

April 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.

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.

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
Fund Manager

“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.

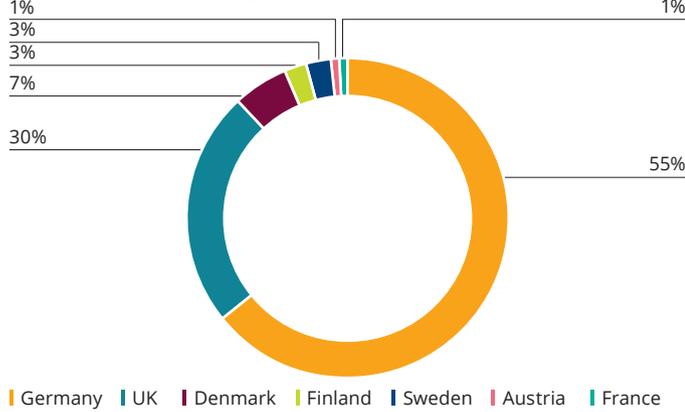
Q: What is Aberdeen Standard Investments’ experience in the residential sector?

A: We have €7.8 billion in residential assets under management; these are largely invested in 177 residential properties with close to 20,000 rental units in Germany, Austria, the UK, France, Finland, Sweden, Denmark and Norway. Currently we are invested in 50 forward funding construction projects across Europe which are overseen by our experienced portfolio management and development management teams.

As at 31 December 2018

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.

Residential AuM - Geography



Source: Aberdeen Standard Investments, 31 December 2018.

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 further closings, ending the year with €405.2 million in committed capital from 12 investors located in the Netherlands, Switzerland, Ireland, France, South Korea, Luxembourg 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 we are well placed to continue to lead in the pan-European residential market throughout this year and beyond.

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 €40 billion (as at 31 December 2018), making us the continent's second 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 offices – is second to none and allows us to implement a successful residential property strategy.

As at 31 December 2018

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 in the South Harbour of Copenhagen, the tenth district of Vienna, and in the Suresnes area of Paris. In September, these acquisitions were followed by a portfolio transaction in the Helsinki Metropolitan area, and in late 2018 ASPER's first UK asset (in Birmingham) was acquired. In early 2019, another asset, this time in Copenhagen's Valby district, was contracted bringing ASPER's acquired assets to seven with three more (two in Paris and one in Copenhagen) under exclusivity and in due diligence respectively. The fund also has two assets in Frankfurt and another portfolio asset in Stockholm currently in negotiation. In total, 1,789 apartments have been secured with a lettable area of 116,492 square metres. The market value of these acquired properties, as at March 2019, was €561.3 million with another €513.7 million in the pipeline.

For further information

Please contact your local representative or
Robert Matthews on +44 131 528 4328
robert.matthews@aberdeenstandard.com