

Alpha Real Capital

PRESS RELEASE 15.01.2020

RESEARCH REVEALS GROWING FOCUS ON LONG INCOME PROPERTY FROM PENSION FUNDS

New research from Alpha Real Capital LLP (“Alpha”), the specialist manager of long income real assets, reveals that over the next two years, 84% of professional investors believe the level of investment in long income property from pension funds will rise, with one in five (20%) anticipating a ‘dramatic’ increase.

Long Income Property is real estate let on long leases where the covenant strength and/or property/ income over-collateralisation offer defensive value characteristics for investors. The long-dated contractual inflation-linked income provides returns that are primarily driven by income rather than capital. The returns are expected to be less volatile through market cycles than those of traditional real estate, whilst providing an inflation hedge for both the income received and capital values over time.

Alpha’s research found that a combination of low European government and corporate bond yields, and an uncertain macroeconomic environment have led institutional investors to increasingly seek alternative sources of long-dated secure income such as long income property, to meet their liabilities. Some 40% of professional investor surveyed by Alpha say they ‘strongly’ agree with this view, with a further 54% saying they ‘agree’ with it.

When it comes to the benefits of investing in long income property as an asset class, 80% of professional investors cite the income security it offers as one of the top three benefits of the asset class. Investors (freeholders) typically have first ranking title in the event of tenant defaults, which is underpinned by the property value and/or income over collateralisation and/or the credit quality of the tenant. Also, the contractual cashflows have lower letting risk compared with traditional real estate on shorter leases, meaning cashflows are more predictable and secure over the long run.

Eight out of ten professional investors (80%) also highlight the inflation protection offered by Long Income Property as one of the top three benefits. The majority of Long Income Property assets targeted by Alpha have rent reviews that are linked to inflation.

Other key benefits include the attractive risk adjusted returns (cited by 68% of investors surveyed believe this is one of the top three benefits) and duration – institutional investors with long-dated liabilities can use the long-dated inflation-linked cashflow streams from long income property to match their liabilities.

Benefits for pension funds and other institutional investors from investing in Long Income Property	Percentage of institutional investors who highlighted this as one of the top three benefits of this asset class
Income security	80%
Inflation protection	80%
Attractive risk-adjusted returns	68%
Duration	52%
Low volatility	14%
Portfolio diversification	6%

www.alpharealcapital.com

Alpha Real Capital LLP is Authorised and Regulated by the Financial Conduct Authority
Alpha Real Capital LLP: Registered in England and Wales, Number OC312705

Alpha Real Capital

Hugo James, Partner and Head of Long Income, said: *“With many nominal yields - especially in northern Europe – currently negative and forecast to rise only gradually in the longer term, the secure income derived from long income property makes it an increasingly attractive asset class for pension funds and insurers.*

“Our research suggests that they will increase their allocation to this asset class, and this will also be helped by more long income property assets coming on to the market over the next few years.”

Alpha has successfully deployed in excess of €2.9bn in long income property for pension funds and other investors. Having helped establish commercial ground rents as an emerging asset class, Alpha has identified a substantial pipeline of European long income opportunities following a strategy of partnering directly with owners, acquirers and developers of real estate and is actively seeking further investments.

Alpha recently launched its European Long Income Fund (“ELIF” or the “Fund”). The Fund will target Euro denominated, asset backed, secure inflation-linked income streams by investing in commercial ground rents, amortising income strips and long lease property (e.g. sale and leasebacks). The Fund’s primary focus on ground rents and income strips is intended to place ELIF at the lower end of the risk spectrum, offering a key differentiator to other long income property funds.

The Fund will concentrate on real estate investment opportunities in the Eurozone with an initial focus on Germany, the Netherlands and Ireland. ELIF is a Luxembourg domiciled fund open to institutional investors.

-Ends-

Notes to editors:

* Alpha Real Capital commissioned the market research firm Pureprofile to interview 50 professional investors. They included institutional investors such as pension funds and insurers and real estate professional investors. The research was conducted in December 2019 – interviews were conducted online.

For further information contact Phil Anderson at Perception A

Phone: +44 (0)7767 491 519 | **Email:** phil@perceptiona.com

About Alpha Real Capital

Alpha Real Capital is an investment services group focused on income security from real assets. We invest in asset-backed income from real estate, infrastructure, and lending, with an emphasis on long income and inflation protection. Alpha has a strong team of more than 120 staff and partners with over €4.3 billion of assets under management. Established in 2005, Alpha is jointly owned by Phillip Rose, members of the Alpha management team and companies ultimately owned by PS Gower Personal Settlement.

Alpha operates across diversified investment markets, managing listed and unlisted property vehicles, open and closed-ended property vehicles, UK and international funds, and working with large institutional investors as well as private investors, family offices and wealth managers.

www.alpharealcapital.com

Alpha Real Capital LLP is Authorised and Regulated by the Financial Conduct Authority
Alpha Real Capital LLP: Registered in England and Wales, Number OC312705

Alpha Real Capital

Investor contacts:

Scott Gardner

Phone: + 44 (0) 20 7391 4723 | **Email:** scottgardner@alpharealcapital.com

Adam Hayes-Newington

Phone: +44 (0) 20 7391 4561 | **Email:** adamhayes-newington@alpharealcapital.com

www.alpharealcapital.com

Alpha Real Capital LLP is Authorised and Regulated by the Financial Conduct Authority
Alpha Real Capital LLP: Registered in England and Wales, Number OC312705