

New Vienna firm GalCap targets property values in central Europe

The subsiding of the immigration wave into Europe has prompted foreign investors, particularly Americans, to look again at the higher yields available in central Europe, says Manfred Wiltschnigg, founder of Vienna-based real estate investment manager GalCap Europe.



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The business model was to bring American and Israeli investors into central and eastern European countries, with a focus mainly on real estate," Wiltschnigg told PIE in an interview conducted prior to Britain's referendum decision to exit the EU. The firm's original focus was on M&A, capital raising, and investment and asset management in Austria and central Europe. However, the search for assets, as well as investor demands, took the executives further afield - deeper into the Austrian market, into Germany, The Netherlands, even Spain and Italy.

One of the main driving factors has been the search for yield, he says. But some expectations, particularly among family offices new to investing in Europe, were unrealistic. "At the beginning, American investors expected to get 8% from residential in Germany, even in the bigger cities," he says. "Once they realised that was not available, we said 'ok you don't want to go in at 4%, so why not go into Budapest or Bucharest where you have very nice office buildings with international companies as tenants and they usually sell at above 8%? But of course, as soon as you start being more focused on the country, you learn more about the risk."

Wiltschnigg and his partners set up GalCap Europe in late 2015. An Austrian national with long experience and a full contact book in Europe and the global investment community, he was most recently COO and board member at Vienna's listed Immofinanz, leaving in 2014 prior to a CEO change. For GalCap Europe, he brought American Paul Hallam on board as partner to connect with US family offices and institutional investors, and a third founding partner Marco Kohla, an investment specialist and former colleague from Oppenheim and Immofinanz. The firm has assembled a top-level advisory board, among which is an active Israeli business partner.

Hallam notes that investor focus has shifted over

the past 12 months. "Maybe it's partly emotional, but seven or eight months ago a lot of companies definitely put an internal brake on talking about CEE because of the refugee crisis - and the difficulties in western European countries." However, the situation is being addressed at the EU level and by each country. "You really started to hear: 'Please don't talk to us about Budapest, but please do talk to us about Berlin and Paris and other target capital cities in western Europe' - and then sometime in late winter that changed into 'do you have something for us in Bucharest, we would like to take a look.'"

Wiltschnigg and his partners aim to position GalCap as a long-term partner during the entire investment process, solving a variety of problems often encountered. While still relatively small, the firm has identified investment opportunities which it has carefully databased. These include a residential portfolio in Germany, a project focused on secondary cities in Poland, another in Romania, one in Croatia focused on the Balkan states "that looks very good and very promising", and also a project in the Turkish metropolis of Istanbul.

Wiltschnigg says the risk perception of CEE is far overdone. "I understand that someone coming from the United States or from South African or from Asia who just receives information from TV and newspapers quite easily gets the impression that it's not possible to do business because of corruption and political instability and economic development. But in fact the differences are not that big... I would say that in Poland there is almost no risk." Hungary has also attracted criticism, but he notes that the government has a very high democratic mandate. "If 66% are voting for the same party, it's a very strong and clear voice of the people."

For 2016, GalCap targets placement of about €300m in investment volume, "and it looks pretty good that we can manage that," Wiltschnigg says. It is also setting up an asset management team in all the central European cities to grow and get an overview over the markets. ■ pie