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Berlin specialist HPBA sees strong growth in off-market deals

REFIRE met recently with John Amram, the founder and CEO of Berlin-based real estate investment boutique HPBA. We briefly discussed the book, *Clinching the Deal*, published by REFIRE Editions last year. The book provides a clear, step-by-step guide to succeeding in a German real estate bidding process, with an emphasis on retail real estate. Sadly, we realised quickly that Mr. Amram is definitely NOT a good prospect to buy the book.

That's because Amram has built HPBA by largely steering his clients AWAY from bidding processes, and rather to off-market transactions where his business will try to bring the best partners together to close a deal to their mutual satisfaction. Very often, when that happens, the final sum being paid is NOT the only consideration.

As he describes it, HPBA's growth is based on long-term relationships and repeat business. Amram's local knowledge of Berlin, whose commercial or residential property features in many of his transactions, has also been advantageous, he readily admits, given investor hunger particularly for residential assets in the capital.

"In my view, bidding processes don't always bring the best results", he says. "Most participants incur hefty expenses to compete with other bidders, and have to invest a lot of management time and resources - only to mostly walk away empty-handed."

With typically fifty to a hundred investors involved in a bidding process, says Amram, the high costs of due diligence will be taken on by all bidders across several rounds, incurring huge collective expense. In an off-market deal, these costs are only normally incurred at the exclusivity phase.

Family offices and high net worth individuals tend to value discretion highly when investing directly in real estate. Amram's approach is that filtering down potential buyers to a small group or an individual investor is more likely to give both buyer and seller what they want. "This gives buyers a genuine chance of closing a good



deal, while sellers benefit from having a pre-qualified small circle of genuinely interested buyers."

Understanding family offices' differentiated investment approach can help. "They are often more flexible and

less rigid in their yield expectations, and can often take longer-term views than many institutional investors - who may be caught up in the cookie-cutter approach to seeking out asset types and minimum returns.

With less layers of management approval to deal with, family offices can often act decisively, and take instant decisions to progress a deal along - where institutional investors are still reporting back and forth, potentially leading to fatal delays and inability to execute.

Family offices are also notably increasing their wealth allocation to real estate, in a time of negligible - or even negative - interest rates, and extending their reach well beyond the traditional residential and commercial asset types to encompass retail parks, logistics, student accommodation and healthcare assets, among others. Discretion, though, is nearly always uppermost in transactions involving family offices, and for this reason alone many investors shun the openness and transparency associated with a bidding process.

While HPBA normally deals in portfolio volumes of between €100m and €300m, individual assets can be priced at below €10m, upwards. His advice for many of his investors, including wealthy families and individuals from the Middle East and Asia, is that there is still good value in German real estate, so long as the business case is not dependent on continued further strong price rises.

Amram says that HPBA will transact €500m to €600m this year, with its team of five professionals, but is targeting the €1bn milestone by 2019. This is still small in comparison to the big broker groups of JLL, CBRE, BNPPRE, and others - but the amiable Amram says his company's positioning as an off-market specialist means his boutique business can carve out a niche of its own.