

Austria's conwert to recommend passing 2008 dividend despite profit, liquidity

Austrian residential investor conwert Immobilien is to propose to pass the 2008 dividend. "Although – in contrast to the negative group result for the year of €30m, total profit .. existing liquidity and the positive operating business development in the first months of 2009 generally allow a dividend, we propose not to pay out a dividend for the year 2008 due to growing insecurity regarding further economic development," Chairman Johann Kowar said. *(See inside pages for full story)*

French Foncière des Régions targets €500m 2009 disposals to strengthen books

French SIIC Foncière des Régions reported a 3.8% fall in first quarter revenues to €261m, though like-for-like rental income rose by the same percentage due to rent increases in French office, and stock improvements. Revenues fell 4.5% to €163m against 1Q08 due to disposals last year, but were partially offset by a boost in its stake in Italian subsidiary Beni Stabili. The group is continuing disposals to strengthen the balance sheet. *(See inside pages for full story)*

Ireland's Blackpearl to boost Romania land portfolio to 400ha

Irish commercial and residential developer Blackpearl, which recently acquired the Romanian 109,000 sq.m. shopping centre project Zenith in Ploiesti, north of Bucharest, is acquiring plots of land nationally which could raise its portfolio to 400ha. This would bring Blackpearl into direct competition with investors such as TriGranit, Baneasa Investments, and Tiriac Imobiliare. Blackpearl's Michael de Laufenburg noted the firm has equity, while other investors are offering land at 30% discounts. *(See inside pages for full story)*

Russian RE investment dominated by domestics; no rebound yet – Cushman partner

Russia real estate investment, which came to a halt in the fourth quarter, showed some movement in 1Q09, although international buyers were almost entirely absent. However more realistic recovery expectations are emerging, and Russia will be on a faster recovery track when the global market rebounds, according to a new report Cushman & Wakefield Stiles & Riabokobylko. *(See inside pages for full story)*

G-REIT candidate Hamborner net slides

Hamburg-based property group Hamborner, which plans to convert to REIT status at the start of 2010, posted an 11% rise in rental income in first quarter to €5.8m, but group net consolidated result at a lower 1.4m after €2.1m in 1Q08.

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Hamborner is 53% owned by HSH Real Estate, part of the HSH savings bank group which is struggling under severe balance sheet pressure due to the crisis. The institution, in which US financier J.C. Flowers became the first-ever individual private investor in a German savings bank two years ago, will probably be merged with other peers as part of a plan given the green light recently by German Finance Minister Peer Steinbrück. Flowers has been in intense talks with Berlin in recent weeks over his holding in the collapsed Hypo Real Estate.

At the end of 2008, Hamborner managed €273m in real estate assets, focusing mainly on shopping centres in 1A locations in medium-sized German cities, as well as office property throughout the nation. It declared net profit of €17.3m, down dramatically from €52.2m in 2007, but a rise in annual rental income to €19.3m from €13.2m. Long-term borrowings are €225m, and earnings per share were €0.76, well down from €2.29, and NAV at year end was €10.57. Tts balance sheet showed an equity capital quota at end 1Q09 of 52.9%.

Hamborner announced its decision to seek Real Estate Investment Trust status in its agenda for the annual meeting. It will take the name Hamborner REIT, becoming only the third German REIT after Austria office and Fair Value. Its share was last trading at €7.83. ■ pfe

Sal.Oppenheim, Austrians said eyeing Constantia funds arm

Cologne-based private bank Sal. Oppenheim is among a number of institutions, mainly Austrian banks, which are bidding to buy Constantia Privatbank, the Austrian private bank bailed out last year, according to a report in the daily newspaper Die Presse.

It quoted Sal. Oppenheim's Austrian head Bernhard Ramsauer as saying Sal. Oppenheim is interested in Constantia's investment fund arm, which has €12.3bn under management, but not in its banking and custodian business. Raiffeisen Zentralbank's Kathrein Bank and Capital Bank, a unit of Austrian insurer Grawe, are also considering the tender of Constantia, the newspaper said.

Constantia was on the brink of collapse last year when a complicated de-merger between it and affiliated property groups Immofinanz and Immoeast caused massive deposit withdrawals. In a state-brokered bailout, Austria's five biggest banks took over Constantia for a nominal amount. They are now trying to sell the business and hope to raise €100m. ■ pfe

Icade sees 7.5% fall in turnover, continues housing sales

French development and investment REIT Icade posted a 7.5% fall to €333m in consolidated turnover in the first quarter, compared to 1Q08. It said the solidity of investment, with a rise of 7.5%, partly compensated the 5.7% fall in development and an increase in intra-group eliminations, which is a consequence of the strength of the developer-REIT model.

In commercial property Icade invests in office, business parks, public and healthcare amenities, shops and shopping centres, and boosted this by 22% to €60.4m at the end of March, reflecting a strategy implemented two years ago. However, turnover from residential property investment fell by 7.1% due to disposals so that commercial property now accounts for 57% of all investment revenues compared with 50% in 1Q08. Icade moved at that time to a strategy of extracting capital gains from its housing portfolio and using these to acquire immediate and anti-dilutive cash flows.

At 31 March Icade owned 34,426 housing units, or 2m sq.m. of space, but turnover was 7.1% down on 1Q08, or 2.4% on a like-for-like basis. The occupancy rate was 94.9%, down 1.5 pts. Average monthly rent per habitable sq.m. - excluding ancillary charges and including vacancies - was €7.13. Over the last 12 months, average re-letting rent in Icade's non-subsidised housing totalled €10.01 per sq.m. In 1Q09, Icade sold 60 single family homes for an average price of €2,164 sq.m. and 1,165 housing units in block for an average €1,094 sq.m. To date this year, it has sold 3,478 housing units in block and 250 individually. In housing development, it has slowed construction activity while the market remains slow.

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The board last year authorised Chairman Serge Grzybowski to find a strategic partner for property administration and refocus on consulting, management of student residences and property management for institutional clients, and in April it entered exclusive negotiations with two companies to this end. In 2008, Icade recorded consolidated turnover of €1.6bn and an 18% rise in group share net profit of €313m. It had €6.9bn in gross assets, and liquidation net asset value rose to €5.0bn, or €101.6 per share as at 31 December. Its net debt was €2.5bn, giving an LTV of 35%. ■ pfe

PFE COMMENT: Grzybowski is taking Icade, 62% owned by French state asset manager Caisse des Depots, further into commercial property and in particular high cash-generating areas such as health care. He is cautious over residential, seeing, probably rightly, that this is excessively cyclical and cannot be relied upon in crises such as the current one. Its share price was last around €59, against a 52-week range of €37-€94, giving market cap of €2.9bn.

Deutsche EuroShop first quarter boosted by special effects

Hamburg-based listed shopping centre investor Deutsche EuroShop posted a 16% rise in funds from operations in the first

quarter, to €0.37. Consolidated profit jumped to €24.4m from €10.2m in 1Q08, and earnings per share was also strongly higher, at €0.71 after €0.30. Within the EPS result however, €0.31 resulted from operating profit and €0.40 from measurement gains due to a special effect related to the first full consolidation of the City-Point Kassel mall, and to unrealised currency gains of €14.6m from the depreciation in the Polish zloty and Hungarian forint. Revenue rose 18% to €32m, with full consolidation of the Kassel centre contributing more than in the past. In addition, the two malls opened in Hameln and Passau in 2008 also contributed to revenue growth. Like for like, revenues rose 2.0%.

The group had total assets at end March of €2.1bn, with liabilities at just over €1bn, giving a loan to value across the balance sheet of 47.1%, up slightly from 46.1% last year. The MDAX-listed company has equity interests in 16 European shopping centres in Germany, Austria, Hungary and Poland.

The results of the first three months match budgeted figures for 2009, and Deutsche EuroShop said it expects revenue to increase to €125m-€128m for the full year. It forecast EBIT at €105m-€108m this year, while EBT excluding measurement gains/losses will be €50-€52m, and FFO should come in at €1.45-€1.50. "On this basis, the Executive Board is optimistic that Deutsche EuroShop will once again be able to pay a dividend of €1.05 per share for financial year 2009," it said. Its share was last trading around €21, compared to a 52-week range of €17-€28.50. ■ pfe

PFE/PIE agrees partnership with Andreas Schiller, extending coverage to Russia/CIS

Frankfurt/London/Cologne, 18 May 2009 - The publisher of Property Finance Europe and Property Investor Europe, the leading source of European real estate investment intelligence for professionals, is pleased to announce a partnership with Andreas Schiller to extend its unique coverage to the Federation of Russia and Commonwealth of Independent States.

Effective immediately, Hr. Schiller will supply a flow of content on this vast region across the entire PFE/PIE product family which comprises a platform of subscriber-based Dailies, Weeklies and Monthly magazines, delivered via internet, website, print and on Bloomberg Professional - plus a series of complimentary podcasts available on iTunes.

Hr. Schiller, a European real estate information and advisory veteran, was previously editor-in-chief of the specialist east European publications and services group Competence Circle. Before that he spent 12 years building the real estate segment of Cologne's Rudolf Müller group as editor-in-chief and publisher of its German-language magazine Immobilien Manager. He is also closely involved with several major European trade fairs, including MIPIM and EXPO REAL, in establishing their annual panel and advisory sessions.

Marianne Schulze will also join PFE/PIE as contributing editor for Russia/CIS. The two will draw on a wide network of collaborators and market professionals located throughout the Russia/CIS and central and eastern European regions. They will also be fully involved in extending PFE/PIE's growing event business to the nations on Europe's eastern flank - building a pipeline of information and intelligence on Russia/CIS property opportunities for the benefit of US, west European and global investors.

"We are delighted to welcome such a deeply experienced European property advisory professional as Andreas Schiller as a partner into PFE/PIE, particularly as the European sector begins to move out of the very hard economic crisis of the last year," said PFE/PIE founder and Managing Editor Allan Saunderson. "Precisely now, when the crisis has made all investing and developing institutions re-evaluate property allocations and their geographical spread, is the right moment to start our coverage of Russia and the CIS. It clearly holds massive opportunities for western investors, but our experience in west Europe and CEE over the last four years shows that they must be supplied with top quality information in order to help

understand these opportunities, their rewards and also the risks."

Andreas Schiller commented: "Over the last few years, PFE/PIE has built a formidable reputation across the industry for accuracy and objectivity in its information and analysis, and we are very pleased to create this partnership now, particularly when exactly those attributes are crucial for providing information on Russia and CIS. Many of the past excesses have been eliminated by the collapse of the property bubble, while at the same time the rule of law is being increasingly anchored in legislation. Russia/CIS will thus be less and less regarded as the 'wild east' over the next few years, but increasingly as an attractive real estate investment destination."

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New EU fund directive may hit RE vehicles, PwC says

A new European Union investment fund directive could impose radical changes on the way real estate and alternative asset funds are managed, and increase costs, says the global consultancy and accountancy group PricewaterhouseCoopers. Among other things, it may impose caps on leverage, disadvantage private equity managers, and limit investor choice.

The directive, proposed by the EU on 30 April, will catch managers of hedge funds, private equity funds, commodity funds and other institutional funds but also real estate funds, PwC said in a note. Currently it only addresses institutional funds, but could be extended to retail in the same or modified form. The €100m AUM threshold is very low for leveraged real estate vehicles and applies across an aggregation of all funds a manager is running – which means virtually universal application to professionally-managed RE funds. The directive is far reaching and may result in a level of regulation comparable to the strictly supervised regimes of Germany, Luxembourg or French OPCIs, affecting low-regulation partnership regimes around the EU. The themes include governance, manager authorisation, disclosure, risk management, involvement of credit institutions as depository, and valuation guidance.

“The European Commission reserves the right to impose caps on leverage that .. could be a very significant intrusion into the commercial activities of the RE fund industry,” PwC said. Neither does there appear to be a level playing field. EU-registered banks, pension funds and insurance companies are not covered, and will potentially enjoy an advantage. “The directive is likely to be viewed as too wide-ranging for the real estate sector particularly, as no systemic risks are considered by the Commission to be present. In addition it will remove choice from investors as to whether a highly regulated fund manager or a less regulated one is most appropriate to meet their specific needs.” Although it is not planned to come into force until 2011, its form is likely to be decided this year, PwC said. “It is critical to both understand and prepare for the impact of the directive, as well as to influence its shape and content while the opportunity remains to do so.” ■ pfe

Klépierre wins 86% shareholder approval for stock div

Shareholders in French shopping centre REIT Klépierre have accepted, by a majority of 86.4% of voting rights, the proposed payment of the 2008 dividend in stock. Excluding the major shareholder BNP Paribas, which holds 52%, this translates into 71.3%, Klépierre said.

Shareholders at the annual meeting in early April approved a dividend payout of €1.25 per share in respect of fiscal year 2008, either in cash or in shares. The price of each new share issued to those opting for this form of payment was set at 90% of the average price during the 20 trading days preceding the meeting, less the dividend, and came to €11.13. The success of this proposal allows Klépierre to increase shareholder equity by €175m via the issuance of 15.6m new shares or 9.5% of its current issued equity capital. The new shares earn dividends as of January 2009, and

will have the same rights and restrictions as those outstanding. The cash payout came to €27.6m, and was payable on 15 May.

Klépierre owns and manages assets valued at €14.8bn, of which €13.1bn in shopping centre assets, €600m in other retail properties, and €1.1bn for office properties. Owning 276 shopping centres and managing 378, it is active in 13 countries in continental Europe, and last year opened a major new presence in Scandinavia with the acquisition of Steen & Strøm in October. The Klépierre group, formed primarily through a series of mergers involving BNP Paribas subsidiaries in 1998, collected €706m in rent for 2008, of which 44% outside France. ■ pfe

PFE COMMENT: This is of course just the right moment in a dreadful economic cycle to have a major bank as the senior majority shareholder in your capital. Without it, Klépierre would have been hard pressed to take advantage of the Steen & Strøm opportunity. The group is run now by Laurent Morel, who took over in January from long-time chairman Marcel Clair. Morel came out of the Paribas group and originally joined Klépierre team in 2005.

Europa Capital in €70m Berlin mall buy at 8% yield

Pan-European real estate fund manager Europa Capital has acquired the Forum Steglitz shopping centre on Schloßstrasse in Berlin at a net initial yield of 8% for its new Europa Fund III. Seller was the UK REIT Hammerson.

The acquisition was facilitated by a €47m loan provided by a German bank, Europa said. The 32,600 sq.m. Forum Steglitz is one of two established retail malls in the German capital, constructed in 1970 and refurbished in 2007. Anchored by well known retailers including Hennes & Mauritz, Quelle, Karstadt Sport, Lidl, and Esprit and its longest standing tenant Spiele Max, the centre has recently been enhanced by the arrival of one of Berlin's biggest fitness clubs managed by local operator SuperFit. The vacancy rate currently stands at 17% of total floor space, and Europa Capital now plans to enhance the tenant mix through new lettings, and implement a series of value-creating initiatives.

Europa Capital Director Nic Fox commented: “We have adopted a very cautious acquisition strategy since closing Europa Fund III, with Forum Steglitz representing our first acquisition for the fund. Forum Steglitz is a well-known retail landmark, is occupied by robust retailers and contains significant further potential to enhance value over time.” Europa Fund III is Europa Capital's third pan-European fund. It closed two new investment funds for European property investment in 2008: Europa Fund III and Europa Emerging Europe. Together, these provide the group with €895m of additional equity to invest. ■ pfe

Patrizia German residential fund generates 7% return

Augsburg-based listed residential housing group Patrizia reported a rise in returns on its specialised real estate fund Patrizia German Residential Fund I, launched in 2007, to 7% last year, outpacing the 6.3% it achieved in its first shortened fiscal year of operation.

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SPEAKERS:



ANDREW M. GROOM,
Head of Valuation Advisory Germany, Jones Lang LaSalle

Jones Lang LaSalle is a leading global real estate services and investment management firm with more than 30,000 staff in 750 locations in 60 countries. Based in Frankfurt, Mr. Groom heads a 50-person valuation and due diligence team and is also responsible for key clients, business acquisition, major portfolio strategy and risk assessment for banks. With over 20 years experience, he has been based in Germany since 1992, and previously worked with other major realtors in London, Glasgow and Berlin.



PATRICK LESUR,
Head of Corporate Banking France, Eurohypo

Eurohypo, a unit of Commerzbank and Europe's largest commercial real estate lender, is re-focusing activities on 10 major western countries, targeting a balance sheet volume of €60bn. M. Lesur brings 30 yrs of experience in property financing and in development projects. In his current position since October 2000, he is responsible for real estate financing, including structured financing, developments, and portfolios. His prior experience was gained with Groupe Pelloux, Archon Group France, and as managing director at SOFAL.



PETER OTTO,
Head of Düsseldorf Branch, Eurohypo

Eurohypo, a unit of Commerzbank and Europe's largest commercial real estate lender, is re-focusing activities on 10 major western countries, targeting a balance sheet volume of €60bn going forward. Dr. Otto, who has been head of the bank's Düsseldorf branch since 2002, was previously area head of real estate for the Deutsche Bank subsidiary merged into Eurohypo in that year, and before that gained extensive experience in various credit departments for Deutsche Bank group in northern Germany and Frankfurt.



RAMON SOTELO,
Professor of Real Estate Economy, University of Weimar

The 2008/9 president of the European Real Estate Society, Prof. Sotelo is honorary professor at the Bauhaus University of Weimar, having gained his PhD in in real estate economy at the European Business School. For the last seven years he has chaired the property investment vehicles committee for the German Society of Property Research (gif). A member of the Journal of European Real Estate research advisory board, he was co-editor of the recent book: The Introduction of REITs in Europe; A Global Perspective.



UWE STOSCHEK,
PricewaterhouseCoopers, Global & European real estate tax leader

One of the Big Four accountancy and financial services advisers, PwC employs over 155,000 in 153 countries in assurance, tax and advisory services, and in Germany has nearly 9,000 staff in 28 locations. A tax partner with PwC since 2000, Hr. Stoschek has advised many international funds in designing, establishing and implementing German investments and is a tax committee member of both EPRA and INREV. He joined PwC in 1994, and is both Attorney at Law (Uni. Berlin) and a Certified Tax Consultant.

Paris – Thursday 18 June, 8.30 a.m. to 11.a.m.

Location: Offices of De Pardieu Brocas Maffei lawyers, 57 Avenue d'Iéna, Paris 16th Arrond.

Madrid – Friday 19 June, 9.30 a.m. to 12 noon

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“We are extremely happy with this result,” said Michael Vogt, director of the group’s fund management arm Patrizia Immobilien. The returns are based on guidelines laid down by the German investment fund association BVI. “These returns can only be achieved with residential areas with negligible vacancy rates and good rentability,” he said. “This encourages us to continue focusing on quality real estate that generates a stable cash flow.” Target is investment volume of €400m in the next two years, against €80m invested to date.

Patrizia is also in the process of completing a housing fund focused on Europe, Euro City Residential Fund I. Vogt said planned equity has been placed with institutional investors but the fund is not yet closed, and this will also target an investment volume of €400m, and this year it should acquire real estate amounting to €150m-€200m. Patrizia has received 70% of its €200m equity commitments for the German fund, and 100% of the European fund. It expects to invest on the basis of 50% debt finance to achieve the investment totals.

Vogt said he is confident about long-term price developments in German housing and there is no cause to expect declines in west German metropolitan areas such as Munich, Hamburg, or the Rhine-Main and Rhine-Neckar regions. Due to excessively low levels of construction over the past several years, particularly of multi-family buildings, prices should develop positively. Such housing construction should more than double to meet demand, and even then shortages in regions such as Munich and Frankfurt may remain ■ pfe

Fortress’s GAGFAH first quarter FFO slightly lower

Fortress Investment’s German housing company GAGFAH reported first quarter funds from investments of €0.22 per share or €48.7m, slightly down from 1Q08’s €0.23 or €52m. Net asset value was €13.57 per share. GAGFAH shares have been a star performer in the German listed segment in recent weeks, soaring to over €5.50 from below €2 in February.

Gross asset value averaged €860 per sq.m. as of 31 March. Profit from leasing was virtually unaltered at €127.2m on a weighted average of 3,500 fewer housing units. Total portfolio had been around 170,000 at end-2008, making it by far Germany’s largest housing company. GAGFAH is now headed by Fortress executive William Brennan after the sudden March resignation of CEO Burkhard Drescher reportedly amid management disagreements. Its share price rise has also helped spark a partial revival in the stock of Eurocastle, the New York group’s listed German commercial real estate vehicle.

“We had a solid start to the year 2009,” Brennan said. “The steady performance of our business reflects the stability of our diversified residential portfolio. We increased rents by 1.2% annualised, vacancies remain stable and we continue to find more cost-efficient ways to manage our units.” The group seems strong demand for its assets and it currently has over €500m in the sales pipeline which will further strengthen its balance sheet in 2009 and beyond. “While the external economic outlook may continue to be uncertain, we are confident in our ability to enhance organic cash flow throughout the year,” he added. GAGFAH will pay a quarterly dividend of €0.20 per share will

be paid on June 9, 2009. Rental growth in 1Q09 was 0.3% for first quarter, and the target is between 1.5% and 2.0% on a full-year basis in 2009. It sold 217 units in the first three months at a margin of 24.4% on a net cold rent multiple of 21.7, some €19m in volume. Its 2009 target is over €500m. Founded in 2004, GAGFAH is registered in Luxembourg and listed on Euronext and in Frankfurt. ■ pfe

PFE COMMENT: We suppose GAGFAH illustrates that one cannot really expect private equity to be willingly transparent in running a listed vehicle; the two are difficult structures to fit together, requiring a different mind-set. Thus it has not been widely noticed that Fortress has cut its holdings in GAGFAH over the last few months, and owned just 60% of stock at the end of March, down from 76.35% 12 months earlier. Its GAGACQ subsidiary sold out completely from the 5.2% it owned. JP Morgan continues to hold just over 5% of stock.

German senior care housing need overstated, says consultant

The requirement for senior care housing in Germany up to 2030 is overstated by the official statistics, says a leading consulting firm in the sector. Georg & Ottenströer sees 180,000 to 200,000 places needed in the next 20 years, and not the 400,000 calculated by the federal statistics office.

In a survey of 150 local municipalities and cities, the firm says that a large part of the over-65-year-olds can be cared for in their own homes. MD Achim Georg says the proportion that truly need to occupy care facilities is only around 3% or 4% of this age cohort. Assuming an average of 120 places per home, between 1,500 and 1,700 new facilities are needed in Germany in the next 20 years – in addition to the 9,000 currently operating. The federal stats office assumes in its estimates that the rise in demand for senior care facilities through 2030 will be around 58% to 3.4m people, and sees every third senior citizen needing to live in special care facilities.

Georg & Ottenströer sees new facilities coming into the market financed by the private sector, and also a trend for current stock to be sold to institutional investors, with lease-back arrangements for operating companies. The firm has produced benchmarking systems for the valuation of care homes and senior citizens facilities of all kinds. ■ pfe

Germany’s DIC Asset posts stable 1Q09 operating, but EPS falls

German quoted commercial real estate investor DIC Asset reported first quarter stable operating performance before depreciation and amortisation of €9.9m, just below the €10.2m of 1Q08, in a market environment that it said is increasingly challenging. Earnings per share declined to €0.09 from €0.11.

Funds from operations fell slightly, while operating profit at €9.9m (EBDA) almost matched first quarter 2008 and corresponded to an unchanged €0.33 per share. At €43.9m, total first quarter revenues rose from €39.1m in 1Q08. This mainly reflected stable rental income of €33.2m on a portfolio of 1.3m sq.m. comprising 64% office, 15% logistics, 14% retail, and 7% hotels, residential, and other. Most profitability was generated through real estate management, and an expansion of these resources boosted total expenses to €23.9m. Total assets reached €2.2bn.

Long-term fixed interest rate agreements or hedges are in place for 90% of financial debt of €1.6bn, of which 86% has a maturity of over four years. Only €38m or 2% will fall due in the next 12 months. DIC Asset cut interest expenses by €1.6m in the first three months through optimisation, bringing the average interest rate down 12bp to 4.85%, and against 5.25% 12 months earlier. It has adapted its business plan for 2009 to the difficult economic environment, continuing a selling strategy on small to medium-sized properties. At the same time it is expanding active asset and property management to maintain rental on the high level of 2008. Investments of €36m in 1Q09 concentrated on value preservation and enhancement. It let some 196,000 sq.m. of commercial floor space – equivalent to annual rental income of €19.5m in last year's terms - and contracted 65,000 sq.m. in new leases.

“DIC Asset has adapted to the economic crisis at an early stage and acted in good time,” Chairman Ulrich Höller commented. “Three factors are decisive for continued stable operating performance: the quality and structure of our portfolio, our sustain-

able real estate expertise, combined with in-house management, and our stable financing structure.” Established in 2002, DIC Asset has real estate assets under management of €3.3bn. ■ pfe

PFE COMMENT: DIC Asset is as close as it comes to pure-play German real estate with a proportionally balanced asset mix, and is geographically diversified across the nation as well as being a well-run group under the close scrutiny of equity partner Morgan Stanley. The board made the decision to boost asset management in the teeth of the crisis to ensure maximum traction from current assets. But it - and Höller in particular - remains cautious on the outlook. Its stock price recovered in April in line with market and was last around €6.

ProLogis European in €120m disposal at 8% yield

Europe's largest logistics and warehouse group ProLogis European Properties has signed sale contracts worth just under €120m on a portfolio of seven distribution warehouses in The Netherlands and Germany with Curzon Capital Partners II, a core-plus fund managed by AEW Europe, the investment management arm of the French Natixis group.

PEPR said the sale price reflects a discount of 6.4% to December 2008 valuations, and net proceeds will be used to reduce outstanding debt, including a portion of the €374m CMBS ma-

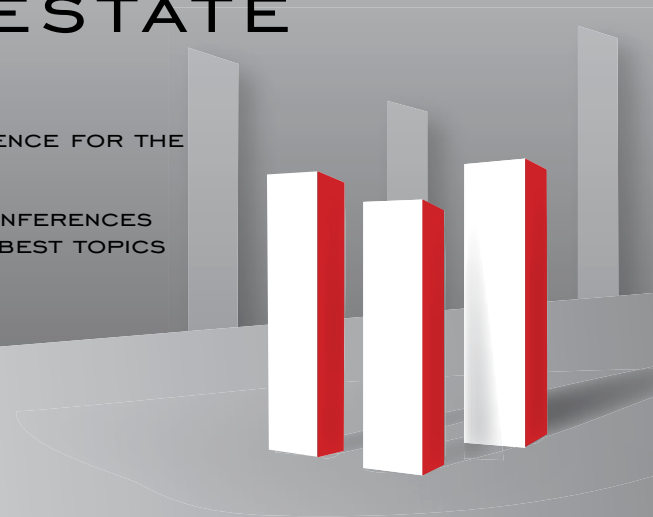
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turing in May 2010. AEW noted the net initial yield at sale was above 8%. The portfolio comprises 229,000 sq.m. of distribution space in the Dutch cities of Bergen op Zoom, Haaften and Rotterdam, and in Germany in Neumarkt, Peine, Soest and Straubing. PEPR's Simon Nelson commented: "We are pleased to have agreed this transaction at a level close to NAV within the current economic and global credit market environment."

AEW said the portfolio's appeal lies in a stable cash flow secured by strong covenants for at least another six years. "This transaction is consistent with our strategy of acquiring prime, long let, logistics assets," said AEW Europe Head of Investments Rob Reiskin.

PEPR is a listed real estate investment fund in form of a Luxembourg closed-ended fonds commun de placement. It is externally managed by a unit of NYSE listed ProLogis, and at 31 March had a portfolio of 246 buildings with 5.2m sq.m. in 11 European countries, with an estimated value of €3.4bn. At end-1Q09, the portfolio has an occupancy level of 97.0% and an average 3.9 years to the next lease break, or 6.2 years to lease expiry. ■ pfe

Portugal's Sonae 1Q09 earnings hit by portfolio yield rises

Portugal-based shopping centre developer Sonae Sierra posted a first quarter consolidated net loss of €87.5m against profit of €21.8m in 1Q08, with the primary driver being the continuing rise in yields across Europe which led to further portfolio depreciations.

The company's policy was to have its properties independently re-valued twice a year in June and December, but it moved to quarterly valuations last September as a result of commitments agreed with the investors in the Sierra Portugal Fund. SPF is a €300m equity fund closed last July, with €175m in anchor investments by two clients of Aberdeen Property Investors, cutting Sonae Sierra's equity to 42%. Principal investors were the Finnish Local Government Pensions Institution, and mutual pension insurance group Ilmarinen, plus two real estate funds of funds managed by Schroder Investment Management.

Sonae said the first quarter showed direct net profit of €17.5m, up from €15.6m in 1Q08, with shopping centre operating income unaltered. Net operating margin was also unchanged at €44m. However, it booked a loss of €105m in its portfolio at end-1Q09, against a gain of €6m 12 months earlier. The market value of investment properties was hit by the negative climate in property markets, and an upward shift in capitalisation yields. These included average rises of 17bp in Portugal and in Spain, 21bp in Italy and 50bp in Romania. Some of this was mitigated by valuation gains in Brazil, where yields have held stable.

The group last year shifted its NAV calculation to conform with guidelines of the European property funds association INREV of which it is a member, and reported NAV as of 31 March of €1.33bn on this basis. The group has investment properties worth €3.5bn, total assets of €4.2bn, and outstanding bank loans of €1.9bn. At end-quarter, Sonae was developing three new shopping centres and one expansion and has a pipeline of 13 malls and 11 new projects in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil representing over 1m sq.m. GLA. ■ pfe

French Foncière des Régions targets €500m 2009 disposals

French SIIC Foncière des Régions reported a 3.8% fall in first quarter revenues to €261m, though group-share like-for-like rental income rose by the same percentage due to rent increases in French office and stock improvements via active asset management.

Group-share revenues fell 4.5% to €163m against 1Q08 due to disposals last year of €1.1bn, but were partially offset by a boost in its stake in the Italian subsidiary Beni Stabili to 73.08% at end-March from 67.94% 12 months earlier. French SIICs are not required to release earnings figures at quarterly periods. At end-1Q09, French office occupancy remained at 98.6%, with unpaid rents at 0.6% of total. Around 50,000 sq.m. of assets were newly leased, representing a full-year impact of €21m. Italian office also held at a 97.8% occupancy for long-term assets, and saw a 2.8% rent rise from indexing and asset management work.

The group is continuing disposals aimed at strengthening the balance sheet and to combat a pronounced economic downturn. It targets principal debt ratios in line with historic LTV between 50% and 60%, and an interest cover ratio above two. It set a 2009 disposal target of €500m, and this year has sold €417m so far. In its financing, it renegotiated LTV covenants up to 70% from 65% for 24 months in exchange for a rise of less than 10bp in average cost of debt. At end-2008, FdR had an LTV of 58.8%, and ICR at 2.02.

With €16.7bn in assets at end-2008, FdR is structured as a REIT/SIIC holding of six focused subsidiaries, each also with REIT status. Italian office and hotel group Beni Stabili was merged into FdR in 2006. In the main office focus, the group is the real estate partner of France Telecom, Telecom Italia, EdF, Accor, Eiffage, IBM among others. It operates mainly in France and Italy but also has some German residential assets in the Ruhr region.

To maintain a stable dividend for 2008 at €5.3 per share, FdR instituted an optional dividend payment in stock, with the payout price set at €34 last month. Beni Stabili also boosted overall finances by buying back nominal €60.4m of its own debt at nearly half price, €32.2m. In order to retain a portfolio structure focus on offices, the group in 1Q09 lowered its target holding to 20% in its subsidiaries not dedicated to commercial real estate, Foncière Développement Logements and Foncière des Murs. Therefore, 4% of the equity of FdM was sold for €28m, cutting the group stake initially to 25.1%. ■ pfe

PFE COMMENT: One of the best-run major listed real estate companies in France, the contrast with some others in the SIIC sector is glaring. All supervisory board institutions subscribed to the dividend in equity - a shrewd move without drama that others in the European sector might consider. How far profitable disposals can go is questionable however in light of rising French office yields, but FdR has some powerful friends with deep pockets, notably major shareholders Charles Ruggieri and Leonardo del Vecchio. Compared to NAV at end-2008 at €97 per share, its stock price was last trading around €52.

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Austria's conwert to recommend passing 2008 dividend

Austrian residential investor conwert Immobilien is to propose to its annual meeting to pass the 2008 dividend and submit a proposal for the appropriation of total profit, taking into account market and company developments.

"Although – in contrast to the negative group result for the year of €30m –total profit, .. existing liquidity and the positive operating business development in the first months of 2009 generally allow a dividend, we propose not to pay out a dividend for the year 2008 due to growing insecurity regarding the further economic development," conwert Chairman Johann Kowar said in a statement. "In this environment, we attach top priority to strengthening liquidity, reducing debt and to the value-increasing use of existing funds to improve our financing and balance sheet structure."

The annual financial statements in accordance with Austrian UGB accounting standards, show a profit of €19.6m for 2008. A proposal will be made to the AGM to carry this forward in total. The 8th Annual General Meeting will take place in Vienna on 26 May. The results of the first quarter will be published on the same day. ■ pfe

PFE COMMENT: They are careful, these Austrians. In reality, conwert has one of the most recession-proof business models out there. A buyer of up-market Altbau old-property residential units, it refurbishes and re-lets at large multiples of original agreements in effect at time of purchase. Partly, this is based on providing equity to elderly occupiers and taking over ownership rights that cannot be bequeathed.

EMERGING EASTERN EUROPE

Sekyra sells stake in €375m Czech JV with ING

Czech real estate development and investment company Sekyra has sold its minority share in a €375m mixed brownfield redevelopment JV with ING Real Estate in the western Czech city of Olomouc.

ING said the 200,000 sq.m. project to redevelop an abandoned industrial area in the centre of Olomouc into a modern neighbourhood with flats, offices and retail is proceeding according to plan. It is currently preparing an architectural tender and demolishing the old buildings, while environmental impact assessments are underway.

However Sekyra aims to focus on large developments and on its core Prague business and the move, "doesn't necessarily mean scepticism about this particular development," chief development officer Leos Anderle told CEE magazine Cij. "It's that the parameters and condition of financing have changed, together with the exit strategy, and it's about the timing of the project." He declined to say if Sekyra sold the stake to ING or a third party.

Sekyra also decided to dispose of other smaller residential projects, and focus on projects with more than 80 housing units. It has already sold some to private investors, mostly Czech. As with other developers, its strategy is to complete projects already under way, while new developments have been put on hold. The company remains in the planning process for its big Rohansky Island mixed project in Prague 8 and for two Prague railway station developments, where it will be able to start construction in 2012. It has five residential projects currently under construction, two already 60% sold. ■ pfe

Romania's Avrig 35 moves into residential, seeks partners

Privately-held Romanian developer Avrig 35 is working on its first residential project alongside office and retail projects, and said although it has equity from previous sales and banking financing in place, it is seeking strategic partners for some projects to share risk.

Avrig 35 has three projects under construction and others in planning. Previous projects developed in partnerships include its Iris commercial centre in Titan with Aerium, and Charles de Gaulle Plaza with CA Immo, both sold to third parties - as Avrig 35 plans with projects it still holds, CFO Edwin Warmerdam told the Business Review portal. But it is "not exactly looking," he added. "There is nobody knocking at the door in the current market, just opportunistic buyers looking for distressed assets."



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The first residential project is a 60-unit building in central Bucharest, and the biggest, a 3,000-unit affordable housing project in the Baneasa area of Bucharest, where the developer owns 35 ha of land that it is seeking to sell for around €1,000 per sq.m. The first phase should deliver 750 apartments and will not start before next year. Two other smaller, upmarket residential projects are also planned for Bucharest. Other plans include a chain of commercial centres with office and residential spaces in secondary cities such as Focsani, Buzau, Piatra Neamt, Suceava and Timisoara, investments of around €50m.

Meanwhile, Avrig hopes next year to complete a 30,000 sq.m. office complex on Avrig Street near the developer's former headquarters in Bucharest, while the third phase of a retail project in Titan is due for delivery in 12 months. The first two phases were bought by German investment fund manager DEGI, which has an option to buy the third phase. Avrig 35 has attracted funding from several banks, and is negotiating a loan with BCR for the third Titan phase. For the larger Baneasa residential project, it is talking to a banking syndicate led by UniCredit. Avrig 35 was founded in 1999 by four American investors. ■ pfe

Israel Land raises BCR loan for first Romanian residential project

Eagle Development, part of Tel Aviv-listed Israel Land Development, has secured a €21m loan from BCR bank to finance the first stage of the €170m Jakob Park residential complex in Bucharest's northeastern Pantelimon area - the firm's first project in Romania.

On completion, the project will offer some 1,500 apartments in 12 buildings; The initial €30m phase involves the development of 250 apartments. ILDC Vice-President Eli Cohen told local media at the project launch: "To date we have invested only our own funds for the land and pre-development. We will be able to access the first funds from the bank in three months, when we finalise the foundation work." The company will develop the project in several stages over 7-8 years, with delivery of homes based on the evolution of the market. The first phase will be finalized in 24 months, and the construction of the next phase will begin when 50% of the first is sold.

Israel Land Development has media as well as property operations, and its Eagle Development unit is engaged in real estate projects in Israel, Poland, Canada, Moldova, Kazakhstan and Georgia. ■ pfe

Ireland's Blackpearl to boost Romania land portfolio to 400ha

Irish commercial and residential developer Blackpearl, which recently acquired the Romanian 109,000 sq.m. shopping centre project Zenith in Ploiesti, north of Bucharest, is at an advanced stage of acquiring a series of plots of land nationally which could raise the company's portfolio to 400ha.

Blackpearl is currently developing mixed projects on 25 ha in Bucharest, Ploiesti, Mogosoaia, and Baia Mare in the north of Romania. This means Blackpearl will become a direct competitor of investors such as TriGranit, Baneasa Investments, and Tiriac Imobiliare. Blackpearl's Michael de Laufenburg told the Business Standard portal that it is not likely to change its strategy on land acquisition in the near future, and has funds from shareholders to develop these projects. Lack of liquidity has forced a series of investors to put plots of land up for sale at about a 30% reduction in recent prices. BlackPearl is interested in partnership opportunities with other developers and in continuing projects being foreclosed by banks.

Blackpearl Property, formed by Michael Bell and Ali Chemais, has offices in Belfast, Northern Ireland and Bucharest from which it controls activities in Northern Ireland, Scotland, Romania, Austria and Lebanon. The development team is supported by Bucharest-based associated company Alchemy Development Management. ■ pfe

Germany's ECE seeking 10 sites for Romanian malls

German shopping-centre specialist ECE is considering the acquisition of three large industrial platforms in Bucharest for its first commercial project there. It is interested in acquiring 10 large 3-5 ha. plots, with an average investment of €100m per unit.

In the long run, ECE plans to build 10 malls in Romania, but this plan has not yet been launched due to high land costs

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so far, ECE Romania MD Radu Merica told the Business Standard portal. Initially it is targeting three to four sites in the capital. ■ pfe

IPD's first Polish index shows 3.5% total return

Polish commercial real estate provided total returns of 3.5% for 2008, massively down from the 14.6% in 2007, according to the first IPD Poland Annual Property Index calculated for the nation by the London-based Investment Property Databank.

IPD said the index, backed by four years of historical data, showed negative capital growth of 2.4% last year compared with positive growth of 7.2% in 2007. Income return held steady at 6.1%. Poland had the smallest capital value fall among constituent countries in the central and east European region, with the IPD CEE Annual Property Index delivering negative capital growth of 5.4% in aggregate, while income return was 6.3% - giving an all-property total return of 0.5% across the region.

At the sector level in Poland, offices gave a total return of 6.1% last year, followed by retail and industrial at 2.1% and 0.1% respectively. Reversionary yields climbed 30bp over the year, ending at 6.9%. Rental value growth slowed by 10bp to 4.5%. IPD said the index will help to further increase transparency in the region. The Polish index, valued at €4.2bn at end-2008, is the largest constituent of the CEE countries, accounting for 40% of the total market capitalisation in funds. ■ pfe

Hilton to open second hotel in Croatia in 3Q09 after Dubrovnik

The international hotel operator Hilton has concluded a franchise licence agreement with Adriatic to open a new waterfront hotel in the Croatian city of Split. Scheduled to open towards year-end, the hotel will be Hilton's second property in Croatia after Dubrovnik.

Senior Vice-President Patrick Fitzgibbon said the move underscores Hilton's strategy of integrating and accelerating its family of hotels into key markets throughout Europe. Split is Croatia's second-largest city with a population of almost 500,000 and is an important transport centre for Dalmatia and the wider region. The historic centre was recognised by UNESCO as a World Heritage site in 1979. The 314-room Hilton Marjan Spilt is expected to fill a gap in the business and leisure sectors; it is currently undergoing refurbishment, with the first phase to complete in 4Q09. The second and third phases will complete in 2010.

Hilton Hotels Corporation has over 3,300 hotels and 550,000 rooms in 77 countries, and currently operates 171 hotels across 33 countries in Europe, with more than 25 properties signed and expected to open this year. Adriatic is part of Croatia's Kerum, a retail and property company that owns three independent hotel properties in the greater Split area and plans to grow its portfolio further. ■ pfe

RUSSIA/CIS

Russian RE investment dominated by domestics; no rebound yet

The Russia real estate investment market, which came to a halt in the fourth quarter, showed some movement in 1Q09, although international buyers were almost entirely absent. However a new report says that more realistic recovery expectations are emerging, and Russia will be on a faster recovery track when the global market rebounds.

Cushman & Wakefield Stiles & Riabokobylko said Russian investment deals in 1Q09 totalled \$962m, with the largest done by Sberbank, which bought the Yuzhny Port office centre in Moscow for around \$300m from Midland Development. The bank also became the main owner of developer Capital Group's largest asset, the Gorod Stolits complex in Moscow International Business Centre with a \$400m loan.

Amid the global financial crisis, prime office yields shot up last year to reach 13%–15% from 8.5% earlier, rental rates for Class A and B+ office space in Moscow fell to \$870 and \$470 sq.m. p.a. from \$1,180 and \$835 respectively. "As banks and real estate owners come to realise that there are no quick solutions to their real estate challenges, more realistic expectations on recovery strategies come into play," said the realtor's Olga Rudenko. "We should see further stress in rental levels and capital values through mid-2009. We expect the activity of foreign investors to be minimal due to higher perceived political and economic risks in the near term. However, as the global economy rebounds Russia stands on a faster economic recovery track compared to service and manufacturing based economies."

Most macroeconomic indicators forecast a real GDP shrinkage of 6.5% this year and for 2010 only very small growth of less than 1%. That means negative consumer spending growth of 6.7% and unemployment rising as high as 12% of the workforce. Currency risk comes in addition; despite counteractive government measures the rouble has lost nearly one-third of its value against the euro and dollar. ■ pfe

Israel's Fishman launches MirLand Russian management tenders

MirLand Development Corporation, a Cyprus domiciled firm controlled by the Israeli Fishman Group, has launched tenders to select managing companies for new commercial real estate objects in Russia and to replace existing managers for assets already in operation.

MirLand said priority will be given to candidates' portfolio experience, staff professionalism, and compliance with standards of professional practice of managing real estate approved by the National Association of Real Estate Managers of Russia.

MirLand's Maria Voronova said the group is seeking managers, "able to quickly adapt to changes in the market, those that use modern approach to solving problems and, what is equally important, those companies that have good value for money." Focus would include managing shopping complexes - directly influencing the pool of tenants, effective maintenance, people flow, making the complex appealing to the public.

MirLand was incorporated in 2004 and operates solely in Russia for Fishman, which is an international real estate investment and development group based in Israel. MirLand's strategy is to focus on developing high quality commercial and residential real estate assets in Moscow and St. Petersburg as well as commercial projects in other large Russian cities. ■ pfe

Russia's Sistema-Hals swings to \$381m loss in 2008

Russian property developer Sistema-Hals plunged into the red in 2008 with a net loss of \$381m compared with a profit of \$34.7m in 2007. Revenues dropped to \$362m from \$424m a year earlier, the company said.

In 2008, operating expenses rose to \$486m from \$391m due to increasing provisions for the Siemens Tower project and impairments of real estate investments of \$94m. As of end-December total assets increased by 8% to \$1.90bn from \$1.75bn as of end-2007.

"The real estate and development industry was one of the sectors worst hit by the global financial crisis which had a negative impact in the traditionally strong fourth quarter and therefore in financial year 2008", said Sistema-Hals CFO Andrei Solovyov. The liquidity crisis and limited access to credit facilities forced the company to adopt anti-crisis measures, of which the key moves were a substantial cut in the development program and administrative and commercial expenses. "Today our next immediate priorities are debt restructuring and raising capital to finance the projects under the adjusted production program," he added.

The value of Sistema-Hals' share in properties and projects decreased by 45.6% in the second half of 2008. Cushman & Wakefield Stiles & Riabokobylko valued its share of properties and projects in its portfolio at \$2.0bn in January, down from \$3.77bn. ■ pfe

IKEA buys 117ha in Russia's Voronezh region

Sweden's IKEA furniture retail has acquired two land sites with a total 117ha area in Russia's Voronezh region - about 500km in the south-east of Moscow - to start construction of a 100,000 sq.m. mega mall. The sites are close to the city of Voronezh next to the M4 Moscow-Rostov-on-Don federal highway. No financial details were available.

IKEA has been trying to enter the region since 2005. The company was initially going to realise a project in Ramonsky district but the 30ha plot was sold to OOO Profi-S, controlled by Voronezh businessmen Evgeny Khamin and Nikolai Poslukhaev. The new IKEA Mega Mall project will become the third

large-scale development in Voronezh after the Grad city park and multi-use complex Svobodny Gorod (Free City) built by the association of Tchizhov Gallery. Tchizhov MD Andrey Klimentov said that IKEA normally builds a Mega for 22-24 months so the project of the Swedish holding should be in commission in 2011. He added that the Swedish project will not rival Svobodny Gorod. "In fact, the new Mega is even a good thing for us as many operators like to enter regions this way: they open one Mega in the suburbs and another shopping and entertainment centre somewhere downtown." ■ pfe

Salans joins Eberg, Stepanov in Rostov services venture

The international law firm Salans has joined with the Rostov-based Eberg, Stepanov to provide services for companies to implement investment projects in the region.

The main aim of the partnership is to provide legal advice to Russian and foreign investors in the south of Russia and to cooperate with the Rostov region administration to implement infrastructure projects also including private sector participation. Salans and Eberg, Stepanov and Partners will work together on investment projects carried out in Rostov region and also offer services to projects of local investors outside the region. The two companies intend to provide legal support to major investment projects in agriculture, transportation infrastructure (private sector partnership), tourism, real estate and development, and projects related to the Olympic Games in Sochi. ■ pfe

Russian housing group PIK sees EBITDA halved to \$1bn

Russian residential developer PIK Group posted a revenue fall of 38% last year to \$1.43bn compared with \$2.31bn in 2008. EBITDA fell by more than half to some \$1.06bn while the consolidated gross profit margin shrank by 4pts to about 26% of turnover.

Adjusted EBITDA from development activities before accounting for impaired losses and sales of development rights decreased by 78% to \$124m. Total assets as of end-December fell by 5.8% to \$4.85bn. Total debt did not change significantly over the year and amounted to \$1.37bn. CEO Kirill Pisarev commented: "The global economic crisis impacted Russia heavily, in particular cyclical industries such as real estate, and the liquidity shortage together with failing consumer confidence has had a severe impact on our business.

"The economic outlook is still uncertain and substantial challenges lie ahead," he added. "We believe that the next 12 months will continue to be difficult for the Russian economy and for Russian real estate developers. Longer-term, the fundamentals for our business remain unchanged. There is a shortage of affordable residential housing, an undeveloped mortgage market and a large obsolete housing stock in Russia. These will be the key drivers as the economy recovers." ■ pfe

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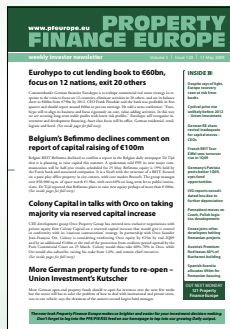
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