

PRESS RELEASE

FAP: Interest in German real estate finance market remains high among South Korean investors, waiting for end of coronavirus pandemic

- *Temporary absence from market due to travel restrictions*
- *Primary focus remains on large-ticket core properties in best locations*
- *At the same time, new demand for alternatives with suitable risk profiles*

Berlin, 17 December 2020 – Major players in the German real estate finance market over recent years, South Korean investors are currently holding back. The reason, in particular, lies in the travel restrictions imposed because of the coronavirus pandemic. Once the situation relaxes, and travel restrictions are lifted, these important institutional investors will strive to re-establish their presence in the German market as quickly as possible, reports FAP Group, one of the leading independent consultancies in Germany for the arranging and structuring of capital for property acquisitions and development projects.

In November, FAP conducted a survey among South Korean institutional investors regarding the German real estate finance market. The results show that South Korean investors have been facing intensified competition from local German investors – and specifically because of the current pandemic. The vast majority of South Korean investors require a physical inspection of the target property to be financed, and travel for this purpose is now impossible. German institutional investors are also able to conclude deals more quickly and offer conditions which often fall outside of the South Koreans' required return profile.

Open for new financing solutions

“The interest of the South Koreans in the German real estate financing market is still as strong as ever,” says Hanno Kowalski, Managing Partner at FAP Invest. “Our contacts say that they want to get back into the market as quickly as possible and that they are already positioning themselves for this. Their interest continues to be on large-ticket core properties in the best locations – in three simple words: ‘Big, prime and secure!’ And to the extent that suitable direct property investments cannot currently be carried out, interest in alternatives is, in parallel, likewise growing.”

Until recently, South Korean investors have been important providers of capital in the German market particularly for large-ticket individual property transactions. In the current market, however, this interest has also been extending to loan portfolios which bundle together various individual loans ranging from EUR 20 to 50 million. "In this way, these important investors can not only reach their target investment amounts in the three-digit-million range but also gain the benefits of risk diversification," explains Kowalski. The demand for risk profiles which can be better managed and controlled has also been increasing, particularly after loan defaults on large individual properties in the United States in which the Koreans were financing participants.

About FAP

The FAP Group is an independent advisory company for capital raising and structuring for real estate investments and project developments. The group includes FAP Invest, a leading real estate investment platform for institutional investors with a focus on debt products, and FAP Finance, which provides advice on capital and financing issues. FAP structures both classic debt financing as well as mezzanine, equity and capital market products. These services secure the overall financing from debt capital and - if necessary - equity substitutes. FAP, headquartered in Berlin, was founded in 2005 by Curth-C. Flatow. Since then, the group has advised and structured capital with a volume of over €15 billion.

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