

Il Sole 24 Ore – The Property world – 05/14/06 - by Paola Dezza

Key players. Valter Mainetti's SGR is looking abroad and meanwhile is preparing the Tiziano Fund

SORGENTE CONQUERS NEW YORK

Sorgente SGR is putting into effect an all round strategy to expand beyond national borders and retain the position it has carved for itself in the real estate investment fund sector. The first step has taken the company across the Atlantic where Michelangelo Properties, in which the Michelangelo closed fund has an 80% stake, the remaining 20% being held by the British property company Goldfay and Watson, has purchased a building in Downtown New York. The building which dates back to the beginning of the 20th century has been completely restructured and cost 250 million dollars (191.5 million euros).

Valter Mainetti, the Sorgente Group's CEO has chosen New York for the good prospects that the city offers and also for the ties his family can claim with the Big Apple. In the early 1900s his maternal grandfather had an interest in property in New York where he founded a company and built the steel structures for several historic buildings including the famous Chrysler building. However the entrepreneur looks at New York "because the prices are low, especially in the Wall Street area, the dollar remains decidedly low compared to the euro and here it's possible to find rare buildings from the first decade of the 20th century which can easily be converted to condominiums, that is from office blocks into residential structures," stresses Mainetti. "The building we have purchased cost 220 dollars per square foot or 2,200 per square meter. Today the building has a yield of 6.5% but with a further 200 dollars per square foot we can convert it into residential accommodation and then look afresh. In this case we could earn 300 dollars per square foot." The investment was carried out in partnership with its American associates. Seventy per cent was purchased by Sorgente and the remaining 30% by the Capital Group. This first step is part of the Sorgente internationalization strategy aimed at diversifying risk by investing in different countries. In the United States this strategy is centered only on New York where Mainetti is negotiating another purchase which, for the moment, remains top secret.

In the meantime the company is about to launch its fifth fund in Italy, after the Raffaello, Michelangelo, Caravaggio and Donatello the new fund will be called the Tiziano Fund. In contrast to the others it will be an open end fund investing in shares in real estate companies listed on the stock exchange and in quotas of closed funds that are also listed. "Investments will be concentrated in Italy although our range of action will cover the whole of Europe," says Mainetti, "The Tiziano Fund is currently awaiting authorization. Once this has been obtained it will be placed on the market."

Expansion abroad also envisages the creation of real estate investment funds operating under foreign law to find new subscribers outside Italy. Once again, the first is in the United States. However Mainetti's company is also turning its sights towards Russia and Eastern Europe, especially countries like Lithuania and Estonia. "We will open two or three branches abroad. We have already opened offices in America. There it is easy to put our plans into effect quite rapidly because the country welcomes foreign entrepreneurs and investors," Mainetti goes on to say. "In other countries, especially in the East, we are looking at what legal instruments to adopt in order to be able to carry out business activities. We are therefore currently studying maneuvers in order to approach the Far East, China and India to start with. We are examining any possible legal problems that could arise in these two countries.