

Markets

# The Real Estate Developer Building Italy's Rival to Canary Wharf

By Tom Metcalf

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- Sovereign-wealth funds are backing Manfredi Catella's project
  - Porta Nuova development will include Italy's tallest building
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Manfredi Catella Source: Coima

Manfredi Catella's office is surrounded by the skyscrapers, shops, residential buildings and public spaces that make up Milan's Porta Nuova development. His family firm Coima developed the 2 billion euro (\$2.3 billion) mixed-use project in a joint venture with U.S. real estate giant Hines, which is now owned by the Qatar Investment Authority.

Catella, 50, has since parted ways with Hines and struck out on his own. Coima is continuing to develop around Porta Nuova, a Milanese version of London's Canary Wharf or New York's

Hudson Yards. His firm is also involved in stand-alone projects backed by sovereign funds from Azerbaijan to Abu Dhabi. In an interview at his Milan headquarters, Catella discussed populism, Italy's enduring appeal and why he once turned down a 500 million euro investment into his fund. Comments have been edited and condensed.

## How do you make money in property?

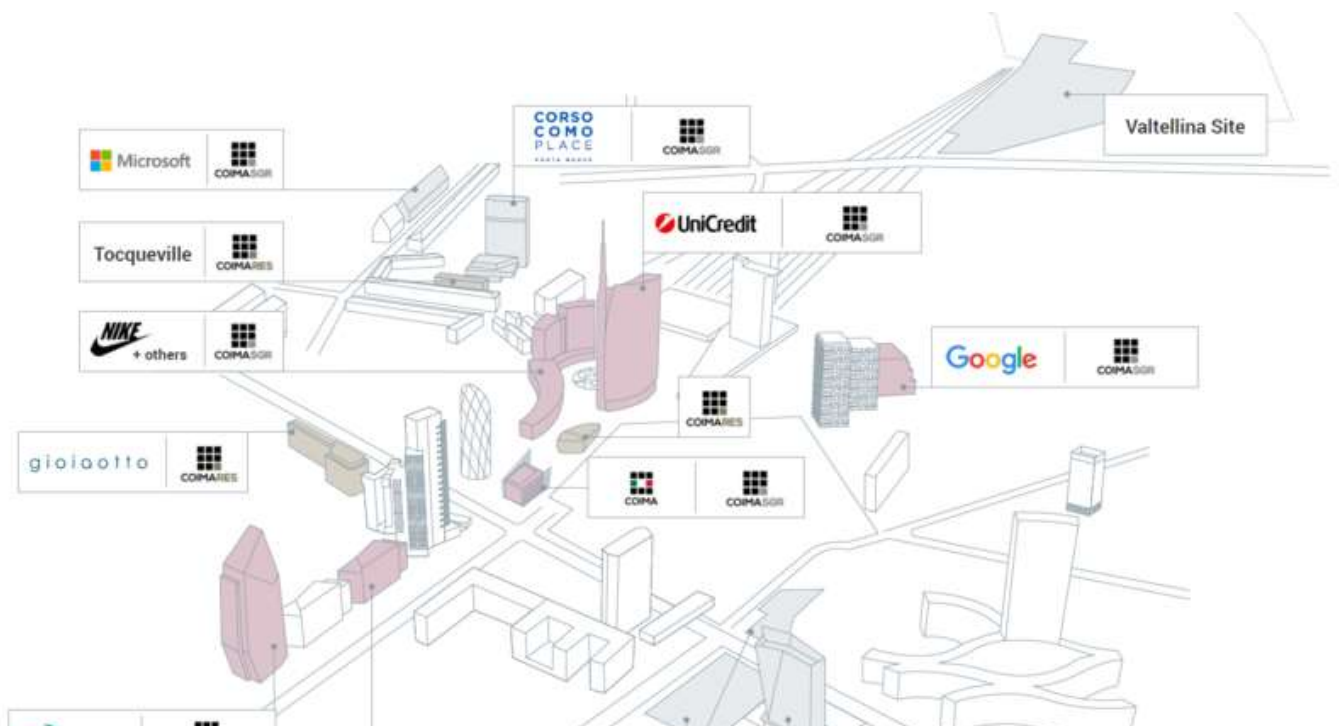
If you want big returns in a period like this, either you buy very distressed or you buy very cheap or you have to add lots of leverage. We don't do those things. We think you have to develop the right product and you'll make money over the long term. You need to have patient capital. That's the reason why we attract sovereign-wealth funds, who understand that and can be long-term investors.

## What challenges do Italy's political climate bring?

We are in a global phase of populism. It's everywhere. It's in America, it's here, it's in the U.K. And so it's extremely difficult to invest if you base your investments on the traditional macroeconomic dimension. Ideally you should de-correlate completely from macro and focus on fundamentals. Demand, supply, gaps in the market that are more secular.

## What is this fundamental opportunity?

Demographics and technology mean people are looking for a different kind of space. And so every asset class is changing a lot. And Italy is a country where there's a very material gap between the physical space that's available and where the demand is.





Map of Porta Nuova Source: Coima

## Where are the future opportunities in Milan?

Milan has a lot of assets and sites that are ripe for regeneration, like the railway yards. There's no other major city in Europe that still has such big sites so close to the center of the city. In London, Frankfurt, Paris, you don't really have a site where you can say let's make the city of the future. You have to play within an existing urban frame.

## You're renovating hotels on the Venice Lido?

This was once the most renowned resort globally. The whole portfolio went bankrupt. So we took over the management of this bankruptcy and we are regenerating it. It's very interesting because it's history, heritage, tourism, cinemas. The best thing that Italy has going for it is the physical asset of Italy.

## Why did you decide to go it alone?

My family has an entrepreneurial background. Once we finished Porta Nuova, we clearly had to decide what to do. Do we continue to deploy capital on behalf of a global group? Or do we focus on and continue our entrepreneurial legacy and catch a fundamental opportunity in Italy? We decided to take that risk.

## How did you go about raising funding?

We prefer to raise initially international capital, not Italian, because we believe that international investors are much more experienced and mature in selecting the best managers. That helped to validate us.

## You've turned down money?

We wanted to raise half a billion euros and one investor -- I won't name them -- said, "OK, we're going to give you 500 million euros." Just like that. I didn't know what to say. I probably smiled because this was a very nice response. But then before even leaving the room I said, "Look, if I accept this we would not be validated as an entrepreneurial management team. So

I have to say no. But obviously please sponsor us with less money.” They gave us 150 million euros and we went around the world to raise additional capital.

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EUR	
<b>Euro Spot</b>	
1.1497	EUR ▼ -0.0027 -0.2343%

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