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Berlin rentals offer yield-rich homes

When he was an investment banker at BNP Paribas, Alberto Matta put together an array of complex securitisations and credit derivatives. Later, at ABN Amro, then Barclays Capital, he distributed a string of products to institutional clients.

But times have changed, and Matta's investment horizons have lengthened. He is now chief executive of Optimum Asset Management, using debt to invest in residential lettings to buy and hold for years.

He said: "In Berlin, you can buy quality property in the west of the city, in places like Charlottenburg, where rents are rising 10% a year.

We've raised €130m from investors so far and plan to apply gearing of 60% to 70%. These days, you can pin down interest rates at 4.4% covered by rental yields of 7% to 8%."

To help his capital raising, Matta can argue that his first Berlin fund has generated returns of 14% in less than a year, with the help of a market recovery.

Matta likes Berlin because its residential property is relatively cheap compared with other commercial centres. The average wholesale price of good quality let property in the centre is €1,000 per square metre,

compared with €6,700 for capitals in rival western cities.

He says Berlin yields are nearly double the 3.8% generated in other cities: "Yield convergence is the bonus but it could potentially turn out to be the jackpot over a medium to

long-term horizon.

He said the best places to buy real estate are in west Berlin: "The east is not as attractive, partly because the quality of its architecture is relatively poor."

Property can be an illiquid investment in hard times. But Matta is convinced that let residential property offers a clear pricing advantage compared with

safe haven investments like gold. Matta thought gold was overpriced at \$1,500 an ounce, and its recent \$1,660 has gone off the scale.

Optimum is regulated in Luxembourg. It employs 45 people in Berlin and maintains a representative office in London.

It recently launched a fund seeking to buy positions in private equity vehicles. As a result of one of its first deals, Optimum has taken stakes in a series of Chinese companies.

Matta argues that illiquidity in the private equity sector will

continue to provide opportunities for investors prepared to take a patient approach.

Enver Büyükarşlan leads Berlin operations. He is a long-standing real estate professional

with experience in managing tenanted property. Another colleague, Josep Borrell, is a former Credit Suisse vice-president with experience in the derivatives market.

INVESTOR'S VIEW

Alberto Matta
Chief executive
Optimum Asset Management

Years with the company: Two
Assets under management: €500m
Market calls: Let residential property in west Berlin

