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Italy's Aedes closes second part of refinancing

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Aberdeen, TMW Pramerica extend German open end property fund closures

Both Aberdeen Property Investors and TMW Pramerica, the German real estate funds manager unit of the US Prudential insurance group, have extended closure of their German open-end property funds nominally for another 12 months on concerns that liquidity is not yet adequate to meet potential redemptions that could follow re-opening. In reality, both are likely to press strongly to realise re-openings well within the next year. *(See inside pages for full story)*

French REIT/SIIC Silic sees good nine months

French industrial park REIT/SIIC Silic, 43% controlled by the French mutual insurance and financial services company Groupama, reported a rise in nine-month rental income of 5.7% like-for-like to €126m, driven mainly by indexation and completion of new buildings. It said EBITDA grew at the same pace, thanks to continued control over costs. Based on this, Silic confirmed that growth in pre-tax ordinary cash-flow should be substantially higher in 2009 than in 2008. *(See inside pages for full story)*

PEPR eyes convertibles to offset APG concerns

European listed logistics and warehouses developer and owner ProLogis European Properties, struggling to restructure funding since the global crisis hit, confirmed that it will make a full-year loss on IFRS basis of €1.50 to €1.70 per unit, though EPRA earnings are expected to be in a profit €0.55 and €0.60. PEPR proposed to shareholders in autumn that it convert to a Luxembourg SICAF to raise equity at a discount to net asset value. However the plan was vetoed by senior shareholder APG, Dutch asset manager for the giant ABP pension fund. *(See inside pages for full story)*

Global real estate stocks rally unsustainable, says Lombard Odier Darier Hentsch

Global property stocks have, despite deteriorating fundamentals, had their biggest rally in 35 years since the trough in March but listed property is not attractive at current levels and the rally looks unsustainable, says Swiss bank Lombard Odier Darier Hentsch. "Some might argue that this valuation expansion simply reflects an anticipation of rising capital values, and that a pick-up in NAVs will soon absorb these premia," the bank said in a recent report. "We don't think so, at least not in the short term." *(See inside pages for full story)*

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Aedes is a co-investor and asset manager of real estate funds, services and development with assets at end-December of €4.5bn. The latest restructuring converted the debt into just over 50m ordinary shares and 364,000 special shares, a kind of warrant with limited voting rights, convertible into ordinary stock. It thus boosts Aedes total outstanding equity to 1.1m shares at a subscription price of €0.715 per share. This compares to the recent stock price around €0.25 which gives a current market capitalisation of around €280m.

The rights issue in summer was 74% subscribed after it offered 152 new shares for every 25 held at a price of €0.26, plus a free warrant. A holding company Vi-Ba picked up 26.33% of the issue. The firm and its associate Start Immobiliare are owned by Amenduni. Based in the southern Italian town of Bari and with offices in the northern city of Vicenza Amenduni Nicola is one of the largest producers of special steel, and also manufactures agricultural machines. Amenduni was instrumental in installing a new board earlier this year, but it changed again in September. Aedes CEO is now Francesco Montescani, with Paolo Ingrassia as deputy chairman focusing on foreign investment, finance and participations. Anna Paola Negri-Clementi is also deputy chairman, with a focus on legal issues. Chairman of the board is Tommaso Cartone.

The summer recapitalisation was guaranteed by the same banking consortium involved in converting most of the debt, and was a pre-requisite for the second move. The banks, headed by Intesa Sanpaolo, Monte dei Paschi and UniCredit, guaranteed the rights issue but were not required to subscribe since the entire offer was taken up. ■ **pfe**

PFE COMMENT: *Another opaque and complex restructuring but one that seems – by contrast to Milan's Risanamento - to have almost reached a successful conclusion with the acceptance by the banking group to make the debt-equity conversion. Given the size of the asset base, gradually recovering property valuations and a new board that looks highly competent, Aedes seems to be starting back on a path toward stability.*

Aberdeen, TMW Pramerica extend German RE fund closures

Both Aberdeen Property Investors and TMW Pramerica, the German real estate funds manager unit of the US Prudential insurance group, have extended closure of their German open-end property funds nominally for another 12 months on concerns that liquidity is not yet adequate to meet potential redemptions that could follow re-opening.

In reality, both are likely to press strongly to realise re-openings well within the next year, with the latter having already announced that it intends to re-open its €1.3bn TMW Immobilien Weltfunds before the end of 2009 – as well as to entirely re-focus on certified-sustainable assets. Despite extending the closure, said Marcus Kemmner, TMW Pramerica director of fund marketing, "we want at the same time to specifically stress that we are holding to our declaration in September that the objective remains re-opening before the end of this year." Aberdeen said it will extend the closure of its €1.7bn DEGI Europa fund and boost liquidity via asset sales. "Since closure to certificate redemptions on 30 October 2008, liquidity has been continually raised with the aim of ending the closing. Despite this, liquidity remains inadequate as before to ensure a successful halt to the closure," it said. ■ **pfe** *(Full story and comment upcoming in PIE 141 on 2 November 2009)*

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Based on this, Silic confirmed that growth in pre-tax ordinary cash-flow should be substantially higher in 2009 than in 2008. Average occupancy at end-September was similar to end-June, at 87.8%, with rent renegotiations and tenant default having only a minor impact. The substantial decrease in the cost of finance seen in 1H09 continued at 4.1%, boosting cash-flow. The controlled-risk investment plan in the key business areas of greater Paris continued during 3Q09. Portfolio operating conditions were satisfactory in a continued recessionary economic environment. Silic said that it, like the rest of the market, sees a wait-and-see attitude by companies, coupled with longer negotiation periods.

Silic is the leading business park owner in the Paris region with a portfolio totalling 1.1m sq.m. of office and multi-purpose business space valued at €3.1bn at end-2008. Most is concentrated in three core areas: La Défense and Roissy-Charles de Gaulle and Orly airports. Office buildings account for 78% of the total value. A 5,900 sq.m. building at Nanterre-Préfecture fully let to insurance firm AXA was acquired in early July, boosting revenues. Silic also acquired land to construct 45,000 sq.m. of office space, with the first 23,000 sq.m. building due for completion in mid-2011. The total projected cost is €75m, giving an estimated yield of 8%. Other projects are in progress at Nanterre Seine according to plan; un-let construction projects represent about 5% of the total portfolio in size.

Sources of financing were strengthened during 3Q09, with a new five-year €90m credit facility which will be used mainly to finance the Saint Denis project. At 30 September, Silic had €324m in available resources, including €291m of confirmed credit lines and €33m of authorised overdraft facilities. The board in October cancelled 210,879 treasury shares representing 1.21% of total share capital. Its share price was last trading around €92, giving a market capitalisation of around €1.6bn, and having nearly doubled since March. ■ **pfe**

PEPR eyes convertibles to offset APG restructuring concerns

European listed logistics and warehouses developer and owner ProLogis European Properties, struggling to restructure funding since the global crisis hit, confirmed that it will make a full-year loss on IFRS basis of €1.50 to €1.70 per unit, though EPRA earnings are expected to be in a profit €0.55 and €0.60.

PEPR's unsecured credit facility prohibits cash distributions while it remains below certain financial thresholds; thus it intends to use any profits to pay down debt. PEPR proposed to shareholders in autumn that it convert to a Luxembourg SICAF structure to raise equity at a discount to net asset value – a move its current FCP structure does not allow. However the plan was vetoed by senior shareholder APG, Dutch asset manager for the giant ABP civil service pension fund, concerned about the price dilution implications for its stake.

Because of APG's objections, PEPR is now considering offering convertible preferred units to existing unit holders, which would be executed in multiple tranches. This could be offered at NAV together with a coupon sized to compensate for the present unit price discount to NAV. To facilitate am offering of up to €60m before year end, it is preparing a prospectus incorporating a full portfolio valuation review as at 30 September. PEPR has not ruled out a conversion to a SICAF with a subsequent equity issuance at a price below NAV, if required.

PEPR said that in the first nine months it refinanced or repaid 44% of €1.3bn in debt maturing in 2009/2010, closed €226m of secured new bank loans in 3Q09 alone, maintained a high occupancy rate of 96.3%, extended its 80% customer retention rate, generated €27.5m of distributable cash-flow in 3Q09 – and is in negotiation on over €600m of new secured debt financings while evaluating further capital options as part of its overall deleveraging. "Our financial and operational performance for the first nine months remained resilient during continued challenging market conditions," commented CEO Peter Cassells. "Both our own portfolio management activities and general logistics market trends have been in line with our guidance for the year, and we remain well placed to generate strong levels of income."

Cassells said 2009 continues to be a testing time for European commercial property. "As such, in addition to our debt refinancing initiatives, we are continuing to review capital raising alternatives to provide PEPR with additional financial flexibility… We intend to adopt the plan that will be most beneficial to our investors and expect to announce the plan later in the fourth quarter, once we have received the appropriate approvals," he said. ■ **pfe**

PFE COMMENT: The group is faced with a very slower recovery in its segment, due to the general place in the asset-cycle clock of distribution. It sees the pan-European economy reaching the bottom of the slump but expects recovery in distribution to lag the overall upturn. Though the UK is showing distinct improvement and northern Europe is stabilising, southern and central Europe values are still falling, albeit more slowly. Occupier demand remains weak, with pan-European occupancy down 270bp since mid-2008. Leasing demand is growing at a subdued pace, particularly in northern and southern Europe.

Global property stocks rally unsustainable – Lombard Odier

Global property stocks have, despite deteriorating fundamentals, had their biggest rally in 35 years since the trough in March but listed property is not attractive at current levels and the rally looks unsustainable, says Swiss bank Lombard Odier Darier Hentsch.

It is better to stay cautious, all the more so given the cautious outlook on equities and financials, and considering listed property's poor diversification value for now. Direct real estate on the other hand is attractively valued, and the drivers for a rebound are slowly being put into place.

"Some might argue that this valuation expansion simply reflects an anticipation of rising capital values, and that a pick-up in NAVs will soon absorb these premia," the bank said in a recent report. "We don't think so, at least not in the short term. Fundamentals have not turned the corner yet. Capital values are falling sharply in the US,… They are stabilising in continental Europe, albeit with discrepancies among countries, but rental markets are still under pressure from rising unemployment and vacancy rates. Falling rents, at an accelerating pace, typically translate into renewed downward pressure on prices." Credit markets have improved overall, but access to capital and refinancing remain challenging, suggesting any recovery in direct markets is likely to be slow.

On the positive side, valuations of direct property have now become very appealing, especially in the UK, and to a lesser extent in continental Europe. Risk premia offer an interesting cushion to investors looking for stable income returns in a low interest rate environment, or for a hedge against a possible run-up in inflation.

Global listed property shares have surged by 90% since their 9 March 9 base, led by the UK Singapore, and the US. They have outperformed industrial equities by a substantial margin of 35%. Lombard Odier Darier Hentsch said part of the upturn was justified since some normalisation in risky assets such as listed real estate was due when it became clear that an Armageddon-type scenario would be avoided. Listed property also benefited from the surge in equities, more specifically that financials. The high leverage property stocks largely outperformed the more defensive ones, reflecting investors' remarkable shift from extreme risk aversion to strong risk appetite. ■ **pfe**

Future uncertainty still dominates; fund reporting improves – INREV

Investors and fund managers think it unlikely that the property market will have improved by year-end, out of line with expectations at end-2008, according to the latest survey by the European real estate funds association INREV.

Despite this subdued confidence in the short term, the long-term outlook is positive, with 94% of respondents expecting the market to improve in five years' time. Investors also still consider real estate as an important part of their multi asset portfolio. INREV CEO Lisette van Doorn said: "What we see is a difference in the rebound between the different real estate asset types. Listed real estate is already experiencing considerable capital inflows and the same applies for direct real estate. Non-listed property funds are trailing the other real estate types in the property cycle. Since the beginning of this year they have only attracted 14% of the equity committed to real estate.

"However, investors are considering commitments into non-listed property funds, as there a considerable number of new fund launches and existing fund investment opportunities in due diligence. This may indicate that investors are anticipating opportunities to emerge for non-listed funds not too far in the future."

Uncertainty about the property market, valuation issues and financing difficulties are the main reasons for investors to slow down making new investments. At the same time, fund managers are starting to see light at the end of the tunnel. Almost half of the fund managers (48%) are more confident that they are able to execute transactions at appropriate prices.

Separately, non-listed property funds are moving towards a consistent approach for reporting, with adoption levels of the INREV guidelines continuing to improve, according to another survey. The second annual Review of Reporting Best Practice shows that 81% of the 2008 annual reports surveyed have adopted the majority of the reporting guidelines, compared to 73% in 2007. The number of funds applying at least three-quarters more than doubled to 43%. The guidelines provide fund managers and institutional investors with a common set of principles and recommendations for governance and information provision. ■ **pfe**

BNP Paribas RE Italy partners with developer Inpartner

The Italian development unit of the giant French property group BNP Paribas Real Estate has signed an agreement with Inpartner Servizi to cooperate in real estate development over the coming years. Inpartner has brought a number of projects into the partnership.

BNP Paribas RE Property Development Italy has been operating in Italy since 2007 and is chaired by Bruno Pinard. Inpartner Servizi, a subsidiary of Inpartner, is managed by Cesare Ferrero. The two companies committed to cooperate in real estate that may further consolidate in the coming years. As a result of the agreement, Ferrero will work side by side with Bernard Chittaro as co-managing directors of BNP Paribas Real Estate Property Development Italy and Inpartner Servizi will bring in several ongoing real estate projects. ■ **pfe** *(Full story and comment upcoming in PIE 141 on 2 November 2009)*

Carlyle enters Benelux student housing JV via CEREP III

Global private equity firm The Carlyle Group is expanding real estate operations into Belgium, The Netherlands and Luxembourg through a joint venture with Benelux Property Group, aiming to build a portfolio of student housing. Carlyle will invest through its third European real estate fund CEREP III, which has €2.2bn of equity.

BPG is a JV between Opal Group, the UK's largest private owner of student accommodation, and the MacGregor family. The Carlyle-BPG JV is targeting 5,000-7,000 student beds across a maximum of 20-25 properties over the next five years. Within the joint venture, the firms will provide finance for the acquisition and development of the sites and be responsible for the planning, design and construction phases. The finished products will then be let, on long leases of 20-25 years, to City Living (in which Carlyle is also a minority stakeholder) which will operate the business.

The JV aims to develop City Living into the leading student accommodation operator in Benelux. Agnès Riban, associate director of Carlyle, based in Paris, will be responsible for overseeing Carlyle's investments in the region. The first of the joint venture's portfolio properties (a newly refurbished 146-room student housing unit in Liege, Belgium) has been 100% let since opening in September 2008. The second property in The Hague, The Netherlands, will be ready for occupation at the start of the September 2013 academic year. ■ **pfe** *(Full story with comment upcoming in PIE 141 on Monday 2 November)*

Frankfurt's DIC launches tender for MainTor design

Frankfurt's Deutsche Immobilien Chancen group, principally represented by listed firm DIC Asset, has launched the architectural advisory procedure for two high-rise buildings in its €500m MainTor construction project.

Seven architectural firms asked to present future-orientated drafts for both the WinX and MainTor Panorama office buildings. Additionally, DIC has submitted to the City of Frankfurt its construction application for the first phase of a separate construction MainTor Porta. Approval is expected in spring 2010.

The eight-member panel of judges consists of independent construction experts, representatives of the City of Frankfurt and the commercial real estate investor DIC – which manags commercial propert in Germany worth some €3.3bn.

The committee will, at the beginning of December, name three award winners from the seven submitted drafts. Apart from architecture and usability, the committee will especially focus on sustainability: Both office buildings are aiming to try to win a LEED, Green Building Gold or DGNB certificate based on energy efficiency, ecology and profitability criteria. ■ **pfe**

German prime office yield upward trend comes to halt

Prime yields on office buildings in the big five German office markets of Berlin, Düsseldorf, Frankfurt, Hamburg and Munich remained largely unchanged over the past three months, according to international real estate advisor Savills.

In Düsseldorf, Hamburg and Munich, net initial yields achieved for properties in central business districts remained stable, whereas in Berlin and Frankfurt they even contracted by 10bp. This suggests that the outward movement in yields, which has continued for almost two years, has now stopped. Furthermore, this is underpinned by the fact that even in non-CBD locations within these five cities prime yields have remained stable compared to the previous quarter with the exception of Munich where they continued to rise (+ 40bp).

The lowest prime yields are currently recorded on properties located in the CBD of Munich (4.8%), followed by Hamburg (5.0%), Düsseldorf (5.2%), Frankfurt and Berlin (5.4% each). The lowest risk premiums are noted in cities in which experts are attributing the most favourable economic prospects.

Compared to their autumn 2007 low, yields on properties in central locations have risen by 70bp on average. The highest boost was noted in the traditionally volatile Frankfurt market (+ 120bp) whilst the lowest was recorded in Munich and Hamburg (+ 50bp each). On office buildings located outside the central business districts the outward movement was even significantly higher with Berlin showing the highest volatility with a + 200bp rise.

Savills Germany MD Lars-Oliver Breuer commented: "As demand for office buildings has picked up slightly during the past few months and many market players have overcome their state of shock, yields are not due to rise further." This is supported by the fact that some European markets such as London or Oslo have already recorded falling yields in 3Q09. While a further rise in yields will not occur due to the emerging stabilisation of the economic environment, it remains unclear whether yields will fall. ■ **pfe**

Eurohypo's new €1bn mortgage Pfandbrief follows first public jumbo

Commerzbank subsidiary Eurohypo in mid-October issued its fifth jumbo Pfandbrief covered bond of the year. It placed a 5-year bond with a benchmark volume of €1bn in a matter of hours. The launch came just six weeks after it issued its first public jumbo Pfandbrief since 2007, at the start of September.

Eurohypo, Europe's largest Pfandbrief issuer, has now placed €6.5bn in jumbo Pfandbriefe on the capital market this year, of which €5.5bn backed by mortgages. Over 100 investors subscribed to the latest issue, resulting in an oversubscription of 30%. The transaction was overseen by a consortium comprising Barclays, BNP Paribas, Commerzbank, Deutsche Bank and Nord LB. With this issue, maturing in January 2015, Eurohypo was again able to take advantage of an improving market situation. All three rating agencies - Moody's, Standard & Poor's, Fitch - awarded the jumbo their highest ratings, and the spread was in line with the market at 25bp above the swap average.

"Not only does this serve as a further indication of continued normalisation on the markets, it is also proof of Eurohypo's high standing on the capital market," the bank said. Demand came mainly from banks, funds and central banks. With a share of 68%, German investors were the largest group but it was also in demand from investors in France, Italy, Scandinavia, Asia, Austria and Switzerland. ■ **pfe** *(Full story and comment upcoming in PIE 141 on 2 November 2009)*

Vienna's Immofinanz, Immoeast operations improving

Vienna's rapidly restructuring Immofinanz showed satisfactory operational business development in the first quarter of its new business year to end-July, particularly due to successful asset sales and restructuring measures. It turned in a consolidated profit of €101m, turning round a loss of €96.7m at the same time last year.

Earnings before tax totalled €119.2m in the quarter just ended compared to a loss of the same amount last year. Adjusted for exchange rate effects, profit this year would be €165m. Gross cash-flow fell slightly €91.6m. The group generated rental income of €135m, a slight decline of 2% compared to the same period last year. This was mainly attributed to sales of real estate in the last 12 months. Revenues rose by 3% to €186.4m, and EBITDA increased by 5% from to €108.8m. Net asset value at end-July was €5.37 per share, giving a discount to the share price of €2.78 in late Septembe of 48%. Earnings per share reached €0.11 thus positive again.

Separately, Immoeast, which Immofinanz owns at 54% of equity and which will soon be merged into the larger group, reported consolidated profit of €110m, turning round a loss of €52.6m in the first quarter of the 2008/9 financial year. Rental income in its first quarter this year reached €113.6m, an increase of 79%. Revenues rose by 92% to €162.2m, and EBITDA rose from €33.7m to €97.9m. Every indicator has benefited from the newly acquired segment Immoaustria. NAV per share was €7.25, giving a discount to the share price at end September of around 45%. Earnings per share for the first quarter of the 2009/10 financial year was €0.13 and therefore positive again. ■ **pfe**

WestImmo closes €100m secured loan for ProLogis European

Westdeutsche ImmobilienBank has completed €100m of structured financing with ProLogis, a leading global provider of distribution facilities, on behalf of its restructuring ProLogis European Properties Fund II.

The five-year €100m loan matures in August 2014, with a 55% loan-to-value secured by a portfolio of 14 German and UK prime distribution facilities.

Called "a reliable partner" in Europe and Japan by ProLogis' head of Treasury Europe Christian Nickels-Teske, WestImmo is the centre of competence for real estate financing within the WestLB group. The bank is represented in a number of major cities around the world including Berlin, London, New York, Paris, Warsaw and Tokyo. ProLogis is a global provider of distribution facilities, with more than 44m sq.m. of industrial space in markets across North America, Europe and Asia. ■ pfe

Austria's CA Immo to sell shares off mkt, issues €150m bond

Austrian listed property investor CA Immo is to resell off the stock market up to 1.5m of its own shares, 1.71 % of equity, which it purchased between July and October 2008 in a buy-back program. It also recently launched a €150m bond issue, which was subscribed within 24 hours mainly due to strong demand from Austrian retail investors.

Both moves aim to further strengthen liquidity within the group. The share sale is based on an authorisation granted by a shareholders meeting in May 2008 to execute the sale of own shares previously acquired in a way other than via the stock exchange. In the bond issue placement, retail sales accounted for up to 80% of the volume, the firm said. Book building was completed ahead of time, with the bond subscribed twice over within 24 hours due to strong demand from private investors in Austria. The bond will be listed in the prime market segment of the Vienna Stock Exchange. The term is set at five years and the interest rate has been fixed at 6.125% p.a., producing a yield upon issue of 5.836% p.a. Lead manager for the transaction was UniCredit CAIB. ■ **pfe** *(Full story and comment upcoming in PIE 141 on 2 November 2009)*

Inflation less of a risk for property than deflation – Cushman

Inflationary forces are likely to take root in European real estate only when economic growth is firmly re-established, and in the short term price pressures look set to be volatile but subdued, and deflation is more of an issue, acccording to realtor Cushman & Wakefield.

The report focuses on the regional risks associated with inflation and deflation while assessing the impact of these important drivers on commercial real estate investments in each area. Europe is currently in transition from relatively strong inflation in 2008 to much lower inflation or even deflation now. Looking ahead, conflicting pressures are clear. But there are differing timeframes over which these will impact, with most inflationary forces only likely to take root once economic growth is firmly re-established.

In the short term - which may mean one, two or even three years - price pressures look set to be volatile but subdued and while perhaps not sustained or widespread, deflation will be an issue as domestic demand remains muted, government and central bank stimulus run their course and internal deflation provides a route to restore competitiveness. As with growth however, inflation and deflation trends will vary significantly in different parts of Europe and for real estate, strategies will clearly need to vary market by market, C&W said. ■ **pfe**

Sweden's Kungsleden pays €51m for Northern Logistic assets

Listed Swedish property company Kungsleden is acquiring five commercial properties of Northern Logistic Property of Norway for a purchase price of SEK525m (€51.23m) before deferred tax. The properties, which have gross leasable area of 109,000 sq.m. and total rental value over €4.68m p.a., consist of warehouse and logistics premises located in southern and central Sweden.

"These properties fit Kungsleden's portfolio in terms of their high and stable yield," commented Kungsleden CEO Thomas Erséus. "They're properties we know well, with good tenants. We sold them last year at a good price, and are now buying them back at a good price."

Kungsleden as of 30 June 2009, owned a property portfolio comprising 584 assets with a book value of SEK21.2bn (€2.1bn). The holdings are located in 131 municipalities, although concentrated on the Swedish provinces of Götaland and Svealand, and the Öresund region. Kungsleden has been quoted on the OMX Nordic Exchange Stockholm since 1999. ■ **pfe**

German OEF Commerz Real in €120m Paris buy

Commerz Real, the funds manager of Germany's Commerzbank, has reinforced its commitment in Paris by acquiring Espace Kléber office scheme from French SIIC/REIT Klépierre for a total investment volume of €120m for hausInvest europa open-end fund.

The fully let property comes with a lettable area of 10,600 sq.m. Main tenant is the private Swiss bank Crédit Suisse, which uses about 70% of the total floor space as its French HQ. The other tenant is a global leader in environmental services. Seller of the property was Klépierre France, the shopping centre operator controlled by BNP Paribas banking group.

Commerz Real Board Member Hans-Joachim Kühl commented: "With the acquisition of the Espace Kléber property we have expanded our commitment in Paris. In April and August of this year, two of our institutional real estate funds invested in two office buildings located in the prime location between Arc de Triomphe and Trocadéro. In addition, we were able to sign the deed for the 'Le Flavia' property in Ivry-sur-Marne near Paris in September, also earmarked for the hausInvest europa open-ended real estate fund," ■ **pfe**

PFE COMMENT: The French real estate community is somewhat surprised and bemused but in any case pleased about the strength of German fund demand for all kinds of real estate in the Paris region in particular. For their part, German fund investors – which, increasingly, also includes the closed mutual funds as well as open-end mutual and institutional funds – see France as a natural and stable investment target as the global financial crisis seems to be easing. On top of that comes the advantage of many German banking partners in the revival of the Pfandbrief funding market.

DPB agrees €900m facility for Hochtief, Redwood, aurelis

Deutsche Pfandbriefbank and aurelis Asset, together with investors Hochtief Project Developers and Redwood Grove International, have agreed an investment finance facility slightly in excess of €900m.

The facility will be used to refinance the bridge loan taken out upon the acquisition of Aurelis 21 months ago when Hochtief and RGI acquired 50% stake each in aurelis from Deutsche Bahn. aurelis' portfolio currently comprises around 1,300 existing properties and plots for development with an aggregate space of 22.9m sq.m. across Germany. Around 70% of the portfolio is located in key growth regions, predominantly in prime inner-city locations.

Reinhold Güntner, Head of Real Estate Finance Germany for DPB, formerly Hypo Real Estate, commented: "I am delighted that we are able to continue our relationship with one of our most important clients on a long-term basis. The transaction demonstrates our ability to provide tailor-made financings to our clients even in a difficult capital markets environment." ■ **pfe**

Greek building permits drop 16.9% YOY in July

Greek construction activity, measured by the number of new building permits, dropped 16.9% year-on-year in July after a 14.7% fall in June, statistics service data showed.

Building activity in the first seven months of 2009 was down 15.8%, reflecting the slowdown of Greece's economy. Greece is teetering near its first recession since 1993, hit by the global downturn. According to European Commission and IMF forecasts, Greek gross domestic product (GDP) is seen contracting between 0.9 and 1.7%.

NSS said 6,519 new permits were issued nationwide in July, corresponding to 1.5m sq.m. versus 7,846 permits in the same month a year earlier, which covered 2.0m sq.m. ■ **pfe**

Swiss Equity
real estate day

Die Konferenz für Immobilieninvestments

Hotel Park Hyatt, Zürich
1. Dezember 2009

Das Swiss Equity magazin veranstaltet am 1. Dezember 2009 zum dritten Mal den Swiss Equity real estate day, die **führende Fachkonferenz für direkte und indirekte Immobilienanlagen.** Die Veranstaltung richtet sich an professionelle Investoren, Analysten und Branchenexperten.

An dem eintägigen Anlass präsentieren **26 Firmen** aus der Schweiz und aus dem Ausland ihre neuesten Projekte, geben Auskunft zur aktuellen Geschäftsentwicklung und den Entwicklungen in der Immobilienwelt. Zudem informieren **dreizehn Fachvorträge** sowie **sechs Paneldiskussionsgespräche** mit hochkarätigen Teilnehmern über die Trends der Branche. Das Keynote Referat **«Will European real estate protect investors from inflation?»** wird **Dr. Andrew Baum,** Professor der renommierten Henley Business School und University of Cambridge, halten.

Dr. Andrew Baum
Professor
Henley Business School
and University of
Cambridge, UK

Anton Affentranger
CEO und Verwaltungsrats-
präsident
Implenia AG

Dr. Tomas Wolfensberger
CEO
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RUSSIA/CIS – CEE

Warimpex quickly completes €8.1m capital increase

Vienna-based listed CEE hotel and office developer Warimpex has completed a capital increase after the conclusion of the accelerated book-building process. It placed 3.6m new bearer shares, equivalent to 9.99% of current share capital with institutional investors under the exclusion of shareholder subscription rights at a price of €2.25 to raise a total of €8.1m.

The issue proceeds will primarily be used to finance new projects. "After a long period at very high levels, prices for properties at good locations have come back down to reasonable levels in central and eastern Europe since last year. Now is a good time for new investments – but this window of opportunity will soon close again. So we must act decisively and move quickly to seize these opportunities," said Warimpex CEO Franz Jurkowitsch.

The issue was significantly oversubscribed. The new shares are envisaged to be admitted on or around 29 October in the prime market segment of the Vienna Stock Exchange, and should be admitted to trading soon on the Warsaw Stock Exchange. "The proceeds from this capital measure will increase the company's flexibility and enable it to act quickly when the need or opportunities arise," the company said. The exclusion of shareholder subscription rights has increased the company's investor base and the number of shares in free-float.

Properties are especially to be purchased for the development of further three-star budget hotels under the Campanile and Premiere Classe brands and for the expansion of the successful four-star angelo brand in CEE. The capital raised will also be used for the selective purchase of distressed assets, to optimise the current financing structure and to strengthen the equity base. The company said the hotel market, which is early cyclical and reacts to changes nearly on a daily basis, is being boosted by the current economic recovery. This has been apparent in its operating statistics, which already began to rise in some areas at the start of the second half of the year.

Warimpex, listed in Vienna and Warsaw, has developed properties worth over €1bn in CEE over 25 years and currently owns or jointly owns 20 business and luxury hotels with over 4,800 rooms and five commercial and office buildings totalling about 28,000 sq.m., mostly in CEE. Heinrich Geyer was also elected supervisory board chairman at the EGM, following the unexpected demise of his predecessor Alarich Fenyves last month. ■ **pfe**

Echo Investment launches operations in Ukraine with Kiev office project

Warsaw-listed developer and manager Echo Investment plans to construct an office park with leasable area of some 100,000 sq.m. in Kiev, Ukraine. Echo bought 100% of Ukrainian firm Yevrobudgarant for about $26m which owns the property for the project.

The investment stems from Echo's strategy of expanding property development operations throughout CEE countries, says CEO Piotr Gromniak. It began investing in Hungary in 2006 and Romania in 2007, and has had a presence in Ukraine since 2007. Echo has been closely monitoring the market for several years with the aim of purchasing an attractive land plot for a commercial project. It was worth waiting, Gromniak said. Prices of land, the speed of administrative processes and demand/supply relationships have reached much more attractive levels since the global economic slowdown.

The office park will be built on a 4.3 ha plot. Echo already has Kiev City Council permission for purchase of rights to the property. Design work will begin this year, and the project will be carried out in stages, with construction of the first stage to start in 1Q11 for completion in 2Q12. Echo director Waldemar Lesiak says Kiev is a fast-developing market and the offer of almost

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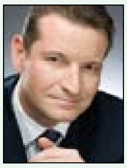
Germany/Austria Property Breakfast

Is Germany-Austria real estate next on foreign buy lists after UK and Paris, or do value depreciations have further to go?

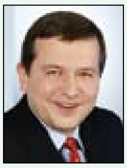
SPEAKERS:

ALEXANDER VON CRAMM
Chief Financial Officer, Prime Office, Munich
Prime Office has a portfolio of €1bn invested in high-quality office properties in Germany, with a diversified range of assets, locations and tenants. It retains the aim of converting into a REIT at the appropriate time. Hr. von Cramm, after studies in the US, began as a trainee with Deutsche Bank, becoming personal assistant of then-board Spokesman Hilmar Kopper. He transferred into investment banking with Morgan Stanley, and worked for Vivacon and KWG Wohnen before joining Prime Office in September 2007.

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



STEPHAN RIND
Chief Executive Officer, Colonia Real Estate, Cologne
Colonia is one of Germany's leading listed real estate investment and asset management groups, with more than €3bn under management. Investment focuses on high-yield residential property for own account, and opportunistic co-investments with partners in commercial real estate and housing. Prior to becoming CEO in 2003, Hr. Rind was CIO of the Fortman Cline Group in Switzerland from 1997 to 2002, now Colonia's largest shareholder. He started his career in 1991 at Prudential Securities in New York and Düsseldorf.



HOLGER SCHMIDTMAYR
Board Member, Sparkassen Immobilien, Vienna
Sparkassen Immo is Austria's longest-standing listed property company, now with a portfolio of 263 residential, office, business and hotel properties, valued at €1.83bn. Hr. Schmidtmayr has board responsibility for acquisition/divestments and was previously head of CEE expansion. Holding a Master of Law and an MBA from the University of Vienna, his prior positions included trade finance at Erste Bank, structured finance and infrastructure at GiroCredit, and in the Austrian Interior Ministry.

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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Czech Lighthouse starts 220m Prague mall/office project

Czech mixed developer Lighthouse group has started construction of its 42,000 sq.m. Prague shopping mall Galerie Harfa, the first phase of a €220m shopping-office development on a 15,000 sq.m. plot by the Czech capital’s sporting and cultural venue 02 Arena. But the project will open later than initially planned.

Eurohypo said in summer last year it was providing funding of €147.5m for the centre, to include 39,000 sq.m. of retail space and nearly15,000 sq.m. of office space for completion in June 2010. This month, Prague office chief Udo Scholssere told CiJ magazine Eurohypo is committed to lending €180m out of a total €220m in financing costs for the project. The financing, expected to be the bank’s last transaction in the Czech Republic for the foreseeable future, is on favourable pre-crisis conditions with only 30-40% pre-release figures required for both the mall and office.

Some 50% of the retail space - which may be the only mall to open in Prague in the next two or three years - is already spoken for, according to Jones Lang LaSalle senior retail consultant Sylvie Samada. She says the market is slowly getting better, though many potential tenants do not want to sign until 2011: the backup opening date of spring 2011 may be more realistic than the current target of September 2010. No tenants are yet signed for the office component, expected to take two years.

Lighthouse shareholders are Deutsche Bank’s RREEF Alternative Investments, CEE developer Globe Trade Center, Israeli property investor Scorpio Real Estate and Alliance Holdings & Developments. Lighthouse founder and CEO Tamin Winterstein has also told Czech media the developer has secured financing for all its pipeline projects in the next five years, including the second phase of mixed residential and office project Prague Marina, as well as Galerie Harfa. ■ **pfe**

Deutsche pays €100m for Bucharest office building

The real estate division of Deutsche Bank last week signed the contract to buy Bucharest’s tallest office building, BOC, located in Pipera, in a deal put at over €100m. The recently-completed BOC with a 57,000 sq.m. lettable area is mostly rented, consultants involved in the deal told Ziarul Financiar newspaper. The building is part of the UpGround project developed by a group of UK and Greek businessmen represented by Ioannis Papalekas.

The project also includes an office building and two residential buildings in northern Bucharest. All should become the property of Deutsche Bank on completion, for a total price of some €340m, as part of a deal signed in 2008. “Everybody was sceptical about this deal, but on Friday we signed for the second closing, for the second office building in the project. There is one more stage to go, namely the residential buildings, which should be completed next year,” said Ioana Niculeasa, partner of law firm Nestor Nestor Diculescu Kingston Petersen, which assisted Deutsche Bank.

Deutsche went ahead with the acquisition even though rents on the office space market are falling. Market sources say future tenants include Banca Romaneasca and market research company GfK. National Bank of Greece London and Bank of Cyprus financed the acquisition, and also financed the developers in building the project. The conditions required a minimum occupancy and rent level on completion, which was achieved. ■ **pfe**

Argo fund opens phase 1 of Riviera mall in Odessa

Argo Real Estate Opportunities Fund has opened the first phase of Riviera Shopping City in Odessa, Ukraine, an entertainment and shopping centre with a total built area of some 85,000 sq.m. and leasable area of 65,000 sq.m. No financial details were provided.

Phase one encompasses over 80 stores and some 50,000 sq. m. of leasable area. Phase two, comprising some 15,000 sq. m. of leisure, family entertainment and retail will be completed at the end of 2009 and will make Riviera into Ukraine’s largest shopping and entertainment complex. Robert Provine, Manager of Argo Capital Management Property, said: “We are proud to have delivered this important project during a difficult economic climate. I believe the fact that we are able to launch at this time reflects well on Riviera’s strong appeal to retailers and entertainment operators, as a modern, high quality development in an area which is currently undersupplied.” DGL is a US-based multi-national real estate and investment firm with presence in UK, Canada, Italy, Caribbean, Ukraine, Moldova, Slovakia, and Romania. ■ **pfe**

Rutley pulls plug on Russian property fund

Rutley Capital Partners, the real estate private equity arm of Knight Frank London, has given up plans to invest in Russian commercial real estate through its Rutley Russia Property Fund.

In 2007, the company pledged to invest up to $1bn in Russia, and the RRPF was managed by a joint venture between Rutley Capital Partners, several partners of Knight Frank Russia, GVA Sawyer, and Duet Private Equity. Cameron Sawyer, president of GVA Sawyer, confirmed the cancellation of the fund and the reimbursement of the equity to investors due to growing risks in the Russian property market. In 2007, RRPF completed its first fund raising of some $100m as a private placement and said it would invest the proceeds in office, retail, and industrial properties in Moscow, St. Petersburg and in larger Russian regional cities. So far the fund has bought a car services centre of 5,300 sq. m. in Kiev for $20m.

As a result of the crisis, credit in Russia has dried up and the fund manager has offered investors the possibility to change strategy or to give the money back. Investors chose to be reimbursed, and have already received a total of $80m while the remaining $20m will be transferred after the sale of the car centre. ■ **pfe** www.pfeurope.eu

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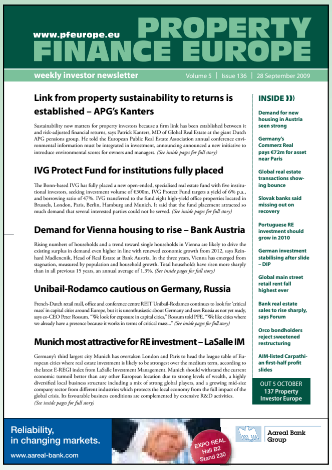
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