

Press cutting

Client: Deutsche Finance International

Publication: PERE

Date: 1 July 2019

Deutsche Finance closes on debut real estate fundraise - Exclusive

The European private equity real estate firm has already deployed 80% of the €436m in fund and sidecar capital it has raised in 'space-as-a-service' assets.

By Evelyn Lee - 19 mins ago

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Frank RoccoGrande and Gavin Neilan

Deutsche Finance International has completed the capital raise for its first real estate offering, DFI European Value-Add Fund, *PERE* has learned.

The London-based private equity real estate firm collected €436 million, split between €230 million for the fund and the rest for co-investments. DFI EVAF was launched in Q1 2017 with a target of €150 million and a hard-cap for the fund itself of €230 million.

The limited partner base for the fundraise encompassed 20 institutions, including insurance companies, pension plans, endowments and foundations, family offices and specialist multimanager platforms. The geographic split was roughly equal between the US, Germany and the rest of Europe.

DFI EVAF will target small to mid-cap investments, with typical deal sizes of €50 million or less, mostly in gateway cities in Western Europe. The firm will pursue a value-add strategy that will involve repositioning underappreciated or undermanaged real estate assets and operating companies. The fund will target a 15 percent net return.

DFI received commitments totaling a third of the fund's target from its parent company, investment management firm Deutsche Finance Group, and a couple of DFG's separate account clients. "That allowed us to focus on making investments in the beginning," DFI co-founder and co-managing partner Frank RoccoGrande, told *PERE*. Halfway through the fundraise, the firm hired placement firm Avec Capital for introductions to US investors. "That gave us the momentum we needed coming into the second half of the fundraise."

Gavin Neilan, DFI co-founder and co-managing partner, added: "The fund was heavily pre-seeded, which was attractive to many of our investors."

The firm has invested all of the co-investment capital and half of the fund's capital, totaling €356 million – more than 80 percent of the equity raised. The portfolio comprises €856 million-worth of investments, the first and largest of which was the acquisition of the historic Olympia Exhibition Centre site from listed real estate company Capital & Countries Properties in April 2017 for £296 million (\$376 million; €330.5 million). The transaction was executed in partnership with Yoo Capital, a UK-focused developer and manager; **Bayerische Versorgungskammer**, Germany's largest manager of public pension schemes; and the **Versicherungskammer Bayern Group**, Germany's largest public insurer.

The joint venture has received approval for a master plan to reposition the site as mixed-use cultural quarter, according to Neilan. “We’re very much focusing on space-as-a-service assets,” he said. Other investments include the formation of a student housing platform in Denmark; a joint venture to buy undermanaged multifamily assets in Barcelona and Madrid; a student accommodation property in Canterbury, England; and an office refurbishment project in Lisbon.

DFI was founded in 2017 as the direct real estate investment platform of DFG, which manages more than €3 billion of assets in private real estate and infrastructure. The firm started out as a fund of funds investing in emerging managers typically on their first or second funds. DFG is based in Munich, but also has offices in London, Denver, Zurich and Luxembourg.