

## **Funds & Management Programmes**

### **A property fund for the Trophy segment**

Property investment fund management companies are always on the lookout for segments or sectors to put their cards on in order to obtain that increase in profits that is always welcomed by investors. Sorgente SGR appears to have identified a new segment, that of high prestige, exclusive buildings that the Anglo-Saxons call “Trophy” buildings.

A survey commissioned by Sorgente and carried out by Scenari Immobiliari will show, and Affari&Finanza is able to give a preview of the results, the potential this sector can offer in the long term.

Scenari Immobiliari has looked at Trophy buildings, in both the residential and office segments, in some large international cities: New York, Paris, Rome and Milan. The survey highlights the fact that the cities with the highest increase in value are Milan and Rome. For Paris and New York the increase was less substantial though still well noticeable in the residential segment with hardly anything in the office segment. However, the situation is still positive when compared to non-Trophy buildings that even lost something in real terms.

Between 1985 and 2006, in real terms, the Trophy residential property index in Milan (taking 1985 as 100) rose to 474 compared to the average of 375 for the city with 335 in the suburbs. In the tertiary segment for the same period Trophy buildings rose from 100 to 320 compared to the average of 280 and 221 in the suburbs. In Rome the increase was from 100 to 445 for residential (compared to a city average of 370 and 313 in the suburbs) and from 100 to 335 for the business segment (compared to a city average of 300 and 262 in the suburbs).

For the same period in Paris, residential Trophy buildings increased from 100 to 155 (compared to 136 average and 134 in the suburbs). In the tertiary/office sector the rise was from 100 to 110 compared to a general average of 100 (with no appreciation in real terms but only nominal) and 93 in the suburbs (hence a loss in real terms). In New York, the appreciation of Trophy residential buildings was very good (from 100 to 265 compared to an average of 240 and 195 in the suburbs) but for the Trophy office blocks the increase was slight (from 100 to 110 over 21 years) with real term losses both average and in the suburbs.

These figures show that even considering the above differences, the luxury buildings asset class remains particularly attractive for investors, especially because of its greater ability to hold its value when markets contract.

Taking this research as a starting point, Sorgente has developed a project to create a property fund based on this asset class. It will be called the Historic Building Fund though it hasn't yet been decided whether to establish it under Italian or Luxembourg law but it has already been decided that a minority share will be available for major private investors (with a minimum investment of 20 thousand euros). The fund will invest in Trophy buildings in the most promising property markets. “It will be an instrument investing in office and tertiary space,” explains CEO Valter Mainetti, “because these are the only buildings whose rents can guarantee a half year income that is attractive for investors. Residential accommodation, instead, provides too low a monthly income so their appeal for investors is mainly due to the final capital gain”.