



A long-term partnership between pension funds and retail players

Only a small portion of total investments is dedicated to the retail sector

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1. Introduction

The total investments of the Italian institutional investors in the real estate sector are in the order of € 43 bn. About € 20 bn comes from insurance companies (ca. € 19 bn) and bank foundations (€ 1 bn), for which, traditionally, real estate represents a small portion of their portfolio (ca. 2%). The largest portion (€

22,3 bn) comes from the welfare system, both public (INPS and INAIL) and private entities.

22 different pension schemes, privatised by the Italian Government in 1994 and 1996, represent by far the largest institutional investor in the Italian real estate industry, with more than € 12,7 bn invested in real estate



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(see below - Table 1).

TABLE 1 - WELFARE SYSTEM OVERVIEW

			ACTIVE MEMBERS	REAL ESTATE INVESTMENTS (€/BN)
SOCIAL SECURITY	PUBLIC PENSION	INPS	19 MLN	3,1
		INAIL		2,8
	PRIVATE PENSION	15 PRIVATISED BODIES (D.L. 509/94)	2 MLN	12,7
		7 PRIVATISED BODIES (D.L. 103/96)		
SUPPLEMENTARY SOCIAL SECURITY	<ul style="list-style-type: none"> CONTRACTUAL AND OPEN FUNDS EXISTING FUNDS 	<ul style="list-style-type: none"> MARIO NEGRI FUND (E.G.) 	0,5 MLN	3,7
TOTAL			21,5 MLN	23,4

Source: estimates based on INREV/Assoimmobiliare data, 2012

Historically these players used to invest mainly in the residential sector through direct ownership. Starting from late '90s their investment strategy began to switch towards the office sector via real estate funds. Only a small portion of the total Italian investments, even today, is dedicated to commercial sector, that, on a pan-European scale, represents the second most important asset class among the institutional investors.

2. Rationale of the transaction

On such a basis, considering the large room for investments in the commercial sector, we envisaged the opportunity to establish a dedicated Fund, to bring together the leading Italian institutional investor (ENPAM) and one of the largest European retail-

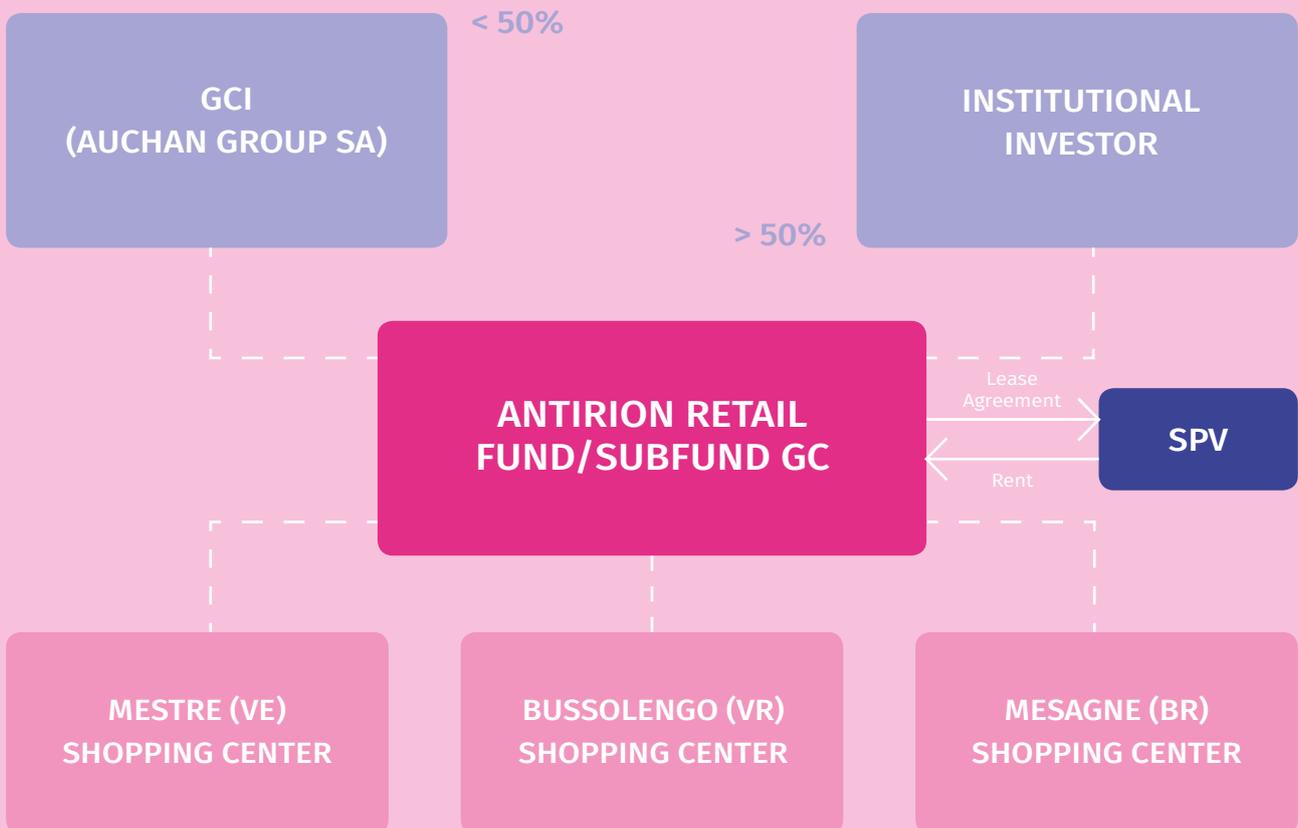
lers (Auchan Groupe SA) in order to create a real partnership based on few, shared, principles:

- LONG TERM view (20ys Fund);
- STABILITY and COMPLEMENTARITY of the Partners:
 - #1° Italian Pension Fund with over 450,000 subscribers;
 - International leader in the retail sector with over 300,000 employees worldwide and 160,000 employees as shareholders;
- ALIGNMENTS OF INTERESTS (Gallerie Commerciali will still be providing property and leasing management services to the transferred assets, while at the same time being a minority investor in the Fund);
- QUALITY OF THE REAL ESTATE PORTFOLIO.

The result of such a long term partnership is the establishment of a dedicated sub-fund, managed by Antirion SGR (see below - Table 2).

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TABLE 2 - STRUCTURE OF THE TRANSACTION



3. Overview of the transaction

The portfolio is worth € 266 million with a gross lettable area of nearly 60,000 sqm. The malls are located across Italy in Mestre (Venice), Bussolengo (Verona) and Mesagne (Brindisi). The future extension of the Bussolengo shopping mall is also part of the transaction and it will be transferred to the Fund at the time of its opening. The three hypermarkets within the shopping centers are still owned and managed by Auchan SpA and not included in the transaction.

**TABLE 3
PORTFOLIO OVERVIEW**

	TOTAL GLA (MQ)	# SHOPS	# VISITORS 2013
MESTRE (VE)	28.625	120	6.415.806
BUSSOLENGO (VR)	3.994	36	3.533.436
MESAGNE (BR)	13.000	59	3.785.081
TOTAL PORTFOLIO	45.619	215	13.734.323

The portfolio is characterised by:

- Assets **newly built or recently renovated**;
- Properties with **very low vacancy rates** and solid track record;
- Constructed and managed by an **industry leader**;
- **Strategic location** with good visibility and ease of access;
- Great tenant mix and strong brands.

With the completion of such a transaction, Antirion, an independent Italian SGR (Società di Gestione del Risparmio – Asset Management Company), active in the set-up and management of closed-end real estate funds aimed predominantly at institutional investors, confirms its ability to create products in line with the best practice on the international markets.

**This article is an abstract of the lecture “Partnership di lungo periodo fra operatori immobiliari retail e pension funds”, held by Gian Marco Nicelli, CEO of the Company, at the seminar hosted by Italian CNCC in Milan, October 16th, 2014*