

Happy Xmas 2008
to all PFE readers!

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PROPERTY FINANCE EUROPE

Volume 4, Issue 100

real estate industry newsletter

8 December 2008

German open-end funds search for ways to re-open as problems pile up

German open-end property funds are grappling with the challenge of private investor demands as the year ends, after being forced to close redemptions in October by the sudden withdrawal of capital by institutional investors seeking to raise liquidity.

The Property Finance Europe team wishes all our readers, a very happy year end festive period, and a good - and in any case better - New Year 2009! Many in the sector will be only too glad to see the end of 2008, and to get away for some celebration, even if champagne corks this year may not be popping quite so loudly or so often. The year has without doubt been the most difficult for markets in living memory. But looking forward into what the New Year will bring, it can only get better!

PFE will continue to bring European expertise to London investment professionals, and kicks off the year with our Nordic Property Breakfast in London's West End on Friday 16 January. Don't forget to register for attendance at events@pfeurope.eu.

After Henri Alster's tradition retreat for CEOs in the snowy wastes of St. Moritz at mid-month, he and we move off to Istanbul for the Turkey GRI, a new event in the conference calendar, taking into account that nation's growing importance in the development and investment of the major players in the sector. CIMMIT's annual German conference is scheduled to follow, providing an early overview and analysis of the national real estate situation for local and international investors alike. See you there. Merry Christmas!

Three of the seven fund managers obliged to close for at least three months as liquidity dwindled - Swedish-owned SEB, Munich-based Kanam, and DEGI, acquired recently by Aberdeen Property Investors - are continuing to make payouts to private investors who depend on these for their livelihood, despite the overall closure for capital withdrawal. The BAFIN German supervisory authority has ruled that the payments breach the equal-treatment principle enshrined in the investment law. However, the funds have ignored this so far.

In this they have received backing from the nation's Central Real Estate Association (ZIA). "BAFIN with this demand is placing not only numerous small German investors in financial difficulty, it is much more of a strike against open property funds themselves and the confidence placed in real estate as an asset class," said ZIA Managing Director Axel von Goldbeck. "After re-opening, the funds will in any case have to bring the payout schedules up to date so there can be no talk of excessive pressure on funds from this situation."

Heiko Beck, board member of the German BVI investment management association, rejected criticism that the mix of institutional and retail capital has unfairly penalised private savers trapped due to the actions of large investors.

He told PFE: "In principle it is OK to have both groups of investors in one fund but however we do it, we need to have safeguards regarding institutional investors and these should restrict their ability to redeem units, impose holding periods, and have termination clauses (*See PFE Interview, p8*). German OEFs managed nearly €90bn in property assets at mid-year. Beck said the re-opening will depend on distribution success in the New Year. Investors in October withdrew €5.1bn, but net inflows year to date reached €500m. pfe

Paris, Rome ease REIT rules to offset crisis

In response to the financial crisis, French and Italian governments have eased rules covering REITs, trying to bring relief to beleaguered companies facing severe valuation problems at year end, and financing challenges (*see page 2*).

Paris looks set to approve SIIC 5 this month, extending by three years to 2011 the REIT/SIIC regime it introduced in 2003. Rome will implement amendments to its REIT/SIIC statute, introduced at the start of this year, to ease access to the tax advantaged investment vehicle. Reforms are part of wide-scale anti-crisis measures for the economy.

Dorian Kelberg of the French REIT Association FSIF, said: "In the context of the global crisis, this extension of the legislation promises to be an alternative for industrial and financial firms seeking financing at a time when bank credit is very difficult to find." pfe

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In SIIC 5, France extends REIT regime, 60% clause due to financial crisis

The French Senate has now adopted most amendments to the French REIT law amendment SIIC 5 proposed last month. The legislation extends the regime by three years to 2011, creates flexibility for the veto on block shareholdings of 60% or more, but at the same time imposes firm rules for companies which drop out of the regime, and wish later to re-enter.

A note by Baker & McKenzie in Paris, which assisted the French SIIC federation (FSIF) to draw up the legislation, said the draft has been negotiated with fiscal authorities and the Ministry of Finance. It was passed in the French Senate upper house in late November, and should be approved by the National Assembly lower house of parliament before mid-December.

The revisions, the fifth amendment to the French REIT regime introduced in 2003, parallel similar easing by the Italian government in its own REIT legislation, introduced only last year. Like many real estate law changes in the recent past, SIIC 5 was shepherded through the French legislative process by Senator Philippe Marini from the UMP party of President Nicolas Sarkozy.

SIIC 5 amendments include, from this January, boosting to 19% from 16.5% the reduced corporation tax rate on capital gains from property assets sold from corporate balance sheets into SIICs (Sociétés d'Investissements Immobiliers Cotées, REITs); allowing onsale and leaseback by SIICs without breaching the requirement for them subsequently to own the property for five years to qualify for easier fiscal conditions.

"In the context of the global financial crisis, this extension of the legislation promises to be an alternative for industrial and financial firms seeking some means of financing at a time when bank credit is very difficult to find, and it thus underpins property investment companies making a public offer for savings capital," commented Dorian Kelberg, managing director of the Federation of Property and Land Companies (Fédération des Sociétés Immobilières et Foncières, FSIF).

The changes, largely pre-figured in PFE Edition 94 on 27 October, allow a French SIIC to, in effect, put its REIT status in abeyance for 2009 while it brings capital into line with the 60% and other equity limitations contained in SIIC 4. The company would then be able to re-enter the status without penalty. During 2009, it would have to pay standard corporation tax of 34.5% but could reduce this to 16.5% if it successfully meets the requirements by December 2010.

However, there is a penal aspect to the legislation. Should companies select either not to re-qualify, or to exit listed property company status altogether, they will be obliged to repay the difference with the eased fiscal conditions and the standard 34.5% corporation tax retroactively, for the entire duration of their REIT/SIIC status. This equates to an additional 18% on all operations going back to its original entry into the REIT/SIIC regime.

Kelberg told the Business Immo portal: "The government wishes, in effect to avoid a providing a fiscal windfall for companies that have benefited from the SIIC regime to develop and which then wish to delist without counterparty due to the bad stock market situation."

A third element of SIIC 5 extends corporation-tax free REIT fiscal regime onto lease revenues deriving from properties taken over temporarily from state ownership. Kelberg said the sense of this is to allow the state sector property owners to use SIICs as ways to hold assets, even while maintaining their long-term ownership prerogative.

"With the adoption of these amendments we are clarifying

the situation for SIICs which have not yet been able to manage their own position regarding the 60% block ownership due to market conditions," Kelberg said. "We are providing a breath of oxygen to the existing SIICs and extending the application of the statute for wider use. In the final analysis, we very much hope that the quoted property sector will contribute as far as it is able to conditions for recovery in the French economy. pfe (*This story first appeared in partial form in PFE Weekly 99, published on 1 December*)

Italian government to ease REIT rules in face of financial crisis

The Italian government will implement amendments to its REIT regime, introduced finally at the start of this year, to ease access to the tax advantaged investment vehicle. Reforms are part of a larger decree to implement wide scale anti-crisis measures for the economy.

Though the Italian government has decreed a maximum single-block equity holding of 51% by the end of 2008, media reports say a penalty-free grace period will allow up to a 70% stake upon regime entry, and two tax years to lower that stake to the prescribed maximum. In addition, the stake that must be floated on a regulated Italian market in order to qualify for the regime will be reduced from 35% of the capital to 15%.

To attract participation from international players, geographical restrictions on eligible companies will also be eased. Whereas the REIT/SIIQ (Società di Investimento Immobiliare Quotata, SIIQ) regime is currently available only to full-time fiscal residents of Italy whose administration, legal seat and principle activities remain within the country all year, new reforms reduce this requirement to the majority of the year. Fund transfers, financing and interest payments within a group will also no longer be treated as proceeds for tax purposes.

The dividend distribution requirement will also be lowered. SIIQs will henceforth be required to distribute only 70% of profits in dividends, down from the previous 85%. This is to allow more flexibility and to cut financial pressure on operations caused by dividend payouts.

Since the Italian SIIQ regime was introduced, industry lobbyists and major market players have decried its lack of competitiveness with other investment vehicles in Italy and abroad. Only one company, listed shopping centre specialist IGD (Immobiliare Grande Distribuzione), has managed to adhere to the regime, whilst other SIIQ plans, like those of office group Beni Stabili and bank Intesa SanPaolo, have been derailed by their inability to carry out necessary changes under current market conditions to meet SIIQ regime requirements. pfe (*This story first appeared in PFE Weekly 99, published on 1 December*)

German residential building drops, commercial rises in first nine months

Some 133,000 German apartment building permits were issued in the first nine months of 2008, around 3,000 fewer than in the same period of 2007, says the Federal Statistics Office.

The 2.2% decline for housing construction included a 4% drop for new apartment buildings and 4% fewer new units, namely 116,000, were authorized to be built in existing buildings

through renovation. There was also a 5.6% decline in building permits for single-family houses to 56,300. For multiple-family houses, the decline was 2.7% to 44,000. Permits for 11,820 two-family houses were issued, a drop of 2.5%.

By contrast, considerably more permits for commercial buildings were issued in the period. These permits covered structural space of 188.8m cubic metres, up 22%. The biggest gain of 45.1% was for offices and administrative space, with permits for 15.5m cubic metres.

Permits for trading and storage facilities were up by 14.9% to 70.5m cubic metres. pfe

ECB in fundamental re-appraisal of headquarters development in Frankfurt

The European Central Bank is very seriously thinking of walking away from its plans to convert the former wholesale vegetable market building in the east of Frankfurt on the Main River to a massive new headquarters.

Originally planned to be completed by 2011, the project has not even been started and the building and its location have stood empty while the hiatus has continued for three or four years. With the development plan originally budgeted at €500m, contractors submitted cost overruns of up to six times that amount before work even began.

PFE information suggests ECB President Jean-Claude Trichet called a halt to the project on that basis and for a full review. Now, the bank has said that it will renew its call for bids to build the planned double tower. On the basis of new offers, the ECB governing council will decide at the end of 2009 whether to continue the project at all.

The council has decided to assign individual construction tasks separately, anticipating this will boost competition, and, by dividing the work into around 15 packages, bring costs down toward its budget framework. If the council votes in favour, construction would begin in 2010, with completion slated for the beginning of 2014. pfe

Norway's €236bn oil fund has €16bn sitting on sidelines for real estate

Norway's €236bn pension sovereign wealth fund has nearly €16bn 'sitting on the sidelines' waiting for investment in real estate, according to executive director Yngve Slyngstad.

He told a news briefing recently that the fund, commonly known as the oil fund since almost all its wealth derives from Norway's North Sea hydrocarbon resources, has been given permission by the government to allocate 5% of total assets to real estate. It will begin investing in property in 2009 though it remains uncertain if it will start in the first or second half of the year.

"We basically have \$20bn sitting on the sidelines to invest in the international real estate market," Slyngstad said, in comments reported by Reuters. Even though the fund, managed by an arm of the Norwegian central bank Norges Bank, has taken part in six financial recapitalisations this year, spending around \$1bn, this is relatively low considering its enormous size.

"We are still cautious about this market, we are long-term but also cautious investors," Slyngstad said. He declined to name the financial institutions involved but added the fund remains

slightly underweight in financial stocks.

The Government Pension Fund has been granted leeway this year to double permitted single-company stakes to 10%. It has also been given permission to invest in commodities but Slyngstad said it has not done that yet and has no plans to start in 2009.

It will remain a big buyer of equities and owned 0.77% of all European stock market capitalisation in industrial stocks at end-2007. Slyngstad sees current market weakness as an opportunity, and intends to boost its equity allocation to 60% of total from just above 50% now. "We have had a stabilising effect to the extent that at least there's one buyer out there," he said.

The fund took in transfers of just over €19bn in new capital in the first nine months of this year, but due to the financial crisis has returned a negative 7.7% on the overall portfolio in this period. The fund is forecast by the government to grow to around €530bn in assets by 2015. pfe

PFE COMMENT: Ooof! The mere size of the oil fund, the largest SWF by far in Europe, is always staggering so that a reported small move by its investment managers is of high significance. We expect the early part of next year to begin to see some of these high-octane equity investors coming into the market to begin to pick up what are beginning to look like strong bargains in many real estate companies, listed or otherwise.

Italy to boost strategic infrastructure budget by €4bn to €16.6bn

Italy will set aside €16.6bn for large, strategic infrastructure, according to Prime Minister Silvio Berlusconi, some €4bn above the previous planned allocation, widely criticised for leaving infrastructure in the north under-funded at an economically delicate moment.

As well as the financial crisis, Milan is gradually gearing up to host Expo 2015, and as Europe awaits the delivery of key infrastructural connections with other countries.

Berlusconi said the government has generated an €80bn investment plan that covers even small infrastructure and is meant to address what he called a notorious deficit with respect to other European countries. He has also complained the Rome has little margin for public spending to help ameliorate the country's poor economic condition due to its vast public debt, the largest in Europe, totaling 106% of GDP.

Current plans call for €2.3bn in direct aid to low income families and seniors, issued in the form of social cards, with the first credit allocations arriving before Christmas. pfe

Germany's Siemens bundles property into SRE management unit

The giant German electronics group Siemens is to place its entire real estate portfolio totalling 18m sq.m. of space under the management of its Siemens Real Estate subsidiary. The unit until now has controlled only about half of the total, with the remainder managed by regional units.

SRE oversees real estate assets comprising 34.0m sq.m. of building land and 17.7m sq.m. of rentable space at more than 3,000 sites around the world, and has direct profit and loss responsibility for about half of this. The portfolio includes of-

office, industrial, warehousing and specialty real estate. In fiscal year 2008 to end-September, SRE posted sales of €1.67bn, with EBIT of €356m.

Joe Kaeser, group CFO, commented: "We want to have a stronger focus and better transparency in our real estate management. By bundling real estate management worldwide, we expect to increase efficiency by over €200m by 2012." This will primarily be achieved through more efficient space utilisation, disposal of unneeded property and optimisation of service and supplementary costs by bundling resources worldwide. pfe

Italian magistrates confiscate €700m in property linked to Mafia

Italian magistrates in Palermo have confiscated €700m worth of property from supermarket entrepreneur Giuseppe Grigoli, alleged to be the financial brain and primary money launderer for the Cosa Nostra mafia syndicate in Sicily.

The portfolio included 230 buildings and a stake in the shopping centre Belicittà in Castelvetro. Prosecutors hope the operation will stamp out financial resources for the Cosa Nostra,

forward thinking

Great market, fun time! At the Plantation Hotel in St. Lucia if you need me!

The state of the markets and the depth of nervousness over the future is unprecedented. That is for sure. Most real estate players are no longer even trying to be merry, worrying more whether their goose, this time of year, is cooked. Except that some are cheered by the mere fact that the year is coming to an end, and a lot of others, if they are wise at least, are already sunning in the Caribbean, trying to forget about real life. It was way back in the last decade when I took the hint about the correct way to spend the year-end, er, festivities. "If you want to reach me



Allan Saunderson
PFE Managing Editor

anytime over the Christmas period," said one of my clients from a very well-heeled investment bank. "I will be at the Plantation Hotel in St. Lucia from the 15th of December, and back on the 5th of January." I turned all shades of green for about, well, the next decade. Come to that, perhaps our chosen brand colour of Property Finance Europe derived from that fateful piece of welcome information. We at PFE wish you and your staff the Plantation Hotel over the year end vacation period. But remember not to all go at once. The place (there actually are several) will be over-run and the year-end peace, well, burned away by the sun. Sigh.

If one took the comments at the Euro Finance Week in Frankfurt recently to heart, you could be forgiven for heading off immediately to much sunnier climes. ULI Europe's usually irrepressible Bill Kist-

ler opined that a slow recovery might just be on the cards – for 2011!. In 2010 meanwhile, the pain may get slightly easier. Thanks, Bill. ZIA President Eckart John von Freyend was also gloomy though somewhat more optimistic for Germany than for many others. The nation, in comparison to its European neighbours and the Anglo Saxon world, is reasonably well positioned in its real estate sector, he said. Property in Germany has always been undervalued. Here, we would tend to agree, certainly on housing. Residential assets, in particular if you are an adherent to the

coming Great Inflation theory, remain at such low prices that nationals from most other European nations gasp in surprise. Forget that quarter mill you have to pay to live within commuting distance of The City, you can get into a reasonable single family home with garden not more than 40 minutes from Frankfurt downtown or airport for €200,000, and sometime have change. And neither is it a shack that "needs work" or a "handyman's delight" but a modern dwelling with good heating, double glazing and most mod cons.

Barbara Knoflach, CEO of SEB Asset Management also sees Germany as the most stable market in the world, and is shifting investment into A-locations. It only remained for Louis Hagen, Managing Director of the Pfandbrief association, to plead the case for that particular funding instrument. Indeed, even if the market

has been cast into disarray by the crisis, and particularly the dire straits of one of the major issuers Hypo Real Estate, it should spring back soon. Did I see that a European covered bond dealers association is springing up outside Germany, in Brussels? Or are my eyes deceiving me again?

But all is not lost. In this edition, see the item about the Norwegian Oil Fund sitting on the sidelines looking to invest a cool €16bn in real estate when the "time is right". And that's to add to about the same amount with which Olivier Piani created a stir in these pages with comments along the same lines a few issues ago. These seem since to have been around the world and come all the way back. We saw them again just the other day. Meanwhile, back in Toronto, the Canadian Public Pension fund, managing a cool CAD\$127.7bn (€80.1bn in European money), is also on the prowl for good property investments. Latest stats from Prequin private equity researchers have it that CPPIB has invested CAD\$1.4bn in four real estate funds, including one managed by Morgan Stanley that invests globally, and another managed by Blackstone, which will invest in Europe. This increases CPPIB's commitment to real estate to CAD\$8.4bn. There you go. The Canadians will ride to Europe's rescue, placing some of that solid baby-boomer pension money into Euro assets. Given what has happened in Big Brother to the south of the 49th, this should prove to be a very wise move indeed. Have a very good year-end break.

Allan Saunderson, editor@pfeurope.eu

**THE PROPERTY FINANCE EUROPE TEAM
WOULD LIKE TO WISH ALL OUR READERS
A VERY HAPPY CHRISTMAS AND A GREAT 2009**

**...and HAPPY HANUKKAH and FRÖHLICHE WEIHNACHTEN
and JOYEUX NOËL and BUONE FESTE NATALIZIE and
FELICES PASQUAS and VROLIJK KERSTFEEST and ...**

Tchestito Rojdestvo Hristovo
Prejeme Vam Vesele Vanoce
Glædelig Jul
Haid joule ja head uut aastat
Kala Christouyenna
Hyvaa joulua
I'd Miilad Said Oua Sana Saida
Sretan Bozic i Nova Godina
Haid joule ja head uut aastat
Mo'adim Lesimkha
Gledileg Jol
Nollaig Shona Dhuit
Buone Feste Natalizie
kurisumasu omedeto gozaimasu
Prieci'gus Ziemsve'tkus Gadu
Linksmu Kaledu

God Jul
Wesolych Swiat Bozego Narodzenia
Feliz Natal
Sarbatori Fericite
Pozdrevlyayu s prazdnikom Rozhdestva
Hristos se rodi
Sretan Bozic or Vesele vianoce
Nollaig chridheil huibh
Sretam Bozic
Vesele Vianoce. A stastlivy Novy Rok
Vesele Bozicne. Screcno Novo Leto
God Jul Och Ett Gott Nytt År
Noeliniz Ve Yeni Yiliniz Kutlu Olsun
Z Rizdvom Khrystovym !
Cestitamo Bozic

**Property Finance Europe's last issue of 2008, the toughest year
for financial markets in memory, will be our Weekly 101 due to
be published next Monday 15 December.**

**We then take a rest and come back on 5 January 2009 with
Weekly 102, fresh and ready to document market improvements
for real estate investors in the fascinating, culturally-diverse but
rich and rewarding region of Europe, east and west.**

From all the team: Take good care until then!



forcing mafia bosses to expose themselves as they search for new channels for their financial operations, according to the newspaper Il Sole 24 Ore.

The target of asset seizure was a major player in the Despar supermarket chain, which has 2,106 branches throughout Italy, 20,000 employees, and had earnings of €4.4bn last year. Grigoli reportedly controlled all Despar stores in the coastal Sicilian cities of Agrigento and Trapani and, until a few months ago, also owned a 10% stake of the parent company. In 2006, Grigoli-controlled food distribution operations reportedly earned €109m and profits of €2.2m.

The operation is part of criminal proceedings aimed at uprooting operations of alleged Cosa Nostra boss Matteo Messina Denaro, taken into custody late last year.

The retail sector has been particularly attractive to organised crime, reports business watchdog Confesercenti. In a sample of 30 asset seizures affecting 100 businesses, organised crime bosses invested a total of 37.5% assets in construction and 20% in retail and restaurants. pfe

Turkey shopping mall investors form association as building continues

Shopping centre investors in Turkey have formed an association to represent and promote the interests of an sector which numbers 200 shopping centres and accounts for a total investment of nearly €25bn.

Hakan Kodal, Krea Real Estate CEO, told the 15 founding members: "Our mission is to contribute to the healthy growth of the industry, including standardising general expenses and terminology, organising training in shopping centre management and creating an index to accurately reflect the turnover and visitor numbers to Turkey's shopping centres."

The number of malls in Turkey is expected to reach 350 and total investment volume of €40bn in three years, while the foreign investment should reach 20%. "Because shopping centres are medium to long-term investments, which Turkey needs, fluctuations of one year are not particularly important," Kodal said, adding that one of Turkey's strengths is its young demographic structure, with some 60% of the 70.5m population un-

der 35 years of age.

"Despite the crisis Turkey is still one of the three or four countries in emerging markets that is expected to grow. The demography is our biggest advantage. In the coming ten years Turkey will be the biggest market in Europe," Kodal said. pfe

LISTED REAL ESTATE

Spain's Sanahuja family swap 54% of Metrovacesa equity against bank debt

Metrovacesa, Spain's largest listed property company by assets which is struggling under a reported debt load of around €7bn, has come to an agreement for creditor banks to take a 54% stake in exchange for debt, according to the principle shareholding Sanahuja family.

The creditor banks are Spain's largest banks Santander, BBVA, Banco Popular and Banesto, plus savings banks La Caixa and Caja Madrid, El Pais reported. Each bank will take a 9% stake.

The Sanahuja family used its 80% stake in Metrovacesa as collateral. The debt-for-equity swap is similar to a deal in April when creditors agreed to take a stake in Spanish property firm Inmobiliaria Colonial in exchange for outstanding debt.

Banesto Bolsa analysts told Reuters: "Apart from seeing their core shareholder handing over its stakes to the banks, it has not been able to close the refinancing for the HSBC tower block, and it could be obliged to sell it back to the British bank."

The comment was made just as the company announced that it is selling the HSBC headquarters in London's Canary Wharf back to the bank for £838m (€1.1bn), just over one year after buying the asset in a sale-and-leaseback transaction for £1.1 bn (€1.3bn).

In a statement to the Spanish stock market authorities, the debt-strapped real estate company said its board has agreed to go ahead with the sale. The firm has a £810m vendor financing on the asset which matured in late November. Metrovacesa bought the flagship 45-storey tower in May last year in the UK's largest single asset transaction ever. pfe

PFE COMMENT: Why does one get a strong feeling that there is a

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ISSN 1748-8281 (print) ISSN 1748-829X (online)

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3,000 print issues twice
per month audited by



lot more here than meets the eye? Maybe it is because of our information that the total debt load of the Sanahuja far exceeds just their part of the Metrovacesa liabilities. And it would be highly desirable – this is, by the way, a publicly listed company in the full EPRA sense of the term – if the Spanish CNMV stock market authorities would not stand by and allow the public, who have also presumably invested, to be kept in the dark while the major creditors and shareholders divvy up the company as best they can.

Spain's Colonial offers stakes in FCC, French SIIC SFL to creditor banks

Spain's listed property group Inmobiliaria Colonial is offering creditor banks an option to acquire its 15.45% stake in construction group FCC as well as its 33% interest in French REIT/SIIC SFL.

In a statement to the Spanish stock market authorities CNMV, the firm said it will continue to look for buyers for the stakes despite giving purchase options to a consortium of creditor banks including Calyon, Eurohypo, Goldman Sachs and the Royal Bank of Scotland. The banks can exercise the buy option up to 10 January.

The company agreed to sell its interests in SFL and FCC in September as part of an agreement with banks to restructure its €9bn mountain of debt. The company also offered for sale its shopping centre developer Riofisa.

The funds raised would be used to repay a new loan, whose maturity date was extended to five years. Colonial spent over €3.5bn on the Riofisa and FCC stakes in 2006 and 2007. If the four banks exercise the options, they would each hold 3.4% of FCC (Fomento de Construcciones y Contratas) and 7.25% of SFL (Société Foncière Lyonnaise) each, with the other members of the syndicate holding the remaining 1.87% and 3.99% respectively. pfe

Italy's Risanamento delays €4.3bn divestment program as losses mount

Milan-based listed property developer Risanamento said it has yet to close a major sale in its program to unload roughly 75% of its assets, which have a declared worth of €4.3bn, and is still negotiating a €75m credit line from a consortium of banks plus creditor moratoria on defaults.

The company announcement failed to deliver a breakthrough for the group's exit strategy from a crushing liquidity crisis under €2.6bn debt, but neither did it extinguish hope: after five months of talks, Risanamento is composing a binding agreement with Dubai developer Limitless for the sale of the 1.3m sq.m. mixed-use project in Sesto San Giovanni, north of Milan.

Risanamento said in August it expected to reach agreement for both Sesto San Giovanni and a 1.2m sq.m. Milano Santa Giulia project by the end of the year. However negotiations related to Milano Santa Giulia have yet to progress beyond non-binding offers of interest.

In its balance sheet, Risanamento has devalued the Barney's building at 660 Madison Ave in New York by €50m as part of a valuation readjustments totalling €84m due to the grim market climate. It bought the building for \$375m in summer 2007 and valued it at €300m as recently as last May. Company losses for

the third quarter amounted to €168.6m, compared to losses of €75.3m in the same period last year. Debt rose to €2.64bn versus €2.5bn in December. Risanamento shares were last trading at €0.38 per share, down from €4 12 months ago. pfe

Züblin's French REIT posts first half loss, stops acquisitions amid crisis

Züblin Immobilière France, a 68%-held unit of Switzerland's Züblin Immobilien and a French REIT/SIIC, posted a consolidated net loss of €32.6m for the first half of its financial year 2008/9 to end-September, reversing a profit of €14.6m at the same point in 2007. It said it will adapt its strategy and temporarily suspend acquisitions during the financial crisis.

The net result was negatively impacted by the portfolio devaluation of some €39m, a drop of around 10.4% over six months. The gross appraised value, as determined by Jones Lang LaSalle, reached €357.1m. The valuation adjustments were more pronounced for assets located in the Paris area than for those located in Lyon and Marseille.

"In accordance with its thorough business practices, Züblin Immobilière France has modified its business development plans to fit the prevailing economic, financial and property-market conditions, which have deteriorated substantially in the last few months. Specifically, Züblin Immobilière France has decided to temporarily suspend its acquisition program until visibility over economic and financial conditions improves.»

Cash-flow reached €6.7m, or 0.57 per share in the first half,

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German open-end funds in talks on industry-wide standards to prevent future closures, government-imposed rules

German open-end property funds are in intense talks to establish minimum industry-wide standards for dealing with liquidity issues that led to fund closures for redemptions in November, and the federal government is watching to see if the industry can regulate itself, according to the board member of the BVI investment management association responsible for property funds.

Heiko Beck, also board member for real estate in Commerzbank's Commerz Real unit, told PFE no fresh legislation is in the pipeline to regulate OEFs and prevent such closures. However, "Berlin so far has made very clear that they expect some action from the industry... The sector must move forward with internally regulating itself because otherwise the legislator and the regulator will come down on us with something they think is appropriate."

Around a half-dozen German OEF management firms last month halted certificate buybacks when large institutional investors, particularly fund of funds, withdrew capital suddenly to raise liquidity to plug losses in other investments suffering from the financial crisis. Many were obliged by investment mandates to reduce real estate exposure which had risen automatically after the collapse of industrial equities and other holdings.

Commerz Real did not close its Hausinvest Europa or Hausinvest Global, but others that did included Aberdeen Property Investors' DEGI, Morgan Stanley, the Swedish-owned SEB Immoinvest, TMW Pramerica, the Munich-based KanAm, Axa Immoselect owned by the French insurer, and CS Euroreal, a unit of the Swiss bank Credit Suisse. These make up around 38% of total gross asset value of a sector that had nearly €90bn assets under management at mid-year. Although investors in October withdrew €5.1bn, capital movements year to date showed net incoming investment of €500m.

Beck is soon due to move to the parent Commerzbank while it assimilates Dresdner, bought recently from the Allianz group. He rejects criticism that the mix of institutional and retail capital has unfairly penalised private savers trapped due to the actions of large investors, but admits contractual holding periods put in place after the 2006 OEF crisis have not proven watertight. Large investors successfully claimed the contracted notice periods did not conform with the German Investment Act.

"In principle it is OK to have both groups of investors in one fund, but however we do it, we need to have safeguards regarding institutional investors and these should restrict their ability to redeem units, impose holding periods, and have termination clauses," he says. "This is something that many of the asset managers have executed already and in some cases – a significant number of funds are still open – these have worked quite well. In other cases the schemes were either not in place, did not work, or were not sufficient."

He sees quotas as the most likely solution, with funds accepting wholesale capital allocations only up to 10% or 15% of gross assets. "It is clear that the investment strategy of this kind of investor is different from the typical retail investor," Beck

says. "Therefore there must be specific safeguards... What is not acceptable for the future is that we have some asset managers working hard on these matters while others set aside lower levels of comfort. We need joint minimum standards, clear transparency regarding investors, and hard legal requirements for institutions concerning holding periods and the like."

Some in the German community suspect that coming portfolio devaluations also caused a run on the OEFs by private investors, but Beck says this was not the case. "Even open-end funds cannot fully ignore market developments and we have made some devaluations in portfolios already," he says. But funds use a different valuation from REITs and other investment vehicles, which mark prices fully to market. "That means they go up the full route and then down the full route. We use so-called sustainable valuations, which takes longer term value into account. This means many funds did not follow the market increase from 2005 to early 2008. This will pay off in forthcoming months." Beck declined to estimate a devaluation average for the sector.

Another issue is to properly identify institutions that separate capital allocations to OEFs into smaller packages to circumvent holding periods. "We are looking at measures to really identify these large investors if they want to come in because they are also able to split orders so they step in camouflaged as retail investors."

So when are German open-end property funds likely to re-open? "The timing will very much depend on the activities of the distribution and sale channels," Beck says. "Currently many bank distributions but also third party insurances are planning sales strategy for 2009 and they will discuss what possibilities exist to approach new investors to collect incoming money for the funds."

Aside from having a good liquidity basis, Commerz Real was able to avoid closure by closely monitoring just these channels. "On the very first day we learned that something is going on we made a lot of telephone calls and approached key account salesmen in our organisations and made sure they all knew that funds were stable and solid and there was no reason to take out money," he says. "We also explained to our retail clients that this is a purely liquidity-driven development so there was no reason for those who have no liquidity issues to follow these folk." For institutional investors, it set a discount if repayment was insisted upon prior to the end of an agreed holding period. He said however that changing the current open-end structure into closed-end funds, or even listed closed funds, would alter the investment vehicle dramatically and is not necessary even amid the current crisis. pfe



Commerz Real's Heiko Beck: "Timing of re-opening will very much depend on the activities of distribution and sale channels."

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Tore Borthen, Managing Director, Realkapital Partners, Oslo

A Norwegian citizen, Mr. Borthen is a founder of Realkapital, a private equity real estate investment management firm based in Oslo. He manages two pan-European opportunistic funds that target 16% annual value creation. Previously, Mr. Borthen was IM director at Aberdeen Property Investors, and also served as CEO of Nordea IM in Norway where he managed €5bn in investments. Prior to that was Head of Structured Products for Den norske Bank. He holds an MBA from The Wharton School at the University of Pennsylvania.



Michael Bruhn, Head of Nordic Region, Valad, Copenhagen

Australia's listed Valad group has A\$10.2bn under fund management and 11 fund vehicles focused on Europe. Mr. Bruhn joined in 2001 and is responsible for managing and growing business in the Nordics, based in Copenhagen. He was formerly senior partner at DTZ after merging his previous company with the agency business, and has more than 20 years' experience in Nordic markets. With a background in chartered accountancy, he is a Chartered Surveyor, holding a Masters Degree in Economics from the Copenhagen Business School.



Marie Bucht, Managing Director, Newsec Advice, Stockholm

Newsec Advice is the real estate consultancy of the Newsec group, founded in 1994 and today a partnership with 40 partners and 500 employees in Stockholm, Gothenburg, Malmö and Helsinki. Both belong to the Stronghold group of companies. Ms Bucht, who joined in 1999, has a degree in business administration and is responsible for building Newsec Advice to be the leading property advisor in the Nordic and Baltic region. Annually it values properties worth over €65bn, and manages over 1,000 assets for a total value of €10bn.



Lars Flåøyen, Head of Nordic Research, Aberdeen Property Investors, Oslo

Aberdeen Property Investors, which recently took over Goodman Property Investors and DEGI, is one of the largest real estate fund investors, managing €30bn worldwide. Mr. Flåøyen is responsible for Nordic forecasts alongside the chief economist and market analysts. He also implements Aberdeen's official view in the Nordic organisation and supports decision-making among fund managers. He joined Aberdeen in July 2006 and holds a Master of Science degree in Industrial Economics and Technology Management from NTNU in Trondheim.



Henrik Saxborn, Deputy CEO, Castellum, Stockholm

Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to SEK29bn (€2.9bn), and comprises commercial properties. Mr. Saxborn holds a Master in Science from Royal Institute of Technology in Stockholm, and has during his career been CEO of an asset management company as well as management partner at the private equity company NIAM during 1998-2005. He joined Castellum in 2006 and is responsible for the group's business development.

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8.30 - 9 a.m. Breakfast
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an increase of 4% against the year earlier period. IFRS equity capital at end-September stood at €121m, with fully diluted net asset value at €126.4m, or €10.86 per share, down from €14.09 at the end of March.

Züblin France, which specialises in office properties, said occupancy rate was 98.3%, and will rise to 99.5% in January. Bank debt amounted to €227.8m at the reporting date. It has a maturity of over five years and is fully hedged against future interest-rate movements. The weighted-average cost in the first half was 4.51%, with the gross Loan-To-Value ratio at 63.8%.

Züblin Immobilien has confirmed its intention to comply with SIIC 4 regulations, its French unit said. This entails cutting the stake to 60%. However, it gave no further details. pfe

Swiss Züblin's first-half operating higher, but devaluations turn net to loss

The Swiss listed Züblin Group recorded first-half operating profit up 25%, but a 5.2% like-for-like decline in valuations of €65.6m (CHF 100.3m) meant a net loss of €49m (CHF 74.9m).

The portfolio in France fell 10.4%. In Germany and the Netherlands, properties were both adjusted down by 3.6%. In Switzerland, property values were unchanged.

Strategically, Züblin said it now plans to focus on energy-efficient office properties in three countries, Switzerland, Germany and France, and specifically in a few selected cities. It is therefore selling non-core assets and making good progress on such sales.

Because of a tax law change in France, Züblin must dispose of 8% of its 68% stake in its French REIT unit. It has chosen to distribute these to its shareholders. An extraordinary shareholders' meeting has been called on the topic for 18 December.

The group currently has 77% of the mortgage portfolio, or €599m (CHF 916m), secured for more than three years and only 6% is due within one year. pfe

Italian real estate stocks nosedive but funds outperform European peers

Italy's major listed real estate firms stocks have fallen by as much as 90% in 2008, while real estate funds yielded a 7% return on equity, the best performance in Europe, reports research firm Scenari Immobiliari.

In its updated annual report, the research firm also found that Italian funds continued to attract substantial capital, growing 17% to over €28bn. It sees growth slowing somewhat in 2009 to €30bn, but predicts funds could double in size within four years.

Meanwhile, Italy's largest listed players, such as Pirelli RE, Risanamento, Beni Stabili and Aedes, have seen equity values collapse this year. Even companies with healthy balance sheets have been badly hit. Shares in Foncières des Régions Beni Stabili, which posted a third quarter profit of €69m, have tumbled 42%. REIT/SIIQ retail operator IGD (Immobiliare Grande Distribuzione) saw third quarter profits rise 43% to €41m, but its stock is still down 50% since January, to around €1.

On the other end of the spectrum, Risanamento and Aedes are being kept afloat by creditors as they scramble to satisfy debt arrears: Risanamento through key divestments, Aedes through a capital increase that will, if successful, likely be followed by restructuring. Both have become penny stocks, trading under €0.5

per share after falling from well over €3 at the start of the year.

Pirelli RE insists it is weathering the storm despite a stock price nosedive of 86%, from more than €25 to about €3.5 per share now. It is in the midst of deep restructuring of its organisation, asset portfolio and business model, and will announce a three-year strategic plan in February. In addition to the nearly completed sale of Integrated Facility Management to Manutencoop, Group head Marco Tronchetti Provera said recently the real estate arm may also sell its non-performing loan portfolio, which has a net book value of €2.4bn and gross book value of nearly €12bn. pfe

Pirelli group CEO calls for tax relief for young to kick-start home building

Marco Tronchetti Provera, CEO of the Pirelli tyre-making group, which is the majority owner of listed real estate company Pirelli RE, has called for tax relief for young people to kick-start Italy's investment real estate sector. He told reporters in Milan recently that systemic reform is needed to encourage mobility and open rental market opportunities in Italy.

"Italy has an extremely high rate of home ownership," Tronchetti Provera said. "Fortunately, (in this crisis) there is little risk of families finding themselves out on the street. But at the same time, we need to create incentives and reduce the cost of renting."

Real estate investors including Pirelli RE are curtailing any investment that does not generate regular cash-flow he noted. Yet housing development is almost exclusively aimed at sales because tenants are few in number and yields notoriously low. More than 80% of Italians own their homes, while rental yields in Italy's major cities averaged just 3.8% in first half 2008.

Tronchetti Provera cited differences with the German market, where demand and residential yields are much stronger, and where Pirelli RE now has concentrated roughly 50% of its property assets. He said a rise in disposable income among the young could unlock substantial growth in rental housing, especially if the government adopted policies promoting mobility. A wide segment of young adults in Italy, where low salaries and precarious jobs are endemic, remain with their parents until they are well into their 30s to reduce living costs.

Pirelli RE is implementing cost cuts expected to bring €30m savings for operations as of 2009. The parent group provided €500m in financing last summer to avoid expensive, scarce credit from banks, whilst the real estate company divests non-core assets. pfe

Austria's CA Immo says third-quarter operations good, cuts outlook

Austria's listed CA Immo's operations developed positively in the third quarter despite financial market turmoil, but it dropped a goal set at mid-year of exceeding the result for the first six months in the second half of the year.

"(That goal will) not be achievable – particularly in view of the fact that income from property sales originally planned is not expected to materialise and further negative contributions from revaluations are conceivable," it said.

Rental income rose 42% in the first nine months to €129.5m over the year earlier period, driven largely by the company's German Vivico portfolio. EBIDTA increased by 27% in the

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Index Constituents	Sector	Local Price	Mkt Cap €m	Float Global Wght (%)	Float Europe Wght (%)	Div Yld (%)	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Mth	Total Rtn (%) YTD
Conwert Immobilien	Residential	4,05	346	0,12	0,68	0,0	-34,1	-65,7	7,1	-66,4
CA Immobilien Anlage	Diversified	3,96	346	0,12	0,68	0,0	-42,7	-74,8	-19,2	-74,1
Sparkassen Immobilien	Diversified	2,69	183	0,06	0,36	0,0	-31,6	-65,9	-17,2	-65,2
Immofinanz	Diversified	0,36	165	0,06	0,32	0,0	-52,0	-92,2	-58,6	-91,9
Austria Total			1.040	0,36	2,04	0,0				
Cofinimmo *	Office	100,05	851	0,29	1,67	7,8	-2,4	-17,5	2,6	-16,3
Befimmo *	Office	63,60	831	0,28	1,63	7,1	-2,1	-11,8	8,4	-12,6
Warehouses De Pauw *	Industrial	30,68	198	0,07	0,39	9,2	-1,3	-27,8	-1,9	-26,3
Intervest Offices *	Office	17,40	121	0,04	0,24	11,2	-4,0	-33,0	-27,5	-34,8
Wereldhave Belgium *	Diversified	47,45	101	0,03	0,20	8,0	-8,6	4,4	3,9	2,2
Leasinvest Real Estate *	Office	50,30	81	0,03	0,16	7,7	-1,1	-19,8	-15,8	-18,7
Belgium Total			2.182	0,75	4,27	7,8				
TK Development	Retail	26,20	99	0,03	0,19	0,0	-25,3	-67,9	4,8	-63,9
Denmark Total			99	0,03	0,19	0,0				
Citycon OYJ	Retail	1,52	251	0,09	0,49	2,6	-14,5	-60,2	-17,8	-56,1
Sponda	Diversified	2,50	208	0,07	0,41	20,0	-18,3	-62,5	-28,6	-63,3
Technopolis	Office	2,94	169	0,06	0,33	4,9	-9,6	-38,8	-7,5	-44,3
Finland Total			627	0,21	1,23	9,0				
Unibail-Rodamco *	Diversified	105,38	8.569	2,93	16,78	6,7	4,6	-27,4	-9,9	-25,0
Klepierre *	Retail	15,95	1.326	0,45	2,60	7,6	-3,1	-50,0	-8,5	-49,4
Icade	Diversified	49,95	983	0,34	1,92	6,5	-NA-	-50,1	6,6	-51,0
Fonciere Des Regions *	Diversified	44,88	921	0,32	1,80	11,8	-10,8	-46,9	-13,2	-42,2
Silic *	Office	66,01	858	0,29	1,68	6,1	-0,2	-30,4	-5,1	-30,2
Mercialys *	Retail	24,60	739	0,25	1,45	3,5	10,9	-5,1	-3,5	-2,8
Gecina *	Diversified	38,63	721	0,25	1,41	13,0	-18,4	-62,5	-28,9	-59,3
Societe de la Tour Eiffel *	Diversified	40,85	212	0,07	0,42	15,9	-6,2	-54,1	-7,0	-49,6
Affine *	Diversified	14,88	60	0,02	0,12	11,1	-11,2	-54,7	-18,0	-55,9
Acanthe Developpement *	Diversified	1,19	56	0,02	0,11	16,8	-16,4	-41,2	-11,9	-38,1
France Total			14.446	4,94	28,29	7,4				
Deutsche Euroshop	Retail	19,91	684	0,23	1,34	5,3	3,5	-20,2	-1,3	-10,8
Deutsche Wohnen	Residential	4,55	117	0,04	0,23	0,0	-26,9	-82,6	-36,8	-78,4
Alstria Office *	Office	4,00	112	0,04	0,22	13,0	-NA-	-60,2	-21,4	-55,9
Gagfah	Residential	2,33	105	0,04	0,21	34,3	-NA-	-74,3	-46,7	-75,0
DIC Asset	Diversified	4,20	99	0,03	0,19	39,3	-16,9	-71,9	-29,1	-73,1
Vivacon AG	Residential	2,60	52	0,02	0,10	19,2	-52,7	-77,5	-47,4	-76,1
Colonia Real Estate	Residential	1,80	40	0,01	0,08	13,9	-39,0	-89,1	-10,4	-87,9
Patrizia Immobilien	Residential	0,95	25	0,01	0,05	0,0	-NA-	-83,7	-40,6	-81,6
Germany Total			1.234	0,42	2,42	11,4				
Babis Vovos	Diversified	13,56	345	0,12	0,68	0,0	1,2	-34,8	-7,8	-33,4
Eurobank Properties *	Diversified	6,16	113	0,04	0,22	5,0	-NA-	-30,4	18,6	-28,9
Lamda Development	Diversified	4,26	56	0,02	0,11	0,0	-6,1	-68,9	25,3	-70,3
Greece Total			514	0,18	1,01	1,1				
Beni Stabili	Office	0,44	335	0,11	0,66	7,3	-13,7	-45,3	-7,9	-36,9
IGD *	Retail	0,94	117	0,04	0,23	5,9	-17,8	-58,0	-10,2	-50,9
Risanamento	Diversified	0,38	41	0,01	0,08	0,0	-49,4	-91,0	-12,6	-89,8
Italy Total			493	0,17	0,97	6,4				
Corio *	Retail	35,85	2.411	0,83	4,72	7,3	1,0	-29,2	-14,2	-25,9
Wereldhave *	Diversified	62,08	1.290	0,44	2,53	7,5	-1,7	-11,5	-4,5	-10,7
Eurocommercial Props *	Retail	23,80	851	0,29	1,67	7,4	0,4	-31,6	-1,2	-27,6
Vastned Retail *	Retail	28,50	477	0,16	0,93	13,7	-9,3	-51,4	-28,8	-50,7
Nieuwe Steen Inv *	Diversified	10,40	372	0,13	0,73	13,4	-10,0	-36,0	-21,4	-33,2
Vastned Offices/Ind *	Office	5,07	105	0,04	0,21	33,5	-20,4	-69,6	-50,8	-70,0
ProLogis European Props	Industrial	1,50	85	0,03	0,17	37,7	-NA-	-79,2	-42,3	-79,0
Netherlands Total			5.591	1,91	10,95	9,23				

Source: European Public Real Estate Association, NAREIT, and Financial Times group.

* 3 Years Total Returns are annualised

first nine months to reach €92m, helped by successful sales from the trading and stock portfolios. These positive factors were counterbalanced by a revaluation decline of €6.3m against a €47.7 gain in the previous year period, driven in particular by market value adjustments in eastern and south-eastern Europe.

“As no easing of the market situation is currently in view, we are unable to make any concrete statement regarding a dividend payment for 2008. A decision regarding the dividend proposal will therefore be made in spring 2009 after presentation of the annual financial statements,” said Board spokesman Bruno Ettenauer.

CA Immo earlier announced plans to issue its first dividend in 2008, suggested at two percent of average NAV in 2007. Through the purchase in late 2007 of Vivico, a major developer of city quarters in Germany, CA Immo's property assets climbed 60% to €4.1bn in the period. About 58% of the portfolio's value is located in Germany, 22% in Austria and 20% in CEE, SEE and CIS. On the reporting date, CA Immo's equity ratio was 47%.

CA Immo is considering raising its stake in subsidiary CA Immo International, currently some 61%, given the major valuation discount at which it is trading on the stock market. pfe

Italian steelmaker Amenduni delays Aedes bailout offer

Italy's listed real estate operator Aedes, hit by a severe liquidity crisis since summer, must wait to hear whether and on what terms it might be saved by the steelmaker Amenduni and private developer Isoldi Immobiliare.

Amenduni and Isoldi were expected to give a response in late November following their expression of interest in providing

Aedes a capital increase of €150m to €200m. Instead the companies are seeking another week to assess a prospective deal. Amenduni and Isoldi stepped in when Aedes' negotiations with asset manager Sopaf broke off in early November.

Aedes negotiated a moratorium with creditors to expire this month. It has reported debt servicing arrears of €216m on a total debt of €803m as of September. pfe

Greece's Babis Vovos swings to profit in first nine months

Greece's largest quoted property company Babis Vovos posted after-tax profit of €41.5m for the first nine months of 2008 against a loss of €8.8m in the year-earlier period.

BVIC Net asset value per share before deferred tax stood at €20.42 as of end September, a 1.2% increase on the year, and a 2.6% decrease against first half 2008. The year-on-year increase stemmed mainly from a fair value adjustment on investment property recorded during the first half while the quarterly NAV decrease came from increased finance expenses.

The value of the BVIC group's investment properties, of which it currently owns or manages over 200,000 sq.m in 40 locations, reached €1.37bn - up 11% from year end 2007, the company said. pfe

Greece's Eurobank Properties cancels planned €90m Bulgarian buy

Global financial turmoil persuaded Eurobank Properties to

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To end October 2008

Index Constituents	Sector	Local Price	Mkt Cap €m	Float Global Wght (%)	Float Europe Wght (%)	Div Yld (%)	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Mth	Total Rtn (%) YTD
Norwegian Property ASA	Office	8	133	0,05	0,26	31,7	-NA-	-83,3	-22,0	-84,5
Norway Total			133	0,05	0,26	31,7				
Renta Corp Real Estate	SADiversified	3,30	33	0,01	0,06	12,8	-NA-	-81,2	17,4	-75,6
Spain Total			33	0,01	0,06	12,8				
Castellum	Diversified	49,30	825	0,28	1,62	6,1	-7,7	-28,6	-4,3	-22,2
Kungsliden	Diversified	32,10	426	0,15	0,84	24,9	-6,9	-47,1	-12,1	-44,3
Fabege	Office	23,10	381	0,13	0,75	17,3	-13,9	-62,6	-24,0	-59,1
Hufvudstaden A	Office	46,40	367	0,13	0,72	3,8	2,0	-23,3	-3,9	-22,3
Wihlborgs Fastigheter	Diversified	82,00	299	0,10	0,58	7,6	3,0	-23,1	1,9	-23,8
Klovern AB	Diversified	13,15	160	0,05	0,31	11,4	-9,4	-39,2	-13,5	-42,5
Sweden Total			2.457	0,84	4,81	11,3				
Globe Trade Centre	Diversified	15,98	463	0,16	0,91	0,0	3,8	-65,6	-1,4	-64,1
Poland Total			463	0,16	0,91	0,0				
PSP Swiss Property	Office	50,50	1.537	0,53	3,01	4,8	1,6	-8,8	1,0	-7,5
Swiss Prime Site	Office	52,10	650	0,22	1,27	6,5	0,0	-7,9	-2,3	-3,5
Allreal	Office	107,10	396	0,14	0,77	4,7	2,1	-13,4	-9,2	-14,1
Zueblin Immobilien Holding	Office	5,10	113	0,04	0,22	9,8	-13,9	-42,9	-18,7	-44,0
Switzerland Total			2.695	0,92	5,28	5,4				

Source: European Public Real Estate Association, NAREIT, and Financial Times group.

* 3 Years Total Returns are annualised

cancel a promissory contract for the acquisition of a Bulgarian joint stock company which owns a €90m mixed use building in Sofia that is already under construction.

Eurobank Properties, a subsidiary of Greece's third largest bank Eurobank EFG, had planned to buy Bulgaria's Arcon Constructions which is building a 32-storey office building in central Sofia scheduled for completion in 2011.

Greece's biggest real-estate investment trust, Eurobank Properties, had signalled last month it planned to slow its pace of investment in new properties over the next six months because of the global credit crisis.

General Manager George Chryssikos said the company anticipated lots of "distressed portfolios" will be coming on the market because of the credit crisis so it was wise to slow its pace of investment.

"We've adopted a wait-and-see strategy," Chryssikos said. "More attractive opportunities will come in the following months." pfe

Austria's Immofinanz, Immoeast make some progress on restructuring

Immofinanz and Immoeast are making progress on a restructuring, with a milestone expected in talks with banks before Christmas.

The Groups are halting projects without secure financing and proceeding with portfolio sales. Several expression of interest for properties such as the City Tower Vienna have been made, though in this case the Republic of Austria has the first right of refusal.

Immofinanz CEO Thomas Kleibl and Eduard Zehetner, the new CEO of Immoeast and CFO of Immofinanz, have started transferring the management duties carried out by owner Constantia Bank, which was recently rescued by a banking consortium, putting an end to the era of the former CEO of all three groups, Karl Petrikovics.

The two said they were working with the authorities to clear up murky dealings, or missing payment streams, during recent years. "The matter of the €512m bond issued by IBAG (Immofinanz Beteiligungs AG) and purchased by Immoeast has been cleared up: Most of the money was evidently used to purchase shares, and some to purchase investments within Constantia Privatbank. Losses were incurred there due to falling share prices. However, the executive board considers the bond to be a solid investment as it is guaranteed by Constantia Packaging." pfe

Prague-listed ECM 9mth posts net loss, prioritises projects, shores up capital

Office, residential, hotel and mixed developer ECM Real Estate Investments, which posted a loss of €22m in the first three quarters from a year-earlier profit of €4.4m, aims to prioritise projects given market turmoil, maintain adequate capital and focus on growing markets such as the Czech Republic and China.

In the first three quarters, the net operating loss before net financing was €4.4m, from a marginal year-earlier profit. Total assets were up 11.5% at end-September from end-2007 at €627m and total liabilities up 16.1% at €481m.

ECM plans a private placement before the year-end of up to 2m new shares of €1.7 per share nominal at an indicative price of up to CZK303 (€12) per share. Proceeds will support ECM's balance sheet and further strengthen its capital position.

ECM's board has also recommended shareholders to accept a takeover bid by reference shareholder ECM Group, controlled by ECM REI chairman Milan Janku, of CZK303 per share, aimed at stabilising the company's shareholder structure and concentrating ownership, in view of the possible impact of current market conditions and increased uncertainty.

ECM operates mainly in the Czech Republic and also in Russia, Poland and China. pfe

Swiss listed Allreal plans mixed-use project in Wallisellen

Listed real estate group Allreal has submitted for public review a plan for a mixed-used project on a site that has lain fallow for 20 years between the train station and a shopping centre in the small town of Wallisellen.

The project, which would provide housing for 1,200 people and office space for 2,500, is up for 60 days of public review from 28 November. The municipality must approve the plan at its 23 June, 2009, meeting, extending zoning to the residential sector from the current industry, services and business. If approved, Allreal says it will finish building by end 2014.

The Zurich-based group, which operates only in Switzerland, has a portfolio of €1.3bn (CHF2bn). First-half profit, excluding revaluations, rose slightly over the previous year period, but including revaluations slid to €27.4m (CHF42.2m) from €36.5m (CHF56.3m). It reiterated that its full-year profit would at least match the prior years; full-year net profit in 2007 was €57.1. pfe

Euronext-listed Orco posts 9mth loss, postpones projects

Euronext-listed Orco Property Group, which posted a nine-month loss of €26m against net profit of €79.9m in the year-ago period, cut its full-year forecast, postponed projects without financing, halted speculative development and moved to cut expenses by 25%.

The Luxembourg-based CEE property and hospitality market investor, developer and asset manager Orco halted all speculative development and postponed all new projects, including land bank, which are not yet financed. It plans to authorise capital expenditure only for delivery of buildings to generate revenues in 2009 or early 2010.

Cost-cutting teams with a goal to cut operating expenses by 25%, or €30m, in 2009. By November, Orco had sold assets for €157m at 96% of value for net cash proceeds of €78m.

Orco also cut its full-year sales forecast to €300 from €343m previously, due to below-target commercial development sales and low commissions from its closed-end Endurance Fund.

In the first nine months, sales were up at €225.6m from €213.3m. Sales were better but net profit worse than the market expected. Orco forecast 2009 sales of at least €277m.

Maturing debt in 2009 amounts to €208m or 14% of total debt, of which €188m needs to be refinanced, the rest being

development loans to be paid back through sales. Orco is working on global restructuring of its debt and expects financing should be prolonged after the increase of the equity portion in each project. pfe

Vienna-listed Atrium swings to €541m third-quarter loss

Vienna-listed Atrium European Real Estate, formerly Meinel European Land, swung to a €541m third-quarter operating loss from a year-earlier profit of €138m, but it said it has a strong financial position and recently expanded its Polish and Slovakian shopping centres.

The Jersey-registered CEE shopping centre investor, manager and developer said its loss was triggered by a €246 portfolio devaluation, a one-off payment of €276m for a termination of management contracts and a €40m impairment loss on developments.

But Atrium has a strong balance sheet with €1.4bn in cash. Debt at end-September was €1.56bn against total assets of €4.5bn. "We fully expect to come out of this particular cycle with a stronger and more dominant portfolio," said Chairman Chaim Katzman.

Atrium opened two more shopping centres in Poland ahead of the Christmas trading period. The €138m, 55,000 sq.m. Forum Koszalin shopping centre on 12 ha in Koszalin county, in partnership with Morgan Stanley's Multi Development with Multi Investment as investor. The 50.1% Atrium-owned centre attracted 80,000 shoppers on the opening day, and was 99% let with an average lease of 9.2 years.

Galeria Kasztanowa in Pila, northwest Poland, opened a day earlier. The 51,000 sq.m. centre with 66 retail units on 12,100 sq.m. of GLA is 98.6% occupied. Atrium has 15 shopping centres open across Poland and a number of developments at various stages.

Atrium also completed the development of the Optima shopping centre in Slovakia's second city of Kosice. The second phase added a further 16,000 sq.m. of GLA. Phase 1 opened in 2002 and is 96% let. pfe

Austria's Eco portfolio devaluation hits 9mth result, full-year outlook

Despite a 55% rise in rental income over the previous year, Vienna-listed Eco Business-Immobilien posted a nine-month

loss of €16.8m against a year-earlier profit of €20.2m and could not rule out a full-year loss.

The portfolio value dropped 2%, though net cash profit was €6m. Extraordinary charges tied to the wrapping up of a real estate deal from the second quarter also affected results.

"Based on third-quarter developments, the board assumes that despite rising rental income the key profit figures for the full year will lie well below those of 2007 due to a lack of portfolio revaluation. Because of the devaluation, a negative full-year result cannot be ruled out at present, though cash profit is expected to remain positive," the company said.

The company posted operating profit of €60.8m in 2007.

Rental income is Eco's main business. During the period it rose to €55.4m, bolstered by a 2007 acquisition and active asset management. The equity capital ratio was 36% on the reporting day, with the loan-to-value at 63%. pfe

Dom Development scales back as third-quarter net dives 69%

Warsaw-listed residential developer Dom Development saw third-quarter net profit drop 69% to PLN20m (€5.2m) on revenues down 45% at PLN150m (€39m) as the slowdown in the residential market hit results. It sold 222 flats, 125 fewer than a year earlier.

In light of difficult market conditions, Dom is reducing the scale of its operations by suspending land purchases and postponing some investments to cut 2009 expenses by about PLN1.5bn. It will focus on popular flats where it sees fundamental demand and maintain a strong financial position, and it is also helping buyers procure financing.

Nonetheless, it maintains high operating profitability, and entered the market slowdown at the beginning of 2008 without debt. At end-September it had PLN124m in cash and over PLN270m in overdraft facilities. pfe

NON-LISTED PROPERTY FUNDS

German fund manager DEGI suspends Mall of Sofia deal for review

German fund manager DEGI has postponed the acquisition of the Mall of Sofia shopping centre in the Bulgarian capital from GE Real Estate and Quinlan Private, because it wants to reassess



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PROPERTY FINANCE EUROPE - BULLETIN BOARD

Diary dates upcoming in 2009

| January 15-18, Thursday-Sunday

The GRI Europe Chairmen's Retreat 2009, St Moritz,

This yearly retreat organised by GRI founder Henri Alster is by invitation only for high-level chats about the property industry. Only real estate chairmen or CEOs need apply.

More information: www.globalrealestate.org

| January 16, Friday

Property Finance Europe Nordic Property Breakfast, London

The next of a series of morning events designed to brief real estate investors on valuation and other key value-added topics on countries and regions of Europe. (Postponed from November due to market turmoil)

More information: www.pfeurope.eu/events

| January 20, Tuesday

Turkey GRI 2009, Istanbul

Henri Alster's Global Real Estate Institute brings its own brand of discussion groups and networking opportunities to the rapidly expanding real estate investment market of Turkey.

More information: www.mygri.com/turkey

| January 22, Thursday

Diagnostics 2009 – Double or Quits, Paris

Organised by the IEIF group, this French language review of real estate outlook brings together around 200 professionals. IEIF CEO Guy Marty will present market forecasts.

More information: www.ieif.fr

| January 27-28, Tuesday-Wednesday

2nd Annual Global Covered Bonds Conference, London

Organised by the IMN group, themes this year are new issuers, emerging jurisdictions, structural innovations and market growth, liquidity and value in the secondary market, diversification of investor pools, and rebuilding investor confidence.

More information: www.imn.org

| February 2-3, Monday-Tuesday

CIMMIT 2009, Frankfurt, Germany

Themes for this first German-language conference of the year will include prognoses for the next upturn, M&A in the real estate branche, international strategies, project development, and risks and rewards in residential real estate.

More information: www.cimmit.de

| February 4, Wednesday

ULI Europe Annual Conference, Paris

The annual Urban Land Institute Europe event attracted 600 real estate leaders in 2008. It aims at finding real and practical solutions on how to survive the crisis, understanding its long term effects and the future opportunities that it will bring.

More information: www.uli.org

| March 10-13, Tuesday-Friday

MIPIM, Cannes

This event in early March every year in Europe draws upon its unique international coverage and reputation - plus the sunny Cannes weather! - to bring together the influential decision-makers in the market, offering them access to a showcase of development projects.

More information: www.mipim.com

| March 19-20, Thursday-Friday

Retail Real Estate Summit, Wiesbaden, Germany

Two-day event (mainly German language) on retail investment real estate in Germany and Europe. Looking at possible ways to counter the financial crisis-induced market weakness.

More information: info@conferencegroup.de

| March 27, Friday

Property Finance Europe Italian Property Breakfast, London

The next of a series of morning events designed to brief real estate investors on valuation and other key value-added topics on countries and regions of Europe.

More information: www.pfeurope.eu/events

| May 26-28, Tuesday-Thursday

Real Vienna, Vienna

This CEE/SEE-focused real estate and investment fair is the platform for business and networking for projects, investments and financing in central, eastern and southeastern Europe. A side events program offers panel discussions, and it has match-making and a large number of networking events.

More info: www.realvienna.at

| June 2-4, Tuesday-Thursday

Istanbul REstate, Istanbul, Turkey

Organised by Reed Exhibitions and the Turkish Association of Real Estate Investment Companies GYODER, this real estate trade fair is a new event and is based on Real Vienna. As well as the booming Turkish market, the focus will be on the Near and Middle East, Russia, the CIS states and the Mediterranean region.

More information: www.istanbulrestate.com

| June 9-12, Tuesday-Friday

Expo Italia Real Estate, 5th edition, Milan

In 2009, EIRE promises to continue as a worldwide reference point for the Italian real estate market and a critical meeting point for the Mediterranean market and major developing countries.

More information: www.italiarealestate.it

**Happy New Year 2009
from all the PFE team!**

the deal in light of the world's worsening economic situation.

The potential transaction volume for the deal agreed provisionally in October was not disclosed but is thought to be in the region of €110m.

DEGI spokesman Dietmar Muller told the Sofia Echo that all the basic elements such as consumer spending, occupancy levels and the Bulgarian property investment market were being reassessed before a final decision is made on whether to proceed with the deal or not.

"The simple reason for the review is that all the facts have changed. The economic climate has changed very quickly and this has had an effect on the property market in Bulgaria," Muller said. "We are in what is probably the largest financial crisis in 80 years so we think this is a good reason to have another look at all the relevant factors."

Talks with GE and Quinlan are scheduled to recommence in the first quarter of 2009. Mall of Sofia was opened in mid 2006 and has a total built-up area of 73,000 sq.m. All of the 130 stores are leased to major brands. pfe

Union Invest commits €270m to Hamburg revitalisation project

Union Investment Real Estate, the property funds unit of the German credit cooperative banking sector, will invest around €270m in a Hamburg urban revitalisation project for its open-ended real estate fund, UniImmo: Deutschland.

The Hamburg funds company received authorisation to redevelop the area around the architecturally protected Unilever building next year with hotel, office and apartment units to be known as Emporio Quartier. Union Investment is currently negotiating a leasing contract with Scandic Hotels. The project is slated for completion in 2011 and Nord Event, the first renter, has taken space of 2,888 sq.m.

Separately, Union Investment Real Estate bought the four-star hotel Kaiserwasser on the bank of the Danube in Vienna for its open-ended UniImmo Europa fund. Union paid €34m for the 282-room hotel across from the UN complex and is leasing it to Arcotel. pfe

RESIDENTIAL PROPERTY

Italy housing sales drop 14% over 12 months - Nomisma

Italian housing turnover has dropped by 14% over the last 12 months, according to Bologna-based research firm Nomisma, even though in this partly frozen market prices are declining only gradually.

Housing prices in the 13 large urban areas of the nation, dropped by a real 2.5% on average over in the last six months and 2.4% compared to the same period of 2007. The largest drops were in Bologna which reported an average real price cut of 7.7% on the year, and Milan, down 5.6%.

However, most agents are more worried about the stall in sales. Nomisma estimates 700,000 fewer unit sales in 2008, taking transactions back to levels of 2000 and 2001. "This is the first time in 11 years that there has been a drop in prices and without a corresponding increase in volume," commented No-

misma President Gualtiero Tamburini.

Aside from the global financial crisis, other factors include in the lack of willingness of banks to lend for mortgages, the elevated cost of money, and the lack of confidence both in private households and among institutional investors. Average sales times for houses have lengthened to 5.8 months with price cuts during the negotiations of 12.5% for existing homes and 7% for new constructions. pfe

French October housing starts dive 21%, 12th consecutive monthly drop

French new housing starts fell in October for a 12th month in a row and by nearly 21%, the largest decline in four months, according to the housing ministry.

New starts fell 20.6% in the three months to end-October compared with the same period in 2007, the biggest fall since June's dive of 28.2%, Reuters reported. Signs of a correction in the French housing market have been growing for months as transactions and then prices of existing homes fell in step with the slide in new home construction.

While the market slowdown in France has been less dramatic than in Britain, Spain or Ireland, worries over real estate, combined with unemployment concerns, have helped drive consumer confidence to its lowest level in two decades. Consumer spending makes up just over half of the French economy. pfe

Spanish third-quarter housing sales plunge 31%

Spanish third quarter house sales dropped 30.5% over the previous year period, exacerbating a tumble begun earlier in the year after a housing boom imploded.

Housing transactions fell 8.6% from the previous three months to 130,884 between July and September, according to Spain's College of Registrars.

The average value of Spanish mortgages declined for the third straight quarter, falling 3.9% year-on-year to €140,193. The expectations are that prices have further to fall, given housing oversupply and banks' restricted mortgage lending.

Developers are expected to cut prices further to sell stock and rebalance house supply with demand. pfe

Italy to implement 4% cap on variable rate mortgages to ease hardship

Italy is likely to implement a 4% interest rate cap for variable interest rate mortgages to provide debt relief to financially strained mortgage holders. The plan is for the Ministry of Finance to allocate to banks amounts due on mortgages exceeding the cap, while financial institutions will be compensated through tax deductions for banks.

Another expected change is point of reference. Going forward, variable rate loans will be based on the European Central Bank rates rather than Euribor, which is determined by a panel of mortgage lenders. Even if the difference between Euribor and ECB rates has been only 10-20 basis points, the former has

become both more costly and volatile in the global credit crisis. In October it bounced as 120bp higher, but by the end of November had slipped back to 35.

Banks are fighting the provision both on principle and logistics, saying it would interfere with their freedom to conduct business and also be technically difficult to carry out. Changing the interest rate of reference would adversely affect securities issued based on the loans. If passed, the reform would be effective in January. pfe

DEBT FINANCING/BANKING

German bank examiner sees existential threat to pure mortgage banks

Banks highly concentrated on mortgage lending and lending

to the public sector ought to take a hard look at survival chances if they rely solely on capital-market refinancing, warns the German supervisory authority for banking, insurance and financial markets Bafin.

Bafin President Jochen Sanio told a reception of the association of German Pfandbrief-issuing banks VDP - to which such special mortgage and public banks also belong - that they are in jeopardy if they depend heavily upon well functioning capital and money markets in lieu of deposits and are operating with very thin margins.

"There is good reason for one or another of these banks to think about a complete overhaul of their business models," Sanio said. "Even pure property financiers can no longer duck this question because they are no less focused and are more dependent than others upon the functioning of financial and property markets."

One of the two biggest of these special German banks, Hypo Real Estate, has had to be rescued from imminent col-

Guest Column

Ethics in Spanish valuations: RICS' Red Book as a guideline amid crisis

By Lali Pensado, Country Manager, RICS Spain and Portugal

A course on pure ethics is probably not the most exciting one I have ever had to sit through or teach: Endless expositions on how theoreticians view the attitudes and behaviour of enterprises and their managers. However in practice, demonstrations on how ethical behaviour, or simply the existence of an ethical code of conduct improves the bottom line is genuinely interesting. Faced with the problem of having to give such classes a few times every year, I decided it would be simpler to confront students with real-life situations. Not their own of course, ethical conflicts are too intimate to reveal in front of an audience, but OPC - Other People's Conflicts; how to value a municipality's derelict social housing when the same body is hell bent on its sale; how to convince a client there can also be negative values; how to value a portfolio of 50 assets in a weekend; how to explain that yes, prices can fall 30% in six months; what to do in a market without transactions... On the other hand, clients - investors, developers, lenders - often in the very same classes express their own problems both in carrying out valuations and in accepting other professionals' valuations. "I need to do this transaction in a weekend... Surely it's possible to value all 50 assets since the valuer already appraised the portfolio not long ago... With that price I will lose the financing... How can that be the price now; the last compa-

nable was 50% higher?" Usually, at that moment the class comes alive. Every student has an opinion. The problem is that once the discussions and opinions are gone and the class is over, everybody gets back to their own spreadsheet. And that is when every valuer, on whichever side of the fence, is alone with his or her own problems. That is when guidelines and regulations must be used. Apply a few basic principles (what RICS knows as the 12 Core Values) and you usually know what to do. Respect a few rules (the Red Book) and you will be, at the very least, more protected against the pressures that come with the job.

One unified code of practice used and understood by all in the real estate sector, including legislators, will make things simpler: if everybody knows what you can and cannot ask, what you can and cannot do, the rules of the game are easier to follow and there are less accusations of wrongdoing. In a market where everyone operates under the same ethical rules, where clients and valuers are guided by the same basic ethical principles, at least they un-

derstand the constraints and problems of the other party. In terms of valuation, the RICS Red Book is possibly the only tool available to all professionals in all countries that both sets the rules of the

game and encourages practitioners on all sides of the fence to abide by them. It is the only tool that respects both the International Standards (IVS) and local ones. Over the years, the Red Book is slowly but surely affirming itself as the leading set of valuation standards, because its practitioners understand the advantages of playing by a clear set of rules. Legislators are also increasingly demanding it from their professionals. Now, at the peak of

the economic turmoil, more and more governments are recommending valuers to use Red Book standards. In Spain, the translation and dissemination of its articles will help, without any doubt, to enrich the culture of real estate. When all professionals abide by the same rules, the game becomes at least a little more transparent and less suspicious to outsiders. And maybe one day the public at large will stop believing that valuers invent their figures. lp



Lali Pensado

lapse by liquidity guaranties from the federal government and a consortium of other banks. The other, Eurohypo, belongs to Commerzbank upon which it can rely for support. But it has also been reorganised in the past couple of months.

Apart from the weak state banks, the specialised public and mortgage lenders have borne the brunt of the spreading financial crisis. Hypothekenbank in Essen was completely absorbed by Commerzbank last year and Düsseldorfer Hypothekenbank was saved from closure last April in a rescue by BDB, the association of Germany's private banks.

The near collapse of Hypo Real Estate has been materially blamed on its acquisition of Depfa, an Irish bank that specialized in long-term public lending, refinanced with short-term funds or covered bonds and which foundered when interest rates disrupted this scheme. pfe

Spain's Martinsa-Fadesa meets with pre-purchasers on debt deal

In an unscheduled meeting in Madrid, a number of buyers for Martinsa-Fadesa's Parque Colmenar project met with the company and creditor banks in late November, the firm said.

The troubled Spanish property group apprised them of general terms of debt negotiations, which it hopes will end in a refinancing this month. It informed them of how to request repayment from banks who guarantee their prepayments in the case the group defaults. The company plans to propose that buyers who made prepayments on projects that were never finished receive preferential treatment in a debt agreement, which the banks and savings banks also see favourably.

Martinsa-Fadesa has been advising clients to stop payments on planned houses because construction remains uncertain, the Spanish press reported. Of the 12,500 planned, of which 7,000 are in Spain, Martinsa-Fadesa has the resources to complete 770. It has pledged to comply with all housing contracts, although deadlines will be pushed back.

Whether or not Martinsa-Fadesa reaches a deal with creditor banks in December, the court handling its insolvency was due to receive a report last week. Its debt stands at €7.3bn. pfe

Citycon makes further buyback of its convertible bonds at 46% of face value

Finnish listed shopping centre developer and investor Citycon has made yet another repurchase tranche of its subordinated convertible capital bonds issued in August 2006, picking them up at 46% of face value.

Including the latest tranche, Citycon has repurchased now a total principal amount of €22m of the Convertible Bonds due 2013, corresponding to about 20% of the aggregate issue. The weighted average repurchase price was 54.4% of face value. The company originally issued a principal amount of €110m of the convertibles, which carry an interest rate of 4.50%, to international institutional investors in deviation from the preemptive rights of shareholders based on the authorisation of the company's Annual General Meeting held in March 2006.

Citycon at the end of September owned 33 shopping centres and 50 other retail properties, of which 22 shopping centres are located in Finland, eight in Sweden, two in Estonia and one

in Lithuania. The fair value of its property portfolio on was €2.1bn, of which properties located in Finland accounted for 72.5%, in Sweden 22.2% and in the Baltic countries 5.3%. pfe

PFE COMMENT: Now this is a clever move. If you thought property company equity is cheap at current levels, try debt. Many players who still have some equity available for investment are focusing more on the latter than the former and a buyback of one's own issuance should not only be cheap but also boost LTV across the portfolio. It is not for nothing that Citycon's CEO Petri Olkinuora has been guiding the company through choppy waters with a fairly sure hand since 2002. The main shareholder is Israel's Gazit Europe Group, even though Citycon and Gazit – which recently took over and converted Austria's MeInl European Land to Atrium – both seem rather shy of making this fact too public.

Bulgaria approves Austria's Hypo plan for joint bank with RE financing

Bulgaria's financial regulator approved a plan by Austria's Hypo Investmentbank to take a stake in Financia Group, a subsidiary of Alfa Finance Holding, in a bid to create a joint bank in Bulgaria in the second half of 2009.

Hypo Investmentbank has already announced that it aims to acquire a 30% stake in Financia through a capital increase. The majority stake of the joint bank will be held by Hypo Investmentbank, the two companies said. The new bank will focus on the public sector, infrastructure and real estate projects, providing M&A services and corporate banking. The Austrian bank and the Bulgarian holding company will jointly apply for a banking license.

Hypo Investmentbank will acquire the same minority stake in the Former Yugoslav Republic of Macedonia's (FYROM) Capital Bank, majority owned by Alfa Finance Holding, via another capital increase.

Alfa Finance Holding provides financial services in Bulgaria and FYROM. It is also active in the real estate management and transport sectors and in the mining industry, as it is the majority owner of Kaolin and Alfa Developments. pfe

Top banker gives confidence vote to Cyprus real estate

Andreas Vgenopoulos, vice-chairman of Marfin Popular Bank, Cyprus' second largest financial institution, has given a vote of confidence in the ability of the country's banking and real estate sectors to survive the world economic crisis.

Describing the island as a haven amid the global financial crisis, Vgenopoulos said although the country's economy would suffer as elsewhere, the Cypriot banking sector was robust and in no danger of disintegrating under the weight of the global credit crunch.

"Cyprus is perhaps the only country in the EU where a bail-out plan has been unnecessary." The increase in foreign deposits is expected to slow down, and real estate prices, though not in freefall, are dropping.

However, he added, "Fears of a violent drop in real estate prices are not justified, at least not at the moment," even if many buyers are holding back hoping to acquire as low as possible. "But at some point the market will sort itself out as prices stabilise," he said. pfe

REPORTS/STUDIES

German property downturn yet to hit rock bottom – King Sturge

The deterioration on the German real estate market continued unchecked in November although the downtrend in sentiment and practical market indicators seems to have slowed, according to monthly indices developed for the realtor-consultant King Sturge.

Its Real Estate Economy index suggests the downward trend has slowed, while the Real Estate Climate dropped dramatically to a low of 48.2 points from 55.4 in October. Both are based on polls of market participants conducted on its behalf by the Bulwien Gesa research firm.

Sascha Hettrich, Managing Partner of King Sturge Deutschland, commented: “You hardly need a crystal ball to divine that the year 2008 is over, as far as business goes. Major deals are probably not to be expected any more, to say nothing of large-scale transactions. What is more, many real estate projects have been put on the back burner or shelved altogether.”

The all-time low of the Real Estate Climate reflects the present paralysis in the German real estate industry, and the sombre mood can be traced back to the low Invest Climate most of all, King Sturge said. The indicator for investment and purchase decisions hit a new record low, indicating that no major transactions are being conducted. The Rental Climate, the second sub-indicator of the Real Estate Climate, remained relatively stable in November. Then again, market players are expecting the rentals and incomes to deteriorate even in this area.

As already in October, steady cash-flow and favourable refinancing options caused the residential real estate to remain the most stable segment even in November. Rising vacancy rates precipitated by the present economic development and regressive consumer spending are reflected in a poor ratings of the commercial, office, and retail sectors.

The Real Estate Economy, based on statistical ratios such as DAX, ifo, DIMAX, and interest rates, experienced a drastic downturn in November, plummeting to 136.7 points, or 9.3% compared to October. In the face of so serious a decline, business in 2009 is expected to start out slow, said Hettrich, but at the same time, some bright prospects are visible. “For instance, the economic aid program launched in early November has earmarked funds for additional investments in infrastructure and building redevelopments. This is definitely a positive signal for the construction and real estate industry.” However, there is a risk that this could only be temporary, he added. pfe

Some east European countries outperform in global housing markets

Housing prices in some eastern European countries and Russia performed reasonably well in the third quarter, with the Czech Republic even posting annual growth against a backdrop of global price growth slowing further to 3.8% in the third quarter.

A survey by property adviser Knight Frank showed that Bulgaria, however, grew only 3% in 3Q08, half the previous quarter's rate, a sign that stronger performers in previous quarters are starting to weaken. Lithuania and Norway were among the steepest tumblers in the quarter, with prices falling by around 5% in just three months.

“Although homeowners may beg to differ, the scale and speed of some of the falls is positive in a way because it means investors who are in a position to buy, are now sensing that some markets are offering relative value compared to pre-credit crunch conditions,” the report said. “Against a backcloth of frustration with recent stock market performance and nagging doubts about segments of the banking sector, property appears to offer a relatively secure and tangible home for their money.” pfe

Corporates sell €14bn in European real estate in first half - JLL

Corporates sped up their sales of European real estate in the first half of the year, disposing of €13.98bn, up 14.6% from €12.2bn in the year-earlier period. They nearly doubled their share of total direct commercial transactions, climbing to 20% from 11%, Jones Lang LaSalle said in a report.

“In a climate where ‘cash is king’, releasing cash via property disposals, including sale and leaseback deals, will remain high on the finance director's agenda,” said JLL's Corporate Finance Director Michael Evans.

The value of corporate transactions in the European real estate investment market has more than doubled since 2004, rising to €26bn in 2007 from €12bn.

Large deals dominate, with the average size of a corporate disposal at €89m against €59.7m in 2004. Corporate capital market activity is moving east, though it is still dominated by the major economies of Germany, France, the UK and Spain. pfe

Medical travel could become key niche hotel demand area - JLL

Medical travel - to spas, rehabilitation facilities, health clubs and clinics - is poised for rapid future expansion, with Asia already a popular destination, and eastern Europe, Turkey and Dubai looking to get on the map, Jones Lang LaSalle said.

As travellers become more discriminating, they will seek out hotels and resorts that offer a complete array of amenities. Stakeholders must ensure that the medical travel industry offers accessible, affordable and high-quality care to cement the reputation of the fledgling sector and allow the travelling public to make informed choices about their medical care.

“There is enormous potential for partnerships between hotel chains, property developers, airlines, insurance companies and financial institutions...These partnerships are vital as medical travellers need the security and peace of mind provided by purchasing an all-inclusive package for their trip,” JLL said. pfe

Italian commercial, residential real estate investment down 50% - Nomisma

Italian real estate investment by institutional investors has contracted by 50% this year over last, slightly less catastrophic than the European average of 60%, according to Bologna-based research firm Nomisma. Its Third Report on the Real Estate Market said the residential market was somewhat less affected, with transaction volume falling 20%.

A gap in price expectations between buyers and sellers is feeding market stagnation, Nomisma says. Buyers are shopping for bargains, demanding high quality and yields of 6.5% to 7.0%. Sellers are unwilling to let go of prime assets for prices that cap yields at 6%. Meanwhile, the pool of buyers has been substantially pruned by drastically tightened credit. Banks have capped loans at 50% of property value, compared to over 80% LTV up until last year.

Winning yields can be found among well-located retail assets in Italy's major city centres, it said. At the top of the list are shops in southern Italy's Catania, with yields of 8.0% to 9.5%, followed by Bari, with yields ranging from 7.4% to 8.5%. Nipping Bari's heels are shops in Mestre, near Venice, with yields between 7.7% and 8.4%. Lowest yields for well located shops in urban centres run 6.0% to 6.4%, and are to be found in Turin, Florence and Milan. pfe

Frankfurt property transaction set to fall to €1.4bn this year – CB Richard Ellis

The volume of commercial property transactions in the German finance capital of Frankfurt is estimated to fall this year to about €1.4bn, a steep drop from last year's record level of €8.4bn in a market in which US investors have now surrendered their dominance to domestic buyers, says real estate consultant CB Richard Ellis.

Frankfurt's anticipated 2008 volume also compared unfavourably with €4.7bn in 2006 but was still above the €1.2bn result notched in 2004.

While US investors lowered their profile in 2008, open-ended property funds raised their share of transaction volume to 20% from 6% in 2007. While the proportion of real estate companies in the transactions fell, private investors increased their market weight to 16% this year from 4%. "Many private persons are currently seeking to secure their assets with real estate investments," head of investment Burkhard Plesser told journalists recently.

The peak yield for Frankfurt office property was projected at 5.3% in 2008 and CBRE detected upward potential. pfe

CENTRAL & EASTERN EUROPE

European Future Group puts €1.9bn Romanian project on hold

UK-based investment and development company European Future Group (EFG) put its biggest project on hold for 18 months due to slow house sales in Romania and a cash shortage at market level.

EFG, which specialises in CEE office, retail, logistics and residential property, plans to build around 6,000 homes on the 156-ha Buftea site, near Bucharest, together with its Jersey closed-end Black Sea Enhanced Returns Fund, with total investment put at €1.9bn. It has also cut employees and closed offices in Turkey and Moldova.

EFG is involved in development of 14 projects in Romania. CEO Jeff Kirby told the Ziarul Financiar portal a foreign investor recently injected €100m into his company and EFG will attract further injections in the future and make opportunistic buys in the 2009 first half.

In Brasov, Romania, EFG and Immoeast plan to develop a 55,000-sq.m. shopping centre, office building and hotel plus some 170 apartments. Immoeast is one of EFG's most important Romanian partners, with the two companies developing five projects worth a total of €700m. EFG has also started developing Meteo Business City business park in northern Bucharest, and construction of two housing complexes in eastern Bucharest. pfe

Quinlan Private Golub unveils new Bratislava shopping mall project

Czech-based CEE-focused Quinlan Private Golub is to begin construction of a 60,000 sq.m. South City Shopping centre in Slovakia's capital of Bratislava in 2010 for opening in 2012.

The shopping centre in Bratislava's biggest residential district of Petralka is part of South City, a project combining retail, leisure, offices and residential. Cresco Group, a local developer who has worked with QPG on past projects in Bratislava, will work on part of the residential elements.

QPG is the development arm of Irish-based international property investor Quinlan Private, which manages assets of €11.5bn. It has offices in Prague, Warsaw, Bratislava, Budapest, Sofia, Bucharest, Zagreb and Vilnius. It develops retail, office mixed-use and residential properties in CEE. pfe

AIM-listed New Europe Property expands Romania portfolio

Isle of Man registered New Europe Property Investments (NEPI) fund, which invests chiefly in Romanian office, retail and industrial property, began talks to expand its portfolio.

The company is interested in acquisitions in the retail, office and industrial segments, but is avoiding the residential and land segments.

The fund's strategy has not changed because of the crisis: rather, "we now have new opportunities for acquisitions at low prices. There are few buyers on the market and those with financial problems want to sell," NEPI Investment Manager Victor Semionov told the Romanian Business Standard portal.

Investment yields have surged, with properties selling at a 10% yield now where this would have been 7% six months ago.

NEPI was set up to invest in high-quality office, retail and industrial property market initially in Romania and thereafter in other CEE countries. It aims to provide a dividend-paying, long term closed-ended fund yielding stable absolute returns and portfolio diversification. pfe

Chayton Capital, Arca East Invest launch Bucharest office park

UK investment fund Chayton Capital and Arca East Invest launched one of the largest business parks in north-eastern Bucharest, Swan Office Park, developed through a joint venture between Chayton Duna Fund Property as investor and Arca East Invest as developer.

With a gross area of 55,000 sq.m. and 46,900 sq.m. net of-

office area, Swan Office Park has three five-level buildings, one six-level and one eleven-level building, with ground floors dedicated to retail and entertainment activities. The project will be delivered in 2010.

Last summer, a consortium of banks led by Investkredit granted Swan Office loans totalling €92.75 for development of the Class A office park. Chayton Duna Property Fund is a closed-end fund established by former partners and managing directors of Goldman Sachs, CREDO and Knight Frank. Arca East Invest is a Bucharest development company formed by local and international professionals who also own the company. It is also Chayton Capital's partner for a development in Constanta. pfe

Ficon, London Cambridge to develop 25 shopping centres in Poland

London Cambridge Properties and Ficon Consulting & Real Estate of Germany together have agreed to develop 25 shopping centres in Poland in the next 10 years.

Ficon has a pipeline of five shopping centre projects for LCP in Poland, to be implemented in the contract with LCP in the next nine months.

The first development from the deal will be a convenience centre in Gorzów Wielkopolski, Poland. In a residential area, Ficon will build a modern shopping gallery with GFS of 14,000 sq.m., and 70 stores and service units, including restaurants, cafes, a supermarket and parking, scheduled to open in spring 2010. pfe

US's Panattoni building over 343,000 sq.m. of Polish, Czech warehouse space

US-based industrial, offices and retail developer Panattoni began the fourth quarter with a record number of warehouse projects under construction in Poland and the Czech Republic.

Its affiliate Panattoni Europe is currently building over 343,000 sq.m. of space in 10 projects, of which 100,000 sq.m. will be completed this year and another 100,000 sq.m. in the first-quarter of 2009.

In Poland, the company is expanding existing centres in Warsaw, Poznan, Wroclaw and Lodz and is also investing in new markets in Czeladz and Krakow, the Construction Poland portal reported. The developer's rapid turnover in projects reflects continuing high demand for modern warehouse stock. pfe

Helaba finances Kavci Hory office park in Prague for Europolis

German regional bank Helaba has structured and concluded financing of Kavci Hory Office Park in Prague, Czech Republic, for Europolis Asset Management.

In the €68m deal, Helaba is sole arranger and lender. Europolis has built up several award-winning portfolios in the CEE and SEE regions since 1997.

The Kavci Hory Office Park building in Prague 4 has some 40,000 sq.m. GLA and three underground parking levels. The building has five above-ground levels with a landmark 11-storey tower in its northern part.

Since the start of its activities in 2006, Helaba has provided financing of over €2.5bn in relevant markets of northern and central European markets, specialising in acquisition financing and structured financing for international investors and investment funds. pfe

Twelve Chinese companies combine forces on infrastructure in Poland

Twelve Chinese companies have joined forces to compete for contracts focused on infrastructure projects co-financed with EU funds in Poland.

The companies, from Fujian province in southern China, have met with the General Directorate for National Roads and Highways as well as PL2012, the company responsible for preparations for the EURO 2012 football championship, Pawel Bednorz, deputy CEO of EurAsian, which represents the Chinese companies in Poland, told the Puls Biznesu portal.

The Chinese companies are also interested in investments planned by local authorities. They have started with the Silesia region because its EU projects are most advanced.

The roads authorities have presented their investment programme to Chinese firms. "They in turn told us about contracts they have implemented. Their achievements are impressive. If they want to enter the Polish market they need to win a tender," Directorate spokesman Andrzej Maciejewski said. pfe

Polish State Railways targets €500m of land sales

Polish State Railways plans to sell land in Warsaw, Gdansk and Poznan and is hoping to raise some €500m from the sales by 2012.

Its estimates show that approximately 2,500 ha. of the land it owns has commercial value. Market analysts estimate the rail company currently owns over 91,000 ha of land throughout Poland, of which around 80% lies under operationally essential railtrack or buildings, but some 17,000 ha is non-essential and can be put up for sale.

The state rail company is currently preparing to put up for sale 20 ha. of land in Poznan city centre. Land it owns in Wroclaw-Kuzniki (10 ha.), Gdansk (5 ha.), Poznan's Debiec (4 ha.) and Warsaw (24 ha.) may also be on offer soon, the Construction Poland portal reports. pfe

Hungarian premium, discount retail sector seen stable - Colliers

Premium and discount retail categories are currently the most stable sector in the Hungarian retail market, with the premium sector holding up particularly well, says consultant Colliers International.

WestEnd City Center, the flagship of TriGranit group, shows the best turnover figures in the market as well as the highest rents, establishing its viability even in the present difficult market circumstances. Over 48,000 sq.m. of floor space are occupied on the basis of preliminary letters of intent. pfe

1 PFE PEOPLE 1

Former Bundesbank President **Hans Tietmeyer** and most other supervisory board members of rescued **Hypo Real Estate** have resigned with the announcement of third-quarter results. **Former Deutsche Bank** executive **Michael Enders** replaces **Tietmeyer** as supervisory board chairman of the bank, now headed by **Bernd Knobloch**, who resigned the managing board chair of competitor **Eurohypo**... **Heiko Beck** steps down as board director of **Commerz Real**, a **Commerzbank** property subsidiary, to take charge of business and private customers at year's end... **Joachim Mozoni-Frosconi** is the new executive director for Germany of **GPT Halverton**. **Mozoni-Fosconi** has been an owner-manager of **Eufundus Asset Management**... Managing partner **Jörg Schnorbus** has quit **King Sturge Deutschland** of his own volition... **Dirk Hoffmann** has been named chief operating officer of **Berlin's Immobilienscout24** property retail portal starting next March. The former **Fox Mobile** finance chief will succeed **Marianne Voigt** in the job... **Manfred Kummer** is the new chairman of **Hornbach Immobilien** following the departure of **Edward Zimmerle**. The **Hornbach** subsidiary has also shuffled its supervisory board. **Ralf Kunz** and **Thomas Wieder** joined **Albrecht Hornbach**, **Roland Pelka** and **Steffen Hornbach**. **Otmar Hornbach**, **Jürgen Schröcker** and **Manfred Valder** left the board... In Sweden, **Joachim Hallengren** has been appointed president of the **NCC Property Development** from April, succeeding **Peter Wågström**, who was recently appointed president of the new business area **NCC Housing**. **Hallengren** will report to CEO **Olle Ehrlén**... Finnish listed group **Sponda** will change its organisation and executive board in January, combining Logistics and Office and Retail business units, changing the name to **Investment Properties**, and appointing **Ossi Hynynen** as head. The Russia and the Baltic business unit drops the Baltics as the **Sponda** board has decided these nations will not be strategic investment markets in the future. From 2009, the members of Sponda Executive Board are **Kari Inkinen**, CEO, **Robert Öhman**, CFO, **Erik Hjelt**, **Ossi Hynynen**, **Joni Mikkola**, **Sirpa Sara-aho**, and **Kari Koivu**. Also with effect 1 January, **Pia Arrhenius** has been appointed **V-P, Corporate Communications** and **IR**, and will also take responsibility for marketing as well as continue as a secretary of the Executive Board... **WestImmo**, the property arm of German regional bank **WestLB**, has named Dutchman **Piet Kok** to lead its new business unit for real estate valuation and research. **Kok**, who joins from **Eurohypo**, began his professional career at **Rabobank** in the Netherlands... **Unibail-Rodamco**, the largest listed European investor in commercial property, is reorganising activities on central European markets. From January, Austria will form a separate region with a portfolio of €1.1bn and will be managed by **Markus Pichler**... The activities of **Unibail-Rodamco** in CEE including Russia and Germany will form a new Central Europe division with a total portfolio of €1.3bn. Following the departure of **Scott Dwyer**, this will be managed by **Arnaud Burlin**... **ING Real Estate** has appointed **Dwyer** as General Manager for development business in Poland, Germany, the Czech Republic and Romania. He will also be a member of the European management team and will be based in the Netherlands and Poland... In the Netherlands, **Jan-Willem Bastijn** will succeed **Baldwin Poolman** on 1 January as Managing **Partner of Cushman & Wakefield's** operations... In Oslo, **Svein Hov Skjelle** has resigned as CFO in Norwegian Property, to take up the position as CFO in **Entra Eiendom**... In Germany, **Stefan Schörghuber**, chairman of the **Schörghuber hotel group** since 1995, was found dead in his Munich home. The **Schörghuber group** owns **Bayerische Bau und Immobilien** and is also in hotel, aircraft leasing, drinks wholesale and breweries... In Austria, **Eduard Zehetner** is appointed chairman of the board of **Immoeast**, appointed to the position by CEO of majority owner **Immofinanz Thomas Kleib**. He will also join the **Immofinanz** board as CFO. The latter will now be headed by **Kleibl**, together with **Daniel Riedl**, **Michael Wurzinger** and **Eduard Zehetner**... In Paris, **Henri-Claude Yautier** has joined **Keops** as director of commercial property, encompassing medical real estate, hotels and leisure... **Françoise Pain** has been appointed MD of asset manager **Altys Gestion**, succeeding **Stéphane Bureau**. **Olivier Richard** succeeds **Pain** as director of asset management... **Stéphane Tortajada** has been appointed deputy MD of **Casino Développement** responsible for international business, development and property. He reports to **Jacques Ehrmann**, who is also CEO of listed supermarket developer **Mercialys**, a unit of the **Casino** supermarket group... **Jean-Eric Vimont** has been appointed chairman of the board of **Eurosic**, replacing **Méka Brunel** who has resigned. **Gilbert-Jean Audurier** also joins the **Eurosic** board, and moves over from the board of **Banque Palatine**... **Guillaume Raquillet** has been appointed director of Paris business district property at **DTZ**, while **Benoît Gendrot**, takes over as deputy. **Raquillet** moves up inside the company while **Gendrot** moves over from **Atisreal** in Kiev... In the same group, **DTZ Asset Management** is creating the division **DTZ Property Management** to be headed by **Isabelle Caron**, formerly of **Adyal Grands Ensembles**. Her team of five professionals has several mandates to manage some 1.5m sq.m. of space in diverse asset range... **Ric Lewis** is stepping down as MD and CIO of European real estate investment manager **AEW Europe** and CEO of its unit **Curzon Global Partners**... In the Netherlands, **Jeroen Looman** has joined **Bouwfonds Asset Management** as Head of Institutional Clients. Prior to the move, he was MD of **Sparck Hypotheken**... **Guillaume Chevallier** has joined the Paris office of the **Adyal** network as director of development. Vienna-based **Akron Group's Akron Management** Poland unit has appointed **Włodzimierz Moczydłowski** as MD and management board member. Together with Austrian **Marius Becker**, **Moczydłowski** will be in charge of the firm's management and expansion in Poland. **Becker** will be in charge of **Akron** developer operations. pfe

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