

## JLL's Ulbrich sees 2009 year of pain for European property

The year 2009 will be a year of pain for the European property sector, says Christian Ulbrich Head of Jones Lang LaSalle Germany, who in January moves up to become the group's head of EMEA and join the US-based firm's Global Executive Committee.

Ulbrich told a year-end presentation last week that many market participants are likely to disappear as a result of the financial crisis, and others will merge. He sees some listed companies either disappearing via insolvency or being taken over. The key to knowing if the financial crisis will heavily impact the real economy is whether banks begin to lend again in the first quarter. The longer the credit squeeze lasts, the more dramatic will be the impact on the real economy.

"Back to Real Estate Fundamentals was our statement last year at this time to characterise 2008; now we can shorten this even further to 'Back to Fundamentals for next year,'" Ulbrich said.

"The property economy has for several months now been confronted with the absence of liquidity in refinancing from banks. Transaction volume has collapsed. Despite brave attempts of the sellers to sit out the obvious price developments associated with the economic downturn, yields are moving higher anyway."

Helge Scheunemann, JLL head of research Germany, forecast that the European real estate investment market in 2009 will stagnate at around €100bn, the level it should reach this year. The first three quarters have seen massive shrinkage in deal volume in the UK, Germany and France in particular - such that around €92bn were transacted compared to €244bn full year 2007 and €256bn in 2006.

While he predicted last year at this time that Germany would reach around €44bn in deal volume this year, they have fallen much lower due to the impact of the financial crisis, he said, and is unlikely to be much more than €20bn as against nearly €55bn in 2007. This is unlikely to recover in above €20bn in 2009, he forecast.

In particular, there has been a move toward much smaller transactions. "Portfolio transactions are playing as good as no part at all any more over the last few months," Scheunemann said. In 2008, 84% of all deals in German had been lower than €50m each, compared to 71% in 2007. pfe (*Full reports on these forecasts will appear in the first PFE editions in January 2009*)

## Former Capitalia CEO launches RE fund manager in Italy

Private asset manager Sator, founded by banker Matteo Arpe in 2007, is launching a real estate fund together with notary pension fund Cassa Notariato. The latter is paying €300m for a 10% stake of the new entity, which marks Sator's second venture and follows its September purchase of a 40% stake in Baglioni Hotels, a luxury chain, for €30m.

Arpe was CEO of the bank Capitalia, which merged with Unicredit in 2007. The new enterprise aims to reach €1bn in assets under management by 2011, reports Il Sole 24 Ore. It expects approval from the Bank of Italy in four to five months' time.

Cassa Notariato is the second Italian pension fund to enter the real estate fund business after Inarcassa, a pension fund for engineers and architects and minority stakeholder of the fund manager Fimit. Arpe and Cassa Notariato's president Francesco Maria Attaguile will serve on the board of the new real estate fund manager, as will Luigi Scimia, ex-president of Italy's pension fund authority. CEO will be Paolo Rella and Managing Director Nicola De Martino. pfe

## Austria's Immofinanz sells €130m in assets to raise cash

Austria's hard-hit real estate company Immofinanz has sold some €130m in Viennese property, easing its financial situation and making progress on its restructuring program.

"The deals are proof of the stable value of the Viennese real estate market and the high value of our properties. Further sales are under negotiation and will be carried out very se-

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lectively against the background of the financial crisis," CEO Thomas Kleibl said.

The sales included a multi-use building near downtown to a subsidiary of Germany's DekaBank for €93m. City Point Vienna, built in 2006, is 100% rented and comprises offices, businesses, storage and an underground parking garage.

In addition, Immofinanz sold 10 large rental flat buildings for €35.8m. Eight of these went to real estate group Jelitzka+Partner and two to private Austrian purchasers. The sales price for the 10 matches almost exactly with the 31 October valuation, and is only 3% lower than at the end of 2007, the market high point. For those properties that were particularly well located, the price was almost 10% above the valuation.

Immofinanz and its Immoeast unit recently announced a restructuring to reorganise finances that have been hard-hit, in part apparently by murky financial dealings of a previous management team that are currently under investigation by authorities.

In addition to property sales, the groups hope to reach a milestone in talks with creditor banks before year end and are halting any projects without secure financing. pfe

## Dutch Heijmans to lay off further 450 jobs in operational areas

Listed Dutch property developer and technical services provider Heijmans's-Hertogenbosch has reached agreement with unions to eliminate 450 jobs in operational areas, following 200 job cuts in its support staff departments.

Jobs will be cut in property development, residential, non-residential and road building sectors to reposition some of these and operate more cost effectively. The added cuts will take place in 2009. "The property development sector has been hit by the deteriorating market conditions.

The property development and residential building organisation structures will be adjusted, thereby taking the lower numbers of new housing units to be built and sold into account, the company said.

"In terms of activities in the non-residential building sector, less work is expected due to the selective contracting policy being pursued. An excess of asphalt production capacity is preva-

lent in the road building marketplace. In part due to this situation, jobs are becoming redundant in this area."

Separately, Heijmans is partnering with the City of Utrecht to develop a new music palace in the city's downtown, as well as redevelop a multi-modal viaduct and alter the water flow of the Catharijnesingel, once a medieval defence for the city. The project is due for completion at end 2012. pfe

## Austria's Warimpex 9mth earnings climb 20%; eyes new hotels in Poland

Warimpex, the listed Vienna-based developer of commercial property in CEE, posted growth in nine-month earnings and revenues of 20% and 23% respectively, and said it plans to develop four new hotels in Poland in the framework of its joint venture with Louvre Hotels. EBITDA reached €28.4m, and revenues were up to €70.9m.

All projects currently under construction are proceeding according to plan and are financed in full over the long-term, usually 15 years. The company said it, "will be focusing on completing development projects and bolstering market position on its home markets in the coming months. Management will also be employing active asset management to maintain the current good yields from the group's existing high-quality properties."

Warimpex, which was already developing 13 projects, has acquired three plots in major Polish cities to develop four new hotels, with good demand seen for budget hotels in the country. The sites are in Wroclaw, Bydgoszcz and Zielona Gora. The JV plans further development in Gdansk, Katowice, Poznan, Krakow or Rzeszow.

Warimpex has offices in Budapest, Prague, Saint Petersburg and Warsaw. It has developed properties over the last 25 years in CEE with a total value of more than €1bn. pfe

## Italy's Fimit receives green light for Omega fund, €865m acquisition

The Bank of Italy has approved Fimit's Omega real estate fund, the last hurdle to its acquisition of bank Intesa Sanpaolo's €1bn Immit Immobiliare property portfolio. Immit was to be

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Intesa Sanpaolo's REIT/SIIQ spin-off, but was cancelled last June when poor market conditions forced it to withdraw its initial public offering.

The Fimit-run Omega will buy the Immit portfolio, valued at roughly €1bn, for a discounted price of €865m, a deal that was oversubscribed by 20%. The price still represents a 10% premium for Intesa Sanpaolo over the minimum expected from the aborted IPO.

As the portfolio's major tenant, Intesa Sanpaolo constitutes 70% of the portfolio's revenue stream, writes the paper, and will retain a 30% stake in the Omega fund.

## Metrovacesa obliged to sell HSBC its London tower back at £250m loss

The global bank HSBC has said it will make a gain of £250m from the repurchase of its European headquarters in London from Spain's listed property firm Metrovacesa

In a statement the bank said it agreed to pay £838m for the landmark skyscraper in London's Canary Wharf. Metrovacesa failed to refinance a vendor loan secured on the building and was obliged to sell it at a loss to raise cash.

The Madrid-based firm is grappling with debts of some €7bn, and recently sold converted some outstanding liabilities into a 53% equity stake to creditor banks.

For HSBC, the profit will be recognised in its income statement for second half 2008. The announcement brings to a close more than a year of speculation concerning the future of the HSBC Tower. Metrovacesa bought the property in a record-breaking sale-and-leaseback transaction worth £1.09bn at the peak of Britain's debt-fuelled property boom in May 2007.

A gain on the sale was not recorded in last year's accounts however, because the medium-term funding of an £810m bridging loan - extended by the vendor - had not been finalised.

Reuters reported that under the original terms, HSBC had agreed to lease the building back for 20 years at a net initial yield of 3.8%, a record low for City prime office property. Metrovacesa provided cash equity of £280m in addition to the vendor loan. David Hodgkinson, HSBC Holdings group COO, said in a statement: "Clearly the market has deteriorated significantly since we agreed the sale in spring 2007." pfe

## Sweden's listed Fabege in €360m asset sale to private Olov Lindgren group

Swedish listed property group Fabege has sold a Stockholm office complex to the group Byggnadsfirma Olov Lindgren, also based in the Swedish capital, for an investment of €360m.

The property has an overall surface area of 2,500 sq.m. of mostly office space.

Fabege, one of the most important Swedish commercial property companies, invests primarily in Stockholm, Solna, and Hammarby Sjostad. Its portfolio includes 158 properties for a total book value of some €2.87bn. pfe

## Italy's Fimit in talks to buy Unicredit's €1bn property portfolio

Italian real estate fund manager Fimit has entered exclusive talks to acquire a portfolio of 100 buildings, including the bank's downtown headquarters in Milan, from Unicredit for

roughly €1bn.

The properties represent about half the contents of a fund portfolio worth €1.8bn that Unicredit in October said it would sell to help boost its Core Tier 1 capital ratio. The bank then announced that it would seek a capital increase of up to €6.6bn.

If the parties manage to conclude the deal by 31 December, Unicredit will be able to record capital gains of roughly 50% and raise its Core Tier 1 ratio by about 10 basis points. Unicredit and Fimit have agreed in 2009 to enter negotiations for the remainder of the portfolio, or about 200 additional buildings. pfe

## Italy's Aedes accepts terms of €150m capital increase

Listed Italian fund manager Aedes said it has accepted the terms of a €150m capital increase proposal from VI-BA, a member the steel manufacturing group Amenduni, and private developer Isoldi Immobiliare.

The offer provides hope for Aedes, which remains afloat only thanks to the good grace of its creditors, after equity manager Sopaf withdrew its capital increase offer of €171m last month. Whereas Aedes originally hoped to receive as much as €1 per share, this deal values equity at market rate, currently about €0.45 per share.

VI-BA, Isoldi and coinvestors will only put up €115m of the total, with €35m expected from existing major stakeholders.

The offer also depends on a long list of conditions, including whether major creditors agree to refinance Aedes's debt and give a bridge loan of at least €20m; whether regulators waive the legal obligation to make a public tender offer; whether Aedes approves a new industrial plan by 31 December; and whether that plan then proves feasible. Aedes must also have its properties reappraised and undergo major cost-cutting measures.

Aedes will also convert 85% of its unsecured debt, worth €330m, into securities that can be exchanged for equity after four years at €1.25 per share. After receiving the capital, Aedes must form a holding company to which €200m in property assets will be transferred, including roughly €100m from Isoldi. The new company will then be merged with Aedes. pfe

## Germany's Allianz Immobilien recruits Brendgen as CIO real estate

Allianz Immobilien, the regional European real estate asset subsidiary of the giant Munich-based insurer, is continuing to build up its property team and has appointed Stefan Brendgen as Chief Investment Officer. He moves over from head of Germany for Tishman Speyer.

Brendgen will join in mid-January, and will become chairman of the management board, gradually taking over from Karl Ralf Jung who has held the post for the last year alongside his duties as head of Allianz Alternative Assets Holding. The latter entity heads all the insurer's alternative asset activities, one of which is Allianz Real Estate, the global property division now headed by Olivier Piani, recruited in autumn from GE Real Estate in Paris.

Allianz Immobilien covers real estate investment activities in Germany, the Nordic countries and the central and eastern European region. It manages property assets in Germany and other European countries with a market value of about €5bn. York von Pannwitz will continue to be board member at the unit, responsible for asset management. pfe

## EMEA hotel sector moves toward hold/sell as sentiment worsens - JLL

Hotel investor sentiment in Europe, Middle East and Africa has moved further toward hold and sell as the credit crisis becomes more substantial and impact on the hotel industry is felt through falling income - according to Jones Lang LaSalle Hotels. Its latest Hotel Investor Sentiment Survey survey finds that the increasing effects of financial turmoil, together with worsening global economic conditions, have begun to exert substantial pressure on trading performance expectations.

Mark Wynne-Smith, CEO of Jones Lang LaSalle Hotels EMEA said in a statement: "Both short term and medium term expectations turned negative across the region and investors are adopting a very bearish outlook for the coming six months. Expectations in the medium term were only marginally negative but the fall was the largest we have experienced over the life of the survey." The most negative outlook was recorded for the UK.

Strongest medium-term expectations were for Moscow, Paris, Rome and London, and Moscow is particularly expected to have strong income growth potential in the longer term. The city's visitor base and corporate market have expanded substantially in recent years. This growth, combined with a low supply of graded hotels has led to substantial increase in room yield. Germany, too, was expected to weather the storm relatively well.

"As with trading expectations, yield requirements have been affected by the current turmoil," Wynne-Smith said. "Yield requirements have softened across all cities. The greatest increase has occurred in central and eastern Europe. The gap was narrowing until the end of 2007 but recent events have rapidly reversed this trend. We expect the gap to widen further with investors expecting more severe softening in eastern European yield requirements in the coming months compared to those in the west. The range between best and worst has also increased hugely". pfe

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# Nordic Property Breakfast

## Can Nordic nations continue to weather the storm of the global credit crunch?

### Speakers



**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 Nordica 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.



**Linn Fløyen**, 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. Fløyen 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 Saxbom**, 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. Saxbom 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.

### Schedule

8.30 - 9 a.m. Breakfast  
9 - 11 a.m. Expert Seminar  
11 - 12 noon Coffee/Networking

### Date and time

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