

FINANCIAL INVESTIGATOR



THE INTEREST FOR ALTERNATIVE CREDIT RAPIDLY GROWING KINDERT AND MAUREEN GABRIELLA SCHLEJEN, NN INVESTMENT PARTNERS

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VOORZITTER

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DEELNEMERS

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Sandeep Bordia, Amherst Capital Management

(BNY Mellon)

Scott Crowe, CenterSquare Investment Management

(BNY Mellon)

Amilcar Grot, Blue Sky Group

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Luc Joosten, a.s.r. Real Estate Investment Management

Bert Lesterhuis, MN

René Rijk, TKP Investments

Deze ronde tafel is tot stand gekomen in samenwerking met Amherst Capital Management (BNY Mellon) en Center Square Investment Management (BNY Mellon).

Photographs: Ruben Eshuis photo



RISING INTEREST NO THREAT TO PROPERTY MARKET

By Hans Amesz

Historically, most cycles of real estate last around fifteen years. The last real estate downturn, around 2007. So the current up phase runs cycle for after 2020.



In what stage of the real estate cycle we are now?

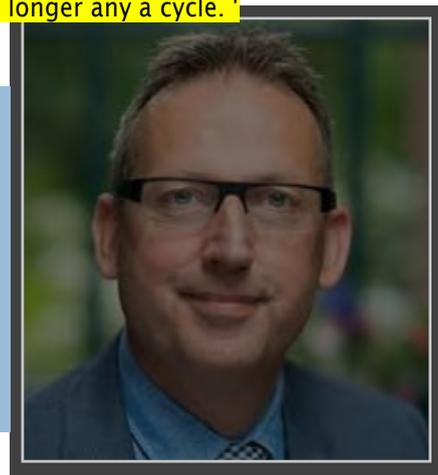
René rich: "I think we are closer to the summit at the bottom of the cycle, although real estate compared to other asset classes remains an attractive output - risicoprofiel . As we look for the investment for the long - term for our clients, we mainly to the long-term developments. In markets in which they are favourable, we continue to invest our customers in real estate.

The Daan Aert: We have unfortunately not take a look crystal, so we do not know whether we already at the peak of the cycle, however. However, from a long-term investment perspective its portfolio would have an investor orders so that not only benefit of the upward cycle but also file is against. This is much more important than note that we are present in the cycle.

Casper Hesp: You also need to look at the fundamental developments. Many people want for example to cities moves, so it means that there are many question remains to property. There are currently too little built to comply with that high demand. How unfortunate it is also woningzoekenden, it has a positive effect on the future output of real estate.

Sandeep Bordia: "A distinction should be made between the different real estate markets. As far as commercial real estate, I think that it is near the top of the cycle, but that does not apply to residential property. There are also certain sectors of real estate in which the notion of 'cyclic ' does not matter. Retail is undergoing a fundamental reorientation for example now, especially in the United States but also elsewhere. Structural causes lead to a kind of decline of the retail sector, whereby there is no longer any a cycle. "

> **Norbert Bol** is sinds 2004 directeur en mede-oprichter van Sweco Capital Consultants B.V., een beleggingsadviesbureau van 20 medewerkers dat pensioenfondsen en verzekeraars adviseert op het gebied vastgoed- en infrastructuurbeleggingen. Met meer dan 25 jaar ervaring op het gebied van beleggingen en investeringen in vastgoed en infrastructuur, werkte hij eerder in directiefuncties bij AZL en Insinger de Beaufort en als Senior Manager bij KPN Pensioen en Ecorys. Bol heeft een graad in Bedrijfskunde (MSc), Economische Bedrijfstechniek (BSc) en Bouwkunde (BSc).





> **Daan van Aert** is Head non-Listed Real Estate bij Kempen Capital Management. Hij geeft leiding aan het niet-beursgenoteerd vastgoedteam. Het team richt zich voornamelijk op de internationale selectie en monitoring van niet-beursgenoteerde vastgoedbeleggingen. Van Aert heeft ruim 20 jaar ervaring in de financiële vastgoedsector. Hij is sinds 2014 bij Kempen werkzaam. Daarvoor werkte hij bij APG, waar hij zich in het niet-beursgenoteerd vastgoedteam bezighield met Europese en Aziatische beleggingen. Hij is een CFA Charterholder en gekwalificeerd als professioneel lid van de Royal Institution of Chartered Surveyors (MRICS).

Luc Joosten: "The real estate market is too large to to généralise. In the Netherlands, we have in recent years have seen a sharp increase in the housing market. The question is greater than the supply, rental housing - in the right prijssegment and on the correct location - an attractive investment product

. The commercial property market has lagged behind the economic cycle and is expected to judge, fundamental changes, economic developments and prices on the correct locations up to a movement.

It is very important to the right of selecting assets generating a stable cash flow and the various cycles are possible

Bert Lesterhuis: A risk that is often overlooked in timing the cycle, or rather the summit, the risk is that you run when you asked too sells and as a result can be nothing more if the market is increasing.

Scott Crowe: It is surprising that the market has been self-regulation a relative rational creating balance. If we consider the present cycle, the temptation is the last recall cycle, but this cycle is more complex. We are facing a lukewarm, dully recovery and high levels of risk aversion. We will surprised how long it takes before there is a change.

Amilcar is: From an overall, top-down perspective are present at the final stage towards the summit. In certain individual markets is still present value.

What is the real estate market to the different continents?

Bordia: With regard to commercial real estate, the United States fully priced, but in residential real estate, this is not the case. Of all developed markets, the U.S. housing market is most likely the cheapest. We have seen what has happened in countries such as Norway, Canada and Australia - there prices have increased dramatically.

Crowe: It is interesting that property markets of great world cities have a great deal more in common than property markets in smaller towns or countries. London, New York and Tokyo shares for the same drivers and investors, very different from for example Pittsburgh. That reflects the globalisation of the world economy and of capital.

Is: We invest strategically in real estate, but at the same time think after the right time to invest. We now look forward to Australia, which in the past currency risk played a major role, but now opportunities to appear.

Does it take a few years before the real estate market reaches its summit?

Crowe: "The last real estate downturn in the early 1990s and continued to around 2007. Historically, the most commercially cycles of immovable property fifteen years. So the present cycle is certainly until 2020. We see level not yet exaggeration as with previous cycles. I believe that we will be agreeably surprised because the up trend will continue to be significant.

That sounds very optimistic. This is a general opinion?

Is: "I do not know how long the current cycle continues. I am not sure that it will take a long before



change takes place. The next cycle of the impact will see the central banks to stop ever with large-scale monetary expansion.

Bordia: We are too about the fact that we fail in determining the duration of the various cycles. You have to ask whether the current valuations are adequate or not and if you want the associated risks. I am not really concerned. We must ensure that the returns achieved are in accordance with risks taken; it seems that the risk of commercial real estate is now substantially higher than two or three years ago.

Lesterhuis: The extremely - low interest rates, the cycle less style, but probably longer.

Hesp: Real estate remain a long-term investment. Return of real estate in recent years very high: to well above the ten. Many of our customers aim in the long - term for an average return of six, only space. We expect core vastgoed output will be lower than in recent years, but that there will be stable and strong direct output.

What is the impact of Donald Trump and Brexit on real estate market?

Is: It is still too early to determine whether there is an impact of Brexit and Asset on the real estate market and what the impact will be. Exceptional cases have not yet occurred. I hear all myself that I should not concern, but because I have correctly additional look.

Bordia: It depends on Trump's policies and what exactly he can implement in the United States. The risk for real estate is that the Interest rates will rise. A significant reduction of immigration would be Have negative consequences for the entire US economy and thus also for real estate. "

Crowe: "Assets are as yet much clamor and little wool, I do not see much economic risk. In the last thirty, forty years

never prevent the American economy grew and the value of commercial property.

The Aert: Assets currently with its policies have significant negative impact to the us economy.

Joosten: Asset make much noise and cause some uncertainty, but it has as yet little effect on the onroerendgoedmarkten. The Brexit are in this more interesting. We thought that, as a result of the Brexit much moves companies to the European continent. That is not yet the case, but this can be.

Hesp: In the short term, perhaps a small number of offices moves to the European mainland. The impact in the longer - term is still completely unclear.

Lesterhuis: Now we can impact of the Brexit see forthcoming because it is a gradual process. Investors to prepare, therefore, the impact of the Brexit will not come as a shock to the market.

Rich: The economy of the United Kingdom is flexible and in the past been able to adapt to changing comprehensive. That also applies to the real estate market. Although the short-term volatility and will be, we expect a hub if London will continue in the long - term, an important issue center in Europe. The market is the next time a natural balance.

In which countries it is attractive to invest in real estate?

Bordia: I can hardly spend time on the developments of European and Asian property markets. In the United States single family homes is one of the most attractive opportunities for investments. The US IS one of the few developed economies where there is still a growing population. As a result of the financial crisis, it is very difficult to get a mortgage loan, which will benefit the rental market.

> **Sandeep Bordia** is Managing Director and Head of Research and Analytics at BNY Amherst Capital Management. He has more than 13 years of experience in the Mortgage markets. Before Bordia started at BNY Amherst, he was Head of Securitized Products Research at Barclays Capital, where he was responsible for research of Agency / non-agency MBS, CMBS, ABS and European ABS. Before Bordia came to Barclays Working in 2008 he worked for six years at Lehman Brothers, where he worked with Agency prepaes, mortgage origination, servicing and subprime. Bordia has an MBA and A Bachelor of Technology at the Indian Institute of Management.





> **Scott Crowe** is Chief Investment Strategist bij BNY CenterSquare Investment Management. Voordat Crowe bij BNY CenterSquare kwam werken in 2015, was hij CIO van Liquid Alternatives bij Resource Real Estate, lead Global Portfolio Manager bij Cohen & Steers en Head Global Real Estate bij UBS Equities Research. Crowe begon zijn carrière bij Paladin Property Securities. Hij behaalde een Honors Finance Degree aan de University of Technology Sydney en een Bachelor of Commerce aan de National University of Singapore.

Is: Except in single family homes, I see also opportunities in student housing or senior houses. It is, however, important fundamental right, to find because it may be more operational than real estate business.

Hesp: "In addition to the homes and commercial market we invest in care real estate very interesting at this time. That is all about the ageing population and the policy of the government to live and care. Moreover, many investors not only interested in the financial return, but also in social. They send investing in effect. This is investing in the health sector for their very interesting. Another example of this is the increased focus on sustainability. Our customers are, for example, important that their homes portfolio is in the long - term for a substantial part zero.

Joosten: We only invest in the Netherlands and look at the economic fundamentals as demography, consumer confidence and expenditure; drivers which are essential for the real estate market. It is also important to look at the region in which you want to invest. With regard to the home market only some limited region is s interesting, as in the retail-vastgoedmarkt. To be able to invest sustainable, much focus in the strategy.

Rich: Logistics is one of the few areas in which long, indexed leases. Moreover, retailers change their business model, which is the demand for logistics operations. We also look at student housing in Europe. The type of products that provide we ordinary was no longer students is demanded, so we should be open for premises is scope for development of new products.

Do we look to core real estate or are also opportunities in add value, as A Global Investor Intentions is?

Crowe: "We believe that at the moment the best chance to add value. That means real estate purchase and transform, another destination; if it were to adapt

new economy. So, for instance sites for producing zelfsturende car in Pittsburgh are sought. I think of real estate purchase the time and well behind us, in the sense that the best return could be achieved.

The Aert: Although prices in core-vastgoedmarkten may be on the high side, the output of this case n five to six percent for many investors still attractive. This is our preference. Add Value means that more risk. This is possible in principle in three ways: the first is investing in knowledge asset classes as datacenters, student housing, healthcare and similar issues. A second way sites in core real estate nuclear, which is increased risk (re -) development and/or post, to invest. Increasing debt financing is a third way. We recommend choosing customers for the second option, within the core segment to remain with a risk.

Joosten: "In the Netherlands is buying we core investors objects to be transformed. Those objects are on the good sites, so that no location risk is however, buying and changing the real estate takes time and money, which is necessary for desired output risk profile.

Bordia: The distinction between core and value-add is getting smaller.

Rich: The sites and liquidity risks in the value add- market can be high. In the last cycle, liquidity in secondary cities can dry. On the long-term core investments offer an output - risicoprofiel that is better suited to our customers. In large liquid markets with good long-term policies we have been prepared some risk, e.g accept hire risk or modernizing and preservation old objects.

Hesp: "Some core-vastgoedbeleggers use their funds to, for example, active in niches they find interesting, but they do not have the knowledge in. These niches

value-added can nature. These investors often have invested still much of their portfolios in core real estate.

Bordia: 'In the past thirty years, interest rates have only fallen. This has strongly influenced the real estate markets. In cities like New York, San Francisco, Chicago, Boston and Los Angeles some of these areas have outperformed the rest of the US by almost close to 200% on a real basis. If interest rates start to go the other direction, I would not be surprised that we see a lot of weakness in a lot of these gateway markets, I think especially New York City.

Does a rising interest are the greatest risk in our industry?

Lesterhuis: What I see as a great risk that investors just concentrate on the yields of real estate on government bonds. The spread it historically very large. But that is not because real estate are cheap, because of the extremely - low interest. It investors should be aware. It should also be given to the causes of rising interest. If only inflation the cause of the interest emerging, there is indeed a risk for real estate. But if the rising interest by a growing economy, ownership of it will benefit.

Bordia: The reason why rising interest rates is a bigger risk this time around is because cap rates are relatively low. You could say that rents are going to grow rapidly over the next five or ten years, so that cap rate that they are looking at is not really a good measure. But that is very hard to justify, given that rents are at peak levels already in the United States.

Rich: Institutional investors have exposure to different asset classes. Emerging interests affect bond markets more than property markets and stock markets do not remain unmoved. This means that, even if the interest, property and a good investment category, certain when there is mainly exposure to one year - old let premises with indexed leases. This emphasizes the importance of investments in defensive core-vastgoedfondsen.

> **Amilcar Grot**, CFA, CAIA, is sinds 1 september 2009 in dienst bij Blue Sky Group als Global Fund Manager, waar hij gezamenlijk verantwoordelijk is voor de vastgoed-portefeuille van € 2,5 miljard. Daarnaast is hij lid van de Board of Directors van de Association of Foreign Investors in Real Estate (AFIRE). De AFIRE behartigt de belangen van buitenlandse investeerders op de Amerikaanse vastgoedmarkt. Grot heeft een MBA van de London Business School en een Msc in Real Estate Finance van de Universiteit van Amsterdam.

We believe that the best chance to add value. That means real estate buy and other ming to transform; if it were to be appropriate to the new economy.

Crowe: "I do not think that rising interests will ultimately much stress in the market, because there is no question of many leverage in the system. Today, the average core-vastgoedfondsen in the United States Loan-To LTV (Value) of twenty-two, against almost fifty by crisis. If the interest, the real estate output the next two or three years may be one, two, three percent lower, but are not.

Joosten: If the interest rate increases, it is likely that the economic situation is improving. This will result in generally that we face higher inflation, which partly compensate the adverse effects of rising interest for real estate market. The most leases in the Netherlands are articulated ink to inflation and hiring will be increased proportionately. There, more emphasis on the actual cash flow of real estate will be; something which particularly core investors search. This should benefit investors, of course, is where great demand to real estate and where the local market therefore space for hire growth.

Do the retail market constitutes a separate risk?

Bordia: "There is a structural change in the retail market under great pressure of increasing online presence. However, I would still not redline the whole sector. I think you still need to look at specific deals and specific markets. And there could be areas which benefit, so, for example, warehouses might be something that benefit as online sales pick up dramatically. You also have to make a distinction between the US and the Europe. In Europe you have proportionally more purchased online, but the consequences less negative, because the average retail space per capita of the population in square meters is much smaller.





> **Casper Hesp** is sinds 2014 Hoofd Portfolio Management bij Syntrus Achmea Real Estate & Finance. Hij is verantwoordelijk voor de aansturing van de separate accounts met een totale omvang van circa €6 miljard. Daarnaast heeft hij zitting in de interne beleggingscommissie van Syntrus Achmea Real Estate & Finance. Voor zijn komst naar Syntrus Achmea Real Estate & Finance werkte Hesp als Director Research and Market Information bij INREV (Europese associatie voor beleggers in niet-beursgenoteerd vastgoed). Daarvoor vervulde hij diverse researchfuncties binnen INREV.

The Aert: There are only two interesting categories in retail: experience and convenience shopping. All the other shop formulae are difficult. This polarization is in the United States much further than in Europe, but here also polarization is also more. From investment position the sensible your adapt strategy as soon as possible and/or.

Joosten: On the retail market in the Netherlands is already there is too much. We see a clear movement in which, on the one hand, the quantity reduces attractive shop areas and areas in many cases smaller and more compact. This results in winning and losing areas and this polarization will continue. You must be careful when therefore invest in retail, but it remains an attractive investment. We believe in particular in high street retail shops in cities and food-oriented (districts) shopping centres with at least two supermarkets.

Hesp: A retailer as V&D has disappeared from the Dutch retail market. Chains as other occasions have it. But international retailers, clearly what is shown in Amsterdam.

Rich: The reason that Dutch retailers way to is that they have failed to invest in the very long - term in their business. International retailers invest, however, for a long time in new lines and formulae.

Hesp: You see a clear separation between a luxury and luxury. What in between, is difficult. In the centres of cities are always more popular done a luxury and, at the same time, increase the attractiveness of budgetwinkelen.

Crowe: I believe that the forthcoming years bankruptcies in retail will be much shop (chain) s should be shutted. The quantity of retailers and soil area must be rationalized. It ultimately good buy opportunity.

Is: "The coming years will be clear who the winners and losers in retail. Sooner or later as Uber will commit to ensure delivery of purchased messages. Amazon air that already in London.

How property markets in ten years and how can we will be then respond?

The Aert: We believe that an integrated approach to real estate is the future. It should be used big data. A lack of information, but you must be filter to data on the basis of a consistent and effective framework for investment decisions. So that everything is more effective decisions. All essential factors, for example, ESG (environmental, social, governance) - to criteria in the process would be included.

There is therefore a need for more and sustainability specialists?

The Aert: "Absolutely, can the asset managers include the use of big data quality in work. This is what we have already implemented. As regards sustainability, many real estate investors the example of Dutch and



> **Luc Joosten** werkt sinds 2012 voor a.s.r. vastgoed vermogensbeheer en is als Hoofd Fondsmanagement verantwoordelijk voor de fondsmanagementactiviteiten van alle vastgoedfondsen aangeboden door a.s.r. (woningen, winkels en kantoren). Vorige functies omvatten Manager of Fund Operations bij a.s.r. vastgoed vermogensbeheer en Senior Consultant Vastgoed & Gebiedsontwikkeling bij Ecorys. Hij studeerde Real Estate & Housing aan de Technische Universiteit Delft, Bedrijfskunde aan de Erasmus Universiteit Rotterdam en voltooide een Executive Master in Finance & Control aan de Vrije Universiteit Amsterdam.



Australian colleagues, who particularly in recent years ESG in their investment processes.

Rich: The sustainability of a building will be just as important as the position. The new generation of talent requires employers that they have attention to ESG. Investments in sustainable real estate is thus a need binding talent. If a building is no good air circulation or energy efficient, it does not get lets you and you can also sales. We therefore sustainability is fully integrated into our investment policy. We have to constantly active contact with fund managers professionalize.

Joosten: "Sustainability is a very important issue, and we want to do in the field of sustainable a prominent role in the financial sector. It is also our that customers increasingly focus on sustainability.

In addition, sustainability and output often go hand - in - hand. In addition to our social responsibility sustainable have been driven including from financial investment perspective an important subject.

Bordia: There is likely much more vertical integration: asset managers who do everything from acquisition of buildings to managing everything needed for rentals. Towards better solutions which make the borrower and investor closer together, arise on the asset management side entities as fiduciary. There is a lot of transparency, so if something goes wrong, the cause can be found quickly.

Lesterhuis: Sustainability more and more important and more and more in the investment process. As investor we try to companies in which we invest to get to work. But that is a lot of work and particularly the smaller companies is sometimes not enough time to spend ESG- research. However, if you leave it, you will lose zul tenants.

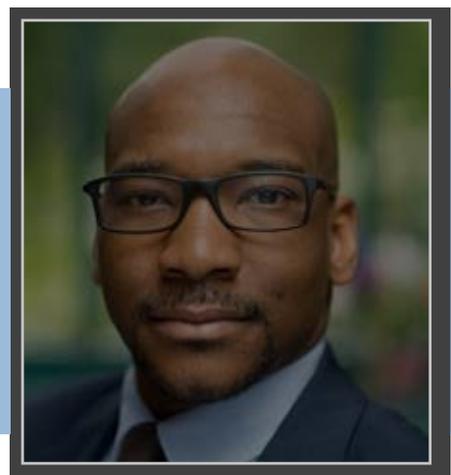
Bordia: The ways in which information / data is made available to real estate investors is rather fragmented. It is almost impossible to find out about the different types of real estate. You must really know exactly how to use this data to make money.

Is: I see that a large number of companies have data but not know exactly what they should do. It is clear that companies with a good data infrastructure better to do than their competitors. If data are not structured in the right way, a risk that they will not be aware of this. Needless to say that data must always be verified.

Crowe: Integration is increasingly becoming part of the future of real estate. There are more and more real estate investors in REITs (Real Estate Investment trust).

Hesp: "We have not yet mentioned are legislation. It is good that legislation, but it is more obligations on the shoulders of fund managers,

> **Bert Lesterhuis** is Senior Fund Manager Beursgenoteerd Vastgoed en werkt sinds 2009 bij MN. Hij is verantwoordelijk voor de Europese beursgenoteerde vastgoed-portefeuilles. Voorheen is Lesterhuis ook verantwoordelijk geweest voor de Amerikaanse en de Azië-Pacific beursgenoteerde vastgoedportefeuilles bij MN. Voor MN werkte Lesterhuis als broker bij SNS Securities en Petercam met vastgoed aandelen als specialisatie. Hij studeerde Bedrijfseconomie in Tilburg en rondde de VBA- opleiding af aan de Vrije Universiteit Amsterdam.





> **René Rijk** is sinds 2008 werkzaam als Portfoliomanager Alternative Investments bij TKP Investments (TKPI). TKPI is een zelfstandig opererende business unit binnen Aegon Asset Management. Als portfoliomanager is hij medeverantwoordelijk voor de Europese niet-beursgenoteerde vastgoedbeleggingen. Voordat Rijk naar TKP Investments kwam, werkte hij vanaf 2007 als Market Data Manager bij ING Investment Management. Hij studeerde Finance aan de Rijksuniversiteit Groningen en hij is een CFA Charterholder.

how it is questionable whether the smaller operators may continue to comply with that. In addition, the number of pension funds will decrease further: greater become even larger and smaller.

Rich: Legislation to ensure greater transparency and liquidity in the market, which is favourable for real estate industry. I am not sure that legislation is only detrimental, often is the opposite.

There are still concluding remarks?

Joosten: Main very clear, futures sustainable have vision on the strategy and its implementation.

Hesp: I would once again emphasise that the securities investment is becoming increasingly important for institutional investors.

Is: You must ensure, in particular the right assets and partners.

Crowe: Real estate interesting adapting to the new economy. There is also scope for innovative REITs.

Lesterhuis: Real estate is surrounded by much noise, but if you continue to focus on the fundamentals, you where you want to be.

Rich: Focus is the magic word. As a long-term investor for pension funds it is important to you in the fundamentals. Short-term disturbances, such as the election of Asset in that framework less interesting.

The Aert: In the current investor world the use of big data on the basis of a consistent framework the key to success.

The sustainability of a building will be just as important as the position.

CONCLUSION

The real estate market généralise is too great. In the Netherlands, we have in recent years have seen a sharp increase in the housing market. The commercial property market has lagged behind the economic cycle and is expected to on the right places a move up. Historically, the most cycles commercial property around fifteen years. So the present cycle is certainly until 2020. The extremely - low interest rates, the cycle less style, but probably longer will be than normal. Asset make much noise and cause some uncertainty, but it has as yet little effect in property markets. On the Brexit perhaps in the short term of uncertainty and volatility, but as a hub

London will continue in the long - term, an important issue center in Europe. At the moment, the best opportunities for real estate in add value. That means real estate purchase and transform, another destination; to adapt to the new economy. The sites and liquidity risks in the value add-market can be high. Emerging interests affect bond markets more than property markets and stock markets remain not unmoved. Thus, even if the interest, property and a good investment category. An integrated approach to real estate with high probability of the future. Sustainability more and more important and more and more in the investment process.