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# Bouwinvest: Financial crisis was a catalyst for restructuring and de-risking

Dick van Hal, chief executive of Bouwinvest, the Netherlands' third largest real estate investor, recalls the pension fund manager's determination to continue investing through the crisis – while others held back – and reaping the rewards.

By
Jamie Henderson
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As we navigate what many private real estate commentators consider the cyclical peak, investors, fund managers and placement agents are anticipating another correction, evoking memories of the global financial crisis.

In the first in a series of interviews with institutional investors reflecting on their investing programs following the global financial crisis, *PERE* sits down with Dick van Hal, chief executive at Bouwinvest, to discuss both the crisis itself and lessons the institution learned from it.

**PERE:** ***Where in your portfolio was the pain from the crisis felt most acutely, and how was your private markets portfolio affected?***

**Dick van Hal:** In 2008, Bouwinvest's international portfolio was €1.2 billion, much smaller than the €2.7 billion it is now. Butwe had a fair number of highly leveraged opportunistic investments spread across global markets, which were of course badly affected by the crisis. Our large Dutch residential holdings were also hit by the slump in the housing market in the Netherlands at that time**.**

In 2010, we had our 'turnaround year' and adjusted our strategy to low-risk core investments. We also 'future-proofed' our portfolio against emerging market trends by focusing our investments, for example, on mixed-use and sustainable assets, and this restructuring is now paying off.

van Hal: invested through the crisis

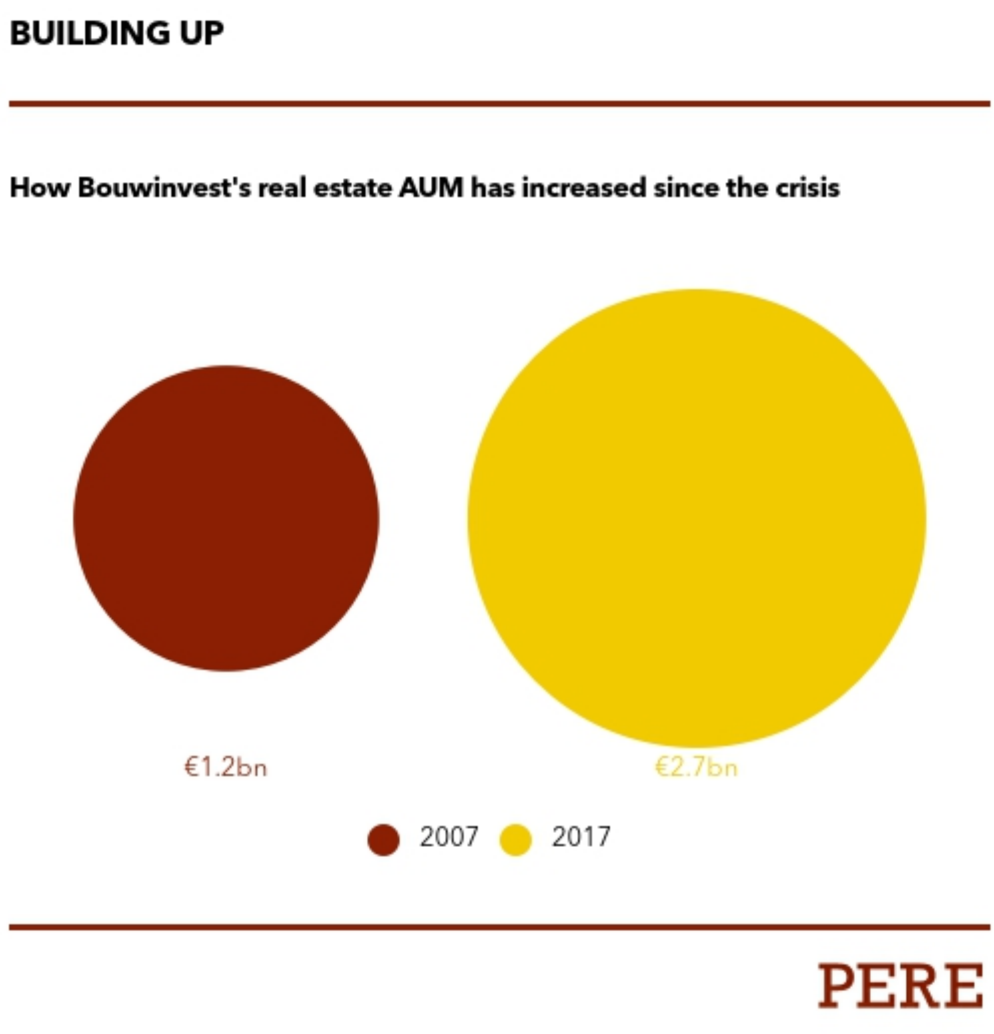
**PERE:** ***How did the denominator effect kick in for you and how did you react?***

**DvH:** Fortunately, our institutional mandate gave us a great deal of flexibility and a wide bandwidth of discretion within the real estate allocation of the portfolio. We were not forced to sell off real estate assets indiscriminately through the 'denominator effect' caused by proportionally greater price falls in asset classes such as bonds and equities.

We were able to continue to invest throughout the crisis and afterwards, when very few other competitors were out there. Looking back, it proved to be a good period to invest, not only due to the distressed pricing available, but also because it reinforced Bouwinvest's reputation as a trusted and reliable partner, particularly for our key developer and municipality relationships in the Netherlands. We showed that we are still there during bad market times, as well as good times.

**PERE:** ***How did the crisis affect your allocation activity in private markets post 2008?***

**DvH:** The GFC proved to be a catalyst for the restructuring and de-risking of Bouwinvest's portfolio post-2008. We disposed of leveraged opportunistic-type assets and concentrated our investment strategies solely on core income-focused properties in prime urban markets. The lower risk profile and greater stability of the portfolio was also achieved through greater diversification in investing by geographies, property sectors and non-listed/listed real estate.




**PERE:** ***How did it affect the portfolio's performance?***

**DvH:** Bouwinvest's restructuring of the portfolio and our investment continuity in continuing to build up our supply pipeline through the trough in the market has paid off handsomely in returns for our institutional investors since our 'turnaround year' in 2010. A recent review of all our domestic and international investments showed we are outperforming the main indices, such as MSCI/IPD and INREV.

**PERE:** ***How did the crisis affect your people?***

**DvH:** Bouwinvest operates a small and very tight boutique investment management structure with short reporting lines. This converts into flexibility and quick decision making, which proved its worth during and after the GFC. We are also very careful about the type of people we select. They have to be professionals and good performers, of course, but just as important is that they can operate in – and do not disrupt – our collegiate culture.

**PERE:** ***What lasting changes to your modus operandi as an investor did it prompt you to make?***

**DvH:** On top of the portfolio restructuring and de-risking I've described, we also took the fundamental decision to diversify and expand our capital sources and open up the Bouwinvest investment management platform to other like-minded institutional investors. This meant we had to develop sectoral fund structures to accommodate these institutions.

Opening up our platform also meant aligning our risk management processes, regulatory compliance and reporting standards with external industry benchmarks, which has had a positive impact on our internal organization. Bouwinvest was the first Dutch real estate investment manager to achieve European AIFMD (Alternative Investment Fund Managers) certification in the Netherlands. Today, our clients challenge us continuously to keep on top of developments in our rapidly evolving industry.

**PERE:** ***Given your experience of 2008 and how you're currently positioned, do you feel ready and prepared for the next correction?***

**DvH:** Bouwinvest's portfolio today is far larger, yet more diversified and stable than it was in 2008, enabling us to benefit from the cycles across our investment regions and still deliver our target returns. Critically, our investments are now also focused on direct rather than leveraged real estate investment returns. I believe this places Bouwinvest in a very robust position to handle the next market correction and to deliver our average total return target of 5-7 percent from the portfolio.