

## Spain's housing slide sparks worries of spillover into 2009 banking crisis

**Spain's housing crisis continues to deepen, and the inclusion of Banco Popular in a year-end bank credit downgrade by Moody's added to concerns the nation will face a banking and property crisis this year following record real estate and construction defaults in 2008.**

With the mood in real estate stocks lifting slightly over the turn of the year and only eight days to go before a new American president is sworn in, 2009 may become that Happy New Year we all wished ourselves recently! Property Finance Europe is limbering up to tackle the challenges of informing you, the reader, on opportunities (and risks) in continental European real estate. We have a number of exciting innovations to unveil in January. These include the kick-off of our daily service on Bloomberg Professional to reach those of you – around 300,000 customers - investing and tracking market opportunities via this highly respected global network - synchronised with PFE's daily news-intelligence going out to subscriber emails and PDAs. Key reading will be the Weeklies in PDF every Monday, delivered with additional value-added content to help you separate the music from the 'white noise' of internet content aggregators. From February, PFE publishes a Monthly, introducing a host of new news-commentary-analysis elements. And we are keen to bring you more Property Breakfasts - like Friday's event in London focusing on the Nordic region to guide you through old and new Europe. Oh, and don't forget to read last Monday's PFE 102 in PDF download; you may have missed something already!

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The Spanish residential sector posted steep declines late in 2008. In third quarter, home sales slid 36% against 3Q07 and construction starts sank by 49%, said the Housing Ministry. In the first nine months, sales fell by 32.6%.

Prices fell as well, down 0.8% in October, or 7.5% over the 12 months, website Facilismo.com said. Existing homes for fell 7.2% for the full-year. Prices, which tripled in a decade, have now declined by 9.2% since peaking in July 2007. Existing house sales volumes have dropped 70% over the last three years, the Network of Real Estate Experts said.

The bust in real estate after a 10-year boom is hitting jobs and may cost 900,000 people their positions by 2010, Jose Manuel Galindo, chairman of the Promoters Association of Madrid, told a real estate conference recently. Until last year, Spain's construction sector employed more than one in 10 workers, or 2.6m people, but Spain's unemployment rate hit a 12-year high in November and is the highest in the European Union.

Spanish banks have accumulated €15bn of bad debt from builders and developers. In addition, they paid out some €5bn last year to pick up assets and avoid insolvencies of debtor companies and €5bn in debt for equity swaps. In Madrid financial circles most people believe that Spain faces a significant banking and property crisis in 2009 following record real estate and construction company defaults of 2008. And there is little answer at the moment to this drumbeat of gloom.

Roger Cooke, Manager Director of Cushman Wakefield in Madrid, told PFE: "Time is probably the best cure for the woes of the housing market in Spain - perhaps two, three or even five years for it to really get back on its feet. The stock that is already built but not sold needs to be absorbed before building can recommence." pfe

## Monaco halts urban extension amid crisis

Even the tiny Principality of Monte Carlo is feeling the pinch of the financial crisis. A €5bn-€10bn project to build a 15-hectare district into the Mediterranean sea, promoted by Prince Albert II, scion of the ruling Grimaldi dynasty, has been shelved indefinitely.

The futuristic offshore 'urban extension program' encompasses a kind of vertical island to locate hotels, shops and museums and homes for 2,000 residents. However, "the international crisis has forced us to seek better financial guarantees, more security," said the prince recently. "In the current climate it would be irresponsible to launch a project of this scale."

The short list of architects for the project had been cut back to just two: the American Daniel Libeskind, winner of the international competition for rebuilding the World Trade Center in New York, and British architect Norman Foster, designer of London's Millennium Bridge and the Millau viaduct in southern France, among other prestigious projects. pfe

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## EPRA sees national REIT attributes key to attracting capital in market recovery

The coming period in stock markets will be particularly interesting for Real Estate Investment Trust regimes around Europe and the world, with the most flexible and tax-efficient best-placed to attract capital flows as property stocks begin their recovery from the sharp economic downturn, says the European Public Real Estate Association.

Its 2008 Global REIT Survey, released in December, covered 34 countries including new entries for Luxembourg, India and the Philippines and charts the continued global expansion of the property investment vehicle.

“We are now entering a particularly interesting time in the global REIT story,” said EPRA Director of Finance Gareth Lewis. “The quality of the various REIT models, as well as the relative strengths of management teams will be fully tested as we come through these difficult economic conditions, and as we emerge with a fight to attract global capital flows.”

He said Spain's accelerated approval of legislation for a REIT-like vehicle in the autumn in the midst of a hard financial crisis in the country confirms their popularity as a vehicle for attracting capital into the listed real estate sector.

Ernst & Young Tax Partner Matthias Roche, who was responsible for collecting and editing of the survey added: “Even if these times are highly challenging in terms of how business, and in particular real estate, develops in the near and medium-term, it can be expected that REITs will continue their successful path around the globe. They will maintain their position as an attractive investment instrument for real estate retail and institutional investors.”

The production of the survey was a collaborative operation, involving input from a wide range of jurisdictions and representative organisations, EPRA said. The body, which is the voice of the publicly traded European real estate sector, has more than 200 active members, representing over €300bn of real estate assets and 85% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index. pfe

## Foreign RE ownership up in Spain in 2008, but total investment off - Savills

Foreign real estate ownership increased in Spain in 2008, while investment volume decreased over the year earlier, according to Savills Spain.

Some 95% of office investment vendors were Spanish compared with 58% of foreign purchasers, making the Spanish 37% net sellers in Spain. The principle buyers came from the UK, representing 22%, excluding Madrid's largest 2008 deal - Santander Financial City.

Retail investment volume was expected to finish the year at around €1.4bn, just off the €1.5bn recorded for 2007. Average investment lot size almost doubled as the number of deals halved to some 15. Major asset buyers for the year included Unibail Rodamco, Topland Group, Henderson, Axa Reim, Redevco and ING Real Estate.

The vendors of 73% by volume were Spanish compared with 51% in 2007. Dutch buyers represented 45% of the retail transactions by volume closely followed by UK buyers at 43%.

Logistics and industrial operations were seen closing the year at

a total volume of €0.5bn compared with close to €0.8bn in 2007. Principle buyers were Axa Real Estate, SEB and ING and the average lot size on the top 15 transactions was close to €25m.

Savills' figures excluded one of the largest transactions in Europe, the Banco Santander Financial City deal, which amounted to €1.9bn, more than the rest of the office transactions in Madrid together. The number of Madrid office investment transactions at year end will have fallen to around 30 from 50 in 2007. In Barcelona, investment volume fell to some €0.9bn, against nearly €2bn in 2007, while average transaction volumes also declined, though the reduction in the number of operations was less marked.

Following the Santander deal, the second-largest transaction in Madrid in 2008 was the €292m sale of two buildings by Prisa Group to Drago Capital at an undisclosed yield. In Barcelona, the largest transaction was the €88m purchase of the office component of L'Illa Diagonal by Rentamar from Axa Real Estate for a yield of 5.75%. This was closely followed by the sale of Torre Diagonal Litoral from Anida to Union Investment for €81.5m representing a yield of 5.85%.

The firm predicts falling office rental values followed by increasing vacancy rates into 2010. Office take-up in 2008 in the Madrid market is predicted to be at around 600,000 sq.m. or 60% of 2007 levels, boding poorly for 2009 investment volumes as strong rental growth prospects are normally a key driver of demand. pfe

## European ProLogis restructures amid Moody's downgrade, negative outlook

ProLogis European Properties, the majority-held European unit of US logistics REIT ProLogis, has had its corporate credit rating downgraded by Moody's Investors Service to Baa2 from Baa1. The rating agency also affirmed a negative outlook.

Moody's said the downgrade reflects the general weakness in the commercial property market, which has required PEPR to adapt its business model to maintain its operating cushion and preserve cash-flows to meet maturing debt obligations. “Although PEPR continues to evidence a sound business model with good credit metrics, a solid franchise, predictable recurring rental income from a well diversified customer base, the downturn is expected to increase the level of customer business failure, notably in the smaller third party logistics players space, put upward pressure on yields.”

PEPR CEO Gordon Keiser said after the announcement in late December that he is disappointed with the action, and that PEPR has made significant progress to improve liquidity, strengthen the balance sheet and re-position for long-term success. Among these moves was the disposal to its US parent of its two-thirds equity holding in its fund ProLogis European Properties Fund II, which cuts future funding requirements.

It has also halted dividend payments, agreed new debt covenant requirements, and made good progress on a 2009 debt refinancing as well as devising a plan to manage 2010 debt maturities.

“We believe that as we continue to progress with our strategic initiatives and meet our financial obligations under these challenging credit market conditions, we will ultimately justify a return to a more appropriate credit rating,” Keiser said.

PEPR, Europe's largest owner of warehouse distribution facilities, sold its PEPF II stake to its parent for some €43m in December. This constituted a 30% discount to existing NAV and future funding obligations, but saved €348m in future equity

commitments. Keiser said in a late December conference call it is seeking to sell another third of PEPF II, cutting future commitments by another €174m and generating sales proceeds.

The group also amended its debt covenant in December, receiving approval from the required 50% of its bank creditor group to ease conditions. However, this raises the margin on credit facilities by around 130 basis points over Euribor/Libor. "Given the other deleveraging initiatives and our continued strong occupancy level, we are still at 98% occupancy, we do not feel it necessary to amend any of the other covenants," Keiser added.

"From a current liquidity standpoint, we had €76m of cash on the balance sheet at the end of November." A €300m line of credit which is part of a €900m facility remains untouched.

PEPR's directly-owned portfolio comprises 247 properties, covering 5.2m sq.m. of space in 11 European countries, last independently valued at €3.9bn. ProLogis European Properties Fund II holds just under another 100 properties, taking total AUM up to €5.6bn.

The PEPR share was last trading just below €4, far above a 52-week low at €0.66 but well below the high of €11.30 - also in line with some recent improvements in the stock of its US parent. PEPR was established in 1999 as an externally managed fonds commun de placement, registered in Luxembourg and then floated on Euronext Amsterdam in September 2006. EPRA earnings per share at end September were €0.52, down from €0.59 at the same 2007 point, with EPRA net asset value at €11.69, down from €13.27. pfe

**PFE COMMENT:** Analysts' views are that the discount on the sale of PEPF II is a lot higher than 30% if one takes a straight asset valuation into account - but that it was worth doing in order to offset future commitments to the fund. The moves are therefore positive for the share. Deutsche analyst John Perry said in a note: "PEPR is still hoping to tap the German Pfandbrief market to refinance a €335.9m CMBS issue that comes due July 2009. However, to the extent these efforts are unsuccessful, the reduction in its obligation to fund PEPF II as well as the elimination of its dividend should give PEPR enough room to repay the loan. Unfortunately, PEPR still has €1.3bn of debt maturities looming in 2010. All told though, we think this deal buys PEPR another year to try to sort out its balance sheet issues. As the call on PEPR had become fairly binary - will it be able to repay its debt or won't it? A dividend cut or suspension was arguably already priced into the shares, and it was yielding 34% pre-announcement. Our initial view is positive."

## King Sturge Spain seeks protection

King Sturge España, facing a debt of €3m and a shortage of cash, sought creditor protection, Spain's second-largest property consultancy firm and its first international firm to do so in 2008, and it expects to cease Spanish operations during the first half of 2009.

King Sturge Spain followed Jorda & Guasch, a local Barcelona agency, into protection, but its decision caused particular concern as international firms were considered more secure. Until April, King Sturge aggressively expanded its Spanish office network to nine, with the firm employing some 200 staff at its peak, even as other firms were cutting operations back.

The UK partners who own 75% of King Sturge Spain instigated the move, but local partner Sergio Martinez, who owns 25% of the company, opposed the decision. The legal challenge against receivership is based on alleged legal irregularities.

Martinez was dismissed as Chairman and Managing Director on 9 December, after the UK partners decided against his plans to save the operation. His three possible solutions were: a €6m purchase of the UK partner's shares financed by two Spanish banks; staff cuts to some 20 from the current 100; the purchase by the UK partners of Martinez's stake.

Although in receivership, in late December the company was still in business under the new leadership of Lucio Gomez.

No one from King Sturge Spain was available for comment. pfe

## Invesco RE to allocate €700m to Germany in next 2yrs, but waiting for yield rises

Invesco Real Estate intends to allocate around €700m to German property assets over the next two years but as yet has not moved forward with any major acquisitions and is waiting for prices to fall further, according to its managing director for Europe.

Andrew Rofe told the Immobilien Zeitung newspaper late last year that the planned investment comes on top of €300m already allocated to Germany. "The company is looking for office property, retail and also logistics in the risk category of core and core-plus," Rofe said. Invesco derives its source capital in the main from US pension funds. It normally does not exceed 50% of debt financing for its deals and, "we're also able to do deals with complete equity capital financing".

Invesco Europe, which he directs out of its London office, manages around one-third of the worldwide real estate investments of the company totaling €23bn. Of the €8bn invested in Europe, around 30% is located in the UK and France and, until now at least, only 4% in Germany. The remainder is allocated to central and eastern Europe.

Rofe told IZ that in Germany, the main target investment is office in top locations with entry yields of at least 6%. However locations such as Munich are more expensive than London at the moment, a situation he called absurd. "We as yet don't see any significant price declines in Germany," he said, "but we are anticipating a climb in yields of between 50 and 100bp still to come." pfe

## Eurex to launch Europe's first property futures on UK, aims at France, Germany

Despite weakness in the fledgling property derivatives sector as a result of the financial crisis, the international derivatives exchange Eurex plans to launch Europe's first property futures at the start of February, based on UK values - and it has its sights on launching similar products based on other European indexes - initially France and Germany.

The first such Eurex futures contracts will be annual, based on the total returns of Investment Property Databank's IPD UK Annual All Property Index for individual calendar years. Eurex and IPD signed a license agreement to this effect in October.

Eurex board member Peter Reitz said, "Contracts on real estate mark the addition of an exciting new asset class to our existing product suite. Especially in the current market conditions, exchange listed, centrally cleared real estate futures bring added value to the market. Risk management is a key issue and futures are an excellent risk management tool enabling hedging

and bringing additional liquidity. They will allow open ended property fund managers greater flexibility with cash-flow management and redemptions, unavailable in other property investment instruments." In addition, the central counterparty clearing of Eurex Clearing will mitigate counterparty risk effectively.

Eurex aims to work with major participants of the property derivatives market. With a notional contract size of £50,000 and daily valuation, Eurex intends to encourage additional market participants into property derivatives and help increase liquidity and transparency into this growing derivatives asset class.

Additional futures based on IPD property indexes, such as

UK sector indexes (Offices, Retail, Industrial) and other European indexes are intended for launch later in 2009.

Meanwhile however, the Dutch bank ING announced late last year that it has scrapped plans for a 2009 push into Europe's infant property derivatives sector after closing its newly-launched trading desk amid turbulent market conditions.

Reuters reported that the news comes less than four months after ING hired two of Britain's most experienced property derivatives dealmakers to expand its activities in the nascent market. "Our client products business is doing very well so we wanted to focus resources on that," an ING spokesman told

## forward thinking

### Keeping it short and sweet; watching a new real estate telenovela in Europe

It's a New Year, and a new day: Everything's to play for, but then again, much is also to lose. As PFE moves toward new ways of providing you with information, we keep a close focus on a couple of elements: First, if you are like me, you have the attention span of a 10-year-old. It's not our fault though. It's the new media. If you give me 100 different television channels on satellite plus a remote control so that I don't have to get up from the sofa, am I going to show extended loyalty to programming that tells me repeatedly what I already know? Not. Strange then that this basic fact has not dawned

on a mass of the mass media. Second: Why, for example, bother reading newspapers if they only tell me what I already learned last night? OK I get more detail, but I will come to that in time and via my medium of choice. Huge and unwieldy broadsheet newspapers are not the most comfortable way to absorb detail... as Sam Zell found to his cost in the US with the LA Times group. Which brings me full circle: If you have not yet downloaded PFE 102 from the website, I am concerned you will miss something. Leave aside the pearls of wisdom from yours truly on the wonderful new world of audio information; there is chapter and verse on issues you need to know about, plus on some distinctly murky goings-on around Europe. 'Murky' only in the sense that transparency leaves room for improvement. Yes, I am talking about Metrovacesa and Gecina. No one anywhere in Europe has any idea what is happening with these

companies, and I can only characterise this as a telenovela. From Spanish real estate players I no longer expect much information. However with a new PFE Editor Spain in the shape of former RICS Spain President Stan Dickens, and baleful suffering across Property Madrid SA that might yet convince it to communicate with the outside world, we never give up hope. Paris sources tell me also that the entire community has thrown up its collective hands in despair over Gecina. Led by Metrovacesa founder Joaquin Rivero, the second largest French SIIIC seems resolutely determined not to adequately inform anyone on anything much.



Allan Saunderson  
PFE Managing Editor

The story so far: Spain's largest listed property company Metrovacesa is insisting on the terms of a legal agreement with its 27%-held French unit Gecina to separate equity and business activities, alongside an agreed split of assets. Gecina, meanwhile, in mid-December suspended this contract because the Sanahuja family, Metrovacesa's majority shareholder, has agreed with creditor banks on significant changes in the shareholding structure. Ah, but according to a Metrovacesa spokesman – not a company statement, mind you – shareholders of both Metrovacesa and Gecina – including Rivero, Bautista Soler, a former top Metrovacesa officer and now a major Gecina stakeholder, and Sanahuja – signed another note last September that specified that the split would not go ahead if shares in either company were sold. Keep

in mind that the battle for control of Metrovacesa between Rivero and Sanahuja started on 1 March 2006. But where, I ask, are the "stock market regulatory authorities" in all of this? And I use parentheses with intent. Not only the Spanish CNMV should be demanding clarity over events that impact not only insider equity holders and banks, but also private individuals via public stock markets – but we do have the AMF authority in France which, up to now at least, has a fairly unblemished reputation for ensuring fair and equitable market transparency. Action is called for, in my view.

On the funds front, the cliffhanger this month is whether – and if so how – the 11 German open-end fund that closed in October will actually be able to re-open after the three months' grace they were allowed to get their liquidity in order. GOEFs saw net outflows of €721m in November; they owned a total of €84bn at the end of that month – well according to the most recent valuations. And therein, of course, lies the rub. What is the length of a piece of string? The whole valuation question is creating a huge amount of heat behind the scenes across the entire European brokerage community at this time, and Germany is principal among them. If you cannot get the valuation you like from brokerage XYZ, then go to brokerage ABC and offer 'enhanced fees'. In this extremely hard financial crisis a lot of serious capital is riding on valuation of real estate assets at year end. PFE aims to try to track the comings and goings on your behalf. But there is the small problem of your attention span. Thus, we keep it short and sweet.

Allan Saunderson, editor@pfeurope.eu

Reuters. "And in tandem with that, the real estate derivatives desk was a new venture and ... given the market conditions, we decided it is probably not the best time to be pushing a new product," he said.

Europe's property derivatives market offers over-the-counter trading mainly in swaps based on the total return on IPDs UK All Property index for fixed periods, in exchange for fixed interest payments. pfe

## MSREF's Multi closes €4.3bn Turkey retail fund with hefty Canadian commitment

Multi Corporation, Europe's largest retail developer, has closed a new Turkish retail property fund, a development platform with 21 completed, under construction or planned shopping centres with a projected value upon completion of €4.3bn

The Canada Pension Plan Investment Board, with an equity commitment of €250m, is the first founding investor in the fund, which created Turkey's largest portfolio of retail real estate assets and was the largest announced private equity investor in the sector in 2008. The board manages the C\$117.4bn (€73bn) Canada Pension Plan Fund.

Multi in December was concluding negotiations with the second founding investor to close before year-end and may seek additional investors but will retain majority ownership of the Fund.

The Multi Retail Turkey fund focuses on downtown locations in cities covering 70% of the Turkish population. The collection includes the 178,000 sq.m. Forum Istanbul which, when opened in mid-2009, will be the third largest in Europe. Morgan Stanley, which through MSREF is a senior minority shareholder in Multi, acting as sole financial advisor. pfe

## Dutch retailer C&A expands in Spain

Dutch retailer C&A opened its 100th store in the Spanish region of Valencia, twenty five years after launching its first Spanish store there in 1983, and plans to have 120 stores in the country as well as a combined 160 stores in Spain and Portugal by February 2010.

The newest retail fashion store is located in the Bassa el Moro Shopping Centre in the town of Petrer and has a sales area of 1,000 sq.m. The next 1,500 sq.m. store opening will take place in the spring of 2009 in the Leon Plaza Shopping Centre, in the city of Leon in northwest Spain, as the company continues an Iberian expansion policy launched in 2005.

Apart from expansion in markets where it is established, C&A also recently opened its first stores in Turkey, Slovenia and Slovakia. In 2009, the company also plans to open stores in Italy, Croatia and Romania. pfe

## Finnish new construction slides

The volume of new construction starts in Finland decreased by 21% in the first three quarters of 2008 against the year earlier, with the largest 35% decrease in retail and office buildings, according to Statistics Finland.

Construction costs rose 3.3% in the period, while labour costs in construction increased 4.3 %, prices of materials 2.3 %

and prices of other inputs 4.8 %.

Both the number and volume of commercial transactions slowed in recent months, with 2008 transactions at about €3.6bn at the end of November, Finnish private research firm KTI said. Volume in 3Q08 reached €680m, but it just exceeded €100m in the running 4Q08. Domestic funds were behind most of the transactions in autumn, though foreign funds and domestic institutions also participated. pfe

## New cargo harbour opens in Helsinki

Vuosaari harbour in eastern Helsinki launched operations late last year, taking up the handling of cargo traffic valued at one-third of all Finnish trade.

The project, begun in January 2003, cost more than €1bn and has stimulated new logistics property projects in the Helsinki area and elsewhere in southern Finland.

With direct connections to the main Finnish road and railway network, the new harbour should cut road traffic in the city centre. The harbour centre comprises the gate area, the closed harbour area, the adjacent Harbour Business Park and the Meriportti Business Park.

The old cargo harbour sites closer to downtown Helsinki will be freed for housing and office space. pfe

## ICSC conf. to devote day to investment

The International Council of Shopping Centers (ICSC) plans to devote the third day of its European conference to enhancing co-operation among investors, developers and retailers.

'Retail Friday' will showcase innovative new retail concepts from across the globe, giving retailers the opportunity to present their company to the leading shopping centre industry professionals. Other sessions will focus on maximising the opportunities for retailers and developers to work more profitably together.

The Barcelona conference is being held at Catalonia Palace of Congresses from 22 to 24 April. pfe

## Spanish retail sales fall nearly 10% in November, ninth consecutive decline

Spanish retail sales declined for the ninth consecutive month in November, falling 9.6% year-on-year, while employment in the sector lost 1.9%.

Small chain stores registered the largest reductions of 15.8% followed by independent single location stores with falls of 11%, the National Statistics Institute reported. Sales at big box and large floor areas in excess of 2,500 sq.m. fell by 8.1% and at large chain stores by 2.9%. Vacancy rates are increasing across Spain, with the exception of prime high street locations. pfe

## Italian Starwood Hotels plan to lay off 650 sets off New Year's Eve strike

Starwood Hotels' preparations to lay off 650 employees in Italy, or roughly 30% of its staff, set off an 8 hour strike on

New Year's Eve that froze festivities in luxury hotels such as Venice's Europa & Regina and Danieli e Gritti.

The US-based luxury hotel chain, which runs marquee brands such as Westin, St. Regis, Sheraton and Le Meridien, is cutting 417 year-round and 233 seasonal jobs. In addition to Starwood's Venice hotels, job cuts will affect the Westin Palace and the Gallia e Diana in Milan, the Grand Hotel and Westin Excelsior in Florence, and the Sheraton, St. Regis and Westin Excelsior in Rome. pfe

## Pessimism in German real estate deepens in December – King Sturge

The German Real Estate Climate index of realtor King Sturge, which measures economic turning points in the real estate market, slumped to 40.7 points in December, its seventh consecutive monthly drop, from a still positive 101 points in June.

The index point level suggested that the willingness to invest was approaching zero in December, the realtor said in its regular monthly report on the market. Market participants considered residential real estate the most stable segment, with office and retail real estate characterised by high volatility.

Sascha Hettrich, Managing Partner of King Sturge Germany, commented: "(2009) is starting off on an ominous note: Every climate index value has been pointing downward for months... The immediate effect of the crisis will be price adjustments and an in-depth restructuring of the market. High net worth investors, however, have ample opportunity to make interesting investments. Here, perfect timing is of the essence." pfe

ness interest in the latter.

As of 30 September, Kungsleden owned 277 public properties, representing 54% of its total book value. The sale price for the mainly retirement home, care and school properties, held by Hemso Fastighets, reflected 98% of its 15.6bn crown book value and was 2.1m crowns over purchase value. The property yield was 6.3% based on 2008 operating net.

The deal, which is due for completion in the first quarter of 2009, will generate a preliminary profit of 800m crowns in the company's 2009 figures. Through a joint venture, Kungsleden will continue to work with AP3 on Hemso, at least for the next five years.

The company also made a divestment in southern Sweden of SEK 100m, double the acquisition value of the 30,000 sq.m. of housing development area. The SEK 50m profit will be included in Kungsleden's profit for calculating 2008 profits.

In addition, it sold a property south west of Stockholm for SEK 105m and a property yield of 6.9%, while acquiring two properties also southwest of Stockholm for SEK 210m including transaction costs at a yield of about 7.9%. The majority of the 8,300 sq.m. property sold is leased to a municipal high school and was purchased by Telge Fastigheter.

"It's pleasing to be able to conclude this deal with satisfactory profits and increase our forecasts," CEO Thomas Erseus said. pfe

## Austria's Immofinanz, Immoeast to focus on cash-flow after heavy losses

Austria's listed Immofinanz, which reported huge first-half pre-tax losses of €2.65bn against a year earlier profit of €427.5m, cannot rule out further property devaluations, but it expects its six core creditor banks to support a new restructuring plan that will refocus its business model on optimising cash-flow.

Immofinanz attributed the losses in the first half of the 2008/09 business year, which ran from 1 May to 31 October, to downward valuations of the real estate portfolio and writedowns after halting some development projects, part of its restructuring plan. Its 54.65% Immoeast unit suffered particularly, delivering the largest share to negative operating results.

Net asset value (NAV) per share slide 37.5% to €7.07.

### LISTED REAL ESTATE

## Sweden's Kungsleden raises profit estimates after substantial sales

Sweden's listed Kungsleden raised its full-year profit estimate to SEK800m (€75.7m) from SEK700m (€66.2m) after a series of divestments, including the sale of half its public properties to Tredje AP-fonden, though it will retain a busi-

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Property Finance Europe proudly presents:

# 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 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 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 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.

### Schedule

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

### Date and time

Friday, 16 January 2009, 8:30 - 11a.m.  
Tokyo Suite, Cushman & Wakefield  
43-45 Portman Square, London, W1A 3BG

**For questions regarding this event, please contact**

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Asset disposals, another leg of its restructuring plan, launched successfully, with sales from the beginning of the business year through mid-December reaching €160.5m, drawn largely from the Immoaustria unit. Immoeast's sales program suffered, however, from the market's woes with a limited number of transactions, although those that were completed achieved prices at or above appraised values.

Problems may continue. Immofinanz's CEO Thomas Kleibl told Austria daily Kurier that he could not rule out more revaluations in the next quarter if the market deteriorates further.

Despite these woes, Kleibl said the company achieved a major step toward stabilising the group as planned before Christmas, by presenting its restructuring concept to its six core creditor banks: Erste, Raffeisen Zentralbank, Bank Austria, WestLB, Eurohypo and Helaba.

"Representatives of the banks will review the business plan as the basis for a restructuring plan, and provided it is legally and economically feasible, will support it," the company said.

At the heart of this plan is a reorientation of both Immofinanz's and Immoeast's business plan to focus more on operating cash-flow than on traditional NAV, given the changed market conditions. pfe

## Spain's Martinsa-Fadesa wins support of 60% of creditors on debt deal

Madrid-based Martinsa-Fadesa, which has been divesting assets to cut debt, has gained the backing of holders of nearly

### Guest Column

## Balance sheet optimisation is the Big Theme for listed real estate in 2009

By Peter Barkow

The year 2008 was in almost all respects a horrible year for real estate and the listed sector did not prove an exception - as FTSE EPRA NAREIT Europe index figures show. As the listed sector tends to anticipate the development of the direct market by 6-18 months - depending on the stage in the cycle- the question arises whether any of these circumstances will improve in 2009. First, it is unlikely that the absence of credit will disappear anytime soon. Banks are largely using government aid to restore balance sheets, but not to speed up property lending. Second, risk weightings of bank counter-parties are likely to increase due to recessionary pressures and the cyclical element of Basle II, while equity and debt investors are expecting higher capital ratios of banks. Thirdly, the maturities of the still-dormant MBS need to be compensated by bank lending, and German mortgage banks are still waiting for the Pfandbrief market to reopen. In essence credit is likely to remain a scarce resource in 2009. A major positive is the decline of long term interest rates which should lead to lower refinancing costs. Unfortunately, this advantage will remain hypothetical until the availability of credit rises.

Last year we placed our hopes on three groups of investors: German open ended funds, opportunity funds and sovereign wealth funds. Indeed we saw some activity of the GOEFs, especially in London, and selective buying of sovereign wealth even in the listed landscape - even as private equity held to the sidelines. This has changed quite dramatically, with half of GOEFs shut and commodity prices soft or collapsing. Opportunity funds, meanwhile, are confronted with investors

kindly asking them not to drawdown un-allocated commitments. The big theme for 2009 therefore is an increase of investments from pension funds and insurance companies in search of yield as interest rates fall. It would be surprising if direct investors returned early in the year; most are likely to wait and see. With the rental market increasingly under pressure, yields are likely to move out further. Hope rests on the second half of the year, but a rebound could easily be postponed into 2010.

The Big Theme for 2009 is recapitalisation. With prices and the credit market under continued pressure the recapitalisation of the listed sector is likely to come from various angles and will be very pronounced for highly-leveraged companies. The Austrian, German, Italian and Spanish sectors spring especially to mind - but neither equity investors nor banks currently appreciate high LTVs. As their attitude is unlikely to return to the pre-credit crunch in the medium term, many listed firms need to recapitalise to safeguard business models.

### This is likely to lead to the following:

1. Dividends will continue to decline and get cut.
2. The listed sector will increasingly try to shrink balance sheets via asset sales. This will be challenging and drawn out as the investment market is unlikely to be receptive and lot sizes will remain low.
3. The number of listed companies is likely to shrink - either by going private

or being bought by private equity funds. Admittedly in many cases company debt has changed control clauses, but we think lenders will increasingly be willing to compromise.

4. Banks will increasingly seek to dispose of distressed property debt. As we have already seen in Spain, distressed debt investors and banks will swap debt into equity when hard covenants come close to being breached. Thus debt will become a substitute or competitor to direct equity investments.

5. Rights issues are likely to reappear to restore balance sheets, leading to strong dilution of current shareholders. Nevertheless, this is not all negative as it will help restore business models. Firms with

strong strategic investors willing and able to invest are in a very favourable position.

6. Balance sheet quality will remain the key advantage. It is very likely that substantial buying opportunities will arise when distressed sellers appear in the market.

In essence 2009 is likely to remain challenging for the listed sector, and a potential recovery will probably be back-loaded in the year. Of course this forecast has to come with the caveat of unprecedented uncertainty in almost all relevant sectors. pb

*Peter Barkow has many years' experience in European listed real estate and banking, and has headed several investment analysis teams. He can be reached at pbarkow@gmx.net*



Peter Barkow

60% of its debt for a repayment proposal, meeting its goal to agree a December deal after failing to reach one in October.

Martinsa needs the backing of holders of over half of its debt to go ahead with the plan.

The proposal has the support of creditors Banco Santander, BBVA, Banco Popular, La Caixa and Caja Madrid, as well as several other savings banks, Spanish daily ABC said.

Martinsa-Fadesa, once Spain's biggest developer, filed for administration in July and is now run by court-appointed administrators. Late in the year, its debt stood at €7.3bn.

Its plan to come out of administration by paying off its debt over eight years has the official backing of major creditor savings banks La Caixa and Caja Madrid, which account for nearly 30% of its debt. pfe

## Spain's Renta agrees refinancing plan

Listed Renta Corporacion reached an initial refinancing deal late last month with the majority of a syndicate that lent the real estate firm €500m.

Barcelona-based Renta, which specialises in buying, rehabbing and selling prime real estate in major European cities, said it had reached an agreement in principle, either firm or conditional, with creditors owed 68.8% of its syndicated loan from 15 February 2007.

"The company continues to hold talks with the rest of the creditors with the aim of signing them up to the agreement in principle in the next few weeks," the company said.

Renta Chief Executive Juan Velayos told Reuters on at the end of October he was optimistic it could renegotiate a waiver for the loan.

Without the waiver, Renta is due to pay the banks, led by Santander and backed by BBVA, Eurohypo and Fortis, a first payment of around €40m in early 2010 with increasing payments due over the next three years.

Renta, with offices outside Spain in Berlin, London, Paris and New York, has purchased 270 properties since 2000, with a total investment of €2.5bn. In 2007, it made EBITDA of €35.4m on €545m in revenue, with assets of €1.1bn at yearend. pfe

## Spain's Colonial issues convertible debt to bolster finances

Listed Spanish property group Colonial, which just days earlier said it could be forced into administration if it failed to sell stakes in a number of companies, issued convertible bonds in December that will substantially reduce its debt and raise its capital.

The troubled group, which is battling bankruptcy and effectively owned by the banks, placed €1.43bn in convertible bonds, mostly with its creditor banks.

The banks which coordinate its syndicated loan - Goldman Sachs, Eurohypo, Calyon and the Royal Bank of Scotland - as well as Banco Popular and La Caixa guaranteed the issue, which closed in December. Colonial placed €1.31bn with its creditors and two of its core shareholders and €4.67m with its shareholders.

The move cut Colonial's financial debt by 16% to €7.55bn from €8.98bn at the end of the third quarter and raised its capital by 124%, to €2.58bn from €1.15bn.

"This operation brings to a successful close the action plan designed by the new Administrative Council to reinforce Colonial's capital, and stabilise the company financially and operationally," the company said. pfe

## Germany's TAG may miss break-even for 2008, says CEO Ibel

The CEO of Hamburg-based TAG Immobilien, Andreas Ibel, says that downward valuations in the group's property portfolio means a target of pre-tax break-even during 2008 might be missed, and a loss for the full year is possible.

Ibel told Reuters recently that TAG aimed for break-even for full-year 2008 pretax earnings. However factoring in valuations of real estate assets, there could be a loss. He gave no further details but said costs cuts of around 30% are on track. In August, the company scrapped its previous target of a 10% increase in pretax profit to €34m. Ibel added that TAG's financing is secure

### 19. IIR Jahresauftaktkongress der Immobilienwirtschaft



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## Back to fundamentals in 'year of pain' 2009 with an eye on inflation risks - but also opportunities in real estate across Europe, Germany

Christian Ulbrich this month becomes the first non-Anglo-Saxon ever to join the global board of realtor Jones Lang LaSalle. His move from his long-time post as CEO Germany to Head of Europe, Middle East & Africa has much to do with his reputation for keeping a cool head and clear focus on the realities of real estate, while retaining a scepticism over the promotional schemes that often characterise the industry. He and German Head of Research Helge Scheunemann last month provided a wide-ranging review of prospects for property in Europe and nearby regions.

Ulbrich's sees 2009 as a year of pain; the global financial crisis means that many market players are likely to disappear and others will merge. Some listed companies will declare insolvency. "Back to real estate fundamentals was our statement last year, now we can shorten this even further to back to fundamentals," Ulbrich said. "How strongly the financial crisis carries through to impact the real economy will be seen at the earliest in the first quarter of 2009. What will be decisive is whether the sector succeeds in bringing liquidity back into the refinancing markets. The longer the credit crunch lasts, the more drastic will also be the recession."

He said it is ironic that banks will once again become the largest owners of property after many of them in recent years made strong efforts to sell real estate assets off balance sheets. "In addition, we are going to be confronted with a whole series of developments that will strongly affect the real estate economy – above all to do with questions about protecting the environment." Ulbrich said that the attempts of politicians to stabilise the economic cycle via massive injections of cash will be inevitably resulting in higher national debt and a sharp expansion of the money supply. "At the end of all this we have to expect to deal with a massive climb in inflation as one means of reducing national indebtedness, or even more dramatically with some kind of currency change," he said. "But in both of these scenarios, owning property partly financed by debt is not the worst response."

Scheunemann, in a review of 2008 and outlook for 2009, forecast that the European real estate investment market this year will stagnate at around €100bn, the level it reached in 2008. He told a press conference that the first three quarters of 2008 saw massive shrinkage in deal volume in the UK, Germany and France in particular. Around €92bn were transacted in total, compared to €244bn in full year 2007, and €253bn in 2006.

For Germany alone, total deal volume in 2007 reached nearly €55bn. While at the start of 2008, he predicted that property worth around €44bn would change investor, the reality has been much lower due to the impact of the crisis. It is unlikely to reach much above €20bn in final figures for

2008, and should hold around that in 2009.

2008 in particular saw a move toward much smaller deals. "Portfolio transactions have been playing as good as no part at all in the market over the last few months," he said. In 2008, 84% of all transactions in Germany amounted to less than €50m each, compared to 71% only in 2007. In the case of office property, deal volumes fell last year by around 75%.

While office made up some 57% of total deals in 2007, they fell to 35% last year. By contrast, retail in 2008 rose to 33% of all 2008 volumes from 21% in 2007. Logistics and warehouse transactions were around 9% as against 5%, with mixed-use buildings comprising 13% of total 2008 deal volume versus 8% in 2007.

Scheunemann forecasts a rise in average entry yields for prime office in the six major urban markets of Germany to around 5.8% as against an average 4.8% over the last 16 years. He expects domestic institutions to be the major buyers after they already moved back strongly into the market in 2008. Most institutions investing during 2007 sought core properties, and this move towards more security is likely to extend into 2009, he said.

Turning to pan-European commercial property rental prospects, Scheunemann said he sees about 9m sq.m. of space rented in 2009, slightly less than around 9.5m in 2008.

In 2009 he sees 9.0m sq.m. leased in western and eastern Europe, well down from 11.8m forecast for 2008. The 2009 total would be a drop of around 24% from the current year.

In Germany the loss of jobs is likely to put a brake on the rental of office space, he forecasts – particularly given current consensus for real GDP in 2009 of a 0.8% contraction. However some dire forecasts have come up with a drop of 4% which would have a dramatic impact on commercial property rental space and imply rentals of only 1.2m sq.m. This, in turn, implies negative net absorption across Germany when compared to the 1.4m sq.m. of new space coming into the market.

A similar trend across Europe certainly means an increase in vacancy rates from the current European average of 7.2%. Scheunemann sees the worst affected as being Dublin, Buda-



JLL Head of EMEA Christian Ulbrich: "People who act quickly can earn money in these situations, and the ones who carry the risk can no longer really be identified."

pest, Frankfurt, Amsterdam, Dusseldorf, Stockholm, Brussels, Berlin and Prague. In Germany the average vacancy rate for the Big Six – Berlin, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart – is likely to rise to around 10% from 9.4% currently. However, “the risk of an overhang of supply is however not as large as it was in the last crisis in late 2001,” Scheunemann said.

Scheunemann and other JLL officials noted however that sharp falls in capital values across Europe in all property asset classes in 2008 have begun to throw up opportunities for acquisition. The largest slides were in the office sectors of Dublin, London, Paris, Barcelona and Madrid, while in retail the main value falls have been in Dublin, Amsterdam, Madrid, Barcelona and London. “We are working on the assumption that prices in London will fall further and that 2009 should be one of the best years for acquisition for at least twenty years,” Scheunemann said. In particular, Japanese institutions are very strongly eyeing London.

Ulbrich added that even if London office property values continue to be strongly depressed by the crisis, demand from countries such as Russia or China or India should not be underestimated. In particular, Indian firms are showing massive interest in London after the recent Mumbai hotel attacks which have, in dramatic fashion, highlight the inability of Delhi to impose security within the country. The Russian situation has also been somewhat similar in recent years.

JLL Germany last year made a major investment in retail by acquiring the family broker Kemper’s which specialises in mall and downtown shopping real estate. Part of the strategy is to expand the expertise of the company across Europe. Founder and CEO Gerhard Kemper, who is now International Director of Kemper’s Jones Lang LaSalle Retail, also said that in his sector it remains important to think logically and, often, act anti-cyclically.

“You have to take into account that there are clear cycles in this market and if you can’t figure them out then it is very difficult to make any money in this business,” Kemper commented. “We are now in a typical roller-coaster scenario: Whenever it goes up, people only see the sky, and whenever it goes down people can only see the ground. Exactly this kind of pro-cyclical behaviour can have a very fateful outcome. Now is the time at the very least to begin to think about – perhaps not yet to act – whether an investment would be worth making... as opposed to two years ago which was the moment when one should have been thinking about getting out.”

Ulbrich was asked how the industry will move forward when entire investment models of the last two or three years were predicated on low interest rates and plentiful debt financing. “You could finance supermarket portfolios with 85% or 90% non-recourse debt, which meant that without taking on

the liability yourself, you could take 10% or 15% equity out and everything that came after that was only profitability,” Ulbrich noted. “Everyone who bought these portfolios early in 2005 and 2006 had, six or eight months later, taken out their equity in a second financing round and only had profits to look forward to while all the risks lay with the banks. If it now really does come to a long-term change in the refinancing market now, which I don’t really believe... then you cannot earn any money, and yields will have to rise considerably.”

In regard to the current financial crisis, he said however that few people in the industry foresaw this outcome, least of all himself. “We all made jokes about some of the deals being made,” he said. “But it is all a question of timing. People who act quickly can earn money in these situations and the ones who carry the risk can no longer really be identified. The decoupling of ownership and risk-liability through this non-recourse situation, and through securitisation was completely new for us in Germany.

“My basic optimism says of course things will come back at some stage... I do not have a high opinion of excessive financial market regulation; I think we need rules, and one of the most important is that banks should no longer be allowed to hold assets outside their balance sheets but only inside them. And they should have to set aside adequate equity capital.

“The second large problem lies with the assessment of these securitised instruments. The rating of this paper by the agencies was done in such a way that everyone knew that it was only nonsense. But despite this, people made decisions on this basis.”

Looking forward for the prospects in his new region of responsibility, Ulbrich said he is highly sceptical about massive projects such as those in Dubai, where he remains unconvinced that the demand for the space being constructed will ultimately come through.

Russia however is a completely different matter, he said. “Here is a very strong economy that has been hugely underdeveloped for decades for reasons that we all knew about, and where there has been a massive undersupply of good, modern office space to accommodate a very strongly growing economy. This is a completely different situation. Of course prices shot up because of this and have come crashing down right now because of the financial crisis. But over a period of time, the Russian market is going to get up and shake itself off and start to recover again quite quickly – simply because the economy will continue to expand and modernise and the demand for commercial and office space will naturally follow.” As regards the mature economies, UK, Germany, France and Spain, these are much more classical cyclical situations where the market reached far ahead of itself and is now correcting, he said. pfe



JLL Head of Research Germany Helge Scheunemann: *“Risk of an overhang of supply in Germany is however not as large as it was in the last crisis in late 2001.”*

and that banks are willing to extend asset financing as planned.

He also said that around a quarter of its jobs were due to be cut by the end of last year. "In some areas, we will not be able to get around job cuts," he said. Management bonuses for last year would also be scrapped.

At the nine months point, TAG boosted revenues by 37% over the same 2007 period to €80.1m, and posted a 44% increase in rental income from to €38.2m, underpinned by newly acquired cash-flow-heavy portfolios from Siemens (commercial) and the VBL group (residential) - together with reduced vacancies and rental increases.

TAG, listed in the SDAX since December 2006, had total assets on the balance sheet of €910m at the end of last September, with real estate valued then at €842m. Equity on book totalled €394m, giving an equity ratio of 33.4%. EBITDA fell slightly to €27.8m from €30m in the same 2007 period, but earnings per share were just €0.07, down from €0.19.

The group invests on the real estate market in German metropolitan regions such as Hamburg, Berlin, Munich, Leipzig and the Rhein/Main and Rhein/Ruhr regions. pfe

## Dutch Corio sells assets, seals loan to raise €180m as new CEO arrives

Dutch shopping centre REIT Corio raised significant new liquidity at year end, agreeing a two-year €100m loan with ING Real Estate Finance and also selling off 13 properties to various investors for €78.6m.

The company said the loan, with an interest rate of 250bp spread over three-month Euribor, will be used for general corporate financing purposes. The sales price of the retail properties was some 4% below 2007 below book value.

Corio also signed on a new CEO with Gerard Groener, who has worked in real estate for 21 years, and has been appointed for a period of four years. He will receive a fixed gross annual salary of €350,000, including holiday allowance and is entitled to a short-term bonus of 40% and a long-term bonus of 60% of the gross annual salary when his performance is 'at target'. Excellent performance can be rewarded with a bonus multiple of maximum 1.5.

Euronext-listed Corio is one of the largest listed property investment companies with a focus on retail in Europe. Shopping centres in the Netherlands, France, Italy, Spain and Turkey make up 92% of Corio's portfolio of € 6.4bn on 30 September. Corio manages its own shopping centres. pfe

## Norwegian Property faces 2009 with new chairman Hermansen, re-cast board

The largest listed property company in Scandinavia, the three-year old Norwegian Property, is poised to enter a new phase after an internal shareholder struggle succeeded in bringing about a change in management late last year.

On 19 December, an extraordinary shareholders' meeting demanded by the main equity owners appointed new Chairman Tormod Hermansen, a former CEO of the nation's telecoms utility Telenor, and an entirely new board. CEO remains Petter Jansen, who has led the company since was created in 2006 and floated on the Oslo stock exchange.

A nominating committee brought in by shareholders, the Anders Wilhelmsen Group and Fram Management, recommended the new board should comprise five directors. Aside from Hermansen, these are Nils K. Selte, Harald Grimsrud, Synne Syrrist and Gry Mølleskog.

NPRO has AUM valued at NOK27bn (€2.8bn), consisting of 49 office properties located in Oslo and Stavanger. But the group's main holding is Norgani Hotels which is the largest hotel owner in the Nordic market with 73 hotels and one conference centre.

Separately, NPRO said Jansen on 29 December entered into a forward contract for the purchase of 35,000 shares in the group, with expiry date 19 May 2009 and purchase price of NOK 6.1763 per share. His holding company closed a similar forward contract, which carried a higher purchase price. Jansen and related parties hold thus this block of stock under forward contracts and another 40,000 shares directly in NPRO.

The stock was last trading at around NOK7.80, but had dipped as low as NOK6 in the deepest market turbulence of October-November. An October presentation by the group said that net asset value per share according to the EPRA methodology was NOK34.71 after equity issue and value adjustments in property and financial derivatives. pfe

## Italy's Astaldi to build bridge across Turkey's Golden Horn, motorway

Italian-listed Astaldi won a contract to build a bridge spanning Turkey's Bosphorus inlet, in a project valued at €147m, and one to build a section of Romania's Arad-Timisoara motorway, valued at €138m.

Leading a joint venture in the bridge project, Rome-based Astaldi, with a 51% stake, will help build the Halic Bridge across Turkey's 'Golden Horn'. The one-kilometre long bridge will be used by a new underground railway line, already being built.

Astaldi holds half of the Romanian motorway project, which will take at least 36 months from an early 2009 start. The plan, which will be carried out in a joint venture with Spain's listed FCC Construcciones, involves building 31.5 kilometres of motorway with four lanes of traffic, two emergency lanes, one crossing and sixteen bridges.

Active in Turkey since 1985, Astaldi, a specialist in such areas as transport infrastructure, hydraulic works and power, civil and industrial constructions, has already built a major section of the motorway linking Istanbul and Ankara.

Astaldi has been active in Romania for more than 20 years, largely in the sector of transport infrastructure. It is currently working there on modernizing the Bucharest-Constanba rail section (€178m) and Bucharest's Otopeni International Airport, road construction for Basarab's stayed bridge (€120m) and a stadium in Bucharest (€140m). pfe

### NON-LISTED PROPERTY FUNDS

## European property funds boosting visibility of fee structures - INREV

European non-listed real estate funds are rapidly increas-

ing the visibility of their fee structures, improving understanding and transparency for investors and fund managers, according to a study released in December by industry body INREV.

The association's fifth annual Management Fees and Terms Study shows that the industry sector is increasingly adopting many guidelines recommended in a series of initiatives it has made over the last couple of years. "We've seen a big increase in the number of funds providing detailed information on their fees," commented INREV Acting Chief Executive Andrea Carpenter.

"This demonstrates a growing appetite in the non-listed property funds industry to understand fees, terms and costs for different structures and to improve overall transparency in this area."

The survey sample of 243 funds undertaken late last year captured gross asset value under management by Europe of €145bn across 67 fund managers, around 50% of the available universe. In 2007, 160 funds responded to the study.

The study also shows that adoption levels for INREV Total Expense Ratio reporting have been good since its release as part of the INREV Fee Metric Guidelines in September

2007. INREV TER expresses annual operating costs of a fund as a proportion of the value of its assets. It enables a fairer comparison of costs between funds than the management fee alone. Of the funds surveyed, 86 were providing investors with some form of TER, of which the majority or 55% were reporting that based on the INREV recommended methodology.

Chairman of the INREV Fee Metrics Working Group Neil Turner, who is Head of Fund Management at Schroder Property Investment Management in London, commented:

"The rapid adoption of INREV TER in the first year since its launch indicates that there is increasing demand for this type of information among institutional investors. Fund managers have also seen the benefit in reporting fees to their clients using a standard industry format."

However, the non-listed real estate funds industry is still contending with huge variations in the ways in which fees are charged as well as the definitions and numbers of fee items. Carpenter said: "Transparency is improving but there is still further work to be done to improve consistency of reporting bases and fee terms. This could include looking at encouraging fund managers to streamline the number of fee items and improving the underlying definitions of those items."

The most typical fee charged - with 84% of funds surveyed - is the annual manage-

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**EPRA/NAREIT Europe Index - Stock Performance**

Prices at end prior month

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
CA Immobilien Anlage	Diversified	4.20	366	0.13	0.74	0.0	-41.6	-72.5	6.1	-72.5
Conwert Immobilien	Residential	3.20	273	0.09	0.56	0.0	-39.6	-73.4	-21.0	-73.4
<b>Austria Total</b>			<b>640</b>	<b>0.22</b>	<b>1.30</b>	<b>0.0</b>				
Befimmo *	Office	66.80	872	0.30	1.77	6.8	1.3	-1.9	12.2	-1.9
Cofinimmo *	Office	94.52	804	0.28	1.63	8.2	-4.3	-20.5	-5.5	-20.5
Warehouses De Pauw *	Industrial	30.15	194	0.07	0.39	9.4	-4.7	-27.5	-1.7	-27.5
Intervest Offices *	Office	17.75	123	0.04	0.25	10.9	-6.2	-33.6	2.0	-33.6
Wereldhave Belgium *	Diversified	48.01	102	0.04	0.21	7.9	-10.0	3.3	1.2	3.3
Leasinvest Real Estate *	Office	48.05	77	0.03	0.16	8.0	-3.5	-22.1	-4.5	-22.1
<b>Belgium Total</b>			<b>2.174</b>	<b>0.75</b>	<b>4.42</b>	<b>7.9</b>				
Citycon OYJ	Retail	1.68	277	0.09	0.56	2.4	-10.5	-51.6	10.5	-51.6
Sponda	Diversified	3.10	258	0.09	0.52	16.1	-14.1	-55.9	24.0	-55.9
Technopolis	Office	2.88	165	0.06	0.34	5.0	-11.6	-45.4	-2.0	-45.4
<b>Finland Total</b>			<b>700</b>	<b>0.24</b>	<b>1.42</b>	<b>8.1</b>				
Unibail-Rodamco *	Diversified	106.50	8.660	2.97	17.60	6.6	2.8	-24.3	1.1	-24.3
Klepierre *	Retail	17.35	1.442	0.49	2.93	7.0	-1.6	-45.3	8.8	-45.3
Icade	Diversified	59.50	1.171	0.40	2.38	5.5	-NA-	-41.7	19.1	-41.7
Fonciere Des Regions *	Diversified	49.00	1.006	0.34	2.04	10.8	-9.1	-37.4	9.2	-37.4
Gecina *	Diversified	51.16	955	0.33	1.94	9.8	-12.8	-47.7	32.4	-47.7
Silic *	Office	66.30	862	0.30	1.75	6.0	-0.2	-29.9	0.4	-29.9
Mercialys *	Retail	22.60	679	0.23	1.38	3.8	8.9	-10.4	-8.1	-10.4
Societe d. I. Tour Eiffel *	Diversified	33.60	174	0.06	0.35	19.4	-13.6	-57.3	-17.7	-57.3
Acanthe Develop. *	Diversified	1.24	58	0.02	0.12	16.1	-15.1	-35.9	4.2	-35.9
Affine *	Diversified	13.00	52	0.02	0.11	12.7	-12.9	-60.9	-12.6	-60.9
<b>France Total</b>			<b>15.060</b>	<b>5.16</b>	<b>30.61</b>	<b>7.1</b>				
Deutsche Euroshop	Retail	24.30	835	0.29	1.70	4.3	7.5	7.9	22.0	7.9
Deutsche Wohnen	Residential	9.49	244	0.08	0.50	0.0	-20.0	-55.0	108.6	-55.0
Gagfah	Residential	4.02	181	0.06	0.37	19.9	-NA-	-59.1	81.1	-59.1
DIC Asset	Diversified	6.22	146	0.05	0.30	26.5	-19.8	-63.8	48.1	-63.8
Alstria Office *	Office	4.95	139	0.05	0.28	10.5	-NA-	-46.6	23.8	-46.6
Vivacon AG	Residential	3.90	77	0.03	0.16	12.8	-46.4	-66.0	50.0	-66.0
Colonia Real Estate	Residential	2.86	65	0.02	0.13	8.7	-39.8	-81.7	58.9	-81.7
Patrizia Immobilien	Residential	1.63	42	0.01	0.09	0.0	-NA-	-68.4	71.6	-68.4
<b>Germany Total</b>			<b>1.730</b>	<b>0.59</b>	<b>3.52</b>	<b>8.2</b>				
Babis Vovos	Diversified	8.96	228	0.08	0.46	0.0	-12.3	-56.0	-33.9	-56.0
Eurobank Properties *	Diversified	5.58	102	0.04	0.21	5.6	-NA-	-35.3	-9.4	-35.3
Lamda Development	Diversified	4.22	55	0.02	0.11	0.0	-8.2	-70.5	-0.9	-70.5
<b>Greece Total</b>			<b>386</b>	<b>0.13</b>	<b>0.78</b>	<b>1.5</b>				
Beni Stabili	Office	0.50	379	0.13	0.77	6.5	-11.0	-29.1	13.1	-29.1
IGD *	Retail	1.05	129	0.04	0.26	5.4	-17.1	-45.9	10.8	-45.9
Risanamento	Diversified	0.43	47	0.02	0.10	0.0	-48.1	-88.4	13.8	-88.4
<b>Italy Total</b>			<b>555</b>	<b>0.19</b>	<b>1.13</b>	<b>5.7</b>				
Corio *	Retail	32.89	2.212	0.76	4.50	7.9	-2.1	-31.2	-8.2	-31.2
Wereldhave *	Diversified	63.00	1.309	0.45	2.66	7.4	-1.2	-9.5	1.5	-9.5
Eurocommercial Props *	Retail	24.00	858	0.29	1.74	7.3	0.0	-27.1	0.8	-27.1
Vastned Retail *	Retail	36.00	591	0.20	1.20	10.8	-4.2	-39.3	26.3	-39.3
Nieuwe Steen Inv *	Diversified	11.21	401	0.14	0.82	12.4	-9.3	-28.6	7.8	-28.6
ProLogis European	Industrial	3.21	182	0.06	0.37	17.6	-NA-	-61.8	114.0	-61.8
Vastned Offices/Ind *	Office	6.86	142	0.05	0.29	24.8	-17.8	-62.2	35.3	-62.2
<b>Netherlands Total</b>			<b>5.695</b>	<b>1.95</b>	<b>11.57</b>	<b>9.0</b>				

\* -3 Years Total Returns are annualised

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

Global real estate stocks, measured in Euro terms, fell by 45% through 2008 as a whole, a significantly worse performance than industrial equities, which were off 39%, and global fixed income securities which rose 10%, according to the European Public Real Estate Association. December alone saw a fractional rise in property stocks globally, while bonds and equities returned -5.2% and 2.4% respectively. Listed real estate performance for the year had an adverse effect on the five-year rolling return measure. Returns over five years were zero, better than the slide of 5.5% for global industrial equities but well below the 27.7% positive return in bonds. North America was the region with the least poor performance in total returns, shedding 37.6% over the year, as against 48.6% for Europe. Asia took a stronger hit as development pipelines came under pressure. Depleting investor confidence and near-frozen debt markets took a severe toll on values, EPRA said. Smaller European markets in particular, namely Spain, Austria and Norway were on

historical lows by December. Markets with REITs performed relatively better than countries without REIT legislation with the exception of Spain where REIT laws were only introduced late last year. Global REITs performed relatively better than non-REITs, with a difference of 9.55%. At a regional level, comparisons amplify the edge REITs have displayed in terms of performance over non-REIT property stocks. In the European markets the distinction is the highest, where the difference at the end of the year stands at 14.25%. The European region is composed of 15 markets in which only six have REIT legislation in place. In Europe, constituents of the EPRA/NAREIT index showed that France and UK rose by 4.3% and 0.7% respectively, bucking the average negative trend. Investors gained 2.0% in December from investments in the Netherlands. Investor returns for the one year period was negative from all European markets, with the regional heavy weight, the UK, declining by 46.1%. In France investors lost 32.6%, while the Netherlands fell behind by 34.9%.

## EPRA/NAREIT Europe Index - Stock Performance

Prices at end prior month

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
Renta Corp Real Estate	Diversified	1.84	18	0.01	0.04	23.0	-NA-	-85.2	-44.2	-85.2
<b>Spain Total</b>			<b>18</b>	<b>0.01</b>	<b>0.04</b>	<b>23.0</b>				
Castellum	Diversified	60.75	951	0.33	1.93	4.9	-1.1	-5.2	23.2	-5.2
Kungsleden	Diversified	54.00	671	0.23	1.36	14.8	4.9	-13.9	68.2	-13.9
Fabege	Office	30.00	462	0.16	0.94	13.3	-12.6	-48.7	29.9	-48.7
Hufvudstaden A	Office	55.25	415	0.14	0.84	3.2	9.0	-8.1	19.1	-8.1
Wihlborgs Fastigheter	Diversified	100.00	350	0.12	0.71	6.3	6.3	-8.2	22.0	-8.2
Klovern AB	Diversified	18.20	207	0.07	0.42	8.2	-3.6	-22.7	38.4	-22.7
<b>Sweden Total</b>			<b>3.054</b>	<b>1.05</b>	<b>6.21</b>	<b>8.5</b>				
PSP Swiss Property	Office	52.70	1.671	0.57	3.40	4.6	2.3	-3.7	4.4	-3.7
Swiss Prime Site	Office	50.80	661	0.23	1.34	6.7	-1.8	-5.7	-2.5	-5.7
Allreal	Office	107.00	412	0.14	0.84	4.7	2.1	-14.2	-0.1	-14.2
Zueblin Immobilien	Office	4.69	111	0.04	0.22	10.7	-15.9	-48.1	-8.0	-48.1
<b>Switzerland Total</b>			<b>2.854</b>	<b>0.98</b>	<b>5.80</b>	<b>5.3</b>				

\* -3 Years Total Returns are annualised

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

## Major European real estate investment transactions

November 2008

Property	Price	City	Country	Type	Buyer	Seller
Hotel Ambassador	€ 152.000.000	Paris	France	Hotel	Westmont Hospitality	Starwood Hotels & Resorts
Sumatra Tower	€ 140.000.000	Hamburg	Germany	Office	TMW Real Estate	Uberseequartier Neptune Gmbh
Mall Varna	€ 127.500.000	Varna	Bulgaria	Retail	Miller Developments	Interservice Uzunovi
Via Bissolati 76	€ 95.990.867	Rome	Italy	Office	Gruppo Caltagirone	First Atlantic Real Estate
Milanofiori Nord	€ 91.250.000	Assago	Italy	Office	Polis Fondi	Brioschi Sviluppo
Via Tomacelli 146	€ 78.044.392	Rome	Italy	Office	Gruppo Caltagirone	First Atlantic Real Estate
Kavci Hory Office Park	€ 68.000.000	Prague	Czech	Office	Europolis Real Estate	
Daimler Siedlung Apts	€ 50.000.000	Stuttgart	Germany	Apartment	GWG Gruppe	Wohnstatten Sindelfingen
Renaissance	€ 36.300.000	Antony	France	Office	Credit Agricole	Compagnie La Lucette
Hotel ARCOTEL Kaiserwasser	€ 34.000.000	Vienna	Austria	Hotel	Union Investment	Raiffeisen Evolution
Sky Tower	€ 32.960.353	Wroclaw	Poland	Office	LC Corp	LC Corp SA
19 Boulevard Maiesherbes	€ 25.500.000	Paris	France	Office	Natixis AM	Societe Fonciere Lyonnaise
Entresse	€ 25.000.000	Espoo	Finland	Retail	CapMan	YIT Corp
Kungsbacka 4:62	€ 22.355.576	Kungsbacka	Sweden	Retail	Vital Eiendomsfond Sverige	NCC Property Development

Source: Real Capital Analytics

# 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](http://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.  
More information: [www.pfeurope.eu/events](http://www.pfeurope.eu/events)

## | January 20, Tuesday

*EPRA-Nabarro seminar, London*

The European Public Real Estate Association and the law firm Nabarro hold a free-entry seminar to discuss the impact of the unprecedented events of 2008 on property firms. Issues include corporate and asset strategy, investor preferences, bank finance, share prices, property values and tenants.  
More information: [events@nabarro.com](mailto:events@nabarro.com)

## | 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](http://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.ief.fr](http://www.ief.fr)

## | January 23, Friday

*Offene Immobilienfonds 2009 – Property Open-End Funds 2009, Frankfurt, Germany*

Seminar in German language run by the official valuation association BIIS in Frankfurt for professionals in portfolio management.  
More information: [www.biis.info](http://www.biis.info)

## | 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 branch, international strategies, project development, and risks and rewards in residential real estate.  
More information: [www.cimmit.de](http://www.cimmit.de)

## | February 3-5 Tuesday-Thursday

*QUO VADIS 2009, Berlin, Germany*

This annual conference is the place for global investors, devel-

opers, occupiers and agents to make connections, exchange ideas and seize new business opportunities. Two evening events come in addition to conference program. Mainly in German, with English translation.  
More information: <http://en.heuer-dialog.de/events/n10200en/>

## | 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 future opportunities.  
More information: [www.uli.org](http://www.uli.org)

## | February 26/27, Thursday-Friday

*CEE Real Estate 2009, Prague*

EastEuro Link's 5th annual conference is entitled Exploring the CEE's emerging Real Estate sector which in recent years has gone through unparalleled growth. Entry to the EU and government legislation has opened the door to foreign, but will CEE real estate be able to sustain its profitability throughout 2009 and beyond?  
More information: [www.realestate.easteurolink.co.uk](http://www.realestate.easteurolink.co.uk)

## | March 12-13, Thursday-Friday

*IMN Global Covered Bond Conference, London*

The second year for this conference, which tackles such topics as the impact of state guaranteed programs on the relative value of covered bonds as a funding tool, funding options in an illiquid market, pricing considerations, returning liquidity and value of the secondary market, diversification of investor pools, rebuilding investor confidence.  
More information: [www.imn.org](http://www.imn.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](http://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](mailto:info@conferencegroup.de)

## | March 27, Friday

*Property Finance Europe German 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](http://www.pfeurope.eu/events)

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### PROPERTY FINANCE EUROPE

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ment fee. While 61% of this group based the fee on GAV, other common bases used included net asset value, committed capital and drawn capital- which hinder comparison between funds, INREV noted. The average fund management fee for core funds at the lower end of the risk/return profile was 0.59% of GAV while value added stood at 0.65%. Opportunity funds apply the most varied bases for fund management fees, with the most common being committed capital.

INREV currently has 318 members drawn from leading institutional investors, fund managers, promoters and advisors across Europe and elsewhere. Investor members total 61, having real estate assets under management of over €135bn. pfe

## German OEF Kanam sees 5% yield for 2008/9 year

The German open end property fund company Kanam is having its entire real estate port-folio in its Grundinvest fund completely newly valued by auditors.

The company said in a letter its investors that this process will be finished before the expected reopening of the fund around the end of this month. The revaluations of the London portfolio have already taken place, and it expects the yield for the business year 2008/9, which ends on 30 June, to fall to around 5%.

Grundinvest has total assets under management of around €4.6bn, and is one of 11 OEFs which in October closed to redemptions by investors after a run on liquidity mainly caused by large institutions withdrawing liquidity. However the closure to redemptions has not also meant closure to new capital investments. The Handelsblatt newspaper reported that since the closure, the Kanam fund has seen inflows of around about €45m. pfe

## Debate surges over real German fund asset values

A debate has arisen in Germany over valuations of assets held in open-end property funds, between the renowned analyst Stefan Loipfinger, and others in the valuation, and research community.

Loipfinger expects the first negative performance of German open-end funds to be recorded for 2009, according to the Immobilien Zeitung property newspaper. "Completely unrealistic prices are currently in the books of most funds" he said recently. "In many of the funds the price corrections on international real estate assets have not even been taken into account yet." He sees devaluations of OEF book values of up to 20%.

Other analysts disagree. Andreas Fink, from the BVI Fund Association, told IZ these ideas completely overlook the OEF valuation processes - which is made on the basis of sustainable long-term rental cash-flow so that highs and lows of market cycles are only partially taken into account in order to smooth inter-year results. "To maintain that these downward valuations should lie between 10% and 20% is far away from reality," Fink said.

The research firm Bulwien Gesa also sees such dramatic devaluations as unrealistic. "To the end of September last year, these funds have been valued in a clean manner," Chairman Andreas Schulten told the Immobilien Zeitung. He sees 2009 bringing a total devaluation of portfolios on average of just 5%. When put together with rental incomes, this would provide a

slightly positive total return of around 1.5%.

The German OEF community currently manages just under €84bn in assets. pfe

**PFE COMMENT:** It is easy to be cynical about the rather fusty German domestic valuation methods for its open-end fund assets, but foreigners should see the attempt at identifying a long-term sustainable value, based on expected rentals, as an extension of the concept that the German saver should be protected from just such wild market gyrations as are currently taking place. To mark anything to market now is now only tantamount to wild guesswork but - particularly in the guise of the Fair Value debate in the new IFRS rules - is also widely under attack across the globe as being unnecessarily pro-cyclical, and potentially damaging. Unless the German economy falls painfully out of bed, which even now still looks highly unlikely - there is no reason to think potential utilisation rates and take-up would justify a 20% price devaluation.

## RESIDENTIAL PROPERTY

### German existing home prices fell 2.1% in 2007, but new housing rose-Stats office

The prices for existing single and multi-family homes as well as apartments to purchase fell in 2007 by 2.1%, while costs for newly constructed dwellings rose across the board by 4.7%, according to data from the German Federal Statistics office late last year.

Over the longer term - since collection of such statistics began in 2000 - values of existing residential property in Germany have fallen by 5% while new construction prices have risen by 5.8%.

It has only been since 2004 that new housing has started to rise in price, mainly as a result of increased material and energy costs - even if this development has not been even across all market segments. The statistics office said prices in 2007 for newly-constructed individual homes rose by 6.6% while pre-constructed housing prices rose by just 5.9%.

The Immobilien Zeitung newspaper reported a survey by the IVD Federal Real Estate Association, showing that prices in the best residential locations have risen further across Germany than those in secondary and tertiary locations. pfe

### German average housing still cheap compared to western Europe - LBS

A survey of residential property around Europe made in autumn by LBS Research, a building society housing financier which is part of the German savings banks system, showed that the average German residential property was priced last year at €215,000 and thus was significantly cheaper than in most west European neighbours.

It compared, for example, with single family homes in Luxembourg costing on average €467,000 or around about 120% more than in Germany. In Belgium and Netherlands, the average house cost last Autumn €314,000 Euros and €307,000 respectively. In France, this was €282,000, Denmark €253,000 and in Great Britain - at the exchange rates of sterling at the time - €247,000.

In the meantime, some residential house prices have contin-

ued to fall, LBS Research noted. For example, in France, housing prices lay around 4% below the peak reached in 2007 while prices in the UK and Ireland were also significantly lower than the prior year.

LBS Research is a joint venture funded by 10 state building societies, and is part of the German savings bank system. It is the largest single grouping in the German mortgage finance market, serving some 9m customers with 11.2m mortgage savings plans covering a volume of more than €251bn. In 2007, it opened 1.4m new mortgage savings plans, adding €33.6bn in incoming capital, and paid out €9bn to private individuals for their new projects and home acquisitions. pfe

## DEBT FINANCING/BANKING

### Spanish banks increasingly squeezed by property market bust

Spain risks its own property debt crisis this year as defaults balloon among real estate and construction firms that owe half of all Spanish corporate credit.

Spain's two main banks, Banco Santander and BBVA, escaped a ratings downgrade Standard & Poor's rating agency delivered to 12 European and US banks in late December, but rival Moody's rating agency cut the rating of another large Spanish bank, Banco Popular, due to its exposure to the property sector and an increase in bad debts.

Spanish banks have accumulated €15bn of bad debt from builders and developers, according to El Mundo newspaper. In 2008, they also paid out some €5bn for assets to avoid bankruptcies of debtor companies and €5bn in debt for equity swaps.

Saving banks are expected to suffer the most as they hold more than half of all property debt. Non-performing loans are likely to increase to 9% in 2010 from 3.5% in 2008, according to Credit Suisse. Bad loans are likely to remain at around 4% in the publicly traded national banks whereas the savings banks could see levels rise to as much as 13%, which might trigger mergers among the small regional savings banks.

The number of real estate and construction companies filing for creditor protection reached nearly 1,000 by late December, or some 36% of all companies seeking protection in Spain, with some 1,300 possibly following suit this year as they struggle to pay off outstanding debt of €470bn, according to PriceWaterhouse Coopers.

The market is suffering from a shortage of credit which is limiting demand for homes and significant oversupply. One study has placed Spain's unsold housing stock at 1.5m units and estimates that it could take up to five years to sell if sales rates remain at current levels. pfe

### Germany's Hypo Real Estate in strategic realignment, restructuring amid crisis

Germany's Hypo Real Estate is to embark upon a strategic realignment and restructuring of its business model in reaction both to its internal crisis, and also the global financial tensions and challenges in the real estate business.

The changes will be accompanied by reductions in annual costs of some €200m by 2011, and €250m by 2013. The number

of employees will be reduced over the next three years from its current 1,800 to around 1,000. Two-thirds of affected positions are located outside Germany. An additional 200 redundancies will occur by 2013 once the planned IT investment program has been completed.

The move is also a prerequisite for support measures provided by Germany's Financial Markets Stabilisation Fund (SoF-Fin), which is required for the company's continued existence. The objective is to reposition HRE as a specialist in real estate and public-sector finance in Germany and Europe, with a funding strategy focused on Pfandbrief issuance.

Following the merger of HRE Bank International into the group, it is intended to merge DEPFA Deutsche Pfandbriefbank as a next step. The cost base will be reduced, and the balance sheet structure and risk profile enhanced. HRE plans to further simplify its corporate structure. The corresponding measures will be implemented over the next three years.

CEO Axel Wieandt commented: "The group has taken necessary steps .. for its return as an active market participant in the medium term. Given the changes to the capital market environment – as a consequence of the financial markets crisis – and the real estate downturn, there is no alternative to the extensive planned adjustments to the business model. The focus is now on discipline in managing the balance sheet, as well as costs and risks, and on consistently implementing the restructuring measures."

HRE will position itself as a commercial real estate financial business partner to real estate investors in Germany, key European markets, and the US. New business will be generated from the offices in Munich, London, New York, and Paris. In public sector finance, HRE will henceforth concentrate on selective primary origination in Europe eligible for inclusion as cover assets for Pfandbriefe, and on managing the existing portfolio.

No new business is planned in infrastructure finance, and capital markets and trading activities are no longer in line with the business model and will be discontinued. A sale of non-strategic activities is being considered. The group will continue its client-related derivatives business. The realignment and restructuring of the group will involve non-recurring expenditure totalling about €400m, including €160m for IT investments. pfe

### Hamburg's HSH re-structures, places focus on domestic business

Hamburg-based HSH Nordbank, the only large landesbank savings bank in Germany to have a significant private equity shareholder, is to undertake a strategic realignment of its business in reaction to the financial crisis.

Its management board last month outlined its proposal for the reduction of portfolios, spin-off of non-strategic activities, and a move to structure of a regional core bank - with total assets set to be considerably decreased. Certain activities which are commercially anchored in the region of North Germany will be pooled.

HSH Nordbank CEO Dirk Jens Nonnenmacher said in a statement: "The changes in the global banking landscape necessitate a significant restructuring of HSH Nordbank. Our aim is to ensure that the bank once again has the sufficient flexibility needed in its regionally anchored core fields."

The final decision will be made in February, following discussions with state parliaments, state governments, and the Savings

Bank and Clearing House Association of Schleswig-Holstein. The model proposed sets out that the core business units Corporate Clients, Private Banking, Savings Banks and Real Estate, will in the future have an even greater focus on North Germany and domestic clients.

In September, HSH Nordbank decided to scale down its Leasing Operations, the leveraged buyout business, real estate business in New York, and its credit investment portfolio. "By taking these measures, we aim to bolster our regional presence and the bank's financial strength. At the same time, we are minimizing risks and thus keeping all conceivable strategic options open," Nonnenmacher said.

HSH Nordbank recently undertook a market value write-down of €450m, the result of the reclassification of a portfolio of structured products in the balance sheet. Further write-downs were expected for 4Q08. The operative client business remains profitable. Since the end of November HSH Nordbank has been able to draw on a government liquidity guarantee of up to €30bn. Moreover, by the end of February shareholders will ensure that the bank's Tier 1 capital ratio increases to at least 8.0% from 7.4% at end September.

US-based investor J.C. Flowers in 2006 bought a stake of around 24% in HSH for around €1.25bn via his LLC in New York. The seller was WestLB, and the deal marked was the first-ever entry by a private investment institution into the capital of an institution of the German savings bank system. pfe

**PFE COMMENT:** When the going gets tough, the German cultural reaction is to run a mile from the capital markets and move pro-cyclically. This was most recently graphically reflected in the rapid closure of the Neuer Markt venture capital listed sector in the immediate aftermath of the 2001 collapse of the technology bubble. It effectively cut new businesses off from public capital for several years. The fact that Flowers invested in both HRE and HSH has proven to be a particularly poor business decision; however, he was not the only individual or institution that failed to foresee the coming perfect storm in capital markets.

## UniCredit aimed to sell €1bn in real estate by end-2008 - Reuters sources

One of the Big Two Italian banks, UniCredit, was by the end of last year aiming to sell €1bn in property assets after dropping plans to sell a real estate fund in December, sources close to the matter told Reuters. There has as yet been no confirmation from the company.

"They are working to close by 2008," one of the sources said, confirming a report in *Il Messaggero* newspaper. "The value of the real estate, about 70 properties, is about €1bn for a gross capital gain of €500m," a second source said. The real estate is earmarked to be sold to an Italian fund managed by Fimit SGR.

Separately, UniCredit said last month its net profit might be 23% lower than forecast if it did not manage to sell some property assets. It has decided not to sell a real estate fund on terms originally planned amid adverse market conditions, and will seek a smaller deal.

Another source said the terms of the latest deal would have UniCredit getting 20% of the fund in return for the asset injection, and maintaining the right of first refusal on any property that the fund might sell to third parties. pfe

## REPORTS/STUDIES

### Over €50bn in equity targets Europe; opportunities too good to miss-JLL

Over €50bn of equity capital is targeting European commercial real estate in 2009, with institutions, third party money managers, opportunity funds, international wealth entities and some German open and closed end funds looking for opportunities, Jones Lang LaSalle said.

"For those able to look to the medium term and with access to capital we think 2009 will be the year when the market begins to clear and some opportunities will be too good to miss," said Tony Horrell, JLL's Head of European Capital Markets.

Real estate debt finance is set to remain limited this year, with low loan-to-value ratios and high margins. JLL expects banks to take three to five years to repair their balance sheets and they are likely to remain ultracautious and selective in their lending criteria.

Values across Europe overall have already fallen by up to 40% in some markets from their peak in summer 2007 and there will be more value erosion in 2009.

At the fourth quarter 2008 some markets in Europe had recorded yield decompression in excess of 200 basis points since the peak for prime offices and shopping centres, whilst others had yet to experience more than a 50 basis points correction. London, Paris and Madrid are well advanced in their market corrections.

The rental markets and the strength of tenant demand will be the critical components of pricing and value assessments in 2009. The supply side of most markets is not expected to be a problem because the pipelines are generally not swollen with schemes which are committed or under construction. pfe

### German firms to raise RE share by 2011, move toward indirect - Feri Euroratings

German institutional investors intend to raise the real estate share in overall investment portfolios slightly to 7.5% by 2011, but aim to cut the share of directly-held properties to 48% from currently 57%, having already reduced the share by 10% over the past two years. Institutions currently have a 7% property weighting. The volume of externally managed real estate assets is expected to rise to about 52% in 2011 from 43% now.

These were the primary findings of a survey by the Bad Homburg-based Feri EuroRating Services, conducted among 150 institutional investors between July and November, amid the peak of the financial market crisis so far. Poll participants - which included insurance companies, banks, superannuation schemes, industrial companies, as well as churches and foundations - have €1tr in assets under management, of which €70bn in real estate assets.

"The sense of uncertainty on the financial markets has moved real estate back into the focus of institutional players," Feri EuroRating Services said. In 2008, the intention to stock up the real estate share deepened from one quarter to the next. While just 40% of investors professed an intention to raise their real estate quota at the start of the year, this climbed to 46% by June and reached 50% of respondents in September.

Among the various investor groups, insurance companies

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are planning the steepest increases in real estate. Institutions also increasingly perceive the benefits of externally managed vehicles. Aside from a higher profitability, these include a greater diversification of the real estate portfolio and exploitation of an external manager's know-how.

Indirect property investments in the portfolios of institutional investors break down into specialised funds at 24.5%, closed-end funds at 7.7%, and miscellaneous such as FCP, SICAV at 6.1%. By contrast, the significance of mutual funds at 4.3%, of REITs and real estate private equity at 0.1% each, and of real estate stock at 0.2%, is rather modest. At present, domestic real estate accounts for 70% of German institutional property portfolios.

While office assets now represent 57.5% of all German institutional real estate investments - with retail at 13% and residential at 10.7% - by the end of 2011, investors intend to have cut the office share by 5.2pts, and slightly reduce housing assets. pfe

## French investment RE seen at €13bn for 2008; retail said best for 2009

The volume on the French investment real estate market is likely to be lower than €13bn when figures are finally in for 2008, according to the Cushman & Wakefield investment director, France, Olivier Gérard.

He told the Paris-based ImmoWeek newsletter that the spread of the financial crisis from first affecting real estate - and therefore directly the investment market - into now affecting economies more deeply and, by extension therefore the leasing market, means that a different strategy must be adopted for 2009.

"Even if office investment property is going to probably be much more difficult, we think that 2009 should be a favourable year for investment in retailing assets," he told ImmoWeek in an interview. "In effect, it's clear that the difficulty that will have to be faced from now on for most investors consists of identifying liquidity to be able to reinvest. Given the lack of credit, they will only be able to genuinely count on the availability of equity capital that still has to be really reconstituted."

This is the reason why it should be more easy to invest in retail than in office property and demand for the former should remain fairly robust, while office demand is diminishing.

Cushman & Wakefield expects property yields to continue to rise further across the board in 2009 and to move above 5% - with still more room above this. However, Gérard expects yields in retail property to hold below this. This would not necessarily include shopping malls which are more difficult to finance because of their large size. "For industrial commercial property, yields at entry are likely to rise above 7.25% across the board," he added. pfe

## Hungarian property market yet to face toughest period-King Sturge

The Hungarian property market, like other CEE markets, could still be facing its toughest period, which is not likely to be over before the second half, King Sturge investment division chief Richard Redfern predicts.

Even in the UK, where players faced reality and re-pricing

took place quickly, this sharp correction was not enough and no turnaround is yet in sight, suggesting the toughest part for CEE is just beginning. "I do not believe this tough period will be over before the second half, but by then things should be more stable" - but much depends on when banks start lending again, Redfern told the Portfolio.hu portal.

Signs of life may return this year if and when many of the German funds re-open, while there will likely be distressed sales due to factors including inability to refinance, breach of LTV contracts with no additional equity available; increased equity requirements for developers and plummeting share prices of listed companies, many with maturing corporate bonds. Redfern expects some forced sellers to appear in the first half and if the occupational markets begin to weaken, more in the second half.

Very few transactions were seen in Hungary last year, with investment volume at around €350-400m. A few small private investor prime downtown property deals late last year were priced at around €1,000-1,500 per sq.m. where similar assets had previously sold at over €2,000.

Redfern does not see sovereign investors, typically interested in trophy assets, rushing to Hungary and returns at current pricing levels are not high enough for private equity firms.

"I do not expect the storm to abate in Hungary sooner than in Western Europe and I think we have seen that the Central and Eastern European market is not as resilient as was presumed previously." Not all is doom and gloom, as the current correction is tough now but will hopefully be healthy in the medium term. Continuing stagnation is worrying as pricing uncertainty will remain, but there is ample capital on the sidelines waiting to be invested - "but first we need to overhaul our business models and reevaluate the market," Redfern said. pfe

## Polish industrial market holding up but braked by crisis, says CBRE

The global crisis is expected to harm the Polish economy and as a result, the development of new warehouse and logistic projects, though fourth quarter 2008 demand remained strong and comparable to previous quarters. The total stock of modern warehouse space was over 4.4m sq.m. at end 3Q last year, with another 263,000 sq.m. of new space due for delivery in the last quarter and 1.2 sq.m. under construction, property consultant CB Richard Ellis reported in a Big Box Poland report on the industrial market.

The vacancy rate reached 8.4% in the fourth quarter, up 36 bps from the second quarter. Rates vary widely from 13% for logistics parks in a radius of between 20-80 km from Warsaw and 11% in Wroclaw to zero in the Tri-City Gdansk-Gdynia region.

Rental pressure has been seen, and developers tend to accept shorter lease periods. Due to economic uncertainties, a number of companies can be expected to halt their expansion plans and the number of projects built speculatively to drop. pfe

## Eastern Europeans vary on key 'green' rental office credentials

Eastern European attitudes to the environmental credentials they require in new office space vary considerably: one-third of those surveyed in the Czech Republic and Poland will pay



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more for an office with an environmental declaration, such as a GreenBuilding certification, in Hungary only 23%, according to the Skanska Office Index 2008.

The executives polled do not expect office sizes to grow in the next year. In Poland, the number of those who believe office space should increase dropped to 33% from the previous year's 51%; in the Czech Republic, to 20% from 31%; and in Hungary, to 24% from 27%.

Office space layout is a wide mix. Individual rooms are more common in the Czech Republic (42%) than in Hungary (17%), which has the highest proportion of open office space (37%) compared to Poland (16%) and the Czech Republic (15%).

In the Czech Republic, energy costs are the second-most important factor in making a decision, while this rates third in Hungary and sixth in Poland. pfe

## Record growth in Hungarian industrial real estate probable in 2008 – C&W

Hungary experienced record activity in the industrial real estate market in 2008, with a slightly positive net absorption, according to realtor Cushman & Wakefield. It said some 260,000 sq.m. of new space was delivered, nearly double that of 2007, and take-up reached 280,000 sq.m. However declines are expected in both this year.

ProLogis, the world's largest owner, manager and developer of distribution facilities was the leading developer, Cushman & Wakefield said. It also agreed the largest lease, some 27,456 sq.m. to Unilever.

In the last quarter of 2008, the market started to feel the influence of a slowing economy, but the industrial sector generated another record with some 90,000 sq.m. of new quarterly supply, the highest quarterly new supply figure.

New supply in 2009 is estimated at around 180,000 sq.m., most of which is expected to be delivered in the first half of the year. Development is seen dropping significantly in the second half of the year. Take-up is also expected to decline.

Vacancy levels in the industrial space remained unchanged at 17% in 2008 compared to 2007. Only one transaction was closed in the industrial investment market. UK-based SEGRO Group sold Tulipan Park (30,000 sq.m.) to SEB Asset Management, a northern European investment services group, in the last quarter of 2008. Due to a lack of interest for industrial plots, both by developers and by occupiers, land prices are expected to drop by 25% to 30% in 2009. pfe

## Czech shopping centre construction slows - Cushman & Wakefield

The total area of shopping centres in the Czech Republic exceeded 1.9m sq.m. last year, ranking the country just below the EU average per 1,000 inhabitants of 200 sq.m. at 186 sq.m. but topping other CEE countries such as Slovakia with 137 sq.m., a report by Cushman & Wakefield says.

Only 60% of the initially planned area of shopping centres was built last year. Out of a total 250,000 sq.m. planned for 14 centres, only 9 malls with around 150,000 sq.m. were opened, and developers are planning even fewer shopping centres in 2009. C&W does not attribute the slowdown directly to the financial

crisis as planning and construction takes 3-4 years on average. But centres due to open in 2008 had finances secured prior to the crisis. If openings of some centres have been delayed from autumn 2008 to spring 2009, this is due to technical conditions.

Another reason for an expected slowdown this year is that there is no town in the Czech Republic with a population of over 50,000 which does not have a shopping centre or in which developers plan to build one. pfe

## EMERGING EASTERN EUROPE

### Patriciu's Black Sea Global takes over AIM-listed Fabian Romania

AIM-listed Romanian property investor Fabian Romania has backed a takeover offer worth €50.8m from Romanian businessman Dinu Patriciu's Black Sea Global Properties, which had built up a 25.2% stake in Fabian last November.

Global Properties is paying €1 per share in cash for Fabian, a 40% discount to its 30 September net asset value but a 93% premium to Fabian's closing share price the day before the offer. Fabian said the lack of investment transactions in Romania meant there could be no certainty that the yields used in determining the NAV accurately reflected the open market.

Patriciu said the cash offer provides certainty to Fabian Romania shareholders during a period of significant economic turmoil and as the price of real estate assets in Romania continues to fall. The investment in Fabian Romania will allow him to fulfil his ambition to create a platform on which he can build a property company that will acquire and develop assets in Romania.

If its offer is successful, Black Sea Global will retain Fabian's external manager Fabian Capital run by Mark Holdsworth and, subject to regulatory approval, its AIM and Bermuda Stock Exchange listings. Black Sea Global is 100% owned by Patriciu's RPH, which owns or manages \$1bn of properties in Europe. Patriciu is currently developing the Smart City office and residential project in the north of Bucharest together with Immorent. Patriciu, an architect, is also founder and CEO of Netherlands-based Rompetrol Group, Romania's second largest oil company in Romania. He sold a 75% stake in Rompetrol last year for \$3.6bn. pfe

### Czech ECM goes ahead with share placement as Janku takes control

Managers of Prague-listed Czech developer and investor ECM Real Estate Investments accepted the offer made by ECM Group, owned by Milan Janku, for the purchase of 2,365,592 new shares ECM REI will issue in a private placement. Gross income from the issue should amount to €24.2m. Janku, who is also ECM REI's chief executive, will further strengthen his control in the company via the purchase.

Brokerage Atlantik analyst Patrick Vyroubal told Czech news service CTK Janku held over 84% of the company's shares, after his successful voluntary takeover of the firm gave him around 76%. Before his October bid, he held slightly over 30% of ECM REI. Janku is paying €10.23 a share for the private placement. Income from the share issue will strengthen

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the company's liquidity and capital position, but the number of shares outstanding will grow by 53% and NAV per share drop by around 30%, Vyroubal said.

Janku set up ECM in 1991. As well as ECM REI, ECM Group's portfolio also includes building company PSJ, Slovak retail chain Carrefour Slovensko and Domus Eventis, a company investing in tenement property on the Czech market. At end-2008, ECM REI had 13 developer and nine investment projects totalling over 518,000 sq.m. in its portfolio. It also operates in Russia, Poland and China.

ECM Group said earlier the takeover bid is aimed at concentrating ownership in the developer in times of crisis on the financial markets. pfe

## KPP Retail JV launched, buys Polish regional shopping centres

Three separate companies, Keen Property Partners, Master Management, and Development Solutions, have set up a joint venture in Poland for the acquisition and development of regional and local retail centres, seen as having high growth potential.

Master Management specialises in property advisory and management services, while Development Solutions offers expertise in construction and development management. Real estate specialists and investors Keen Property Partners complete the KPP Retail brand.

KPP Retail has recently acquired Park Handlowy Eden retail park in the western city of Zgorzelec for €16.8m and Centrum Handlowe Graf shopping centre in Chełm, eastern Poland. Zgorzelec, opened last May with GLA of 8,500 sq.m., attracts German visitors from across the nearby border.

KPP Retail's role is co-development and acquisition, with Development Solutions as project manager. The Graf shopping centre, opened last August, has been redeveloped by KPP Retail. Its GLA is 4,539 sq.m. and the total investment, €7.5m. KPP Retail financed the redevelopment; Master Management is leasing agent and property manager. Development Solutions managed the project during modernisation. pfe

## Baltic office market faces oversupply, rising vacancy rate - Re&Solution

In the Baltic markets of Lithuania, Estonia and Latvia, new modern office space is put at record highs of 80,000 sq.m. in the capitals of Vilnius and Tallinn and 140,000 sq.m. in Riga in 2008, and deliveries this year will remain high as many projects have already begun. But rapidly declining demand will inescapably lift vacancy levels in the short to medium term. In Riga and Tallinn, vacancies started growing last spring, whereas Vilnius did not see a (marginal) increase until October-November. The trend is nevertheless likely to continue, reaching 10-15% in the 2009 first quarter, consultant Re&Solution predicts in a report

Baltic office market development accelerated about two years ago in line with surging economic growth, with developers initiating new office projects chaotically, often undervaluing possible risks of oversupply. As the global crisis has impacted local economies, most companies have delayed expansion plans or

reduced office space. The resulting oversupply risk has resulted in around one-third of planned supply being delayed and almost no new lease contracts.

Rentals began to turn down in the third quarter last year, with potential for further declines. Average prime monthly base rent fell about 5% in the 2008 second half to €16-19/sq.m. in Vilnius, €18-20 in Riga and €16-22 in Tallinn. Timely postponement or cancellation of some planned projects will make the market less vulnerable to rental drops and rising vacancies.

While strong activity will continue in 2009, the volume of new deliveries in 2010 will be significantly down. But it will take some time for the oversupplied market to absorb the schemes currently under construction. Sharp falls in base rents are not expected, but rather, lease conditions will become more flexible, as tenants have already gained greater bargaining power to push rentals, additional charges and lease periods down. pfe

## Warsaw-listed Echo enters Romania with €150m shopping centre in Brasov

Polish commercial and residential investor and developer Echo Investment, listed in Warsaw, plans to build a €150m shopping and entertainment centre in the city of Brasov in the Romanian region of Transylvania.

The project will begin in the first half of 2009 for completion in the second half of 2010. Korona will be Echo's first investment in Romania, and one of the company's biggest developments to date, says Echo CEO Piotr Gromniak,

Korona will be a multifunctional shopping and entertainment centre with a total area of 153,000 sq.m. It will house 240-odd retail and service outlets on four levels, stocking goods such as textiles, sports equipment, interior decoration items, electronics, and multimedia. GLA will be around 53,000 sq.m. pfe

## Hungary's OTP Ingatlan slashes two-thirds of house-building projects

One of Hungary's key house builders OTP Ingatlan, a unit of OTP Bank, is to step on the brakes in 2009 due to the global financial crisis. Its revenues are unlikely to exceed HUF8bn in 2008, down from HUF15bn in 2007, and to drop again to HUF4-5bn this year.

Chairman János Szabó told business daily Napi Gazdaság that the company will stop, suspend or not even start over two-thirds of its projects due to the negative implications of the global financial crisis that created 'impossible' funding conditions.

The company had 309 homes in the pipeline for Budapest, 100 of which will be completed in first half 2009, and the rest put on hold. The only projects to be continued are at Lake Balaton, where the market is doing very well, Szabó added. While OTP Ingatlan planned to build 500 flats in the country, it will complete the construction only of 100.

The rest will either not be launched or will be halted. Home-building projects already offered a small margin and now face problems on both the demand and the financing sides: virtually very player on the real estate market is shelving projects. pfe.

\* \* \* \* \*

## 1 PFE PEOPLE 1

**John Carrafiell**, joint global head of **Morgan Stanley Real Estate**, is stepping down this month and will hand over his duties to New York-based co-head **Sonny Kalsi**. **Carrafiell** will remain senior adviser to the bank and continue to serve on boards of **Morgan Stanley-backed** property companies including **Canary Wharf Group**, retail developer and investor Multi Corporation, German real estate company **DIC Asset**, and Spanish property firm **Grupo Lar...** In Paris, **Aline Sylla-Walbaum** has joined **Unibail-Rodamco** as deputy directeur reporting to the president, and responsible for external relations and strategy. **Prior** to taking up this post, **Sylla-Walbaum** was a member of the Cabinet of the Prime Minister as an advisor on culture and communication... **Atrium European Real Estate**, the re-structured **Meinl European Land**, has appointed **Robert Bolier** as Chief Financial Officer. He joins from **Meretec** and a number of senior management positions at **Assa Abloy...** Rumours continue to swirl around **Matthias Moser**, MD of **Germany's Fortress**, and **Sven Dahlmeyer** of **Goldman Sachs' Whitehall Fund** after **FT Deutschland** reported they will resign their posts... Italy's **Pirelli Real Estate** has reorganised its board as part of a review of strategy. The management board will be restructured around Italy and Germany, and headed respectively by **Rodolfo Petrosino** and **Paolo Bottelli**, directly reporting to executive deputy chairman **Carlo Puri Negri**. **Claudio De Conto** will take over financial supervision and direction... **French REIT Icade** has named **Antoine Fayet** as new head of residential and public services property business in France. He succeeds **Marie Brouder...** With the acquisition by **Aberdeen of Goodman Property Investors** from **Australian Goodman International**, **Aberdeen's** Dutch property team has grown to 36 people, all based in the **WTC Amsterdam**. The new management will be **Bob Reidsma** as CEO, **Frank Heeneman** as MD, and **Aldert Krab** as Financial Director. Fund management of **Aberdeen Property Investors European Balanced Fund** and **Aberdeen Property Investors European Shopping Fund** will be headed by **Nico Tates**, investment management by **Karin Koks**, and local asset management by **Hans Benenga...** In Poland, **Bartosz Puzdrowski** has been appointed Country Manager at **Quinlan Private Golub**. He moves over from a position as Board Member at **Opera Development**, and also has an MBA from the **University of Illinois...** **Eurohypo**, Europe's largest commercial real estate bank, has appointed **Christophe Cuny** to its London derivatives team led by **Ed Stacey**, to offer clients an innovative new range of property derivatives products. **Cuny** was Director, Property Derivatives, Structuring & Distribution at **ABN Amro**, London, and prior to that Head of Structuring and Inflation Derivatives at **Abbey National Financial Products...** Following an extraordinary general meeting forced by major shareholders, **Norwegian Property in Oslo** has appointed a new Board of Directors. These are **Tormod Hermansen** (Chair), **Nils K. Selte**, **Harald Grimsrud**, **Synne Syrrist**, **Gry Mølleskog**. **NPRO** has also appointed **Truls Birkeland** as Director of Investor Relations. He holds a BA (Hons.) in Business Management from the **University of Newcastle**, and has held positions with **Kenor**, Crew Development and the Oslo Børs... The supervisory board of Berlin's **GWB Immobilien** has elected **Thomas Röh** as new chairman, succeeding **Henrik M. Lingenhöltn** who steps down but will continue as deputy chairman... The senior German real estate body **ZIA** has appointed **Tanja Wiebe** as second Managing Director alongside **Axel von Goldbeck** and **Roman Petrussek**. Since October 2007, she has led the tax, legal and European affairs for the association, which was founded in 2006... **Tishman Speyer** has named two senior in-house executives with long experience to reinforce its management team in Germany. **Sebastiano Ferrante** and **Markus Wiedenmann** will be in charge of business in Germany together with Regional Director **Florian Reiff**. **Reiff** will continue to run Asset Management. **Wiedenmann** has been in charge of Project Development, including the **Opera Tower** in Frankfurt am Main. **Prior German** head **Stefan Brendgen** left at the turn of the year to join **Allianz Immobilien...** **Amsterdam legal practi** **Loyens & Loeff** has appointed six new partners as of 1 January. These are **Roderik Beckers**, **Marcel Buur**, **Thierry Lohest**, **Hans van Ruiten**, **Jurriaan van der Stok** and **Ynze van der Tempel...** In Paris, **Edmond-Charles Briand** current director of risk and insurance companies at the **Bolloré group**, has been charged with heading up its real estate activities... **Paul Cornaille** has been named MD of **CBRE Property Management** in the French capital. He has been in the firm since 2007, and was previously with **Nexity...** **Audrey Tournereau** has been appointed asset manager with **Cushman & Wakefield Investors** in Paris, taking on the role for France and Belgium... **Gilles de Margerie** has been named CEO of **Crédit Agricole Immobilier** in Paris, and will be also be responsible for private banking and private equity. He succeeds **Bernard Michel**, who has moved to become MD of insurance and CEO of **Prédica...** **Pascal Plotegher** of **Essilor International**, has been selected by **RICS Francs** as its new president. **Christopher Holloway**, head of **Capital & Continental**, becomes vice-president, **Philippe Guillerm** now becomes past president... **GE Real Estate France** has appointed **Cyril Schlessner** as head of business development corporate, and **Géraldine Le Maire** as legal director... **Icade** has named **Antoine Fayet** at the head of its property company and residential division... **Marc-Philippe Daubresse** has been named president of **l'Agence Nationale de l'Habitat** (National Environment Agency, Anah) by Housing Minister **Christine Boutin** and Finance Minister **Christine Lagarde...** **Benoît Latreille**, ex-**Cushman & Wakefield** in Paris, has set up his own company **Immobilière Newton** to focus on investment and marketing of retail parks in France... **BNP Paribas Immobilier** has named **Jean-François Morineau** as deputy MD in its residential division... **AXA Investment Managers** has named **Clotilde Bouchet** as new Global Head of Finance in Paris... In Poland, **Charles Wardroper** has taken over as MD of **CB Richard Ellis Poland**, moving over from a post as North East regional managing director for **CBRE UK...** **King Sturge** has appointed **Iwona Laszkiewicz** director of property and asset management at its Warsaw office, moving over from a post as MD of Est-On, management arm of Polish property investor and developer **Echo Investment**. pfe

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