

"500 million euros turnover per year is the target"

GBI was previously owned by the Moses Mendelssohn Foundation. Now Henderson Park, a private equity private equity manager now calls the shots. Henderson Park wants to drive the growth, especially with student flats and serviced flats. "We will be announcing a lot about this in the next few months," says GBI CEO Reiner Nittka.

Immobilien Zeitung:

Mr Nittka, you have worked for GBI and thus a foundation for more than 20 years. What is the biggest change for you personally?

Reiner Nittka:

That I am currently taking a refresher course in English. But above all, that Henderson Park works much more analytically than the German Mittelstand. We were already in a really good position compared to other medium-sized developers, especially in terms of digitalisation. But now there's more drive coming in, and I think that's good.

IZ:

Why did the foundation sell?

Nittka:

The founders wanted to retire for reasons of age. And for us as management, a secure future for the company and the employees was important. We had already prepared for the sale at the end of 2021, before the invasion of Ukraine, the rise in interest rates and inflation. That was very fortunate.

IZ:

What share did the Henderson Park fund take in the holding company.

Nittka:

It is about 90%. The rest is retained by the foundation. All projects that are under construction or about to start construction remain in the holding. We are completing these as agreed, which will take another three or four years. All projects that we have acquired since 1 January will go into the newly founded

GBI Group, in which Henderson Park holds 100%. This includes all the companies that already existed, such as the Smart Apartments operating companies, GBI Austria and GBI Capital. In addition, there is GBI Development, which will carry out all started and future developments. So the structure remains the same. That was important to us. And also that we can continue to orient ourselves towards social benefits, for example with subsidised housing. That is part of our DNA and an added value for our ESG products.

IZ:

The fund is a value-add fund. What opportunities for value enhancement does Henderson Park see?

Nittka:

GBI is excellently positioned in areas that promise growth and subsequently value appreciation. In addition, there are culturally different ways of looking at things. When we started to explore the market, there were initially a pleasing number of interested parties. With the downturn in the property market, the first to become cautious were the Germans. But Henderson Park saw the opportunities. And that is now confirmed. Since early or mid-January, we have received more offers for projects than we have in years.

IZ:

But this development was not foreseeable at the beginning of the sales process. Why did Henderson buy Park?

Nittka:

The idea was to enter the German market more strongly - beyond individual investments. Diversification was also an issue: they were looking for a "residential platform" that operates nationwide and in Austria, encompasses all types of housing and has its own planning and construction team. Henderson Park has a lot of office space and, among other things, a portfolio with twelve Hilton hotels in Europe, but no residential in Germany. And that's where the new shareholders see potential for value growth.

IZ:

At Henderson Park, you emphasise that the smart apartments brands are to be further expanded. What is the new GBI Group planning?

Nittka:

Since Henderson Park has a strong affinity with serviced flats, student housing and microliving, we want to grow significantly in these areas. We are open to M&A activities here, but we are also looking for new projects - in development

and also for pure operations. We will be announcing a lot about this in the coming months.

IZ:

In terms of project development volume: What are the goals of the new company?

Nittka:

In the next few years we want to more than double our annual turnover. We are starting from a project development volume of about 200 million euros, and our target is 500 million euros. Two thirds to three quarters should then be privately financed and subsidised housing. In addition, there will be our smart apartments products and, if opportunities arise, hotels as well.

IZ:

How much money does Henderson Park bring to the table?

Nittka:

Definitely enough for us to operate well. Equity has become extremely important. With the approximately 40 million euros in endowment capital that we have successfully worked with so far, we could no longer grow as much in the current economic environment and with the banks' reluctance to lend. Now we also want to get into significantly larger developments.

IZ:

What are the top volumes?

Nittka:

We currently have several large neighbourhood developments on the table. Each of them has a total investment cost of about 400 to 800 million euros. These involve lot sizes of 800 to 1,200 residential units, infrastructure, local amenities and special forms of housing. We would also like to do something like this with our partners in the future.

IZ:

Henderson Park's goal should be to build up its own stock - in other words, to no longer just sell and operate flats.

Nittka:

One thing is clear: we will continue to work with our investment partners. We also want to expand our fund mandates. But we have to see how we do it with student and business flats in the future.

IZ:

Hold until they are stable to take more profit?

Nittka:

Yes, it's all about stabilisation - and that applies more than ever to the real estate market at the moment. With hotels anyway, but it is similar with student and business housing: I have to sell a project under development or construction at a discount. If, on the other hand, I can finish building and wait for the first rent payment from the operator before selling, a higher profit is possible. So it's about being a strong developer, with collateral behind you and a good credit rating. Ultimately, however, it is also about how much equity I can and want to use. Therefore, forward funding will continue to play an important role for us in the future. We will be able to offer our investors participation in large neighbourhood developments or - with Developments to Sell - the finished product.

IZ:

Are there further considerations, for example to push more strongly abroad?

Nittka:

Not at first. However, we want to intensify the business in Austria.

IZ:

What role will subsidised housing play? Henderson Park is unlikely to be keen on subsidy uncertainty and lower returns compared to privately financed housing.

Nittka:

Nobody wants that. But we started years ago to develop subsidised housing and make it investment-ready. It's like Tai Chi: you have to take up the challenge and promote solutions with politicians, banks and investors. At the moment, with Smart Apartments Senior Living, we are intensively addressing the huge future demand for assisted living for the elderly and also want to convince the development banks of this model. Basically, we want to further develop subsidised and privately financed housing. The mix is what makes a neighbourhood. And the demand is there because long-term capital sources with ESG funds want to cover the topics of sustainability and social impact, and the probability of a loss of rent is zero. For Hanse Merkur, for example, we manage a fund that only invests in subsidised properties.

IZ:

Which funds are planned? According to the GBI website, a Senior Living is being implemented.

Nittka:

We want to announce the launch of the Senior Living fund in this half-year.

Similar to the funds with BVK and Hanse Merkur with a large investor and us as manager.

IZ:

Target size 500 million euros?

Nittka:

You are always well off with 500 million euros.

IZ:

And the two planned funds for neighbourhood development and generational living?

Nittka:

It could be a fund with a mixture of both - student housing with a day-care centre on the ground floor, normal housing and housing for senior citizens next to it. Quasi intergenerational living not in one building, but in the neighbourhood. The fund is planned for the second half of 2023, beginning of 2024.

IZ:

What is the investment horizon for Henderson Park?

Nittka:

It is significantly longer than others.

IZ:

Mr Nittka, thank you very much for the interview.

The interview was conducted by Christine Rose.

Explanatory note:

From budget hotels to the Smart Apartments range

The developer and operator GBI was founded in 2001 and is active in Germany and Austria. Until it was sold to a Henderson Park fund a few months ago, the group was always owned by a German family foundation, the Moses Mendelssohn Stiftung.

GBI started with hotel construction in the budget segment. In the meantime, the focus has shifted to flats. Over the years, GBI has built up the micro-brand Smart Apartments. The initial target group was students, but now the company also builds for commuters and corporate expats as well as for senior citizens. In

the commercial segment, there are business flats and, more recently, Smart Apartments Eco with shared kitchens. The operator of the The foundation is the operator of the student flats and commercial flats. In the future, new projects can also be managed largely via a digitalised platform.

According to its website, Henderson Park sees itself as a long-term partner. The word on the street is that private equity manager has an investment horizon of five to seven years.

Christine Rose Christine Rose