

Newsletter

AUTUMN 2017

INVESTIX
GERMANY

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Wir freuen uns Sie recht bald in unserem Büro in Berlin begrüßen zu dürfen!

INVESTIX GROUP DIRECTORS
David Healy & Marco Knoblauch



INVESTIX reaches over €140 million of Property Investment projects under management

Germany's real estate market recorded a transaction volume of €12.6 billion in the first quarter of 2017. Investix is playing its part in this exciting market with over €140 million of property investment projects currently under management. Our experience in German Real Estate reaches back for over 20 years but we continue to evolve as the market conditions change which is key to our growing number of private investors.

2017 has already been one of the busiest years for the Investix team. We have finished the development of two residential projects worth over €15 million in Berlin and Hannover and entered three new projects in top locations in Dresden, Leipzig and Mainz worth over €26 million.

So far this year, we have also purchased 68 apartments in six new multifamily homes on behalf of private investors. Most of our "Buy to Hold" investors are foreign so with each investor we set up a tax-optimised structure for them to "Buy-and-Hold" their property investment in Germany. We source the property, arrange the bank finance and continue to manage the investment for them for the next 5-10 years or longer. All this work couldn't be done without a professional team on the ground in Germany, so with over €100 million of "Buy to Hold" residential property under management we have hired an additional seven staff members into our Property Management & Asset Management teams. We've also opened a second office in Berlin, which now houses our growing team of property managers who provide a tenant hotline, collect the rental income each month and ensure all utility bills are paid, vacant properties are re-rented and all maintenance tasks are

co-ordinated properly and on time. Since German residential property continues to be regarded as a relatively low volatile, crisis-resistant asset class by many investors, demand is likely to remain high throughout the remainder of the year. Our strength at Investix is our ability to work one to one with our clients addressing their investment objectives and expectations to create long-term value and wealth.

Latest Development Projects

RESIDENTIAL DEVELOPMENT

Location: Dresden
Project value: €3,400,000
Units: 9 apartments
Project timescale: 18-24 months

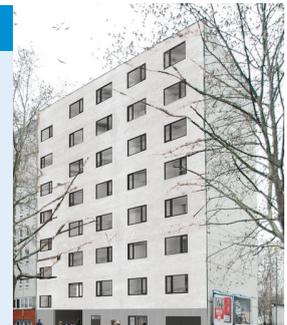
Brand new residential development in Dresden, very close to city centre with all necessary amenities on its doorstep. The city has a huge demand for apartments as the population continues to grow in this city, often regarded as the new Berlin.



SHORT TERM BUSINESS APARTMENTS

Location: Mainz
Project value: €7,500,000
Units: 50 apartments
Project timescale: 14 months

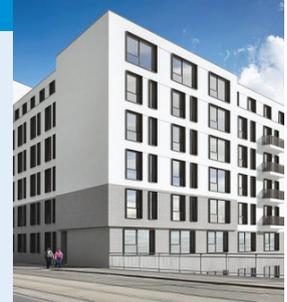
Re-development of a high standard apartment complex which will be rented to business executives visiting Mainz, close to Frankfurt. Once completed the property will be handed over to a private investor who will manage it as an executive apart-hotel.



STUDENT ACCOMMODATION

Location: Leipzig
Project value: €20,000,000
Units: 227 apartments
Project timescale: 36 months

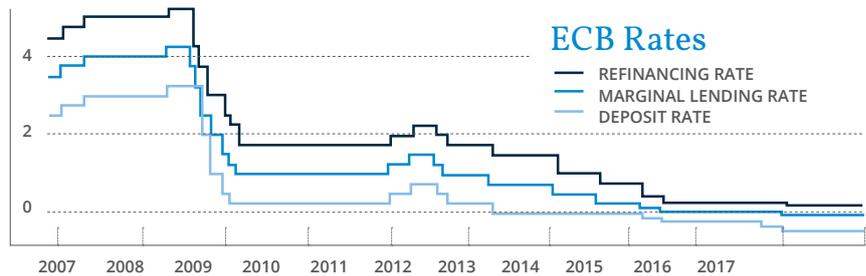
Brand new purpose built student development project in Leipzig, close to one of the best known universities in the world, with over 35,000 students. All apartments will be built to the highest standards. The development is only a short walk from the main university campus.



3 ways the “leveraging effect” can boost your property investment returns in Germany.

Leverage, or debt financing, is an important and even necessary part of most real estate deals. However, as the 2008 – 2009 global real estate downturn highlighted, there are times when too much leverage on an asset can be a recipe for heavy losses.

So, it is important for investors to understand leverage, the pros and cons of using it, what amount of leverage is prudent in a given situation and how it can influence the risk and reward of real estate investments. Most investors in Germany take advantage of debt financing especially considering that interest rates are currently very low. What makes German mortgages very attractive is when investors can “Fix” these low interest rates for the next 10



years or longer in some cases. A fixed-rate mortgage loan lets you accurately predict the amount you will have to pay each month for your investment - enabling you to determine your budget with accuracy. As a fixed monthly payment, it also protects you against rate rises as opposed to variable rate mortgages that rise and fall with interest rates.

Below you can see a table comparing two investments based on the same investment amount of €500,000, with one paying cash for their property and the other using a fixed interest rate mortgage. Outlined in the chart are the three main benefits of using leverage.

*For the purpose of this simple calculation, stamp duty and closing costs have not been included. A more detailed forecast can be provided on request.

**For each property, the annual running costs need to be deducted from the net operational income in order to calculate the net income after all mortgage and running costs.

	PROPERTY 1	PROPERTY 2
Price	€ 500,000	€ 1,500,000
Mortgage	€0	€1,000,000
Loan to Value	-	67%
Interest Rate 2.5%	-	€25,000pa
Mortgage Debt Repayment 2.5%	-	€25,000pa
INVESTMENT FUNDS REQUIRED*		€500,000
Rental Income (6% rental yield)	€30,000	€90,000
Less Annual Mortgage Payment (5% annuity)	€0	€50,000
Mortgage/Rent Ratio	-	56%
Operational income after mortgage payments	€30,000	€40,000
Annual debt reduction - new equity per year		€25,000
Capital Appreciation 2.5%pa	€12,500	€37,500
Income after annual mortgage payments**	€30,000	€40,000
Mortgage Debt Reduced each year	€0	€25,000
Annual Capital Appreciation	€12,500	€37,500
Total Return per year	€42,500	€102,500

Leveraging effect 1: More operational income - Using a mortgage allows you to purchase higher value property generating more rental income for the same investment amount. A prudent lender will not focus on LTV (Loan to Value) but will focus on MRR (Mortgage to Rent Ratio). In this case with a mortgage to rent ratio 56% it still leaves you with a higher net rental income on the yearly basis than if you would have purchased the property with cash.

Leveraging effect 2: Increasing initial investment capital - By paying down the mortgage you accumulate new equity which helps to grow your initial investment capital. This profit can be realised when selling or re-financing the property at a later date.

Leveraging effect 3: Higher returns from Capital Appreciation - Assuming both properties appreciate by 2.5% in the first year even though the two properties had the same amount of equity to start and

both experienced the same percentage of property appreciation, Property 2 generates a higher gross profit when selling. This discrepancy in profits highlights the power of leverage in generating returns, assuming that things go well.

It's easy to see why the majority of investors choose to use a mortgage to leverage their property investment. With the same investment amount, you can more than double your yearly returns.

Important factors to consider when preparing your Maintenance & Renovation Plan.

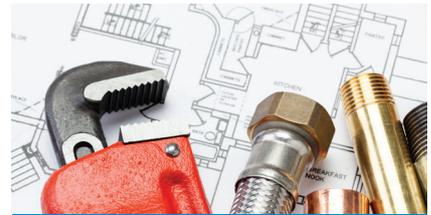
Apart from earning a stable income, owning a property investment comes with expenses as well – mainly renovation and maintenance costs. Renovation costs can be projected and budgeted for whilst maintenance costs can be unpredictable at times.

More modern properties are less likely to require large maintenance budgets however these are often sold at a premium with lower rental returns. For older properties with higher rental yields, money should be allocated for future maintenance such as floor replacement, painting, and, most importantly, upgrades to bathrooms. You should also allocate a budget towards property improvements such as improving the heating system or insulating the facade. These additions can

increase your rental return, add value and make your property more attractive to potential tenants.

From the moment you decided to purchase a property for investment, you have to be fully aware of all the Capex and maintenance costs that you would have to spend in order to keep the property in a good rentable condition.

You must be diligent in anticipating possible damages caused by wear and tear as they can cause bigger problems to the property if left unaddressed. This is why it is so important to develop an ongoing maintenance plan for the benefit of both your tenants and to create wealth from your property investment.



Make sure to include the following in your 5 Year Maintenance & Renovation Plan:

- » Scheduled maintenance and repairs identified when purchasing the property.
- » Un-scheduled maintenance and repairs – eg: budget to replace a broken heating system in the middle of winter.
- » Budget for necessary refurbishments to re-rent vacant damaged apartments.
- » Opportunistic renovations – consider extensions to create more rental sqm's.

Over €40 million currently invested in development projects



With the funds raised from our Project Bonds, Investix has entered into three new residential development projects this year in some of the top locations in Germany - Dresden, Mainz and Leipzig. With over €40 million currently invested into various development projects, Investix is taking advantage of the housing shortage and is developing high quality residential apartments for residents, students and visitors to Germany.

In June, we completed one of our most successful projects to date - a newly built



residential complex in Berlin, EOS-NOX, which we co-developed with a professional team of German property developers, architects and engineers, delivering a high quality apartment complex located in a green residential family suburb of Berlin. The growing shortage of properties in Berlin allowed us to complete the apartment sales in record time and now the lucky owners have received their keys and continue to enjoy their new homes.

The second completed project, was our “pooled rental income” project, Amadeus

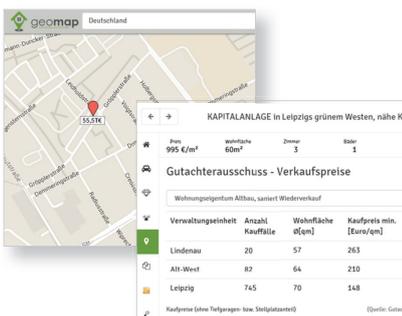


Quintet. We acquired a fully tenanted apartment complex consisting of 50 apartments just outside Hannover. This project was perfect for our network of German buy-to-let investors where we sub-divided then re-sold each tenanted apartment one by one to German investors and offered them a “pooled rental programme”, managed by our Rental team, Acuratix. This property investment strategy is hugely popular with buy-to-let investors in Germany as it significantly reduces any investment risks caused by vacancy.

Investix is staying ahead of the game by investing in advanced market research.

In today's rapidly globalising world, any number of tiny advantages in any market can easily swing an investment from detrimental to wildly profitable, from a loser to a huge winner. Individuals simply do not have the time, energy, and resources to keep fully abreast of any and all changes in the property market. Sure, some may be able to stay afloat through disciplined strategies, patient investments, and a whole lot of luck, but with every passing day it gets more difficult for these investors to remain competitive.

Investix doesn't invest in luck, we invest in market data and since the beginning of this year we have strengthened our partnership with a leading data provider in Germany – GeoMap. Property market analysis is the foundation for how Investix advises its clients. We are employed primarily because we understand the current market and can make reasoned predictions on future market trends. The fact that property markets are complex and the determinants of change are not stable over time makes the role of Investix challenging but financially worthwhile for our clients. It is crucial that property market analysis is undertaken as competently as possible. GeoMaps structural mechanism for collating property data in Germany is very strong and accurate, so this is the information we can rely on to make an informed opinion about property values. It is possible to perform critical analysis and achieve a sound base for valuations using the open markets value.



Itching to buy Investment property? 3 affordable offers to get you started:



Price: €1,500,000
Units: 5 residential & 4 commercial
Location: Berlin

Excellent opportunity to acquire a refurbished apartment block in Berlin, fully rented with a mix of commercial and residential tenants in place.



Price: €625,000
Units: 8 apartments
Location: Bochum

"KLEINES SCHLOSS" or "SMALL CASTLE" is a beautifully restored building. This is a solid turn-key investment in Bochum with long term tenants in place.



Price: €570,000
Units: 8 apartments
Location: Dessau

Fully rented, renovated classical style building within walking distance of the Federal Government's head office for the Environmental Protection Agency.



I am very happy with the way my investments with you are progressing and how they are being managed.

JULES CARIS



Thanks a lot for keeping me informed with good news!
Thanks a lot for a great job!

OLGA KHARKOVA

Are you looking to Invest?

At the Investix Group, we are here to assist you on every step of your investment journey. We guide our clients through the property investment process from start to finish, whether it's their first property or an addition to an established portfolio.

Arrange a Strategic Planning Session with our Investment Team in Berlin to start creating your Investment portfolio in Germany.

To get you started and to help us provide you with the most relevant information, please email info@investix.de with answers to the following questions and

one of our experienced investment consultants will contact you back.

1. What is your main property investment objectives? Generate regular income, maximise capital growth or a combination of both.
2. What budget have you set aside for your property investment?
3. Do you have finance arranged?
4. Are you available to come for a free consultation to Berlin and/or visit properties?

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