



DEUTSCHE FINANCE INTERNATIONAL

## DFI WITH JV PARTNER ARGO CAPITALISES ON MARKET REPRICING WITH £200+ MILLION OF LOGISTICS INVESTMENTS

- New U.K. urban logistics platform targeting £400 million of value, initially seeded with 1 million sq ft portfolio across 11 assets –



- Market illiquidity and repricing allowed DFI and Argo to enter the market and quietly acquire c. 1 million sq ft of assets
- DFI and Argo will undertake c. £30 million asset management programme to capture rental reversion potential, enhance the occupier experience and improve ESG performance
- Continued strong supply demand imbalance and rental growth prospects make urban logistics one of DFI's long term conviction asset classes
- JV continues to pursue an investment pipeline of high-quality assets with value-add potential to build the platform further

**11 July 2023, London:** Deutsche Finance International (“DFI”), a pan-European private equity real estate platform and an affiliate of DEUTSCHE FINANCE GROUP, has launched a U.K. urban logistics platform (the “Platform”) in joint venture (the “JV”) with Argo Real Estate (“Argo”), with the £177 million acquisition of two portfolios in separate transactions. Logistics is a conviction asset class for DFI, being underpinned by strong occupier fundamentals, record low vacancy rates, as well as a limited pipeline of new development and in many areas a reduction in existing supply as space is lost to alternative uses.

Having been unable to align market pricing with its return requirements over the past few years, the recent rerating of the asset class in the UK, provided a window to allow DFI to enter the sector at a level where it believes it can deliver opportunistic returns for its clients while taking core+ risk.

The portfolios seed DFI's U.K. urban logistics platform with c. 1 million sq ft of space across 11 assets located in prime, supply constrained urban logistics hubs including London, the South East and Manchester. The assets are 90% occupied, with a single vacant asset where a comprehensive repositioning will be undertaken. The platform will aim to build a portfolio of around £400 million of value over the next few years.

The assets range from institutional quality urban warehouses, such as the 147,000 sq ft facility in Theale, which is let on a long lease to Amazon, through to those on shorter leases that offer opportunities to capture rental reversion. The overall portfolio's current market rent is over 80% above the average passing rent, with a WAULT of 5.7 years and a broad range of high-quality tenants including Royal Mail, Greencore, GXO Logistics and Aldi.

DFI and Argo have committed over £30 million of capital expenditure investment to create further value and ensure optimum investment liquidity. The upgrades are focused on enhancing the occupier experience and improving ESG performance, targeting EPC A rating on each asset, as well as net zero carbon in operation.

DFI and Argo will continue to source investment opportunities, focusing on supply constrained urban logistics markets in and around the U.K.'s largest cities. The JV is currently progressing a short to medium term investment pipeline of attractive opportunities to build the platform further.

This latest strategy builds on DFI's strong track record of creating institutional-grade platforms in supply constrained sectors supported by secular trends and occupier needs. This includes the Blaekhus platform, which DFI established in 2018 and built it into the largest student accommodation portfolio in Denmark, comprising 1,186 units across seven assets primarily located in Copenhagen. Blaekhus was sold to PATRIZIA last year for €314 million. DFI owns and operates the Niding residential platform in Spain, a portfolio of over 4,000 rental flats acquired over 10+ transactions since 2020. In September 2022, DFI also launched a €300 million Danish micro living strategy with the acquisition of a €100 million development in Copenhagen.

**Jonni Glick, Vice President at DFI, commented:** "We have been monitoring the European logistics sector for some time and the recent rerating has provided us with an opportune moment to enter the market via the acquisition of two U.K. portfolios, capitalising on the geography and sector where values have repriced fastest. We believe there is a strong opportunity to create further value in our portfolio through considered asset management to both capture substantial rental reversion potential and by investing capex to improve the environmental performance of the properties. We are excited to work with the exceptional team at Argo, who have a strong track record assembling, managing and exiting logistics portfolios, and we look forward to building out the platform further together."

**Gavin Neilan, Co-Managing Partner and CIO at DFI, added:** "Building scalable platforms in supply constrained fragmented sectors has always been integral to DFI's investment thesis. Our multi-disciplinary team has significant experience creating additional value through active management to create high quality portfolios that appeal to institutional investors, as demonstrated by the successful exit from our Blækhus Danish student platform last year. With this latest strategy we are able to capitalise on the challenging macroeconomic backdrop to make an investment in the U.K. urban logistics sector that benefits from attractive market fundamentals."

**Crispin Gandy, CEO at Argo Real Estate, added:** "We are excited to buy these two portfolios, offering quality core plus assets underpinned by strong fundamentals, in supply constrained markets with structural tailwinds and at sub replacement cost. We look forward to driving performance through our asset management strategies"

**Gavin Rabinowitz, founding director of Argo Real Estate commented** "We are looking forward to building our joint venture with DFI. With the repricing of the sector the fundamentals look compelling. With further quality pipeline on the horizon, we are excited by the prospect of scaling the platform."

**ENDS**

**About Deutsche Finance International (DFI):**

Deutsche Finance International is a pan-European private equity real estate platform with offices in London, Munich, Madrid, and Luxembourg and is part of the DEUTSCHE FINANCE GROUP. It manages €4.0 billion of assets under management and specialises in customer-centric and operational real estate. The firm acts as the investment adviser to its discretionary funds and co-investment partners, and has a global institutional client base that includes sovereign wealth and pension funds, insurance companies, financial institutions and family offices.

DEUTSCHE FINANCE GROUP is an international investment company that offers institutional and private investors access to institutional markets and exclusive investments in private equity real estate and infrastructure. DEUTSCHE FINANCE GROUP manages €12.2 billion of assets under management.

For additional information see [www.deutsche-finance-international.com](http://www.deutsche-finance-international.com)

**About Argo Real Estate (Argo):**

Argo Real Estate Limited is a dynamic UK real estate investment company focused on delivering superior returns. Founded in 2014, the company is based in London and adopts a sector agnostic strategy, identifying mis pricing and market dislocation and investing opportunistically in commercial real estate. Core to its philosophy is an intelligent, proactive and transparent approach always aligning its interest with its partners and investors by co-investing.

For additional information see [www.argorealestate.com](http://www.argorealestate.com)

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