



LaSalle Investment Management: Building a €1.2 bn pan-European real estate fund, LaSalle E-REGI

LaSalle are celebrating the tenth anniversary of their flagship open-ended pan-European fund; LaSalle E-REGI which has developed a robust and impressive history in the last decade. The Fund has a well-diversified core portfolio with a proven track record and strong sustainability credentials, unique investment characteristics and excellent performance which has exceeded €1 billion gross asset value.

Uwe Rempis, Fund Manager of LaSalle E-REGI and Managing Director – KVG at LaSalle Investment Management answers a few questions about the Fund's investment strategy and discusses the milestone achievements since inception.

LaSalle E-REGI, the open-ended pan-European real estate fund has generated total returns of 6.6% and raised more than €772m in equity commitments since inception, what is the success behind the fund?

When we launched LaSalle E-REGI in 2011, our objective was to create a diversified pan-European property fund with exposure to transparent markets in European cities with strong growth. The Fund is known for its dedication to its proprietary research, the European Regional Economic Growth Index (E-REGI) which identifies the cities and regions across Europe that have the greatest economic impact. In addition, our "on the ground" deal sourcing capabilities and proactive asset management and has enabled us to capitalise on market opportunities and achieve an excellent track record in terms of fund performance.

What is one of the greatest achievements of the fund that you are most proud of since taking on the role as Head of KVG in 2016?

I'm very proud of the impressive track record that the team has earned over the last decade and I'm very pleased to be able to celebrate the tenth anniversary of LaSalle E-REGI this month. We have built an experienced team since I took on the role in 2016 who have been instrumental in building a balanced and stable portfolio, and more importantly, are dedicated to helping our clients achieve their goals. Moreover, surpassing the €1 billion threshold for the

size of the Fund is a testament to the attractive and important investment proposition that we offer to institutional clients.

The demand for logistics space has risen exponentially recently. Do you think the logistics sector will continue to be an attractive property sector to invest in after the pandemic?

Yes, the logistics sector has already displayed remarkable resilience throughout the crisis. We believe that this sector will continue to see strong performance, driven by the exponential growth of e-commerce and an increase in occupier demand which has been accelerated by the COVID-19 pandemic. As a result of this, land scarcity rents are increasing for the best quality core logistics in the strongest locations, so the logistics sector has been and will be very competitive in years to come. We've been steadily increasing the fund's exposure to the logistics sectors on behalf of our investors to capitalise on the strong tailwinds and the recent events that have served to strengthen our view of the asset class.

Please can you outline the LaSalle E-REGI investment strategy and provide examples of diversification?

Besides sectoral and geographical allocation, the LaSalle E-REGI investment strategy is defined by the following three pillars:

- Manage to Core – assets in strong locations and shorter leases that have some vacancy and/or refurbishment needs. There is an opportunity here to create value with active asset management
- Core Higher Yield – assets with long leases in niche sectors providing long-term secure income return
- Prime Core – sustainable core assets in strong location with long leases and strong covenants which forms the backbone of the fund

With respect to geographical allocation, Germany has been the strong backbone of the fund with a target allocation 40-60%, followed by France, Netherlands, UK, Spain, CEE and the Nordics. On the sectoral

allocation the Fund had strategically a high allocation in office (40% - 60%), but this is going to be reduced to 40-50% with reallocation towards logistics and residential.

Our office portfolio has seen significant rental uplift with for some assets doubling rents and value. For example, the biggest asset in the Fund, Rue de Clichy is a landmark core office building located on the edge of Central Business District in Paris. Having gone through a programme of refurbishment, the asset is now fully let to a global tech company on a nine-year firm lease, a single let at a rate that was nearly double the previous level, which will help drive further strong performance.

Our most recent acquisition was a residential development with 230 units in Berlin-Pankow and is the perfect foundation to grow our exposure in this sector. Located in one of the fastest growing city districts of Berlin the building offers a unique offer for families. Given the first-class amenities, we expect this development to be fully let by Q3, 2021.

According to the findings from the 2021 edition of the Investment Strategy Annual, our annual client report, those investors who can be active on both sides of a growing chasm between favoured sectors such as logistics and residential will be the most successful.

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ESG has rapidly increased in importance in the real estate industry, how have you incorporated ESG into your investment strategy and planning for future developments?

As a real estate investment manager, LaSalle has been an active player in sustainability for more than a decade. We are committed to integrating ESG in our investment strategy, asset management activities and maximizing investment performance for our investors' while minimizing our impact on the environment. We have been actively managing our diversified core portfolio by targeting either newly built assets with strong ESG credentials or those we can refurbish quickly over the holding period. The Sustainable Finance Disclosure Regulation (SDFR) classifies LaSalle E-REGI as an Article 8 fund that promotes environmental and social characteristics; 75% of our assets are certified with the highest credentials and we are targeting for 90% certification rate this year.

LaSalle E-REGI has been awarded the prestigious green star rating by the Global Real Estate Sustainability Benchmark (GRESB) for the last three years. GRESB is important for the Fund because it allows us to assess, measure and benchmark the ESG performance of our assets. We use the data

and GRESB's analytic tools to identify opportunities and implement sustainable best practices which will deliver superior investment performance for our investors. Furthermore, as investors continue to seek more transparency around reporting, GRESB is a very effective way for us to provide transparency of sustainability performance in a consistent format.

In line with our commitment, we have just recently published our Pathway to Net Zero Carbon which sets out the steps to decarbonise our real estate portfolio and deliver net zero carbon buildings by 2050. Furthermore, technology has been important in developing and managing our portfolio of assets. For example, through our online platform; the Sustainability Management Programme, we have been able to track environmental data such as energy consumption and waste which has helped LaSalle to realise a significant reduction in the environmental impact of our portfolio.

What is forecasted for the fund in years to come?

We are taking a cautious approach and will continue to grow the Fund, but with prudence. Our capital raising targets will allow us to grow the Fund to €1.5 billion GAV within the next 2-3 years. We are

constantly analysing the asset classes and will selectively sell and continue to buy assets where we see investment opportunities in growth cities which we deem accretive to the fund's target returns. Ultimately, we want to keep a diversified but well-balanced portfolio to reduce risks and generate excellent return for our investors, of which we expect more capital inflow from German investors. Therefore, our current focus in years to come is to reduce office allocation to 40-50% and reinvest new and recycled equity into the residential and logistics sector. Despite the uncertainty, the Fund has consistently outperformed the MSCI S-FIX benchmark which is why we look forward to the next years and the next chapter in our success story.

To find out more about LaSalle E-REGI and the fund's investment philosophy and opportunities, please [click here](#).

Dated: 2021. LaSalle Investment Management Kapitalverwaltungsgesellschaft mbH, Viktualienmarkt 8, 80331 Munich, Tel. +49 (0)89 2111130, Amtsgericht Munich HRB 185344. © Copyright – LaSalle Investment Management Kapitalverwaltungsgesellschaft mbH 2021. All rights reserved. No part of this publication may be reproduced by any means, whether graphically, electronically, mechanically or otherwise howsoever, including without limitation photocopying and recording on magnetic tape, or included in any information store and/or retrieval system without prior permission of LaSalle Investment Management.

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