

# Sorgente Group: the art of real estate

**S**orgente Group entered fund management in 1999, a year after the introduction in Italy of the real estate investment fund regulation. In 2001, the Group's management arm, Sorgente Sgr, launched Italy's first closed end real estate fund targeted exclusively at qualified investors raising over €100 million. The Michelangelo Fund immediately topped the performance rankings in its category and since then the Group has enjoyed steady growth year on year.

In 2004 Sorgente decided to enter the retail market, with the aim of providing its distinguished competence and results to a broader audience of private investors. The result was the listing on the Milan Stock Exchange of the Caravaggio Fund in 2005. By the end of 2008, in Italy, Sorgente Sgr became one of the leading market operators, successfully promoting and managing 10 real estate investment funds, both listed and unlisted, with over €1.3 billion of assets under management.

The Group's success can be attributed to the strong and specific qualities to which its management is rigorously faithful. First of all, its real estate investment expertise is exceptional. Far from considering buildings a commodity to finance, Sorgente recognises and is well versed in managing the complex elements which add value. This ability originates from a long and significant professional tradition: Sorgente Group's founder and key man is Valter Mainetti, whose family has operated in the development of real



**Stefano Cervone, General Manager, Sorgente GROUP**



**Veronica Mainetti, Managing Director, Sorgente GROUP USA**

estate initiatives of the highest standing since the end of the 19th century.

In the 1920's Valter Mainetti's grandfather ran the company that erected the iron structures of the Chrysler Building as well as the building which houses the prestigious New York Stock Exchange. Throughout the 1900s, the entrepreneurial group developed over €1 billion (in historic values) worth of real estate projects in Italy and France. Valter Mainetti took the helm of the group in the 1970s, starting and successfully completing numerous notable real estate projects. During this time an interest developed for the real estate investment trust (REIT) market, which is already flourishing in the United States. The interest is sustained by the intuition that a robust competence advanced in the real estate sector can benefit the needs of long term investors, whose numbers increase consistent with the expansion of the welfare state in post-industrial economies.

Sorgente Group's approach to planning real estate funds accounts for and favours those product characteristics which satisfy the typical profiles of non-speculative institutional investors: pension funds, insurance schemes, endowments, trusts and savings companies. Stable and long-term returns combined with limited levels of risk and medium to long-term investment horizons are the essential measures of performance of the Group's funds. Based on these qualities Sorgente's funds have been effectively preferred in Italy by social security entities, insurance companies, endowments and trusts, Banks and Professional Associations.

Sorgente's real estate vision is clear and is represented by investment strategies and plans that have gained the approval of professional

investors. The aim is investment in trophy buildings, where value is generated from their rarity: their location must be prestigious and unique, while their architectural quality and their iconic nature are essential value creating drivers. The portfolios are diversified between income-producing and value-added assets, and Sorgente possesses the necessary skills to value, plan and finalise their development process.

The initial strategies delivered satisfying results and the entrepreneurial vision is extended to implement the other fundamental driving force of value for Sorgente Group: a clear international strategy. Of course the first step towards this objective involved real estate investment. In 2003, the Group arrived in New York and was immediately recognised by the professional real estate community of the Big Apple as a credible counterpart. Proof of this is the fact that Sorgente Group immediately became involved with some very high profile transactions. The first investment in the US was the purchase of a majority stake in the Chrysler Building. The well-known Art Deco skyscraper, built between 1928 and 1930, designed by the brilliant architect William Van Allen is a Manhattan icon represented a "trophy" investment for the Sorgente funds and a transaction in which the invested capital doubled in only two years.

Sorgente continued to invest in the US, in accordance with the Group's key philosophy, and purchased a majority shareholding interest in the Flatiron Building, another icon located at a major intersection in New York, where Broadway meets Fifth Avenue. Furthermore the Group commenced a residential development project in Soho, at the heart of cultural and artistic life, where the architecture has a strong Italian influence. Sorgente's funds also set foot in France, where the Group acquired a number of prestigious chateaux which it converted into luxury hotels.

The international ambitions go way beyond the real estate investment activity. Our vision and

understanding of the markets allows us to seriously consider the opportunity of offering savings products in markets outside Italy. In 2006, at roughly the same time, Sorgente established 'Main Source S.A.' and 'Star Source Financial Services Inc.' The first is a real estate fund management company operating under Luxembourg law; the latter is a US corporation delegated with the task of asset management for US REITs. Valter Mainetti's daughter Veronica is managing director of Star Source Financial Services Inc.; her real estate insight is immediately evident in the particular care she dedicates to Sorgente's Soho development.

The westward expansion is comprehensive and sets the boundaries for a strategic presence in both Europe and the US where Sorgente Group aims to be a frontrunner among real estate investment fund operators by developing a range of financial instruments which guarantee absolute transparency and simplicity of the underlying investment vehicle, subject to the rigorous supervision of European and US authorities. Main Source currently offers an investment fund called Historic & Trophy Building Fund (HTBF), divided in two distinct sub-funds: Euro-denominated and USD denominated. HTBF Euro will invest in Europe targeting specific cities in Western Europe (Rome, Milan, London, Paris and Prague), and HTBF USD will invest in the financial capitals of the US (New York, Chicago, Los Angeles and San Francisco). The strategy is the same for both funds: purchase interests in "trophy buildings", characterised as prestigious locations and of historical-architectural significance. The investment horizon is long-term (10-15 years), in order for properties of this nature to fully attain their intrinsic value potential.

In addition to the Italian and Luxemburg management companies and the establishment of a REIT in the US, the future territorial consolidation of asset management activity foresees a fund management company and a fund under Swiss law which will affirm Sorgente's presence in one of the world's major investment hubs and strengthen the existing successful ventures in Italy, Luxemburg and the US.

**For further information:**  
[segreteria@sorgentesgr.it](mailto:segreteria@sorgentesgr.it)  
[www.sorgentegroup.com](http://www.sorgentegroup.com)



**Sorgente Group owns the majority share of the Flatiron Building**