distribution networks, originating from a unique platform hosted in Luxembourg for instance. It is something we are actively working on, and we will be able to rely on Amundi's and Pioneer's distribution networks, in Italy and Austria especially. We are convinced that the distribution of real estate products will soon cross borders.

**SH:** There are two advantages to such a distribution scheme. For one, the volume of investment will help improve risk management through diversification, and performance through economies of scale. This has a beneficial "counter-cyclical" effect,

and makes our fund more stable in case of market crisis, both on the asset and liability sides.. Secondly, more countries and more diverse distribution networks improve the liquidity embedded in real estate products, which is a major issue when investing in real estate.

**OS: For European investors, what is the added value of a product that is structured by a French asset manager?**

**SH:** The French asset management industry has developed a range of several real estate products suitable for retail investors. There is no such equivalent in the rest of Europe. So there is a specific French know-how in the creation of these products, which are not simply listed real estate companies. Besides, beyond its solid fundraising performance, Amundi has shown its ability to structure very complex investment products and to manage real estate assets. Today, and in order to meet strong demand, we have adopted an innovative approach that federates European investors around a single product and enables them to seize the opportunities that exist in various real estate markets on the continent.

## AMUNDI

Amundi is Europe's largest asset manager by assets under management and ranks in the top 10<sup>1</sup> globally. Following the integration of Pioneer Investments, it now manages over €1.3tn of assets<sup>2</sup> across six investment hubs based in 37 countries. In 2016, Amundi launched a platform dedicated to real and alternative assets to provide easier access to unlisted investments. Bringing together capabilities in real estate, private debt, private equity, and infrastructure (green energy), this platform has a headcount of 200 people for AUM of €38bn<sup>3</sup>, and offers solutions through direct funds, club deals and multi-management, including two innovative and ambitious partnerships with EDF and CEA.

As part of this new platform, Amundi Real Estate is a company specialized in developing, structuring and managing European focus property funds. With above €22bn of assets under management<sup>3</sup>, the firm is N°1 in France in terms of fundraising and assets under management for SCPI and retail OPCI (IEIF - March 2016), and is part of the Top 10 Asset Managers for offices in Europe (IPE - December 2017). Amundi Real Estate is an authorized management company active in France, Germany, Italy, UK, Benelux, Czech Republic and Austria.

## JEAN-MARC COLY

Jean-Marc joined Amundi Real Estate in 2015 to manage real estate investments and assets as well as the structuration & distribution of retail & institutional funds. He was previously CEO of Alta Reim, the Altarea-Cogedim division dedicated to Real Estate Funds.

## STANISLAS HENRY

Stanislas joined Amundi Real Estate in 2008 as Director of Business Development and Commercial Coverage. In 2011, he was appointed Head of Institutional Funds and Solutions, managing a team of 10 fund managers and a total €10bn in AUM through commingled funds, mandates and club deals, with French and international institutional investors. Stanislas holds an MBA from INSEAD (1996).

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<sup>1</sup>Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of end December 2016.

<sup>2</sup>Data combined for Amundi and Pioneer Investments at 30/06/2017 prior to harmonization of accounting methods for AuM.

<sup>3</sup>Figures as of 30 September 2017.