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# PROPERTY INVESTOR EUROPE

CONTINENTAL REAL ESTATE INTELLIGENCE FOR US & GLOBAL INVESTORS

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## Big Property Money goes east ... and south

But western Europe is doing all right too as Versace, Chinese capital eye Milan's S. Giulia

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# Real Investor trains real estate investors, managers in positive sum strategies

By Juerg R. Bernet and Maarten Vermeulen

For creating business value in dynamic markets, it's not enough to play a losing business game right, managers need to turn a negative sum game into a positive sum game. Real Investor training offers just such a training.



In the strategy training 'Real Investor', real estate professionals are challenged with co-opetition, a strategic mindset combining competition and cooperation (2). The players experience a dynamic business situation encouraging them to learn simultaneously from the outcome of their own activities, from the interaction with their team colleagues, from negotiations with their business partners and competitors, from the feedback of their strategic coaches and from unexpected events in their business environment.

**H**ow to develop the personal and professional skills of a successful game changer? During a one-day management training at Amsterdam School of Real Estate (ASRE), 32 professionals of the post-graduate program Master of Real Estate in December developed a win-win solution for the challenging property business case of Amsterdam airport Schiphol. The same business case was also played in March by the postgraduate master class Real Estate at Steinbeis University Berlin in Stuttgart. Both management trainings used the strategy game Real Investor(1), designed by the EURO Institute of Real Es-

tate Management in Zug, Switzerland, and tested in firms and at universities throughout Europe.

"We tie in with the adventure world of managers in our courses and specifically focus on effective leadership and property development," says Janneke Schreuder, course manager at ASRE. "That's why we put this game in the context of Amsterdam airport Schiphol; a dynamic environment from both the demand and the supply side." The fictional business case was developed in collaboration with Schiphol Real Estate, which owns and manages Amsterdam airport. "We were looking for a strategic solution to a complex office and logistics de-

## THE BUSINESS CASE

Schiphol Real Estate had been given permission to extend the airport with two new air strips. As a result, SRE needed to invest substantially with capital provided by the Dutch government and by the municipalities of Amsterdam and Haarlemmermeer. SRE questioned whether to co-invest own resources. It considered to sell a land site with 55,000 sq.m. of industrial space at Schiphol East. However, the building was relatively old and 70% vacant with an average duration of remaining leases of just three years. Re-letting was not feasible since the building did not meet modern market standards. SRE offered to sell the site for redevelopment since there was substantial demand for office and industrial space from companies that need to be close to an airport or a transport hub. The zoning allowed office, industrial or a mix of both and the project had to meet SRE sustainability requirements in terms of a zero-carbon footprint and an outstanding green certification. SRE also wanted stay in control of building management since this was considered a strategic part of the airport.

Photos: Beat Habermacher (www.habermacher.com)

velopment at Schiphol East,” said Pieter van der Horst, SRE Senior Real Estate and Area Developer. “Should we invest in the project ourselves or should we let other parties invest instead? We were keen for the dynamic simulation in Real Investor to come up with a win-win solution for our business case creating the best value for Schiphol as well as for other stakeholders.”

The simulations at ASRE and Steinbeis both confirmed winning strategies - creating attractive business value without SRE having to invest its own equity. The outcome of the Amsterdam game was a winning strategy in two steps: First, build a partnership with the fu-

clearly traditional project developers. They no longer found themselves in a dominant position to capture most of the investment value for their own pockets.

The strategy training Real Investor is designed for managers to explore the actual strategic challenges of the dynamic property investment environment. The systematic, game-theoretic approach invites players to team-up in their real business roles. The players are trained in creating and sharing business value, and therefore have to establish realistic business relationships and experience the financial consequences of their strategic decisions (3). Real Investor helps man-



ture anchor tenant, a major global logistics provider, and have an optimised project designed. This allows maximisation of the project’s value for both the airport and the occupier. Second, sell the optimised project complete with a 20-year lease contract with the logistics provider to a strong investor who can then develop it at a minimal risk. The winners of the Steinbeis game for this second step proposed establishing a special purpose vehicle, allowing a structured financing from short-term private equity funds in the development phase to be efficiently shifted to a long-term pension fund for the operational phase. The losers of both games were

agers to improve abilities in strategic decision making and interpersonal skills. When played in an international context, the game also supports dealing with cultural differences. Players can immediately make use of what they have learned. Bernd Landgraf, Director Construction and Real Estate at Steinbeis, commented: “It was the first time for us to include a strategic simulation in our post-graduate master course Real Estate. The delegates were thrilled by the speed of their learning curve and had a lot of fun learning from each other. We are definitely going to run it again in our next master class.” ■ **jb/mv**

## THE STRATEGY GAME

Players formed teams of 4-5 people and chose to play specific roles. Eight were defined in advance and covered two pension funds, one private equity firm, a closed-end fund, three different kinds of developers, and a logistic service provider. All other roles, such as bank or government, were being played by the game master, offering, from a coaching point of view, good possibilities to steer the play and intervene when needed. The game had been designed so that each team needed to agree an alliance with at least one other to be able to launch a competitive bid. The teams played three rounds during one day. The first was for the players to interact and to discuss alternative strategies that were sustainable and realistic. On the basis of the strategies from the first round, players negotiated the terms of their potential partnerships with other groups, tried to achieve aligned interest and to close their deals. SRE provided two senior employees to help develop the business case and support players with coaching. The session was concluded by each group presenting the outcome of their strategy to SRE as the seller.

### Literature:

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- (2) Brandenburger, A.M. and Nalebuff, B.J. (2009). The Right Game – Use Game Theory to Shape Strategy, Harvard Business Press, Boston.
- (3) [www.realinvestor.biz](http://www.realinvestor.biz)

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