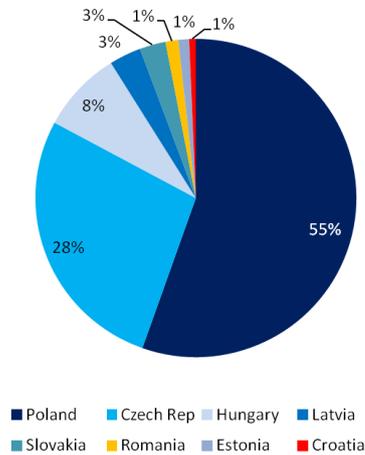


# German Open-Ended Funds (GOEFs): Eastern European Investment Market Impact

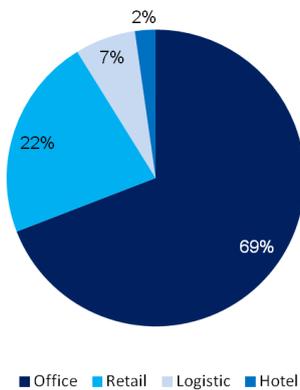
## INTRODUCTION

### Current GOEF Holdings [Eastern Europe, by Country]



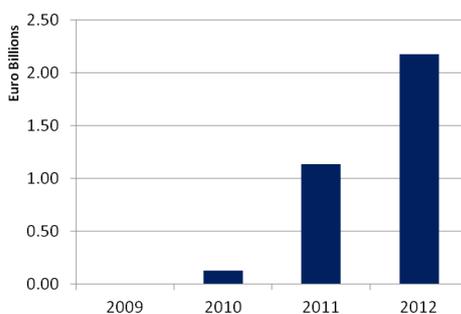
Source: Colliers International/Various GOEF Annual Returns

### Current GOEF Holdings [Eastern Europe, by Sector]



Source: Colliers International/Various GOEF Annual Returns

### GOEF Liquidation Announcements [Eastern Europe; Value of Assets]



Source: Colliers International/Various GOEF Annual Returns

- This report examines the current and potential impact emanating from the liquidation of German Open-Ended Funds ('Offene Immobilien-Publikumsfonds' as they are termed in Germany) on the Eastern European investment market. These GOEFs are a specific group of property investment vehicles which as of end 2012 held assets worth around €83 billion globally.
- GOEFs are managed by 'household names' in the investment community such as Deka Immobilien Investment GmbH and Union Investment Gruppe. Thus it is important to make clear that this report focuses only on the current and future prospects of GOEFs and not the other property investment vehicles (such as 'Offene Immobilien-Spezialfonds') managed by such large European investment houses active in the market.
- The primary difference between GOEFs and other fund vehicles, such as Spezialfonds, is that GOEFs are open to both retail (public) and institutional investors, whilst Spezialfonds are only available to institutional clients. It would appear that the often conflicting needs of retail and institutional investor groups, combined with declining market conditions in the aftermath of the financial crisis has destabilised the GOEF structure resulting in the loss of fifteen funds to liquidation in little over two years. Additionally, regulatory changes across Europe and in Germany have created a need to align laws with the EU's Alternative Investment Fund Manager Directive by January 2013.
- Given the uncertainty surrounding the sector, this report explores the possible impact of GOEF announced liquidation activity on the Eastern European investment market.

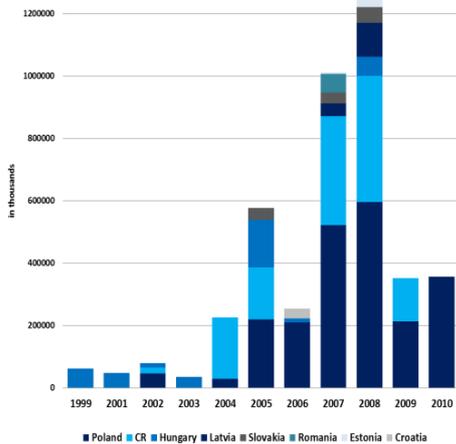
## GOEF ACTIVITY IN EASTERN EUROPE

- According to GOEF official reports published between 2010 to mid December 2012 assets currently held in Eastern Europe are worth around €4.5 billion. This includes assets acquired since 1999. The majority of these GOEF assets are located in Poland (55%), Czech Republic (28%) and Hungary (8%). By sector, it is evident that offices are by far the favoured form, accounting for 69% of all assets currently held, followed by retail which accounts for 22% of all GOEF assets.
- As of 2010, there has been limited new GOEF acquisition activity as a total of eleven GOEFs historically active in the Eastern European region have given notice of their decision to liquidate. This represents more than half of the twenty-one GOEF vehicles that have invested in Eastern Europe to date. These eleven funds have acquired a total of thirty nine assets, representing €2.175 billion – around 50% - of the total value of GOEF assets held in the Eastern European region.
- As of mid December 2012, however, only five of these assets had been sold for a reported €363 million. This includes the very recent sale in Q4 2012 of Marynarka Business Park, Poland by DEGI International to Heitman, for €130 million.
- Given that the aforementioned asset sale activity represents only 17% of the value of the GOEFs which have announced liquidation, a further 83% is yet to be divested. Whilst it could take a number of years for this divestment to occur – some funds have up to a five year window to manage these disposals - this will add to overall deal flow in the market. Based on investment turnover in recent years, ranging from €4-12 billion per annum, these liquidated assets could represent 10-20% of turnover per annum if closed in the next two years.

## FUTURE DEAL FLOW IMPACT IN EASTERN EUROPE

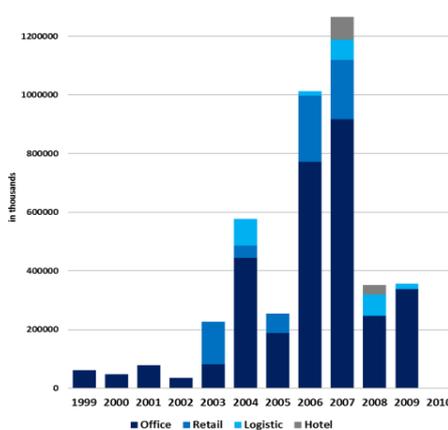
- Unfortunately, GOEF divestment activity will not give the widespread Eastern European investment market the shot in the arm it needs, given that the majority of assets are held in the more buoyant markets of Poland and the Czech Republic.

**Current Asset Value of GOEFs Under Liquidation** [by Country; Year of Acquisition]



Source: Colliers International/Various GOEF Annual Returns

**Current Asset Value of GOEFs Under Liquidation** [by Sector; Year of Acquisition]



Source: Colliers International/Various GOEF Annual Returns

## German Open-Ended Funds (GOEFs): Eastern European Investment Market Impact

- Whilst we may start to see more activity in Hungary as a result of divestment, a number of the assets held would not fit within the core/core plus strategy of most active investors, thus will be difficult to trade.
- More generally, it is evident that the majority of assets to be divested fall within the office sector. It is also noticeable that the bulk of assets were acquired during the peak pricing years of 2007 and 2008, so some assets may have to be sold at lower capital values if traded now.

### THE FUTURE FOR GOEFS

- While some GOEF vehicles have been pushed into the need to liquidate, UBS, RREEF, Union, Deka and SEB continue to manage assets held by their active GOEFs. Deka and Union Investment benefit from nationwide German branch networks, helping to register record inflows into their GOEFs up until late 2012.
- Equally, reports in the press in September and October of this year highlighted that draft legislation proposing a ban on new open-end property funds had prompted a run on GOEF permits (from financial supervisor BaFin). The establishment of new GOEF funds supports the desire of the German government to position GOEFs as a medium to long-term investment vehicle, open to private investors via their 'Act to Strengthen Investor Protection and Improve the Operation of Capital Markets'.
- That said, the chance of growth in the sector appears to be limited given the greater increase in applications to create 'Spezialfonds' (also supervised by BaFin) - the closed-ended brother of the GOEF, targeted specifically at German institutions such as pension funds and insurers. Over the past year Spezialfonds have grown in size to ca. €35.5 billion worth of assets at end 2012 from €31.4 billion at end 2011. Concurrently, GOEFs have seen their overall size diminish from €85.1 billion to €83.1 billion over the same time period.
- At this juncture, while it seems unlikely that the majority of active GOEFs in the region will need to divest the ca. €2 billion of assets they have accrued, some of these funds may come under pressure to liquidate leading to further divestment and deal flow. Those which remain are likely to develop strong positions in the market, and continue as active buyers across the core markets of Eastern Europe. Evidence of this comes in the closing of three Polish deals in Q4 2012, transacted by Union, Deka and RREEF GOEFs respectively for a combined €600 million.
- Overall, the clear message is that while GOEF liquidation and divestment is very real, it will not lead to a flood of deals thus reducing any fear of widespread panicked selling or major asset re-pricing.



**Damian Harrington, MRICS; MSc**  
Regional Director - Research & Consulting  
Eastern Europe Regional Team |  
CEE Investment Services

**Mobile +358 400 907 972**  
Main +358 985 677 600  
[damian.harrington@colliers.com](mailto:damian.harrington@colliers.com)

**Juliane Priesemeister, MSc**  
Regional Research Analyst - Research & Consulting  
Eastern Europe Regional Team

**Mobile +420 226 537 618**  
Main +420 739 009 345  
[juliane.priesemeister@colliers.com](mailto:juliane.priesemeister@colliers.com)

[www.colliers.com](http://www.colliers.com)

| GOEF Funds Under Liquidation | Active GOEF Funds                      |
|------------------------------|--|
| Axa Immo-select              | Commerzreal hausInvest europa          |
| CS Euroreal                  | Commerzreal hausInvest global          |
| CS Property Dynamic          | Deka-Immobilien Europa                 |
| Deği Europa                  | Deka-Immobilien Global                 |
| Deği International           | Deka WestInvest InterSelect            |
| Deği Global Business         | Focus Nordic Cities                    |
| KanAm Grundinvest            | RREEF grundbesitz global               |
| SEB ImmoInvest               | SEB Immo Portfolio Target Return Funds |
| SEB Global Property          | Unilmmo: Deutschland                   |
| TMW Immobilien Weltfonds     | Unilmmo: Europa                        |
| UBS(D)3 Sector REE           |  |

Source: Colliers International/Various GOEF Annual Returns