

Schwerpunkt Immobilien-Leasing

“The credit-worthiness of the tenant is as important as the quality of the real estate”

Redaktionsgespräch mit Jan Kärst

Eigenkapital ist wieder begehrt. Folglich müssten Produkte, die den finanziellen Spielraum der Unternehmen erhöhen, reißenden Absatz finden. Immobilien-Leasing wäre so ein Produkt. Doch hierzulande steht das Geschäft nahezu still. Warum das nicht so sein muss, erläutert der COO von W. P. Carey im Gespräch. Seit mehr als drei Jahrzehnten sucht sich der Sale-and-Lease-back-Anbieter mittelständische Partner, die ihre Immobilien nicht selbst halten wollen, sondern dafür einen langfristigen Investor wünschen. Das Modell aus Leasing, REIT und Fonds könnte auch dem hiesigen Markt neue Perspektiven öffnen. (Red.)

I&F W. P. Carey is currently one of the few investors making extensive capital investments in the real estate market, despite the current crisis in the financial and real estate markets. What is so remarkable is that you are using the sale and leaseback structure which has not been a common form of investing in Europe. How does your investment approach differ from what others are doing?

W. P. Carey is a long-term investor with a business model based on the sale and leaseback of commercial real estate to individual corporates or, in some cases, public entities. We have been in this business for 35 years and have never strayed from our path. Though there always have been and continue to be opportunities to expand the business into other areas, we have concentrated on our traditional investment strategy and risk management process. We want to remain a focused long term real estate investor, so that our investors and tenants always know what to expect.

I&F What type of properties are you buying?

In principle, we are interested in any type of real estate except for nuclear plants. We place great emphasis on two aspects. The first is risk distribution, which means that we check whether the property is a good fit for our portfolio and is consistent with our strategy of diversifying by tenant, location and

industry. To date we have purchased company headquarters, retail properties, distribution centers, warehouses and similar real estate. Secondly, we do not invest primarily in real estate but rather focus on the credit-worthiness of our tenants and their ability to fulfill their lease obligations over the long term. We do not base our investment decisions on how much the property will appreciate in value over the course of time, rather we only focus on those properties which are being utilized by a single tenant and are mission critical to their business. Multi-tenant properties are too manage-



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Jan Kärst, Chief Operating Officer, W. P. Carey International, New York.

ment-intensive and risky to fit into our business model.

I&F Where does the capital come from?

The required equity is supplied by publicly held none traded REITs sponsored and managed by W. P. Carey. At present, our portfolio is valued at approximately US-Dollar 10 billion, of which US-Dollar 4.5 billion is equity, and we are looking to invest an additional US-Dollar 1 billion over the next twelve months. We have been able to demonstrate more than three decades of sustained success. As of the middle of August, our current fund, CPA:17 – Global, had raised US-Dollar of approximately 550 million.

I&F Do you feel the credit crunch?

Yes, although we have benefited from having high equity percentages and therefore our investments required lower leverage. Consequently although challenging, getting credit has not been as great a problem for us as for others.

As far as we're concerned, the capital market has not dried up, though overall it has become more difficult to obtain bank loans as banks are implementing far more intensive reviews than just a few years ago. Bank margins have increased noticeably, and amortization rates have also risen. Furthermore, banks are

now only picking the cream of the crop. However, we are fortunate to have been able to obtain fixed interest loans with terms of seven to ten years.

I&F Who are the investors?

Our funds are mainly designed for private individual investors who purchase shares in our REITs. Our experience has

Our customers include many medium-sized companies – mainly from the U.S. but increasingly from Germany and Europe as well – that are looking for a strategic investor for the real estate they need to run their businesses. Our partners do not want to tie up their equity in real estate that does not represent their core business, but at the same time they want to maintain control over their site. As a result they are looking for a partner

companies view their real estate holdings as their silverware, so to speak. They are afraid that their reputation will suffer, if it becomes known that they are selling their properties. Europe is currently experiencing a change in cultural attitudes, as real estate assets can sometimes create considerable burdens for a company's balance sheet structure and income situation.

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been, that many of them invest as part of their individual retirement planning strategies. In total, we manage fund shares on behalf of over 100,000 investors. This target group places a higher value on long-term, stable and mostly low-risk investments as opposed to short-term volatile investments. The typical term of our funds is eight to 12 years.

I&F At this return, can your funds be viewed as a no-risk investment?

No, because there is no such thing as no risk. Yet risk can be managed by building a well diversified and balanced portfolio. Based on the selection of lessees and properties, as well as the size of the portfolio and long-term investment strategy, our risks can be managed.

Our default rate is one percent in relation to our total portfolio. Of course not every investment is as successful as we

who will take over and manage the property but not sell it in the short term in order to take advantage of its appreciation.

For our part, we are interested in the company's credit-worthiness. That doesn't mean the company needs to

Increasingly companies are trying to sell their real estate, and use the funds generated in this manner to strengthen their competitive position by making other investments. To these strategically minded companies we present ourselves as a long-term investor in their real estate holdings, because they don't have to worry that their properties will be traded on the real estate market every couple of months.

At the same time, one difficulty at present is that on all real estate markets there is a great difference between the prices envisioned by sellers and buyers, as a result of which very few transactions actually take place. Many sellers

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be investment grade, but it should have a solid business model and a long-term perspective. The formula is really quite simple: the lower the credit-worthiness, the higher the lease rate. We capitalize these firms by purchasing their property, which in effect secures our investment. At the same time they can often reduce

have not understood the market developments. For us that represents a problem: we are never in the group that offers the highest price. We offer sellers a product that contains components that would not be offered by an opportunistic investor.

I&F But when do you sell your holdings?

We do not sell as long as there is a lease agreement and there are no problems with the tenant. Leases generally have a term of 20 years. The leasing rate is based less on the potential for appreciation and more on the value of the land and the tenant's credit-worthiness.

We also take into account the probability of obtaining an extension to the lease. In most cases, companies will request an option to extend the lease. During the last ten years, we have sold less than one percent of our European property holdings.

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may expect. If an industry such as the automotive sector and its suppliers are suffering from the economic crisis, we are also affected in our role as lessor.

I&F What companies are a good fit for your sale and leaseback model?

their balance sheet obligations and improve their key figures.

I&F How difficult is it to convince German companies of the sale and leaseback model?

It's difficult but not impossible. In Germany and continental Europe, many

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