

Germany's Allianz said eyeing Oppenheim's 20% IVG stake at €9 per share

Germany's IVG saw its share price jump by 10% last week on a report that insurer Allianz is to buy the stake owned by Cologne's Oppenheim banking family for €9 per share. A report in the Platow Brief newsletter cited speculation that Allianz would soon buy the Oppenheim family out of its 20%-plus one share stake in IVG. Separately, IVG reported it has brought in proceeds totalling €470m via sale of a number of properties in recent weeks. *(See inside pages for full story)*

French REIT FdR faces €467m boost to equity

French REIT Foncière des Régions has added five Paris office assets worth €267m to its portfolio in a stock and warrants-only deal with insurers Groupama and Predica, bringing the former for the first time into its shareholder base. FdR will subsequently offer existing shareholders warrants for €200m in equity at similar terms. "This transaction will let Foncière des Régions grow the quality of its assets as well as boost shareholders' equity at an opportune time in the real estate cycle," said CEO Christophe Kullmann. *(See inside pages for full story)*

BNP Paribas RE to expand funds in Europe

BNP Paribas Real Estate is expanding its indirect vehicles' offering across Europe, launching a new closed-end institutional fund, Next Estate, focused on sustainable assets, and a new OPCV French mutual fund. The group, previously Atisreal, will also expand private equity and asset management on behalf of third parties in three new countries - Luxembourg, Belgium and Spain, and is separately evaluating a sale and leaseback fund in Italy. *(See inside pages for full story)*

Italy's Risanamento wins €76m; ruling deferred

Italy's debt-laden Risanamento has secured a further credit line of €76m from banks, sending its shares up over 14%. The move came just prior to Milan judges delaying their decision on whether the group should be declared bankrupt, without setting a new date for the ruling. Prosecutors have requested bankruptcy for Risanamento while its banks seek a way to rescue the company, which has €3bn of debt, with a plan that needs court approval. *(See inside pages for full story)*

French Société Foncière Lyonnaise raises new equity in sale, makes €300m refinancing

French REIT/SIIC Société Foncière Lyonnaise said life insurer Predica has taking 50% of equity in its Parholding subsidiary previously owned by another SFL unit Ile-de-France Investissements. No financial details were provided. It also raised a new €300m loan. The move is the latest example of listed real estate firms re-capitalising by exploiting a growing appetite for commercial real estate by institutions - in this case, a senior shareholder. *(See inside pages for full story)*

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Germany's Allianz said to buy 20% IVG stake at €9 per share

Germany's largest listed real estate group, the Bonn-based IVG, saw its share price jump by 10% on a report that giant insurance group Allianz is to buy the stake owned by Cologne private bank Sal. Oppenheim, itself struggling with liquidity difficulties and likely to be taken into majority ownership by Deutsche Bank.

A report in the Platow Brief newsletter cited speculation that Allianz would soon pay the Oppenheim family holding company €9 per share for its 20%-plus one share stake in IVG. The IVG stake was moved out of the bank to the family holding earlier this year, mainly on concerns over the stability of IVG which has been struggling with a high debt load amid the global financial crisis. The IVG holding is reported to be priced at €9 per share in the books of the Oppenheim family firm. The reports, unconfirmed by IVG or Allianz, also said Allianz would transfer to IVG a large portfolio, following entry into its equity.

Separately, IVG reported that it has sold a number of properties over recent weeks bringing proceeds totalling €470m, the majority directly on the market to private and institutional investors, and at a valuation of less than 1% below book price. "IVG has taken a considerable step to increase its financial flexibility and to safeguard the company's liquidity situation in the long term," it said in a statement. The sales consist of five assets in Milan for about €300m, Paris and Luxembourg assets, each worth some €50m, properties in Düsseldorf for €37m, and in Budapest for €33m. In the first half of 2009, IVG already sold properties for some €550m, around 50% of which on the market and 50% to funds.

"With these sales, IVG has already today achieved the objective it set itself at the beginning of the year to dispose of properties worth about €1bn by the end of 2010," commented IVG CFO Wolfgang Schäfers. Following the prolongation of bank loans in spring, the last important step of IVG's restructuring has been successfully implemented ahead of schedule. CEO Gerhard Niesslein noted: "Having ensured the company's stability, our work will now focus on the third step of our strategic realignment: improving operations and taking advantage of selected market opportunities." IVG is due to report third quarter figures on 13 November. The group manages assets worth €22.7bn at

19 locations, of which its own properties have a market value of €5.1bn, and it also builds and operates underground caverns for the storage of oil and gas in northern Germany. Assets under management in its funds arm are worth €15.6bn. ■ pfe

French REIT FdR makes €467m boost to shareholder equity

French REIT Foncière des Régions has added five Paris office assets worth €267m to its portfolio in a stock and warrants-only deal with insurance groups Groupama and Predica, bringing the former for the first time into its senior shareholder base. The group will subsequently offer existing shareholders warrants for €200m in equity at similar terms.

The deal, which will be submitted for approval by shareholders on 15 December, will be paid by the issue of 3.9m new FdR shares, of which 1.9m will be issued at a price of €70 for Predica, and 2m at €65 for Groupama. The deal will thus simultaneously boost FdR equity by €267m. In addition, however, the group will offer bonus subscription rights to current shareholders to subscribe up to €200m new shares at similar terms. "This transaction will let Foncière des Régions grow the quality of its assets as well as boost shareholders' equity at an opportune time in the real estate cycle," commented FdR CEO Christophe Kullmann.

The assets comprise five high-quality office buildings in Paris totalling 41,600 sq.m. - with three representing 74% of portfolio value - plus one 11,290 sq.m. asset at Issy-les-Moulineaux, and one smaller asset in Lyon. The overall portfolio yields an average 7%, with residual firm-lease duration of 3.2 years, vacancy rate of 3% and a €459 sq.m. p.a. of rents, in line with market values. "This acquisition allows Foncière des Régions to strengthen its presence in key office markets in Ile-de-France, and to continue diversifying its rental base with large companies such as SNCF and Cisco," said FdR's Olivier Estève.

The bonus equity warrants for holders of Foncière des Régions shares will be offered between 1 January 2010 and at least 31 December under terms similar to €65 per share in the acquisition. One equity warrant will be allocated for each Foncière des Régions share, and 15 will confer the right to buy one new Foncière des Régions share. ■ pfe

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Operating Office/Enquiries

Property Finance Europe
An der Welle 4
60322 Frankfurt am Main, Germany
Switchboard tel. +49 69 7593 8566,
Fax +49 6101 813 405,
Email: info@pfeurope.eu

Managing Editor / Director

Allan Sanderson, editor@pfeurope.eu
Cell. +49 172 672 3938

Publisher

Richard Betts, publisher@pfeurope.eu
Tel. +44 20 8340 4328,
Cell. +44 780 393 8659

Co-Publisher/Managing Director

Gaby Wagner, business@pfeurope.eu
Cell. +49 173 3177191

Senior Sales Manager, Germany/Italy

Thorsten Herbert, market@pfeurope.eu
Cell. +49 170 4798793

PIE Italia Cooperation Partner

Giacomo Morri
Director Master in Real Estate
SDA Bocconi, Milano
pieitalia@pfeurope.eu

Office Manager

Vanesha Pillay-Müller,
service@pfeurope.eu

Editor, Germany

Allan Sanderson,
news-germany@pfeurope.eu

Editor, France

Lucy Letellier,
news-france@pfeurope.eu

Editor, Spain

Stan Dickens, news-spain@pfeurope.eu

Editor, Central/Eastern Europe

Caroline Studdert,
news-cee@pfeurope.eu

Manager, Subscriptions

Richard Betts,
subscriptions@pfeurope.eu,
Tel. +44 780 393 8659

Graphic Design

[designed by] christian harnoth,
info@christianharnoth.de,
design@pfeurope.eu

Publishing company

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PFE COMMENT: This is a clever move, which draws on the desire of large institutions, particularly insurance and pension funds in the current environment, to lock in gains on property assets in a way that exploits the strong potential upside in the listed real estate sector. In all, FdR should easily exceed the €600m or so it had targeted for new equity during the current year, or perhaps into the first quarter of next.

BNP Paribas RE to expand fund offering in Europe

BNP Paribas Real Estate is expanding its indirect vehicles' offering across Europe, launching a new closed-end institutional fund, Next Estate, focused on sustainable assets, and a new OPCI French mutual fund. The group, previously Atisreal, will also expand private equity and asset management on behalf of third parties in three new countries - Luxembourg, Belgium and Spain, and is separately evaluating a sale and leaseback fund in Italy.

Next Estate, BNPP RE'S third institutional fund, will be a pan-European vehicle focused on office assets constructed on sustainable development criteria in Europe and UK. It targets €600m of investment using maximum debt leverage of 50%, with the first closing scheduled in first quarter 2010. The private savers' OPCI will be placed on the French market in 2010, subject to authorisation by Supervision Authority AMF, to pursue a long-term inflation protection policy, investing in office in France and in Europe. In Italy, BNP Paribas REIM is also evaluating the establishment of a sale-and lease back fund.

"Our aim is to propose to our clients a complete quality service and add-value that benefits from the strengths of each of our local operations," said François Benfeghoul, deputy MD of BNP Paribas Real Estate. "With the three new countries completing our geographic coverage, will manage today a total of €10bn of real estate assets in Europe, of which €1.8bn were contributed by Fortis Private Real Estate." BNPP bought FPRE earlier this year.

Separately, BNP Paribas REIM's Fondo Immobiliare - Comune di Milano I fund in Italy said it has sold its single asset - at via Giannone 8 in Milan - to a private operator. The real estate complex, to be fully renovated, was purchased by the fund last year within the scope of an improvement project launched by the City of Milan. The asset was sold at auction for €7.9m, bringing a gross profit of €2.1m over book value, or 37%. ■ pfe

PFE COMMENT: Further evidence that ever more managers see non-listed funds both for institutions and private savers as the way of the future in steering real estate investment capital. Both segments are looking more closely at property as a store of value combined with a cash-flow yield so that, in our view, the asset class will be recognised as offering significantly more investment benefits than, for example, gold as an inflation hedge.

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Italy's Risanamento wins fresh €76m; bankruptcy ruling deferred

Italy's debt-laden listed real estate group Risanamento in early October secured a further credit line of €76m from banks, sending its shares up over 14%. The move came just prior to Milan judges delaying their decision on whether the group should be declared bankrupt, without setting a new date for the ruling.

Prosecutors have requested bankruptcy for Risanamento while its banks seek a way to rescue the company, which has €3bn of debt, with a plan that needs court approval. A legal source told Reuters that the prosecutors' office believes it has adequate documents to proceed with a bankruptcy filing. If the court rejects the request for bankruptcy however, prosecutors will not participate in a court process to approve a plan put together by five major banks to support the group in the medium term. Court approval for the rescue plan is required under the rule being used by Risanamento, and it also requires approval by 60% of creditors.

Risanamento, burdened by debt and over-extension on big development projects in Milan, became Italy's biggest casualty of a tumbling property market. Its mixed-use Santa Giulia development in suburban Milan is among key projects awaiting completion. Risanamento founder and CEO Luigi Zunino resigned his post in July, having handed over most of his equity to banks. However he is believed to still be playing a role, and advising at board meetings.

Milan prosecutors have argued that funds already provided by banks demonstrate the group needs further injections of capital to survive. The new capital came in addition to a €500m restructuring plan agreed by the banks, of which the core group is Intesa Sanpaolo, UniCredit, Banca Monte dei Paschi di Siena, Banco Popolare and Banca Popolare di Milano. The latest capital injection is an advance against refunds of value added tax. ■ pfe

PFE COMMENT: To the external eye, Risanamento looks dead in the water but then it has for some time and it hasn't fallen over yet! As well, the external eye does not take into account the closed and close-knit nature of Italian real estate, banking and government. The group has been just about the least communicative of any listed company in Europe, belying the term 'publicly-listed' and highlighting how far Italy has to go to become genuinely attractive for external real estate investment capital. In what other jurisdiction in western Europe would banks extend capital as an advance against

VAT rebates! Still, Risanamento's projects are crucial to the City of Milan and the group is undoubtedly being kept alive until a new developer can be found and/or asset values recover.

French SFL raises capital in unit sale, €300m refinancing

French REIT/SIIC Société Foncière Lyonnaise said the life insurance firm Predica, a subsidiary of insurance group Crédit Agricole Assurances, has taken 50% of equity in its Parholding subsidiary previously owned by another SFL unit Ile-de-France Investissements. No financial details were provided. It also raised a new €300m loan.

Predica is already a senior shareholder of SFL which remains majority owned by Spanish listed firm Colonial despite a recent reduction in the Spanish group's stake to just over 50%. Parholding owns a property at 104-110 boulevard Haussmann in the 8th quarter of Paris with GLA of 12,500 sq.m. which is the headquarters of the La Mondiale group. It also owns 82-90 avenue des Champs Élysées which houses the retail space Galerie des Champs Élysées over a total 7,700 sq.m. after recent restructuring. Anchor tenant is clothes retailer H & M. The property also offers five floors of office comprising 5,200 sq.m.

Parholding also has a firm offer of a €172m three-year loan to refinance debt and pay for renovations on the Galerie des Champs Élysées. "This new deal further strengthens ties developed between Predica and SFL over the past 10 years, notably through shared ownership of the Cézanne Saint-Honoré complex and the Washington Plaza business centre," SFL said.

Separately, the group said it has signed a new financing of €300m with a banking consortium headed by BNP Paribas. The new loan has bullet maturity of five years, and allows SFL to refinance a part of current debt and also supplies additional resources for investments in the future. Banks in the group include Banque de l'Economie du Commerce et de la Monétique, Calyon, Crédit Agricole, Crédit Foncier de France, HSBC France, Natixis and Société Générale. SFL owns Paris properties valued at €3.1bn after an 8% depreciation against end-2008. It sold €117m of properties in the first half at average gross yields of 6.13%. Gross debt at end-June was around €1.1bn, with loan to value at just 34%, and diluted NAV including transfer costs at €2bn. ■ pfe

PFE COMMENT: Another example of listed real estate firms re-capitalising by taking advantage of a growing appetite for commercial real estate by institutions - in this case, a senior shareholder. Given still very



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discounted share prices against NAV and a tough bank lending environment, selling part or full ownership of assets is the best way to boost equity, liquid funds or pay down expensive debt. SFL stock was last trading around €33, giving a market capitalisation of around €1.5bn. Alongside Colonial, the Credit Agricole group, including Predica, owns nearly 14% of SFL. Other shareholders are Royal Bank of Scotland, Eurohypo and Orion Capital Managers each with 7.25% - and REIG Capital with just over 4%. Under 6% is in free float. RBS and Eurohypo came into the equity via a Colonial debt swap late last year. Orion bought the tranche obtained in this manner by Goldman Sachs.

Spain house price fall slows in third quarter, against expectations

Spanish house prices showed signs of stabilising in the third quarter after a record drop in 2Q09, though values are broadly expected to decline for some time yet. Prices in 3Q09 ended 7.8% below 12 months earlier, after dipping 8.2% in 2Q09, the Housing Ministry said. In 3Q09 alone, prices fell 0.9%, as against a 1.9% drop in the second quarter.

"This was a surprise as we were expecting prices to begin falling by double-digits before the adjustment ended," AFI financial analyst Felix Lores told Reuters. Spanish house prices began to de-

flate in the second half of 2008 after the global financial crisis paralysed mortgage lending and exposed a market glut of unsold new homes, equal to stocks recorded in much larger economies. Most economists forecast that shrinking economic output, soaring unemployment and family and small business debt of around 200% of GDP means a continued depreciation of Spain's over-priced property market. A Reuters poll of economists found prices are expected to fall on average by 32% from their 2007 peak.

In terms of sales, the number of houses sold in Spain fell 8.2% in August compared to July, the first monthly drop after three consecutive gains. "Third quarter figures indicate the drop in Spanish property prices is stabilising, but any talk of a recovery should be viewed with caution," savings bank Caixa Catalunya said. Prices would continue to shrink for at least another four quarters. Banks show little sign of loosening their hold on new credit, after Spanish mortgage lending fell in July was 34% down on the same month in 2008. ■ pfe

SEB spends €98.5m on Amsterdam's KPN building

Frankfurt-based SEB Asset Management has acquired the new KPN office building in Amsterdam's Sloterdijk office market, worth €98.5m, for its SEB ImmoInvest German open end property fund from Dutch project developer OVG Real Estate.

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The six-storey new build with about 23,000 sq.m. of total rental space and 190 parking spaces has been leased to Dutch telecommunications company KPN Telecom for 10 years with the option of an extension. "In addition to the tenant's financial standing and the prime location, SEB views the secured long-term rental income as the key argument in favour of this acquisition," it said. With this new addition, the fund's assets total about €6.1bn and are now broadly diversified across 18 national markets in Europe, North America and Asia. The geographical focus continues to be on Germany with 67 properties, followed by Netherlands (20) and France (12). "The focus of the fund's investments in 2009 will continue to be on the European core markets including Germany", said Barbara Knoflach, CEO of SEB Asset Management.

The Frankfurt-based asset manager is the specialist real estate and securities investment house unit of the Sweden-based universal bank most active in Sweden, Germany and the Baltic countries – Estonia, Latvia and Lithuania. SEB AM, one of the leading real estate fund managers in Germany, is part of the group's wealth management which has some €113bn AUM. ■ pfe

Vivico sells Berlin landmark for €50m

Vivico, the German unit of the Vienna-listed group CA Immo, has sold the listed Hotel Rome-Roemischer Hof on the famous Unter den Linden boulevard in Berlin to an unnamed investor for around €50m. Jones Lang LaSalle acted as consultant for the sale.

Constructed between 1865 and 1867 as Hotel de Rome, Roemischer Hof was one of the last big, historic structures on Unter den Linden to be modernised. In 1910 it was given a new lease on life by architects Berndt & Lange as an office building under the new Germanic name. The Communist government of east Germany sited first the headquarters of the national railway authority, then the Bulgarian centre for culture and information, and then the East German state travel agency there. Since 2000, the bookseller Berlin Story and the club Cookies, among others, had been using the Roemischer Hof.

In 2005 Vivico began a development project to gut and restore the building. Bomb damage from the Second World War has been repaired with a modern glass insertion in the façade, and it opened in September 2006. ■ pfe

Asian investors scour world capitals for choice property

Asian property investors, including sovereign wealth funds, are on a shopping spree for choice office buildings in global capitals, and so far have set their sights on central business districts or prime retail streets in London, New York, Sydney and Tokyo.

A Reuters round-up said South Korea's National Pension Service, managing \$200bn in assets, wants to invest up to \$3bn in real estate this year in those four cities, said Rockspring Property Investment Managers, which it mandated to locate assets. China Investment Corporation and Qatar Holding agreed in August to take a stake in Songbird Estates, the major-

ity owner of London's Canary Wharf Financial hub. In June, AIG agreed to sell two downtown Manhattan buildings, including its headquarters, to a consortium led by South Korea's Kumho Investment Bank. Meanwhile, Lancer Square in London's West End was bought recently by private Malaysian group Belworth for around £40m.

Asian buyers want Grade-A office buildings in London's City and the West End, as well as commercial buildings in midtown and downtown Manhattan, industry analysts say. Sung Heundo, head of real estate at Woori Investment & Securities in Singapore, said Asian institutions expect annual returns of 8%-10% from overseas property, plus possible capital gains. Added Shaun Gorvin, investment director at BNP Paribas Real Estate in London: "With property yields in places like Hong Kong and Singapore relatively low, investors have spotted a chance to make double-digit returns and harness good capital growth from UK real estate."

Office prices in London and Manhattan were down 14% and 18% respectively in January-June, according to Investment Property Databank, and average capital values in Sydney's CBD have fallen 22% over the last 12 months. According to Real Capital Analytics, the UK and US alone accounted for around a quarter of the \$116bn invested in global real estate in the first half. Frank-Rainer Vaessen, president of Singapore-based property investor Pacific Star, said gearing of real estate deals is down to 40%-50% from 60% or above before the global credit crisis. Recovering property yields are also a plus point for investment. ■ pfe

Italian property survey finds 64.3m assets value at €2.7tr

Italy's Territorial Agency, in a nationwide survey of all property covering 2008, found that some 64.3m properties exist Italy-wide, with nearly 50% of them for housing. The potential taxable value of all real estate in the nation at the end of last year was €2.7tr.

In units, the overall stock rose by 2.8% against 2007, said the agency (Agenzia del Territorio). Of the total, 60% relates to housing, 17.65% to properties for special use destination, 13.40% to warehouse and other uses such as lock-up garages. Of the total value of real estate in Italy, just over half – just under 32m total units – is located in the North, 24.10% in central Italy and 25.53% in the South. ■ pfe

Germany's Patrizia stresses housing funds, services

Southern German listed housing group Patrizia continues to build its residential funds and services business to offset reliance on its original business model of developing and refurbishing residential property for on-sale to institutions or individuals.

CEO Wolfgang Egger and CFO Arwed Fischer told Reuters in a recent interview that funds suit many institutions that want to invest in real estate without having to manage properties themselves. "For institutional investors, indirect invest-

ments in property are the asset class of the future,” Egger said. Patrizia runs two funds of around €400m each AUM, leveraging at around 50% and with equity capital from pension funds or insurers. The funds invest in housing that Patrizia develops, as well as external portfolios. Egger said writedowns on residential properties have not been necessary despite the economic slump, pointing out that most are located in economically strong regions like Hamburg and Munich. “We have not had to adjust property values and will not have to tomorrow as well,” he said.

Fischer added that Patrizia still expected to make an operating profit this year. However, while private sales of its housing have been stable, institutions have been slow to re-start portfolio investments in the wake of the global crisis. “We had a clear increase in individual property sales again in the third quarter, and we are rather satisfied with that,” he said. The trend for the seasonally strong fourth quarter is looking good. Block sales of properties collapsed during the credit crisis but Patrizia is now in talks with several investors ready to invest €15m or more in one block. “The scope of the results depends on the block sales in the next three months,” Fischer added. ■ pfe

PFE COMMENT: Patrizia seems to be making slow progress on re-booting institutional sales, which is not altogether understandable in light of recent pickups in interest in residential housing among German institutions in particular. Both standard institutional investors and family offices have become more enthusiastic over the stability of cash-flows and absence of bubbles inherent in German residential, especially due to deepening concerns of a permitted return of high inflation over the next few years to combat government budget imbalances.

Investors support property fund continuations despite liquidity issues

Nearly two-thirds of property funds due to terminate in the period 2009-2011 have the support of investors to continue beyond this date – 88% by extension and 12% by rollover, according to a new study by industry association INREV. The extending funds have the equivalent of €15.8bn in gross asset value under management.


Launched at Expo Real in October, INREV’s Fund Termination Study shows more clearly than last year that continuation is the most likely outcome when evaluating termination, with 59% deciding to extend. Although investors are also seeking more liquidity due to the global crisis, they support continuation mainly because challenging conditions in the European real estate market highlight that now is not the best time to sell assets.

“Fund managers and investors alike would currently prefer to continue in order to recoup their capital as the market recovers,” INREV said. “However, this does not mean that all investors would prefer not to terminate now as some have their own liquidity issues, or because of debt or other issues in the fund. Some investors are forced to stay invested in funds they would prefer to exit due to difficulties in liquidating at prices acceptable to the other investors.” There is clear trend for an increasing need for information. Investors who support continuation are also seeking more information and preparation from managers. While liquidation might not be the preferred route, many investors indicated they would like to see a business plan for all assets, which also explores selling some of these.

FINANCING	STRUCTURING	COVERED BONDS	CONSULTING	
<p>August 2009</p> <p>CREDIT SUISSE</p> <p>Office</p> <p>GBP 56,000,000 Credit Facility</p> <p>United Kingdom</p> <p>Agent & Arranger</p> <p>Westdeutsche ImmobilienBank AG</p>	<p>August 2009</p> <p>DEGI Deutsche Gesellschaft für Immobilienfonds</p> <p>Office</p> <p>EUR 78,000,000 Investment Loan</p> <p>Italy</p> <p>Agent & Arranger</p> <p>Westdeutsche ImmobilienBank AG</p>	<p>July 2009</p> <p>Pramerica</p> <p>CA IMMO International</p> <p>Office</p> <p>EUR 104,000,000 Investment Loan</p> <p>Poland</p> <p>Agent & Arranger</p> <p>Westdeutsche ImmobilienBank AG/ Landesbank Berlin</p>	<p>August 2009</p> <p>St. David's Limited Partnership</p> <p>Shopping Centre</p> <p>GBP 290,000,000 Club Deal</p> <p>United Kingdom</p> <p>Agent, Arranger & Lender</p> <p>Westdeutsche ImmobilienBank AG</p>	<p>June 2009</p> <p>The Durst Organization</p> <p>Office</p> <p>USD 1,275,000,000 Term Loan</p> <p>USA</p> <p>Participant</p> <p>Westdeutsche ImmobilienBank AG</p>

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“While in the last few years, the termination decision was heavily influenced by the scarcity of re-investment alternatives, this is less of an issue right now,” noted INREV CEO Lisette van Doorn. “Trust in the fund manager as well as issues at investor level, such as the need for liquidity, play a much more prominent role.” Where funds decided to continue, a relatively short extension of 1-3 years was favoured. Extension is preferred over rollover as investors have to treat the latter as a separate investment decision based on a new business plan. INREV, the European Association for Investors in Non-listed Real Estate vehicles, has 321 members drawn from leading institutional investors, fund managers, promoters and advisors across Europe and elsewhere. Investor members total 56 and have real estate assets under management of over €135bn. ■ pfe

Paris region 3Q09 office rentals down more than half – Immostat

Total demand in the third quarter for office space in the Paris Ile-de-France region reached 346,500 sq.m., according to the Immostat statistics group, less than half the 729,200 sq.m. taken up in 3Q08. This brings rented office space for the first three quarters in at 1.22m, as against 1.91m in the same period of last year.

For 2009 as a whole, the agency forecast that placed rental demand is “located in a ranged between 1.7m and 1.8m sq.m.”. While the region’s average existing office stock rental diminished in 3Q09 by a fractional €2 to €306 per sq.m. p.a., the fall was considerably larger when compared with the €317 for all of 2008. In the region’s investment real estate market, just €2.5bn of transactions took place over the first nine months of 2009 in the main asset classes office, retail, logistics and warehouses. This compared with €6.9bn in the first three 2008 quarters. Investment in the third quarter alone totalled €1.25bn.

Immostat estimated that the total amount of office space immediately available in the French capital conurbation reached 3.4m sq.m. at the end of the third quarter, a rise of 6% over the three months. Immostat is a joint venture between four major international realtors. ■ pfe

New markets, environment are new trends at MAPIC

New and rapidly developing retail property markets plus the growing influence of environmentally-sustainable building are two trends highlighted at the MAPIC trade fair this year, and likely to mark its development in the future, says fair director Nathalie Depetro.

The fair, held for the 15th year in the French Riviera resort of Cannes, has over 1,200 retailers already registered. New exhibitors include Chronostock, the French ‘temporary’ store retailer that organises sales of branded items at bargain prices, and the US-based KidZania which develops theme parks that enable children to explore future jobs. New developer-exhibitors include Egypt’s Palm Hills, Libya’s Libyamall and Bosnia-Herzegovina’s Triland. “I think these markets, among others, will be growth drivers for years to come, and they are playing an increasingly important role at MAPIC,” Depetro said.

But the environmental crisis is adding a new dimension to the economic sphere and this is reflected in retailing. “The real estate sector will have to factor this in to its overall strategy; the increasing importance of environmental criteria will affect the entire industry,” Depetro said. “Both developers and retailers will be increasingly focused on sustainable buildings, as shown by the many projects for renovating existing shopping malls and new projects to be showcased at MAPIC this year. Cities will no longer give approval to projects that are not sustainability-driven.” Next year, MAPIC is planning to launch a ‘City Summit’ to explore sustainable urban development in retail real estate. Another key development is the growth of on-line retailing, so future MAPIC editions will also pay more attention to this alternative method of consumption.

MAPIC is gradually becoming more international, she added. Starting with delegates from northern Europe, Spain and Italy, it has attracted some from Russia and central Europe and now also from China, Korea, Qatar, UAE, Brazil, and India. Depetro expects around 7,500 attendees from 60 countries, with numbers inevitably reflecting the crisis. “Some companies will come to Cannes with smaller delegations but will be still be represented by their top executives and key industry players... In terms of geographical spread, the crisis is having a different impact in different countries. Although the Russian Federation and Ukraine are virtually absent this year, Europe is still in a robust position. And future growth markets such as Africa and South America are making a strong showing.” ■ pfe

Austria’s conwert on course for one of best years – CEO

Austrian listed residential investor conwert Immobilien is on course for a strong result in 2009, mainly due to high revenue income from private purchases of its residential portfolios in Vienna and Germany stemming from fears of coming inflation, says CEO Johann Kowar.

In summer, conwert also entered a partnership with Deutsche Bank’s DWS fund management unit for its alt + kleber Berlin-based residential property unit to manage a €120m residential fund for the banking group. Kowar is hopeful that this project, the first fund that the Vienna-based group has managed, may lead to other similar opportunities, particularly given fast-rising demand for residential assets in its key markets. “It will be a very, very strong year - one of the best years in our history,” Kowar said. “We are extremely satisfied with business because three things happened: One is we were able to increase our rental cashflow by 6% to 7% on an annual basis, which is a strong result – especially considering an under-rented portfolio, and the crisis.... The second thing we see is the best trading result from disposals that we ever had because our private investors fear that inflation will come back in the future. They’re investing in blocks; they’re investing in apartments... And the third thing is that we are also able to increase our third-party services business especially now having the new contract and cooperation with Deutsche Bank.”

conwert’s business model is based around acquisition, refurbishment and sale or re-rental of older residential properties, the core of which are apartments dating from 20th or 19th century stock

in Vienna. It achieved record revenues in first half, up 31% on 1H08, and boosted EBITDA by 16% to just under €56m. Funds from operations rose 72% to €44m. At end-June, the value of the group property portfolio amounted to €2.5bn, down fractionally from end-2008, but due only to sales, with no significant impairment losses. The group calculated net asset per share of €15.56 in June, unaltered from December. Its stock was last trading around €9.50, well up from March lows below €4. The agreement with DWS, announced in July, is the first such activity for conwert. "We are starting with the first €120m fund which is in distribution in the meantime, €60m equity and €60m debt," Kowar said. "But the clear strategy is to move further in this direction: We are getting acquisition fees, asset management, property management and disposal fees. This is new and this is very strong." ■ pfe (Full interview due to be published in PFE 141 on 2 November 2009)

Aberdeen re-organises Germany/Austria; DEGI name goes

Aberdeen Asset Management is to re-organise in Germany, bringing together equities, fixed income and property activities under one holding and doing away with the name DEGI, the property fund manager it bought from insurance group Allianz early last year.

All operative functions in Germany and Austria will be combined under Aberdeen Asset Management Deutschland, and securities and property activities will be brought closer together, including Aberdeen Property Investors Deutschland and DEGI which will be renamed Aberdeen Immobilien KAG. Englishman Patrick Walker will chair the board of the holding as Head of European Business Development, with other members being Michael Determann, Hartmut Leser und Bärbel Schomberg. The Supervisory Board will be headed by Aberdeen Property Investors Chairman Rickard Backlund.

Aberdeen has some 120 staff in Germany, managing assets worth more than €8bn. "At Aberdeen, next to our research-based investment process, we place a lot of value on local presence in individual investment markets," Walker commented. ■ pfe

Orco wins court protection extension, seeks new investors

Ailing listed CEE property group Orco has won from the Paris Commercial Court an extension on its protection from creditors for a second six-month period. Because of this and last month's rejection by bondholders of a sweetened debt-for-equity offer, it postponed its 20 October shareholders' meeting and has now started a search for new investors.

Orco has hired UBS to look for new potential investors as its deal for a capital injection of up to €80m

from US private equity firm Colony Capital is in doubt. Orco CEO Jean-Francois Ott said in an interview with Czech newspaper Hospodarske Novinky that a deal on debt restructuring with bondholders before Colony's share exclusivity ends next month is unlikely. "We have authorised Swiss bank UBS to start searching out potential new shareholders," he said. Some bondholders balked at receiving shares as part of the debt restructuring plan, but Orco is under less time pressure for a new debt deal with the extension of creditor protection. He said that a chance remains that Colony could still come into a deal. Approval of debt restructuring was a condition for Colony to go ahead with the equity injection.

As well, Orco reached agreement with Morgan Stanley-managed vehicle MSREF V Turtle, which owns 29% of Orco Germany, to allow Orco to raise its stake in Orco Germany to 65% from the current 58.1%. This will allow it to, "secure its investment in Orco Germany, increase control on its subsidiary and collect more benefits from Orco Germany's restructuring." In Germany, the group owns a 972,000 sq.m. portfolio, mostly of-fices. Orco also sealed refinancing for its central European hospitality portfolio, Hospitality Invest, a joint venture with an institutional fund managed by AIG Global Real Estate. This has restructured €82m of debt on its portfolio of 12 hotels.

Orco is also in talks to restructure another €36m shareholder loan in Orco Molcom, which focuses on warehouses: It signed

A unique insight into the German Property Finance Market

As the world has learned somewhat painfully, real estate and its financing has considerable implications for the economy. This area of tension is the main theme of the **Facts and Figures 2009|2010** edition of the yearly publication **Real Estate Banking – Committed to Professionalism**. Articles include an analysis of recent real estate price developments in the US, UK and the Eurozone, what the current capital market situation means for investors in commercial and residential property, and the refinancing of real estate loans. Contact the Association of German Pfandbrief Banks for your complimentary copy of this new Fact Book: info@pfandbrief.de. Or look into its website www.pfandbrief.org and download the pdf file.



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new financing for two projects in Budapest - a 10,000 sq.m. retail project Vaci 1 due for delivery next spring and the completed 6,000 sq.m. Paris Department Store with Italy's UniCredit, covering 75% of construction costs. It plans to continue asset sales. Orco said constructive discussions continue to secure financing of the Zlota tower in Warsaw. But a court ruled last month in favour of Swiatowid, a group of local residents claiming its building permit was issued illegally, Czech magazine Cij reported. Orco said the allegations are groundless and it will appeal. It reported slow progress on an agreement with the Croat Privatisation Fund that would allow its Suncani Hvar unit in that nation to finance operations and solve ownership disputes.

Separately, Czech portal Tyden reported that Orco owes €750m to 12 banks and put its total debts at €1.94bn, higher than the previously assumed figure of €1.6bn. Royal Bank of Scotland is the group's biggest creditor at some €305m, with Eurohypo credit put at €150m, alongside domestic banks including CSOB and its parent KBC Bank at €95m. ■ pfe

RUSSIA-CIS/ EMERGING EASTERN EUROPE

Plaza Centers places shares with Polish institutions

Emerging markets developer Plaza Centers has placed all remaining 14.5m ordinary shares held in treasury with a number of Polish institutions at PLN6.5 each to raise about £20.5m for a gross economic gain of £12.8m.

Simultaneously, Plaza's majority shareholder, Israeli company Elbit Imaging, sold to Polish institutional investors 4.8m shares at PLN6.5, cutting its indirect stake to 68.3% of Plaza. CEO Ran Shtarkman said Plaza has seen strong interest from Polish institutional investors since its October 2007 Warsaw listing and was happy to diversify its investor base. Proceeds of about €22m will go to its development program, "as well as exploiting opportunities to acquire additional pipeline projects at attractive prices." Plaza Centers is a member of the Europe Israel Group of companies controlled by founder Mordechai Zisser. ■ pfe

Trigranit plans €1.3bn Slovakian casino with Harrah's

Hungary-based developer TriGranit is planning a €1.3bn entertainment, commercial and conference centre, Metropolis, on a 30ha site south of the Slovakian capital of Bratislava. Las Vegas-based Harrah's Entertainment, the world's largest gaming entertainment company, is one of the operators planned for the complex. Construction is expected to take almost five years.

The site is located at the intersection of highways to Vienna, Bratislava, Budapest and Prague, with four international airports nearby. Trigranit says Metropolis will boost Slovakia's tourism spend and visitor numbers. Metropolis is planned as a multifunctional development with GBA of over 1.2m sq.m. to include retail, leisure, Aqua Park, golf, hotels, casinos, cultural and congress facilities, comparable to the Las Vegas leisure and entertainment complexes. The 29m population of the 220 km catchment area is the main target group, but the development is also expected to serve visitors from all over the world. Trigranit entered Slovakia over 10 years ago and has since developed a number of large projects, including Millennium Towers and Lakeside Park.

Separately, Trigranit named Arpad Torok as its new CEO to replace Lorant Varga, who has left the company. Trigranit said shareholders chose a new CEO to develop an adequate corporate strategy to meet the ongoing challenges of the changing world economy. "The new environment needs new strategy, new impetus, and new management style," a statement said. "Trigranit has always been keen on providing young colleagues with professional challenges." Torok joined Trigranit in 1999 and in 2006 became chief leasing officer and development director for projects in Romania. Trigranit is an integrated investment, development and management company with operations in seven CEE countries, a portfolio of assets, and a pipeline of over €4bn of major mixed-use developments. ■ pfe

CA, UBM top out first phase of €250m Warsaw park

Austrian property investor CA Immo and developer UBM, both Vienna-listed, have topped out the first 45,000 sq.m. phase of the €250m Polezki Business Park on the outskirts of Warsaw after 14 months' construction. The plan is still to establish a modern



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Has French real estate hit bottom or will La Défense stock continue to weigh on prices?

SPEAKERS:



ALAIN CHAUSSARD
Deputy CEO & Vice Chairman, Affine

French REIT/SIIC Affine is a property investor with holdings in Paris, French regions, and Belgium. With gross assets of €1.1 bn, it has re-focused recently on active investment and is discontinuing non-core activities such as third-party development. M. Chaussard is a graduate of the most prestigious engineering school Ecole Centrale de Paris, and Institut d'études politiques, among others. He holds a Masters in mathematics and a postgraduate degree in finance. After a career in banking, he joined Affine as deputy CEO in 1998 and has been its vice-chairman since 2000.



JEAN PAUL DUMORTIER
CEO, Foncière Paris France; President, FSIF

French REIT/SIIC Foncière Paris France, founded in 2005, owns a real estate portfolio of offices and industrial buildings, mainly located in the Paris Region. Dumortier, a lawyer and graduate of ENA, has been Chairman and CEO since founding FPF in May 2005. Since November 2002, he is also the President of the French listed property association FSIF. From 1998-2005, he was also Chairman of Compagnie EMGP and Société Foncière des Pimonts. In earlier years, he was Head Real Estate Investment for Caisse des Dépôts.



SILVIO ESTIENNE
MD, ING Real Estate Management, France

One of the world's leading real estate investment managers, ING REIM manages a portfolio of over €64bn. Prior to joining in July 2008 as MD of the French office, M. Estienne was General Secretary of Promogim, a French developer of residential properties. His experience includes positions of CFO and COO with responsibility for strategy and finance in various real estate firms. Engineer of the École Centrale de Lyon, he holds an MBA of the HEC School of Management, and an MBA from the Sloan Fellows Program of Massachusetts Institute of Technology, USA.



ROLAND FUCHS
MD, Landesbank Hessen-Thüringen (Helaba), Paris Branch

With a workforce of 6,000 and total assets of €180bn, Helaba is one of Germany's leading landesbanks – based in Frankfurt am Main and Erfurt. Helaba maintains a full branch in Paris since January but has been serving France-based companies, banks and insurers since 1995. Hr. Fuchs has over 15 years' experience in pan-European RE finance. He joined Helaba from WestImmo where he was head of origination for continental Europe, and global head of international credit. He now heads the Paris branch and its real estate activities in one of Helaba's core markets.



MODERATOR: ALLAN SAUNDERSON
Managing Editor, Property Investor 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 in 2005.

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office district with a total effective area of 200,000 sq.m. on the 14-ha site by 2015.

Investment in the first section of Poleczki, the largest development scheme currently under way place in Poland faces total building costs of roughly €250m. CA Immo International CEO Bruno Ettenauer told the Property Magazine portal the site has strong potential, with proximity to the airport and the centre of Warsaw and a “holistic model that links up the pieces of the business puzzle – offices, retail outlets, business premises, storage space, logistics and all the required service facilities.” ■ pfe

Austria's Soravia opens Bucharest project, plans €300m more

Austrian developer Soravia has opened its Metropolis mixed development in the Romanian capital of Bucharest and is planning a new office building in the Mihai Bravu area, as well as an outlet or shopping centre in Stefanesti for a projected investment of around €300m.

Soravia owns a 100,000 sq.m. plot on Mihai Bravu Boulevard and a 300,000 sq.m. plot in Stefanesti. It has started pre-marketing and sales activity on the first, Soravia managing partner for CEE Karl Goeth told Business Review. The concept for Stefanesti is still in planning stage. Soravia said Metropolis, built on the site of a former printing house, comprises offices, shops and the first Starlight SuiteHotel Group 4-star apartment hotel in Romania. With investment volume at €60m, this will offer a total area of 29,500 sq.m. with seven floors of modern offices and a retail on the ground floor. The hotel has signed a 20-year lease. The project is Soravia's third project in Bucharest, where it has also built Casa Mosilor, some 2,300 sq.m, of office space, and Smart Office. Both buildings were sold to investment fund Equest Balkan Properties. ■ pfe

Demand for Moscow office rises on rent, supply declines

Demand for office space in Moscow is picking up gradually due to a fall in both rental rates, after the crisis, and supply, as construction slows, according to realtor Cushman & Wakefield Stiles & Riabokobylko in its latest snapshot.

“During the last several months we see an increase of demand for office space,” said CWSR analyst Andrey Malkov. Big deals of over 2,000 sq. m. have started coming back to the market as tenants' activity has been boosted by the slide in rents. “Before the crisis over 60% of the overall demand was supported by foreign companies, but the current level of demand is being maintained mainly by Russian firms. Not many of them are to be counted among the wealthy so that demand for office space in 2010 is likely to be limited.” The total of leased or purchased offices increased in September against the previous month and came up to about 70,000 sq. m. Some stabilisation in rents is setting in, with the average asking rent at \$690 and \$350 per sq. m. p. a. for A and B+ respectively.

In construction, September data show the total amount of new-build quality office was about 24,000 sq. m, including two small business centres of class B+. At the same time, the vacancy rate fell to 23.5% for class A and B offices, down 1% from August. ■ pfe

VEB gets \$500m from Chinese as Sistema delays on Leningradsky

Russian bank VEB has won a five-year, \$500m loan from the Chinese Development Bank to finance a shopping and office complex on Leningradsky Prospect in Moscow. But nearby, at 39 Leningradsky Prospect, developer Sistema-Hals is to finish building Leningradsky Towers three years later than planned, not before the end of 3Q10.

VEB (Vneshekonombank) declined to elaborate on the terms of the Chinese loan, but like other Russian state-owned banks, it has been trying to develop real estate it acquired from firms that have fallen victim to the crisis. Planned is a 480,000 sq. m. complex on the site of Clock-Making Factory No. 2, near Belorussky Station. The site, once owned by Globex Bank, came into VEB's possession after it moved in to take over Globex, which had acute liquidity problems, in October 2008 for a symbolic \$170 price. Before the crisis hit, Globex planned to develop the site into a 26-floor, 220,000-sq.-m. business and shopping centre.

The delay in the Leningradsky Towers construction by Sistema-Hals was announced by the Moscow City government. A spokesman said completion has been moved to the third quarter next year with no fines to imposed on the developer. On the site Sistema-Hals is building two towers on a property owned by the Central Sports Club of the Army CSKA. Total area of the multi-use complex is planned to be over 110,000 sq.m. ■ pfe

Russia slashes Sochi Olympics costs' estimate to \$33bn

Russia's Regional Development Ministry has calculated that preparations for the Olympics in the Black Sea resort of Sochi in 2014 will total just over RUB1 trillion (\$34bn) over four years, and now says that its previous plan, sent for approval to other ministries in July and listing total expenses as RUB1.88tr (\$57bn), was an error.

The ministry estimated, for the first time, that RUB1.05tr, including RUB699bn (\$24bn) from the federal budget, will be spent in 2009–2012 under the program for construction and development of Sochi. Analysts say estimated expenses seem to have risen more than sixfold. Deputy Prime Minister Dmitry Kozak said at the Sochi investment forum recently that building just the 14 main sites - stadia and the Olympic Park - will cost RUB195bn (\$6.7bn).

According to the document, the largest expenses are planned for next year, with RUB349bn (\$12bn) going toward construction, including RUB228bn (\$7.8bn) from the federal budget. Expenses are expect to diminish somewhat. Of the federal budget money planned for next year, RUB71bn (\$2.4bn) are targeted as injections into the capital of Russian Railways (RZD), the Federal Grid Company, Kubanenergo and MRSK Holding. RZD is building the most expensive project, a joint auto and rail link from Sochi's Adler airport to the ski area of Krasnaya Polyana, as well as two railroads, a cargo facility and a hotel. ■ pfe



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***PFE COMMENT:** The financial crisis and its impact on Russia's federal budget has made western companies very wary of participating in Sochi, at least for now. Austria's Strabag is just the latest to have quietly announced its complete withdrawal. The concern is over management resources that must be committed, and high risks over eventual payment for work done. Prime Minister Vladimir Putin would be well advised to provide some external guarantees to re-boot participation, and also to persuade the EBRD to become fully involved.*

Auchan in 200,000 sq.m. Gagarinsky Mall in Moscow

The giant new shopping and entertainment centre Gagarinsky Mall, a 200,000 sq. m. project located near metro station Leninsky Prospect in Moscow, is scheduled to open next May. It is being developed by Moscow Machine-Building Plant named after Sergey Ordzhonikidze with the backing of French hypermarket chain Auchan.

Alexandra Chikareva, at marketing and leasing agent Jones Lang LaSalle, says 30% of leasing agreements are already signed in addition to the anchors. Auchan will take 24,000 sq. m., making it the chain's biggest in the world says Michele Chez, Russian CEO. ■ pfe

France's Carrefour gives up on Russia, for now

The world's second largest food retailer, France's Carrefour, is to pull out of all projects in Russia after less than a year, following its predic-

tion of full-year profits there at the low end of original expectations. The decision to sell all activities is based on "the absence of sufficient organic growth prospects and lack of acquisition opportunities in the short and medium term," a company statement said.

A spokesperson at the French head office said talks with potential buyers for its exposure in Russia have started, but declined to give details. Carrefour started operations in Russia early this year by opening hypermarkets in Moscow and Krasnodar. However, it became clear as early as September that Carrefour Rus significantly cut investments into the Russian market and started cancelling the contracts to buy development land in Russian regions. Early this year the company cancelled the deal to buy local firm Sedmoi Kontinent. ■ pfe

Ukraine's XXI Century waits on bank restructuring

AIM-listed Ukrainian real estate company XXI Century Investments said ongoing negotiations with local banks on the restructuring of its secured credit facilities will further delay publication of its 2008 financial results. Similarly, the interim financial statements for the six months to end-June this year have yet to be released.

"Whilst the main principles of the restructuring agreement have been reached, detailed binding documentation has yet to be finalised," XXI Century said in a statement. The firm expects to finish documentation with the banks shortly, and this should enable auditors to conclude their review and issue opinion on the accounts for the year ending 31 December 2008. The suspension of trading in the company's shares – which occurred in July – remains in place pending publication of the financial statements. ■ pfe

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general manager
SIMON IVANHOE POLAND



CHRISTIAN NICKELS-TESTE
head of treasury europe
and debt capital markets
PROLOGIS MANAGEMENT



PETER OESTERLE
head of asset management
restructuring & sales
IMMOEAST



AGNIESZKA PYRA
chief financial officer/
vice-president
APSYS POLSKA



JOCHEN SCHMIER
fund manager
GLL



MICHELE SMALL
senior banker
EBRD



OTIS L SPENCER
svp, director of
portfolio management
HEITMAN



MICHAEL STERNICKI
general manager poland
AAREAL BANK



TOMASZ SZEWczyk
country managing director
ACTEUM



ROBERT SZTEMBERG
deputy head
business origination
HSH NORDBANK



LUURT VAN DER PLOEG
cfo
MULTI CORPORATION



WALTER WOELFLER
head of asset management
development
IMMOFINANZ



ALVYDAS ZABOLIS
managing partner
ZABOLIS PARTNERS

...and many more...

www.mygri.com/neweurope

Tel +44. 20 8492 2637
maria.gawel@globalrealestate.org