



# BPT HANSA LUX SICAV-SIF

## QUARTERLY FUND REPORT Q4 2018<sup>1</sup>

### COMMENTARY

BPT Hansa SICAV-SIF is a direct real estate fund investing in commercial properties in Northern Germany, mainly Berlin. The fund is designed for institutional investors, German and international, and should be seen as a long-term investment product.

### CHANGE OF MANAGER

Sebastian Russ has joined Northern Horizon Group as of March 1st to take the role as Fund Manager of BPT Hansa Lux SICAV-SIF and as Managing Director in Germany. Mr Russ has more than 12 years of working experience and brings with him several years of real estate investment and fund management expertise. He will personally introduce himself in more detail to all shareholders of BPT Hansa SICAV-SIF.

### ACTIVITIES OVER THE QUARTER

During Q4 2018, the NAV has increased from EUR 127.84 (30 September 2018) to EUR 132.96 (December 2018) which was caused by year-end property valuation gain of EUR 1.3m

In Q4 2018, the average occupancy of the portfolio decreased to 87% and was below by 12% from previous quarter due to the newly acquired property that is not fully let. Net rental income amounted to EUR 529 thousand in Q4 2018 (EUR 3.17m YTD Q4 2018). This is lower than in the previous quarters, as the respective SPV recorded no income in October: Trachenbergring was acquired in November and the disposition of the Dahlem property was closed already end of September.

The Fund's direct property yield (DPY) increased from 5.8% (Q3 2018) to 6.5% in Q4 2018.

The DPY of the Wärtsilä property in Hamburg slightly decreased to 7.5% (7.6% in Q3 2018) which is still above the budget (7.4%). The DPY in Bessemerstraße decreased to 8.1% but still continues to outperform its budget (7.4%), while the DPY in Walsroder Straße increased slightly to 6.8% (Q3 2018: 6.7%) but still remains above the budget (6.5%). The DPY in the newly acquired property in Trachenbergring is at 4.6% which is below the budget (4.9%).

<sup>1</sup> based on unaudited figures

### Fund performance

NAV per share (IFRS)	EUR 132.96
Latest dividend per share, EUR (paid out in Q2 2018)	EUR 3.0
Total return since inception	46.9%
Return since inception annualised	3.6

### Portfolio

Number of properties	4
Average gross property value	EUR 13.1m
Occupancy ratio (quarter average)	86.8%

### Fund facts

Fund inception (as of the first NAV)	January 2008
Expected exit	2023
Status	Closed-end
Total share capital	EUR 24.3m
Net asset value	EUR 32.4m
Gross property value	EUR 52.4m
Gross asset value (GAV)	EUR 58.8m
Total cash and cash equivalents	EUR 2.6m
Loans	EUR 21.2m
Loan to value	40.5%
Interest coverage	2.06

### Top 5 holdings

Trachenbergring 93	Office	Berlin
Bessemerstrasse	Office	Berlin
Wärtsilä	Office/Industrial	Hamburg
Walsroder Strasse	Office	Hanover
Weight of total gross value		100%

Top 5 holdings based on gross property value.

### Fees

Management fee	0.75% p.a. of GAV of the portfolio
Acquisition fee	0.3% of the total acquisition sum
Incentive fee	20% above a hurdle rate of 7% RoE
Subscription fee	max. 1.95% (depending on size)

The closing of the Trachenbergring investment, which took place on the 15 November 2018, mainly drove the fourth quarter of 2018. The property is a value-add office building in Berlin-Tempelhof with a size of approx. 8,770 sqm. The property has huge potential in regards of rental development due to an under-rented performance over the past years. The current rental income is EUR 1.1m p.a. and is secured by a rental guarantee of the former owner. The total investment costs are EUR 19.4m which results into a gross price per sqm of EUR 2,206. The deal structure was a share deal – the fund purchased 100% of the shares of the property holding company.

## MARKET OUTLOOK

According to JLL, the total transaction volume of the German commercial real estate market kept rising for the 8th year in a row. Due to a very active Q4, it finally amounted to EUR 60.2bn (+5% vs 2017) end of 2018. Approx. half of the investment volume, EUR 32bn, can be counted up to office investments (+15% YoY) and EUR 11bn to retail investments (-6% YoY). Property investors were mainly targeting the Top 7 cities, which accounted for 80% of the total volume. The market was equally split among domestic and foreign investors (49% vs 51% according to CBRE). The high transaction volume is even more remarkable if you consider that only 18% of all deals were portfolio transactions.

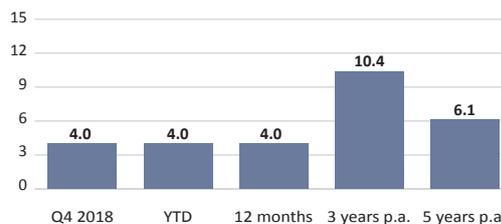
The ongoing huge inflow of capital has caused further yield compression across all the market segments: in the Top 7 cities, prime office, retail and logistic assets now yield on average 3.2%, 3.1% and 4.0% respectively – the lowest levels since when the historical series were recorded. No big further yield compression is foreseen. Regarding vacancy rates, the average of the Top 7 is 4.2%, with the lowest rates below 3% recorded in Berlin and in Munich.

On the macroeconomic side, Germany's GDP grew by 0.6% in the 4th quarter of 2018 compared to the same period of last year. German GDP is growing for the 9th consecutive year (+1.5% in 2018 vs +2.2% in 2017). The main reasons for the slower growth can be found in the weaker global economy, sales problem in the car industry and increased geopolitical tensions. In any case, the economic expansion should continue also in the coming quarters. The government is projecting a growth rate of 1.1% for 2019 and 1.7% for 2020. The unemployment rate was 4.9% (-40bps YoY), with 45.2m people employed (+1.1% YoY).

Inflation rose to 1.9% (vs 1.8% in December 2017), mainly due to increasing energy prices. However, for the next 2 years lower values are forecasted (1.4% in 2019 and 1.5% in 2020).

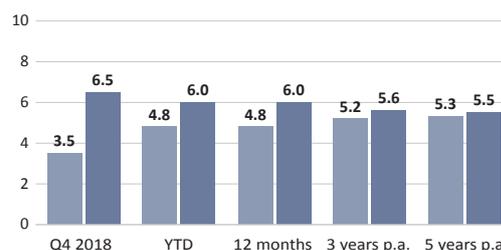
On the monetary side, interest rates in the Euro area are expected to remain stable for the next months, with a possible small hike only in the last quarter of the year. As of today, the 10-year German Bund yields ca. -0.05%

## Total Fund Return



Total fund return is calculated as NAV-to-NAV taking into account distributed dividend and net capital invested for the year

## Net initial yield (NIY) p.a. and direct property yield (DPY) p.a.



NIY (light blue) is calculated as the net operating income divided by gross property value annualized. DPY (dark blue) is calculated as the net operating income divided by the acquisition costs annualized.

## Development in NAV per share



Development in NAV (light blue) is excluding reinvested dividends. Historical dividends (dark blue) will be shown at the time they are deducted from the NAV per share.

## Allocation in percent



Allocation is calculated based on gross property value.

## FUND MANAGER



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