

PORTFOLIO MANAGEMENT SYSTEMS OF
GERMAN OPEN ENDED PROPERTY RETAIL FUNDS

QUANTITATIVE PLANNING PROCESS AND IT-SUPPORT

A Dissertation submitted in partial fulfilment of the requirements for the
award of MSc Real Estate (Germany)

By

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September 2008

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Acknowledgements

A number of people have been of considerable support to me during my studies and specifically whilst undertaking this research, I would like to take this opportunity to express my gratitude. I would like to thank my employer Boreales GmbH who has provided me with a considerable amount of support and encouragement. My personal tutor for this project, John Mansfield. The people participating and supporting in my study: Interviewees, Prof. Dr. Wellner, Prof. Dr. Pfnür and my father. All the other contributors. Finally Aischa for being supportive throughout my academic studies. Thank you.

Abstract

This dissertation is concerned with the portfolio planning of German Open Ended Property Retail Funds (PF). It aims to find out what processes and systems are currently in use and for what reasons. Furthermore, the future perspectives and crucial issues for portfolio planning will be identified.

In fulfilling these aims and objectives this research involves a critical review of relevant literature. A gap in research was identified concerning the portfolio planning processes and systems in general. PF were chosen for the long experience PF have as professional property investors and because of their current change in focus, which is into international investment and new legal structures. Empirical evidence was gathered by in-depth interviews conducted with representatives of 9 PF which comprises 60% of investment companies managing PF. An interview schedule was utilised as a framework.

Processes and systems of investment companies managing PF are to be aligned with the new locations and types of investments. Property Management (PrM) is mostly externally provided, Asset Management (AM) sometimes too. Regarding the processes a high flexibility can be noted. Fulfilling the standards set by organisation and by law leads to heterogeneous process patterns as tasks need to be organised differently depending on service providers available in the market.

Another finding is the impact performance responsibility of Fund Managers can have on processes and system requirements. Differing interpretation of the AM role as well as the concern about appropriate communication with this unit can be observed within the group of these Fund Managers.

For what the flow of information is concerned most interviewees are currently making efforts to improve their IT-Systems. Two extreme positions framing the actual data handling were identified: (1) providing a system landscape including an integrated transactional property administration system and (2) using a lean property information system only holding the minimum property information necessary. Tendencies of the companies are rather towards the second approach.

Regarding portfolio planning systems a predominant usage of MS Excel templates can be observed. This is especially true on property and fund level. There is a general agreement to integrate the planning on portfolio level into one database, which some investment companies already accomplished. The current MS Excel dominated status was advocated with the changes in investment and the high degree of flexibility necessary.

As actual data is to be viewed as the foundation of portfolio planning, system changes on this matter need to be accomplished prior to adapting system based planning processes. Still, regarding the complexity of property investment, planning needs will have to be kept an eye on while systems on actual data basis get adjusted.

Perspectively planning will need to integrate locally sited international PrM and AM into a portfolio planning system other than MS Excel. This system will need to allow plan/actual comparisons and incorporate parameters from the leases to support the planning person for the property holdings. Additionally the system will need to keep up with the changing requirements like regional differences and specifics from indirect investments.

Further more process requirements will play an important role as many users (including third party users) will need to access the planning system. As pointed out duties and information requirements are divers even within one Investment Company, therefore system capabilities regarding authority management and process support will be crucial.

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List of abbreviations

AM	Asset Management
BVI	Bundesverband Investment und Asset Management e.V.
Cp	compare
FM	Fund Management
FMFG	Fourth Act for the Promotion of the Financial Market
IM	Investment Management
INREV	European Association for Investors in Non-listed Real Estate Vehicles
IPD	Investment Property Databank GmbH
KAG	Kapitalanlagegesellschaft (Investment Management Fund Company)
KAGG	Gesetz über Kapitalanlagegesellschaften (German for Investment Company Act)
PF	Immobilien-Publikumsfonds (German Open Ended Property Retail Fund)
PHP	Property Holdings Planning
PfM	Portfolio Management
PrM	Property Management
SF	Immobilien-Spezialfonds (German Open Ended Institutional Property Funds)
SV	Immobilien-Sondervermögen (German Open Ended Property Fund)

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