

Change of guards for real assets

Düsseldorf, March 25th, 2020 - The corona pandemic is also causing confusion in the real asset world. While investments in renewable energies were long considered to be dependent on the state and distant from the market, the pendulum is now swinging: Almost every industry - from aircraft builders to container ships and especially real estate companies - is calling for the state and being rescued by it. Renewable energies, on the other hand, are emancipating themselves from the state and winning on the market. A comment by Markus W. Voigt, managing director of aream GmbH.

When airlines can only handle five percent of their flights, this hits the aircraft manufacturers and with some delay the aircraft leasing companies. When world trade shrinks, this hits shipping and container leasing companies. Both sectors are among the favorite investment objects of institutional customers. However, real estate investments have been at the top of the list in recent years - and they are now among those most affected. For investors, priorities are shifting.

Real estate investments in particular, which are heavily leveraged thanks to cheap money, are coming under pressure. This affects shopping centers, but also hotel investments as well as commercial and residential properties. The rent cap was the first step, now, in the wake of the pandemic, the rent deferral is coming. The market is being increasingly eroded and with it the predictability of these investments.

Investments in wind or solar parks, on the other hand, are becoming more and more interesting - precisely because they are increasingly emancipating themselves from the state with its subsidies. Some investors were reluctant to invest in renewable energies because they were afraid of state intervention. And yes, of course the state can change the conditions under which subsidies are granted. The feed-in tariff was up for discussion, its amount and the duration for which it is still paid. But one thing is clear: compared to the many interventions in real estate, the targets for renewable energies are low and are becoming fewer and fewer.

In the case of real estate, on the other hand, regulation is becoming increasingly effective and there is no trend reversal in sight. This starts with building regulations, goes on to stricter guidelines for the use of space and extends to real interventions in the drafting of contracts between tenants and landlords. If a return can only be achieved because cheap money allows borrowing at almost zero and therefore a lower cost of capital, the entire asset class is falling into a trap. Even if it is not yet foreseeable: With rising interest rates, many real estate projects can no longer be operated profitably.

In the case of renewables, on the other hand, time and the market are working in favor of the asset class: the conversion of ever larger sectors of the economy to ESG compliance is generating a huge increase in demand for certified green electricity. With a supply whose growth is currently rather limited, this almost certainly results in price increases in the market - which of course benefit investors.

More information: www.arem.de.

About aream

aream is an owner-managed, fully integrated investment and asset manager for institutional investors with a focus on renewable energies. With a transaction volume of EUR 1.5 billion and a managed investment of EUR 1 billion, aream has been providing the entire spectrum of asset management services for 15 years, thus ensuring the commercial and technical optimization of assets. Comprehensive services enable investments to be implemented from the planning and construction phase through to operation in line with investors' specifications.



As a signatory to the UN Principles for Responsible Investment (UN PRI), aream actively includes ESG issues in its investment analysis.

Contact

aream GmbH
Kaistraße 2
D-40221 Düsseldorf
Tel.: +49 (0)211 30 20 60 42
E-Mail: info@aream.de
Web: www.aream.de

Press contact

news & numbers GmbH
Bodo Scheffels
Tel.: +49 (0)40 80 60 194 34
M: +49 (0)178 / 49 80 733
E-Mail: bodo.scheffels@news-and-numbers.de
Web: www.news-and-numbers.de