IPE & REAL ASSETS

Interview: Aldo Mazzocco, Generali Real Estate

BY CARLO SVALUTO MOREOLO | MARCH / APRIL 2021 (MAGAZINE)

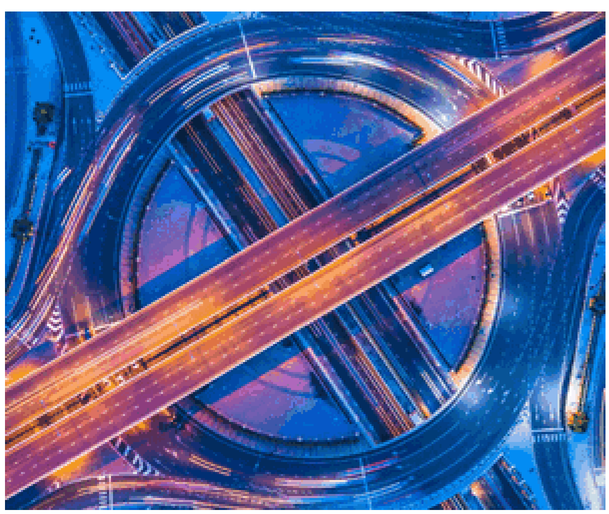
Aldo Mazzocco (pictured), the CEO of Generali Real Estate, outlines the company's strategy in light of Covid-19. Interview by Carlo Svaluto Moreolo

The Covid-19 pandemic forced Aldo Mazzocco, CEO of Generali Real Estate, to reflect on his long-term outlook for the real estate market.

Aldo Mazzocco

But it was no excuse to take his eyes off the company's strategic vision, consisting of a set of clear, yet challenging goals set upon his appointment in 2017.

Under Mazzocco's tenure, Generali Real Estate has become a truly pan-European real estate investment manager. The company has grown its share of third-party assets and has implemented a genuinely diversified real estate strategy. It now acts as the group companies' real estate asset manager instead of just their adviser.



"We have 10 pan-European strategies, each managed through as many Luxembourg-domiciled funds by our Italian asset management company," says Mazzocco. All of our group companies invest in the funds, but they are all open to third-party investors, and the share of third-party assets has grown.

“Most of our group companies invest across our highly diversified portfolio, which is built following a clear strategy built on fundamental analysis. Finally, we have gone through a cultural revolution, because now we act as our group companies’ asset manager rather than adviser, which means we are fully evaluated on our performance,” the CEO adds.

Mazzocco agrees with the popular view that Covid-19 has accelerated existing trends in real estate and the wider economy. However, through the lens of his long industry experience, he sees the repetitive nature of certain trends.

His thesis is that, once the pandemic is over, the impact of the crisis will wane and structural shifts will prevail.

“Tourism may have been heavily affected but it will return quickly to where it was before, especially in European cities,” he says. “Covid-19 will probably drive people out of city centres, at least as long as the memory of lockdowns persists, which changes the dynamics of the residential sector in the medium term.

“In the office sector, my sense is that around 20% to 25% of staff will probably continue working remotely, either on a permanent or temporary basis. Companies have invested a lot on digital systems, so they are incentivised to allow staff to continue working remotely.

But the office sector will continue to thrive. Covid-19 has hit the retail sector as it was undergoing a profound transformation, says Mazzocco. In his view, the large, dominant and diversified retail centres will probably resist, as will the smaller ones which provide services such as fresh food; medium-size, non-destination centres will likely disappear. He also points out the strong need to improve logistics capacity.

“However, none of the changes brought about by Covid-19 are as dramatic as one might expect,” he says. “Changes in our sector take place over periods of time that are much longer than this pandemic,” adds Mazzocco. The pandemic has not delivered a significant blow to real estate valuations, he points out. If anything, the protracted, low-interest-rate regime is maintaining valuations at high levels, even for new developments. This leaves little room for opportunistic acquisitions.

Mazzocco does see some opportunities in the family hotel and listed retail property, because of the significant headwinds for the sectors. But Generali Real Estate does not currently run dedicated strategies for those sectors.

As a result, the company's strategic vision has not changed. The ultimate goal is to become a leading real estate asset manager in Europe, to expand the company's presence through Asia by investing with local managers and to enter the North American market. This is to be achieved by offering the same capabilities to group companies and third-party clients.

Generali's Bords de Seine 2 in Paris is leased to financial companies

Among the group's recent acquisitions is Bords de Seine 2, a 19,720sqm prime office building in Paris. The building, on the left bank of the river Seine in southwestern Paris, was acquired from BNP Paribas and is leased to two French financial institutions.

Last year, the company announced that by the end of 2021 US bank Citi will move its Milan headquarters to the Generali-owned Piazzetta Maurilio Bossi 3 in the heart of the city's financial district. The building has been renovated to meet high-quality and environmental standards.

The next step in General Real Estate's journey is to develop a sustainable investment strategy. Mazzocco is preoccupied with making sure the strategy has a real impact. "The combination of climate change and the pandemic has made sustainability all the more relevant, and it also constitutes a strong economic driver," says Mazzocco.

"A few years ago we adopted sustainable investment policies based on standards accepted at European levels. But we have also developed a proprietary system to measure the sustainability of our assets."

This year, Generali has launched Fenice 190, a €3.5bn programme of sustainability-related investments in the real economy, focusing on European sustainable infrastructure and residential assets, as well as small and medium enterprises. The programme was launched to celebrate 190 years since the Generali Group's foundation.

"Now it is time for investors to separate the majority of 'generalists' in sustainability from a smaller group of specialists. To become leading actors in this area, we have to be authentic, which means not just following standards but coming up with new, original solutions," says Mazzocco.

**This article was amended to reflect the launch of Generali's Fenice 190 investment programme*