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Spain's Colonial to sell Riofisa's Principe Pio Madrid trophy asset to Corio-sources

Spain's struggling Inmobiliaria Colonial has commenced the task of breaking up Riofisa, its retail leisure centre development company, sources say. The Dutch Corio is near to signing purchase of the Principe Pio Retail Leisure Centre in Madrid, Riofisa's flagship asset valued recently at €125m. The sale would signal that the banks which control Colonial have given up attempting to find a buyer for the entire group. A number of companies were initially interested when Riofisa was placed on the market nine months ago, and Colonial was hoping to pocket €700m. The sale is the main remaining unfulfilled obligation to its creditor banks in return for refinancing the company last summer. Colonial in 1Q09, reported a small €1.4m net profit compared to a €272m loss 12 months earlier. *(see inside pages for full story)*

Gecina board moves signal Rivero-Metrovacesa struggle continues, banks tying in assets

French REIT/SIIC Gecina is making a thorough boardroom re-shuffle to bring in representatives of its Madrid-based Metrovacesa senior shareholder, from which it was previously trying to separate. Madrid sources also told PFE that Rivero and his colleague Juan Bautista Soler, both major shareholders in Gecina, have agreed a 'new phase of understanding' with the Spanish company. Gecina last month announced Rivero is relinquishing his chairman's casting vote, and issued a statement refuting allegations that he and Soler have acted in concert. *(see inside pages for full story)*

French REIT Docks Lyonnais in €144m loss, faces breach of SIIC rules by year end

French REIT/SIIC Docks Lyonnais has announced a €144m loss for 2008 against €30m net income in 2007. Like most real estate companies, the loss was mainly due to deteriorating values which led to a 9.7% depreciation of its portfolio to €1.56bn. Although Docks Lyonnais, which manages more than 240,000 sq.m. of property, posted a 6% increase in revenues to €62.4m, depreciation on assets led to breach of some loan-to-value ratios forcing it to partially pay back three loans, while it entered negotiations with other lenders. LTV rose to 84% from 69% in 2007. The company faces another burden as its ownership structure is not in line with SIIC 4 requirements. *(see inside pages for full story)*

German private housing sales picking up, says Patrizia CFO Fischer

German housing activity has picked up quite fast since the year's start, with private buyers reacting to historically low financing rates, but institutions are still completing review processes after the last two difficult quarters before investing again, says the Chief Financial Officer of the Augsburg listed group Patrizia.

INSIDE

Arwed Fischer also told PFE/PIE in an exclusive interview that Patrizia, which owns 12,000 and manages 20,000 German residential units, made a substantial €530m two-year credit refinancing earlier this year partly to stem market doubts about its financial situation in the economic crisis. “Real estate companies throughout Europe, and certainly in Germany have been thrown into crisis by the perception of the high amount of debt on books but investors have not differentiated between the quality of the product and firms’ strategies,” Fischer told PFE. “If you look at annual results, several firms had to depreciate portfolios and only a few others, of which Patrizia was one, did not make any devaluations at all.”

Investors have been wary of Patrizia over the last 12 to 18 months, fearing the financial crisis combined with a high loan-to-value ratio potentially threatened survival of the group, founded in 1984 by Wolfgang Egger. At the end of 2008, Patrizia carried debt of €1.2bn against total assets of €1.5bn, giving LTV of above 80% and an equity ratio of 19.2%. It turned in adjusted EBT profit of just under €1m after a loss of €12.4m in 2007 - but a net loss of €34m, turning round €48m profit, mainly from the negative impact of adjustments on interest hedges. In 1Q09, equity slipped further to 18.7%. The share price slid to €0.87 in 2008, a fraction of its €16 in July 2007 which almost matched the 2006 flotation price. It has since partly recovered to around €2.90. ■ **pfe** *(Full interview with Fischer to appear in PIE 123 published on Monday 1 June)*

Crisis brings need for shift in retail mall strategy toward cost efficiency, tenants

The financial crisis has made one of Europe’s largest shopping centre groups, the Lisbon-based Sonae Sierra, turn strategy toward operational efficiency and positioning to take advantage of any upswing. A lot of developments in Europe have been put on hold while it focuses on tenants and cash-flow, says its long-time CEO Alvaro Portela.

He told PFE/PIE in an interview that Sonae, active in Portugal, Spain, Italy, Germany, Romania and Greece, as well as in Brazil, has cut its mall charges in Iberia by 7% to 9% this year alone. In Portugal, where there are no opening hour restrictions, it has reduced operating hours. “We are trying to be prepared for the comeback,” Portela said. “We are not taking any hasty decisions.. and we are not laying off our people, they are too precious to us... In 2007, we were at full speed trying to shift from fourth into fifth gear. Today we are shifting down, not up, with our foot on the break. Then, we were excited, looking at new markets to expand into; today we are in standby mode.”

Portela is the key personality in the creation and build-up of Sonae over the last 20 years, and his decision to step down next March ends an era for the company. Sonae Sierra is a joint venture between the private Sonae holding, SGPS of Portugal and the London-based property group Grosvenor. In 2008 it recorded its first-ever loss, of €200m, because of a 11% drop in asset values. “If capitalisation yields hadn’t changed we would have had a profit of €200m,” Portela says. It owns 51 shopping centres with over 1.9m sq.m., recently finished a mall in Brazil and is working on its Loop 5 project near Frankfurt and another in Leiria, Portugal. ■ **pfe** *(Full interview with Portela to appear in PIE 123 published on Monday 1 June)*

Positive glow seen on horizon for some European property as credit channel loosens

The mood in European and US property markets is improving, with governments getting to grips with problems, more banks lending money than at the start of the year, and the prospect of inflation underpinning medium-term pricing, says Noel Manns, principal of the London-based opportunity fund group Europa Capital.

He told PFE in an interview that Europa last month made the first investment for its third European vehicle, Europa Fund III, acquiring the Forum Steglitz shopping centre in Ber-

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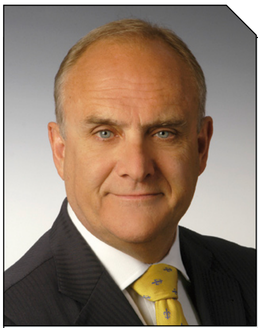
lin at a net initial yield of 8% from UK REIT Hammerson. The acquisition resulted from long and careful selection for the fund, which at final closing collected €730m in equity from US and European investors. The group also raised a smaller vehicle last year, the Emerging Europe Fund with €164m in equity, targeted at eastern Europe, that has made just two investments – allocating €21m of equity into logistics properties in the Ukraine and Romania.

"We had been looking to buy things for the last 12 months," Manns said. "I think we took the right decision - that to rush in wouldn't have been correct. We have bid on quite a few properties, especially in the UK, but only on a basis of where we would



FORWARD THINKING

Gecina-Metrovacesa moves from soap opera to drama; Segro makes a play

by Allan Saunderson, PFE Managing Editor

It seems the Gecina-Metrovacesa tussle is morphing from the soap opera we had expected into a considerably more epic drama. As share prices in the listed real estate sector in Europe blow hot and cold, depending mainly on the direction and strength of the wind gusting in from the US, the sudden proposal to bring five Metrovacesa representatives onto the board of the French REIT genuinely has given the affair a new elan. The moves have been done in agreement with Joaquin Rivero, though the concession may not have been provided willingly. It looks as if the peace-pipe has been brought out, hopefully to put an end the understandable enmity that existed after former Rivero allies, the Sanahuja family, ousted him from the company he built over the prior decade. The story so far: The creditor bank owners of Metrovacesa are BBVA, Banesto, Popular, Sabadell, Santander and the Caja Madrid savings bank, represented by the new Metrovacesa CEO Eduardo Paraja. The original separation deal of Gecina from Metrovacesa, that they endorsed, comprised the latter ceding 26.9% of the former in return for some of the former's assets in Paris worth €1.8bn. Problem: After the super-slide in share prices over the last year, that amount of Gecina is worth almost precisely half of that – even in the aftermath of a solid rise in the European listed RE sector. What to do? Well, to me, Rivero seemed on solid ground in maintaining that the separation agreement was made with an owner, the Sanahujas, who are no longer remotely involved with running the Madrid firm. If that is not a material change of ownership, then what is? In part exchange for dropping the separation, Rivero offered that Metrovacesa raise its representation on the Gecina board to match its equity stake. Now it seems the Madrid camp has decided that, rather than engage in a long and arduous legal tussle, this might actually be a good solution. Madrid bankers need an extra legal battle over assets right now like they need a hole in the head. Not. The French court's limitation of the stakes of Rivero and Juan Bautista Soler made that particular decision easier so that the voting rights advantage is tipped toward Madrid and away from Paris. But there is a strong chance that the new balance of power in Paris' rue des Capucines may for some time remain within the pattern it has set these last few weeks. Rivero and Soler are not only legally constrained, but also face a shareholder revolt on a whole series of issues that, er, seem more fitting to the intransparent Spanish culture of 'public' companies than to the northern European tradition. The French AMF financial market supervisor is, after all, not the Spanish CNMV. With Euronext firmly hooked into NYSE and the American ways of capitalism, it cannot afford to be seen to be. No, the Spanish bankers may simply be thankful to get a closer look at the way things are run in Gecina, and to take home the tidy dividend that Rivero has paid out no matter what. His own wealth is, after all, heavily invested in Paris for now.

The surest sign of growing confidence in listed real estate is when companies begin to consolidate with their peers, ie when those operating the assets day-to-day deem that the future is brighter than the broader general shareholder community have yet identified. So it was with quite some satisfaction that we saw the announcement that Slough....er, sorry, Segro Plc is eyeing UK sector counterpart Brixton with a view to entering into discussions about a possible offer. It currently envisages the consideration will be in the form of Segro shares but says the talks do not guarantee a firm intention to make an offer under the London City takeover code... All very exciting stuff despite the cold water - and perhaps in the fullness of time the positive market sentiments of Segro's redoubtable Ian Coull will wash across the few kilometres of blue-grey English Channel to lap onto the shores of the vast continent to the south. Stranger things have happened. I will give you a for-instance: Why is it that Eurocastle stock continues to rise in the face of absolutely no news at all from majority owner Fortress Investment? Yes of course speculation in front of first quarter figures and the annual meeting in mid-June. I also see that this will take place in the Eurocastle offices. Will it be big enough?

Nearly at month end, Dear Reader, and a highly interesting recipe is being baked by editors for the next PIE, due for publication next Monday. We have given a flavour of some of the interviews in this PFE to show that a lot of very canny managers, realtors, researchers out there are trying to divine the future in continental Europe real estate. Not as easy to predict as the past, as they say. But the lift in the world's stock markets certainly has puzzled many and caught many others unawares. One element we are trying to get our arms around is the difference that China – and Asia more generally – will make to the recovery. We believe it will be highly significant and perhaps seminal. But more of this in PIE, following a very interesting briefing organised recently by the Pacfic Star group. Til then.

Send any comments to editor@pfeurope.eu deal at, straightforward without haggling... The deal with Hammerson in Berlin was done at a price that suited both sides. And in this market that's what it's all about really: finding willing sellers. Without a willing seller you have not got a deal, and in most of continental Europe and still in large parts of the UK there is still a standoff where the sellers want one price and the sellers want a notably higher price." ■ **pfe** *(Full interview with Manns to appear in PIE 123 published on Monday 1 June)*

European price falls limited by buyers, sellers buying time – JLL's Ulbrich

European property prices may be hanging from a cliff due to the stark economic downturn caused by the crisis but falls may be limited by the desire of both buyers and sellers to buy time, and by creative approaches of banks to property they foreclose, says Christian Ulbrich, Head of EMEA for global realtor Jones Lang LaSalle.

In an exclusive interview with PFE/PIE on the sidelines of a conference recently, Ulbrich said banks have no interest in selling property they have REO'd at a loss, and will therefore seek other solutions. This could even encompass retention of the original owners or sponsors, and agreeing with them some kind of continuing equity participation in return for their proper management of the asset – and the motivation of an ultimate profitable exit. "The difficulty with these highly leveraged, non-recourse-financed deals is that the original sponsor doesn't have any interest in working on that portfolio if he doesn't have any chance to come back into his equity," Ulbrich said.

He also said that some interest is coming back into the market, particularly in the UK where prices are at or close to bottom, but he sees potentially further falls in Germany, where he was managing director, until the end of last year. "I'm personally not completely convinced that the market has moved far enough to recover enough interest from foreign investors. And then one has to consider that foreign investors have been badly burned in Germany, " Ulbrich said. ■ **pfe** *(Full interview to appear in PIE 123 due to be published on Monday 1 June)*

French REIT Docks Lyonnais in €144m loss, faces SIIC breach

French REIT/SIIC Docks Lyonnais, focused on property located in the Lyons region in southern France, announced a €144m loss for 2008 against €30m net income in 2007. As most real estate companies, the loss was mainly due to deteriorating conditions which led to a 9.7% depreciation of its real estate portfolio to €1.56bn. NAV nearly halved to €44.8 per share.

Although Docks Lyonnais, which manages more than 240,000 sq.m. of property, posted a 6% increase in revenues to €62.4m depreciation on assets led to breach of some loan-to-value ratios forcing it to partially pay back three loans, while it entered negotiations with other lenders on various covenants. LTV rose to 84% from 69% in 2007, leading the company to be even more cautious in its management. In 2008, total debt amounted to €763m, up from €660m in 2007. The company indicated that no other debt payments are due before within the next four years as 97% of its total debt is secured on a long-term basis. The company also announced that it was planning on distributing an unchanged €0.30 dividend per share.

For 2009, the company will face another burden as its ownership structure is not in line with SIIC 4 requirements. Docks Lyonnais is presently 93% owned by a Luxembourg-based holding company BOCA, with the stake far over maximum SIIC legislation requirements of 60% stake in total. The group risks losing its REIT status if it fails to comply before the end of this year, including back-dated tax benefits linked to it. The group holds majority stakes in a number of companies such as SARL Altisud, SCI MS Capitole, SCI Cap West. But is said that due to the general economic degradation, it will not proceed with any new acquisitions or new projects for the foreseeable future. Docks Lyonnais said new buildings delivery planned for 2009 and 2010 will contribute to an increase in recurring income. It is also planning on maintaining its arbitrage policy by proceeding with other disposals. ■ **pfe**

Credit Mutuel REIT/SIIC Massena boosts turnover 34%

French REIT/SIIC Foncière Massena posted a 34% increase in turnover in the first quarter, or 8.7% on a like-for-like basis. Results were boosted by rental income of €12.2m which represents a 29% increase or 4.3% like for like, compared to 1Q08. The rise in rental income is partly the consequence of rental indexations but is mostly due to significant acquisitions last year.

Foncière Massena has switched focus onto offices over the last two years, from a previously wider range including commercial property such as shopping malls and smaller retail, plus sale and leaseback deals in Paris and Mediterranean region. In 2008, office rents increased by 65% or 4.3% like to like basis to €6.2m, due to investments such as the acquisition from Redevco last December of the VIP building in Lyons' Part Dieu district for €43m. Acquisitions boosted the 2008 portfolio to 255,000 sq.m from 230.000 sq.m in 2007, bringing its value to €796m from €661m in 2007.

Foncière Massena, owned by the Crédit Mutuel group and subsidiaries, is among the least leveraged companies in the REIT segment, with a net financial debt of just €190m and a loan to total capital ratio of 9%. The company said enough liquid assets exist to satisfy current obligations. Even if Massena did not transact any acquisition in the first quarter, it is still planning on pursuing further office asset acquisitions this year, taking advantage of the increase in yields. ■ **pfe**

Madrid's NH Hoteles falls further into loss; eyes asset sales, new equity

Madrid-based hotel group NH Hoteles reported a net loss of €39.2m in the first quarter, more than double the loss in first quarter 2008. Company revenue fell by 14.9% to €276m, and EBITDA posted a loss of €5.4m against a profit of €22.7m in 1Q08.

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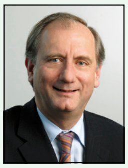
Panel discussion in Paris on the theme:

German real estate: Defensive cash-flow asset in the credit crisis storm, or fragile value proposition?

SPEAKERS:

OLIVIER ELAMINE,
CEO, alstria office REIT
alstria in October 2007 became Germany's first REIT, focused on acquiring and managing German office real estate. Founded in Hamburg in January 2006, alstria currently owns 89 properties worth €1.8bn. Prior to becoming its CEO in November 2006, M. Elamine was partner at Natixis Capital Partners, which conceived and founded alstria. He holds a civil engineering degree in Real Estate and Construction, and a Master in Building and Construction Science from the Institut National des Sciences Apliquées, Lyons.

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.

FRANK SCHAICH,
CEO, Fair Value REIT
Founded in September 2007, Munich-based Fair Value which became the second German REIT, acquires, rents, manages and sells domestic commercial properties - mainly office, logistics and retail. Formed from assets in closed funds, it has interests in 13, valued at €197m, plus direct investments worth €47m. CEO since launch, Hr. Schaich was previously a board member of IC Immobilien, where he has held executive positions since foundation in 1988. His experience in international property dates from 1982.

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.

Entry fee: €149. Attendees are requested to register under www.pfeurope.eu/events, or by email to events@pfeurope.eu

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Business units in Germany and central and eastern Europe have been the best performing markets in 2009 while pronounced falls have been experienced in Spain, Italy and Holland. Overall, the yield - income per available room, RevPar - fell by 18.7%. In Europe the fall was greater, at 18.9%, while the US operations saw declines of 12.9%. In Spain and Portugal RevPar slid by 25.5%, representing the largest fall across the group for the first quarter - followed by Italy with a fall of 18.4%.

NH has said that it will issue at least €200m in new equity and sell €300m in assets as it seeks to avoid breaching debt covenants. An NH executive told analysts on a recent conference call that the group expects to raise at least €200m by issuing 99m shares and will also sell around €700m to cut debt. "They've got a plan but it remains to be seen whether they will sell the assets in the timeframe and for the value benchmarked," said Anna Barnfather, an analyst at Jefferies International in London.

NH Hoteles owns and operates hotels primarily in Europe, America, and Africa. Early last year it reported operating 343 hotels, comprising 50,570 rooms. The company also engages in general real estate business, and early this year sold its Frankfurt hotel to the DekaBank funds group. ■ **pfe**

Spain's Colonial to sell Riofisa trophy Principe Pio to Corio – sources

Spain's strugglilng Inmobiliaria Colonial has commenced the task of breaking up Riofisa, its retail leisure centre development company, according to sources close to the company. The Dutch fund Corio is close to signing purchase of the Principe Pio Retail Leisure Centre, Riofisa's flagship asset valued recently at €125m.

The sale of Principe Pio would mark the start of the breakup of Riofisa and signal that the banks which control Colonial have given up attempting to find a buyer for the entire group as a going concern. The company has a highly experienced and professional team dedicated to retail shopping centre development and management. Nobody at Colonial, Riofisa or Corio could confirm the imminent transaction but sources said it is a done deal. PFE understands that the Maria Zambrano station building in Malaga may also be included in the transaction. CB Richard Ellis is acting for Colonial and Jones Lang LaSalle are acting for Corio.

A number of companies were initially interested in the purchase of Riofisa as a company when it was placed on the market some nine months ago. However Colonial was hoping to pocket €700m, taking into account the debts of Riofisa which amounted to €500m. The sale of Riofisa is the main remaining unfulfilled obligation of Colonial to its creditor banks in return for refinancing the company last summer. Since then it has sold a 15% stake in FCC, 33% in French REIT Société Foncière Lyonnais – to Orion Capital Partners - and launched an issue of convertible bonds for €1.4bn, all part of the agreement.

According to Colonial first quarter results, Riofisa assets, together with 1% of FCC, are valued at €1.94bn, some 15% less than 12 months ago. Riofisa has projects in Spain, Bulgaria and Romania. The Principe Pio centre has 111 retail units and cinema screens and a GLA of 33,700 sq.m. It is located close to the centre of Madrid. For 1Q09, Colonial reported a small €1.4m net profit compared to a €272m loss 12 months earlier. Earnings before interest and taxes and -provisions, rose 11.8% to €65.5m, partly driven by land and project sales. The company, in which creditor banks have taken 24% stake in equity swapped for debt, said revenues grew 16.7% to €138m, with rental income up 8%, boosted by business in France. Net debt dropped 26.8% to €6.57bn at end March, after €780m redeemed in January via sale of stakes in FCC and SFL. The group will provide a portfolio update to coincide with first and second half audits. ■ **pfe**

Spain's insolvency-protected Martinsa Fadesa boosts 1Q09 income

First quarter results from Spain's Martinsa Fadesa, in insolvency protection since last year, showed an increase in income of 62% to €211m compared with 1Q09, with net profit at €27m compared with losses of €85m incurred in the first quarter of 2008.

The positive results are due to an increase in off-plan sales, a reduction in costs and an improvement in debt servicing levels. This improvement has been achieved despite the deterioration in the economic climate and the ongoing creditor protection process that the company is going through. During the first quarter, Martinsa Fadesa presold 211 residential units for €200m and formalised 213 sales contracts valued at €205m. Operating expenses fell considerably to €19m from €32m in 1Q08. The company reported that total liabilities were reduced slightly to €6.77bn from €6.97bn in December. This compares with the market value of its property assets at the valuation date of 30 June 2008 of €7.73bn.

The firm has continued to actively manage its land bank and has achieved seven planning advances during the first quarter on land totalling 1.2m sq.m. which will allow 8,797 dwellings to be constructed. Its international division has achieved five planning advances involving a buildable area of 145,982 sq.m. and some 1,727 dwellings and 152 hotel rooms. Martinsa Fadesa holds around 21.6m sq.m. of land which could potentially be developed. Of this, some 34% is at a pre-planning phase, 26% is buildable land and 40% has either all necessary building consents in place, commenced construction or already completed the construction process. ■ **pfe**

Gecina board moves signal Rivero-Metrovacesa struggle continues

French REIT/SIIC Gecina is making a thorough board reshuffle to bring in representatives of its Madrid-based Metrovacesa senior shareholder, from which it was previously trying to separate. The moves indicate that Gecina CEO Joaquin Rivero, ousted from Metrovacesa in a power struggle, wants to regain control of a combined group or that Spanish banks are insisting on tying in Gecina assets.

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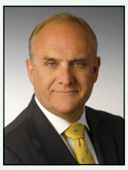
ANDREW M. GROOM,
Head of Valuation Advisory Germany, Jones Lang LaSalle
Jones Lang LaSalle is a leading global real estate services and investment management firm with more than 30,000 staff in 750 locations in 60 countries. Based in Frankfurt, Mr. Groom heads a 50-person valuation and due diligence 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.

PETER OTTO,
Head of Duesseldorf Branch, Eurohypo
Eurohypo is one of Europe´s leading commercial real estate lenders and a unit of Commerzbank. Dr. Otto has extensive experience in the real estate sector and, as head of the Duesseldorf branch since 1996, has helped build international business focusing on financing all asset classes across Germany. Duesseldorf has experienced considerable growth over the last five years, mainly from international business which has been well-established in the Duesseldorf/Cologne region. Its international clients include many from France and Spain.

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.



MODERATOR: ALLAN SAUNDERSON, Managing Editor, Property Finance Europe
The mission of Property Finance Europe and its Monthly Property Investor Europe is to create transparency for US and global investors in mainland Europe real estate, which it does via a team of Editors across the continent, and various distribution channels. Mr. Saunderson was a Reuters financial journalist in the 1980s, Head of European Research for Bank Julius Bär in Frankfurt in the early 1990s, and named as advisor to the French Finance Ministry by Prime Minister Pierre Bérégovoy a year later. He moved into real estate advisory in 2002 and founded PFE/PIE in 2005.

Madrid – Friday 19 June, 9.30 a.m. to 12.30 p.m.

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Madrid sources also told PFE that Rivero and his colleague Juan Bautista Soler, both major shareholders in Gecina, have agreed a 'new phase of understanding' with the Spanish company which will take into account the long-running dispute over a separation initiated in 2007 but unilaterally cancelled by Gecina earlier this year. Gecina last month announced that Rivero is relinquishing his board chairman's casting vote, and also issued a statement refuting allegations that he and Soler are now or have in the past acted in concert in their Gecina dealings. The sources say the board move resulted from a recent meeting between the two and the Spanish company.

Once ratified by shareholders, the board moves mean that-Metrovacesa, with 26.9% the second largest shareholder of Gecina after the two executives combined, will see its representation increase to five executive board positions from the single one held previously. Metrovacesa will thus have achieved its aim of representation in Gecina in line with its shareholding. Following the changes, the Gecina board will comprise five representatives of Rivero and Soler, a further five from Metrovacesa, two representatives of French insurer Predica - the third largest shareholder - and six independent representatives. Predica's position is likely to prove influential in the case of future disputes between the major shareholders.

Earlier this year Gecina halted the separation from Metrovacesa, saying that the material change of ownership voided the agreement after banks took over as majority shareholders from the Sanahuja family. The latter in March 2006 launched a bid for control of Metrovacesa, finally wrestling control from Rivero last year. However the family ran up enormous debts to acquire the majority stake - in addition to borrowings for its private family real estate holding Sacresa. The onset of the financial crisis last year forced them to relinquish control to creditor banks. ■ **pfe**
(Full story to appear in PIE 123 published on Monday 1 June)

Barcelona's Catalunya savings bank in €183m S&L deal

The Barcelona-based Catalunya Savings Bank's (Caixa Catalunya) is to make a sale and leaseback of 146 bank and office buildings around Spain to large investment companies and family groups in a deal valued at €183m – with gains of around €54m. The bank has undertaken to lease back the properties for 20 years and has a buy back option at the end of that period.

The most prestigious asset in the portfolio comprises the bank's own headquarters, a small palace in Calle de Recoletos, Madrid, which sold for €16m to Spanish investor Grupo Via Celere. Caixa Catalunya, which has 1,200 branches throughout Spain, expects to sell and lease back a further 800 before the end of the year.

Many other Spanish private and savings banks are in the process of selling office and branch premises. BBVA recently signed a mandate with Atisreal for the sale of 79 branches in Catalunya, Madrid, Valencia and Andalucia. In February, Banco Pastor announced that it would market 160 of its 653 branches in Spain in a similar operation. In its most recent quarterly results Banco Popular confirmed the sale of 70 branches generating €65m in profits and indicated that a further 300 would be sold over the next two years. Last year, Banco Santander became the first Spanish bank to undertake a major sale and leaseback of almost all property assets, involving 1,140 branches plus its massive new corporate headquarters in Boadilla del Monte close to Madrid. ■ **pfe**

Spain's Eroski lines up S&L of 150 supermarkets for €300m

Spanish hyper and supermarket operator Eroski is lining up the sale of 150 supermarkets mainly located in city centre location, with income expected to reach €300m. In the year to end January the company posted the first red numbers in its history amounting to consolidated losses of €97m.

Although Eroski is talking with investors on a block purchase of its entire portfolio it is just as likely that the assets will be divided into lots for sale to different investment groups. This latter option would make it easier for institutions or private investors to arrange finance. Eroski is offering leases up to 25 years to make the transaction attractive. The company, one of the top three hypermarket operators in Spain, needs to reduce its debt following the purchase of the Caprabo supermarket chain in 2007. Eroski is already the leading operator in Catalunya and requires funds for its further expansion plans in Spain.

Last November Eroski formed a joint venture with Topland, selling an interest of around 50% in 13 hypermarkets, 15 supermarkets and two retail galleries in the Basque country for €361m. Eroski signed leasebacks for 25 years on the portfolio which produced an initial yield of close to 6%. In the deal, brokered by Cushman & Wakefield, Topland holds an option to acquire a further 50 retail units from Eroski. ■ **pfe**

Mid-East RE investors seen focused on US, UK; cautious on euro

Middle East real estate investment capital moving abroad is likely to focus primarily on the US, partially for currency reasons, and in Europe on the UK because of the deeper property price correction than on the mainland, says the managing director of a new London-based private equity and advisory firm WW Advisors.

David Swan told PFE in an interview that real state investors from the Gulf Cooperation Council - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – are dollar-based investors and cautious over currency risks. Much of this capital is also Sharia-compliant – consistent with Islamic law - which virtually rules out currency hedging. These investors are also wary of the euro because of economic strains, particularly focused on the ailing economies of Portugal, Ireland, Greece and Spain.

WW Advisors, founded in January, has seed capital of $350m from GCC institutions and high net worth individuals. Its two core equity providers are the social security fund of Kuwait, WAFRA, and Kuwaiti private equity group Watheequa – hence its name. "The business is an advisory business to capital com-

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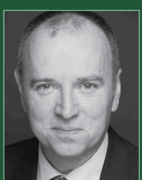

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ing in from the Middle East," Swan told PFE. "My shareholders have tapped into the Saudi market to have a capital source to invest in Europe and in the US... We expect to allocate a bit more than one-third to the US market and the remainder to Europe, mainly the UK." WW Advisors will however also eventually focus on Germany, France, Italy, Holland and Spain. CEE will not be part of the initial phase. ■ **pfe** *(Full story to appear in PIE 123 due to be published on Monday 1 June)*

Sacyr transfers care homes to Caixa Catalunya to cut debts

Testa, the property investment arm of building group Sacyr Vallehermoso, has offloaded almost all of its senior citizen care homes business to reduce debts which amounted to €2.37bn as at end-December.

Sources told PFE that five or six homes have been transferred to Caixa Catalunya. The transfer included 35% of the Parque Corredor retail centre in Madrid and two buildings in Paseo de Gracia, Barcelona. They said the transaction is valued at more than €200m.

Testa had seven care homes in Barcelona, Madrid, La Corunya and Santander with some 800 rooms and more than 1,000 beds. This followed the sale last year of a single care home in Getafe (Madrid) to Sanitas. Testa strategy comprised construction of care homes and the subsequent transfer of the management to specialist companies such as Sanitas. Testa have retained only one care home located within the exclusive El Viso neighbourhood of Madrid and managed by Sanitas. ■ **pfe**

Possible SEB German property OEF re-opening may spark others, sources

Several German open-end property funds may re-open in the next few weeks after reviewing the flow of capital since January when they extended their halt to redemptions, nominally until October. SEB Asset Management, a subsidiary of the Swedish banking group and the largest private property OEF manager, is likely to become the lead and the test case.

SEB AM said in January it would check capital flows during the second quarter with intention to re-open its main SEB ImmoInvest. "Assuming the positive signals coming from the market continue .. management does not intend to utilise the full statutory suspension period of nine months, but aims to resume redemption in the second quarter of 2009," it said. CEO Barbara Knoflach told media recently that this remains the target.

SEB AM has assets under management in mutual real estate funds of €9.2bn, while it also has €2.5bn in institutional funds - mainly Special Fund vehicles - making it the largest private-sector fund manager. Only the savings bank funds manager Deka and the cooperative fund manager Union Investment are bigger. SEB ImmoInvest, at the end of the first quarter, pooled €6.4bn in total capital, having seen net inflows in the first three 2009 months - despite the closure - of €58m. Including two smaller funds, SEB Global Property Fund and SEB ImmoPortfolio Target Return, total capital was €7.3bn, with inflows of nearly €83m. ■ **pfe** *(Full story to appear in PIE 123 due to be published on Monday 1 June)*

German office faces falling demand; recovery only in 2011-Aberdeen

The German office letting market is holding up in the crisis but a demand fall this year will bring higher vacancies and lower rents before an economic recovery from mid-2010, says Aberdeen Property Investors. Rents should begin rising again in 2011.

Despite investment market turnover falls in 2008, year-end office letting appeared comparatively positive, Aberdeen's latest Real Estate Market Germany report said. Despite falling vacancies and increasing prime rents, only a slight fall in lettings was determined overall, compared with 2007, recording the third best turnover result of decade. "However, a decrease in demand as well as an increase in vacancies and a fall in rent levels in the German office centres is to be expected in 2009. Against the background of a predicted economic recovery from the middle of 2010, we also expect an improvement in property market at a later date, so that moderately increasing rents should be expected again in 2011, and will be close to the nominal levels of 2008 by 2013."

The report said commercial real estate investment last year reached €25.4bn, 60% below 2007 and around the annual average of 2000-2004. This should represent a maximum for deal turnover this year, while lower demand is also expressed by a decrease in prices and increasing initial yields. The nine main investment centres have seen increases of 47bp on average in 2008 to reach 5.6% and, as a result, matched the average of the last 14 years.

It calculated the average total return in the main office centres of Germany at a negative 2.0% last year – comprising net income growth of 5.2% and a slide in valuations of 7.4%. In 2008, the vacancy rate rose to 8.1% from 7.3%. For 2009, it foresees a German GDP contraction of a real 4.4%, but said that in the medium-term, extensive fiscal and monetary policy measures in the US and Asia should stimulate the economy, as well as indirectly via world trade. It thus expects growth to resume next year, reaching 1.1% as a whole. ■ **pfe**

French Affine sees higher revenues, focuses on tenant leases

French REIT/SIIC Affine said its three property companies, Affine, AffiParis, and Banimmo, boosted revenues in the first quarter by nearly 14% to €21.2m compared to 1Q08.

Total revenues, including development, rose to €45.5m. However revenues continued to fall in trend due to the amortisation of portfolio transactions and the low production of potential new deals, it said. The sharp rise in gross revenues was mainly due to the disposal of a logistics platform in Spain for €14.5m. After the significant economic downturn at end-2008, Affine said it decided to focus on tenant leases expiring in the short term. This strategy paid off as three significant leases were renewed for slightly more than €1.6m of rent, while several renegotiations are still under way. Twenty-five new leases were signed, representing rent of €880,000 but seven tenants departed, representing annual rent of €550,000.

In January, the group took delivery of a 10,500 sq.m. logistics platform developed by Concerto Développement and located in Vilvorde in the outskirts of Brussels, and is now seeking tenants for this platform. Also, the French army documentation organisation (EDIACAT) received 32,000 sq.m. of storage space in a logistics in Saint-Etienne, restructured by Affine. In the quarter, the group also acquired an uncompleted 2,760 sq.m. shopping complex under an off-plan sales agreement in the city centre of Arcachon, together with shops and self-catering hotels under a real estate development contract. The delivery of the complex is scheduled for spring 2010.

Affine had property under management of €996m at the end of 2008, but a like-for-like depreciation of 4.6% on the portfolio, although a 10% rise on rentals on the same basis. Because of the asset depreciation it reported a net loss of €37.3m, turning round a profit of €92m in 2007. At end 2008, Affine reported NAV of €518m, or €34.6 per share. Its stock was last trading around €13.49. ■ **pfe**