

September 2019

InFocus

Aberdeen Standard Pan European Residential Property Fund

Key features

Focus on large, sustainable, high-quality, purpose-built residential blocks

International integrated fund manager team with 'on-the-ground' expertise

Cost-efficient management to maximise income returns

Focus on winning cities with strong demand and supply fundamentals

The Aberdeen Standard Pan European Residential Property Fund (ASPER) SICAV-RAIF seeks to provide institutional investors with income and capital growth through long-term investment in high quality, purpose-built residential property across Western Europe.

By investing in this defensive and less volatile sector, we strive to provide a stable, secure and growing income return for investors. Overall, ASPER aims to deliver a long-term absolute return target, comprising a cash dividend return of 3-4% per year and a total return of 5-7% per year.¹

In this InFocus, fund manager Marc Pamin, who has been with Aberdeen Standard Investments since August 2007, answers key questions on the rationale for ASPER, the benefits it offers investors and where it invests.



Marc Pamin
Director, Fund Management

"Residential property is less volatile than other asset classes and has strong historic long-term returns."

Q. What constitutes residential property?

A: We classify a property as 'residential' if the majority of its rental income (i.e. over 50%) is derived from residential use. While the backbone of the portfolio is multi-family/private rented sector buildings, the residential universe is considerably larger. Therefore, we also consider opportunity-driven investments in properties that offer additional uses, including:

- Student halls – which is becoming a significant investible sector in continental Europe.
- Senior living and care-related housing – which provide a secure income stream and benefit from Europe's ageing population.
- Serviced apartments – which is an increasing segment of the residential market.

Q: What do you like about the residential sector?

A: Residential has lower volatility than commercial property and historically has delivered strong, long-term returns. It's an excellent portfolio diversifier. Residential property also exhibits very strong demand/supply fundamentals, particularly in Europe's leading cities. Supply is not keeping pace with rapid population growth, which has positive implications for long-term rents and capital values. Residential is also less affected by technological changes than commercial real estate – for example, the threat posed to retail by the growth of online shopping.

Q: What is Aberdeen Standard Investments' experience in the residential sector?

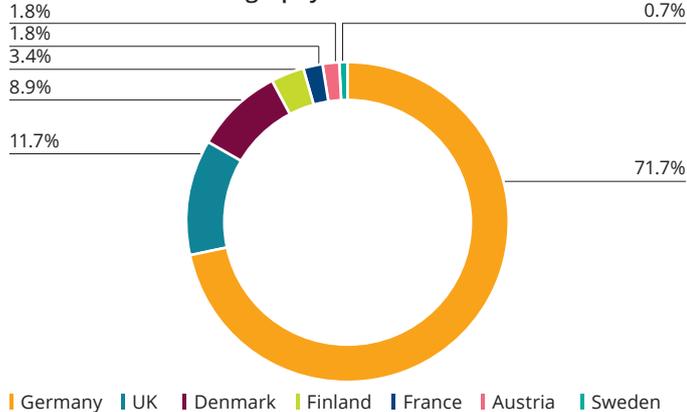
A: We have €6.7 billion in residential assets under management; these are largely invested in 210 residential properties with close to 28,000 rental units in Germany, Austria, UK, France, Finland, Sweden and Denmark. Currently, we are invested in 50 forward-funding construction projects across Europe, which are overseen by our experienced portfolio management and development management teams.²

We have been investing in the European residential sector since 1998. Over that time, the team has built excellent market relationships with owners, developers and brokers, as evidenced by, on average, more than €600 million of residential investments per year over the last five years.

¹ Target returns are offered as strategy goals and are not referenced to past performance. There can be no guarantee the target returns will be achieved.

² As at 30 June 2019.

Residential AuM - Geography



Source: Aberdeen Standard Investments, 30 June 2019.

Q: When did the fund launch?

A: We established ASPER at the end of March 2018, with first-close commitments of €355.5 million. During 2018, we had two more closes. With further commitments during the first half of 2019 – €137 million won from new French, Dutch and German investors – ASPER's total capital commitments now stand at €542.2 million. The 16 investors are located in the Netherlands, Switzerland, Ireland, France, South Korea, Luxembourg, Germany and the UK. Both last year and into 2019, we have been effective and efficient in securing assets and allocating committed capital. With a strong investment pipeline, we believe that ASPER is well placed to continue to lead the pan-European residential market throughout 2019. Further closes are expected during the year.

Q: Where do you look to invest?

A: We focus on 'winning cities' – cities with very strong demand and supply fundamentals – throughout Western Europe and the Nordics. It is likely that the portfolio will have a higher allocation to Germany due to the size of the German population, but also because a high proportion of the population (approximately 50%) rent rather than own their home. This means that the investible private rented sector in Germany is very large, in fact larger than all other European markets combined.

Q: What is Aberdeen Standard Investments' capability in European real estate?

A: Aberdeen Standard Investments has direct real estate assets under management in Europe of €39.6 billion (as at 30 June 2019), making us one of the continent's largest property fund managers. Critically, we have the full resource capability to acquire, develop, manage and dispose of assets across the region.

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Moreover, we believe the reach of our European investment platform – with approximately 240 real estate investment professionals located in 11 offices³ – is second to none and allows us to implement a successful residential property strategy.

Q: Where the stock ASPER targets does not exist, how do you deal with this and manage any associated risks?

A: In some markets, such as the UK, existing built-to-rent residential stock is limited. Where such properties do not exist, ASPER has the ability to enter development projects through forward funding and forward commitment structuring. Hence, in such circumstances we would likely forward-fund developments ourselves. It is worth noting, however, that ASPER does not engage in speculative property development (with any development risk resting solely on our construction partners) and pursues active management activities during holding periods in order to enhance performance in a controlled way.

Q: What investments have you made to date?

A: In June 2018, ASPER made its first investment by acquiring a high-quality core asset in Vienna's third district. A month later, three further high-quality properties were signed; these were in the South Harbour of Copenhagen, the tenth district of Vienna, and in Suresnes, Paris. In September, these acquisitions were followed by a portfolio asset transaction in the Helsinki Metropolitan area. And in late 2018, ASPER's first UK asset (in Birmingham) was acquired. During the first few months of 2019, a second asset in Copenhagen was contracted, as well as two new assets in Paris (Chatillon and Rueil). In June 2019, a portfolio of three Swedish assets was contracted, bringing ASPER's number of acquired assets to twelve. With one asset in Lund, one in Bruges and one in Leiden in exclusivity, the fund also has four further assets under negotiation: one in Frankfurt, two in Stockholm and one in Dublin. In total, 2,400 apartments have been secured with a lettable area of approximately 154,000 square metres. The market value of these acquired properties, as at August 2019, was €762.3 million, with another €371.2 million in the pipeline.

³ As at 30 June 2019.

For further information

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