

European property at turning point, total returns rising, forecasts Aberdeen

Property markets in Europe have reached a turning point and the performance outlook continues to recover, says Aberdeen Property Investors. It raised its five-year average total all-property return forecast for the eurozone to 6.7% from 6.4% foreseen last quarter. *(See inside pages for full story)*

French REIT Icade said to acquire Cie Lucette

The French REIT/SIIC Icade is about to acquire Compagnie La Lucette, a listed counterpart group controlled by Morgan Stanley which has struggled with valuation downgrades and a high debt load, reported the La Tribune newspaper. Lucette CEO Stephane Theuriau resigned in June to take over Cogedim Entreprise, a private equity unit of the listed retail French SIIC/REIT Alta-rea. *(See inside pages for full story)*

Unibail eyes Simon's Euro-assets, exits FBI status

French-Dutch retail mall giant Unibail-Rodamco is in negotiation with US REIT Simon Property to purchase five properties in France and one in Poland from the latter's shopping centre portfolio, according to the internet site Wansquare. Neither has yet confirmed the talks but the 102,000 sq.m. Arkadia mall in Warsaw alone is worth €550m and the total transaction would be worth over €1bn. *(See inside pages for full story)*

German housing firm GSW starts IPO preparations

Berlin-based housing company GSW, controlled by Goldman Sachs' Whitehall Funds and private equity group Cerberus, is eyeing a stock exchange listing in the New Year, and preparations for an IPO moved into higher gear in November. GSW would have total market valuation of up to €900m. *(See inside pages for full story)*

Colony, Orion buy Goldman Sachs out of its part of €4.2bn loan to Spain's Colonial

Colony Capital and Orion Capital Managers have acquired the Goldman Sachs portion of a €4.2bn syndicated loan to restructuring Spanish listed group Inmobiliaria Colonial. The firms are "confident in the excellent quality of Colonial's real estate portfolios in Spain and France and in the strength of the group's management." *(See inside pages for full story)*

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Last issue for 2009: Happy, Healthy and Prosperous New Year 2010 from all at PIE/PFE!

In this last issue of PIE/PFE for 2009, all the team wishes a very happy, healthy and prosperous 2010 to you, our Reader, and your family. May all your wishes come true and all your problems be slight. We now take a break, and are back with the first PFE Online Weekly of 2010 on 11 January, and the first PIE Print-Online magazine on 1 February 2010 – **Allan Sanderson, Managing Editor**

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European property at turning point, returns rising – Aberdeen

Property markets in Europe have reached a turning point and the performance outlook continues to recover, largely driven by improving capital market conditions, says Aberdeen Property Investors. It raised the five-year average total return forecast for all property in the eurozone to 6.7% from 6.4% foreseen last quarter.

It is latest quarterly report, Aberdeen said property now looks cheap from an historic perspective and relative to other asset classes. There is mounting pressure on prime yields to come down, particularly given the wide gap in property yields relative to equities and real bonds. This process has already started in leading markets such as London, Paris and Oslo, where prime assets in particular are in strong demand. "Although occupier market conditions are still weak, the pace of decline regarding tenant demand no longer seems to be deteriorating in many markets, and there is the 'risk' that office rental growth may come back sooner rather than later," it said. "Outside the prime areas, the situation is quite different. Demand for secondary property is relatively low and secondary yields are stabilising at best."

Office yields are likely to compress a little more than retail yields in 2010, due to the more cyclical nature of office markets and also due to stronger price correction in many office markets across Europe. In terms of capital value decline, most European markets will bottom out between late 2009 and end-2010.

"The timing for investors to increase exposure to European property is actually very good now," commented Aberdeen's Western Europe Research Director Gert-Jan Kapiteyn. "However, investors will have to rely less on leverage as a driver of performance .. as banks will be less willing and able to provide cheap finance. Less gearing .. will also help institutional investors, of whom many are looking for the liability hedging qualities of property investing: high income returns, return stability, inflation protection and portfolio diversification."

The report said that in geographic terms it continued to favour property markets in the UK and the Nordics. The stability of returns in key countries such as Germany and France also look attractive in the context of volatile economic conditions. The Russian property market, although being significantly more

risky, is expected to become more attractively priced next year, while southern and central Europe are expected to underperform in the short term. ■ pfe

French REIT Icade said to acquire Cie Lucette

The French REIT/SIIC Icade is about to acquire Compagnie La Lucette, a listed counterpart group controlled by Morgan Stanley, which has struggled amid the global crisis with valuation downgrades amid a high debt liability, reports the La Tribune newspaper.

Neither company has commented so far on the report, which said that the Icade board will make a final decision on the acquisition late this week. The move has seemed increasingly likely since Lucette CEO Stephane Theuriau, brought in three years ago by MSREF from London, announced his resignation in June to take over at the head of Cogedim Entreprise, a commercial real estate private equity unit of the listed retail French SIIC/REIT Altarea. He replaced Jean-Luc Brohard in the job, who joined SEFRI-CIME after a long career at Altarea.

Compagnie la Lucette owned a real estate portfolio worth €1.6bn at end-June 30, mainly focused on offices and warehouses in the Paris Ile de France region. It took fair value charges of a negative €222m in the first half of 2009, declaring a group share net loss almost deep, at €211m. Its liquidation net asset value per share was €13.6 at mid-year, almost halved from €25.3 just 12 months earlier. Its stock was last trading at €11.23, giving a market capitalisation of around €300m. Morgan Stanley owns just under 95% of equity. ■ pfe

PFE COMMENT: This looks like by far the best solution for Lucette, which shows no real sign of digging itself out from the hole even though valuations are beginning to stabilise and even move higher now. Leveraged at nearly 64%, the portfolio has shown itself to be anything but wisely selected over the last few years - added to which MS, under the terms of SIIC 4 legislation, would be faced with cutting its stake severely to under 60% if it wanted to stay in Lucette and keep control. Best to cut losses now, perhaps, providing a nice portfolio boost for Icade boss Serge Grzybowski at a well-timed moment in the cycle.

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Unibail to buy Simon's European portfolio, exits FBI status

French-Dutch retail mall giant Unibail-Rodamco is in negotiation with US REIT Simon Property to purchase assets from the latter's shopping centre portfolio in Europe, comprising five properties in France and one in Poland, according to the internet site Wansquare.

Neither companies have yet confirmed the talks but the 102,000 sq.m. Arkadia mall in Warsaw alone is worth €550m so that the total transaction is worth well over €1bn in total. Simon in Europe entered a 50/50 joint venture with the Canada investor Ivanhoe Cambridge to acquire the group BEG which owns seven malls in Europe, of which five in France – two assets at Torcy in southwestern France totalling around 95,000 sq.m., at Bagnolet, at Villabé in the south of Paris, and in the town of Wasquehal.

Wansquare said the sale to Unibail-Rodamco, which with a portfolio of over 450 malls is by far the largest retail owner and developer in Europe, is probably motivated by Simon Property's desire to raise liquidity for an eventual takeover of one of its main US competitors General Growth Properties. The latter owns more than 200 malls valued last spring at just under \$30bn.

Separately, in a move that will be seen as a wake-up call to the Dutch government to clarify real estate legislation, the giant shopping centre group Unibail-Rodamco is to exit from the Dutch FBI/REIT fiscal regime at the start of 2010, and retain only its French SIIC/REIT status.

The Franco-Dutch group said it expects to lose the benefit from the tax exemption of its Dutch activities provided by the FBI regime from 1 January but anticipates this will have no material impact on its results due to significant Dutch tax-loss carry forwards, resulting from the decline in real estate values since the merger between Unibail and Rodamco Europe, and the implementation of other measures. The Dutch real estate portfolio currently represents 13% of the group's total real estate portfolio. "If the Dutch FBI structure were to evolve in line with most other international REIT regimes, Unibail-Rodamco SE might reconsider re-entry," it said in a statement. ■ pfe

German housing firm GSW starts IPO preparations

Berlin-based housing company GSW, controlled by Goldman Sachs' Whitehall Funds and private equity group Cerberus, is one of the largest real estate portfolios eyeing a stock exchange listing in the New Year, and preparations for an IPO moved into higher gear in November.

The Financial Times Deutschland newspaper, quoting internal sources, said GSW could have a total market valuation of up to €900m and would be a candidate for the MDAX medium-company segment of the Frankfurt Stock Exchange. Goldman Sachs and Deutsche Bank have been mandated to lead manage the placement. No further details or confirmation were available.

GSW, the largest housing company in ownership of Berlin city holding around 66,000 apartment units, was sold in 2004, along with debt of nearly €1.6bn. The two investments groups took

90% and a Berlin holding firm, Context, the remaining 10% - originally undertaking to keep their stakes for a period of 10 years. The GSW portfolio now numbers around 70,000 apartments, and the company has traded profitably for the last two years, earning around €100m annually at the operating level. ■ pfe

PFE COMMENT: The GSW listing, which has been widely expected, cannot be as a REIT since German legislation does not allow housing as an eligible asset - though the new federal coalition agreement explicitly leaves open the door for an eventual elimination of this veto. The two funds are seeking capital now, in particular Whitehall, where a number of pension funds are expected to withdraw equity over the next year.

Colony, Orion buy Goldman Sachs part of €4.2bn loan Colonial

Two private equity and opportunity funds, Colony Capital and Orion Capital Managers, have acquired from Goldman Sachs its portion of a €4.2bn syndicated loan to restructuring Spanish listed group Inmobiliaria Colonial.

Neither Colony nor Orion gave further financial details or the percentage of face value paid for the debt, but said they are, "confident in the excellent quality of Colonial's real estate portfolios in Spain and France and in the strength of the group's management. Colony and Orion are therefore supportive of the current restructuring process." Colonial management is now headed by Chairman Juan Jose Brugera Clavero, a former deputy CEO of the company until 2006, and Pere Vinolas Serra, a professor at the ESADE Barcelona University with experience in real estate company turnrounds. The duo was brought in by domestic and international banks who took over the group early last year after it was threatened with collapse under a huge debt load. Colonial now holds a real estate portfolio valued at more than €8.9bn, with its property objective clearly concentrated on rental and development of office buildings.

Colony Capital is one of the largest real estate private equity groups, headquartered in Los Angeles and headed by Tom Barrack. It has invested more than \$39bn in over 8,800. Headed in Europe by Paris-based Sebastian Bazin, investments include Accor, Carrefour, BUT, Data IV data centres, La Tour Hospital in Geneva and the hotel Chateau Lascombes. Its investment in Colonial will be made via funds Colony Investors VIII and Colyzeo Investors II. Orion Capital Managers, owned by founding partners Aref H. Lahham, Van J. Stults and Bruce C. Bossom, manages around €10bn through Orion European Real Estate Funds I, II and III and the core fund Orion Income Return Partners. These target a wide range of real estate investments throughout Europe. ■ pfe

PFE COMMENT: Still more evidence that Goldman Sachs is building up liquidity ahead of what looks like a difficult year for its real estate operations, and its Whitehall Funds. Neither Colony nor Orion are known for paying other than rock-bottom prices for assets. See also the PFE comment on the German GSW flotation being planned for early 2010.

Internos acquires remains of GPT Halverton for nominal €2

The London-based Internos Real Investors, launched in 2008 by Jos Short and Andrew Thornton, has acquired GPT Halverton, the European property fund management arm of Australia's GPT Group for the nominal sum of €2. This reflects the GPTH loss-making position and ongoing funding requirements of its restructuring program.

GPTH manages some €1.7bn of gross assets in five funds and two separate account mandates in Germany and the Netherlands, in the industrial, office and retail sectors. Internos also receives additional working capital of some €7m in GPTH, which has offices in London, Amsterdam, Berlin, Frankfurt and Luxemburg, employing around 100 people. Internos said the acquisition provides it with a substantial and established European platform with an exceptional client base. "Internos already provides experience at the highest level and an excellent track record but now has the opportunity to expand on its existing capabilities with more visibility, enhanced access to capital and dedicated expertise in areas such as fund management, deal structuring and finance, transaction origination and execution, and active asset management."

"GPTH brings with it experience and unparalleled relationships with the key investors, debt providers and market players in the major European markets," said Short. "We believe that our own expertise and track record will provide further impetus for the future business." ■ pfe

FSIF's Kelberg charged with French property report

Dorian Kelberg, long-time managing director of the French listed real estate company association FSIF, has been mandated by the general secretary of President Nicolas Sarkozy's ruling UMP party, Xavier Bertrand, to provide a report on the links between the property and industrial sectors in regard to the economic crisis.

"This mandate is to reflect on the various courses of action needed to link up the sectoral interests of the real estate industry and the general economy," Kelberg said in a statement. "Xavier Bertrand, as a statesman and also an elected local official, is fully aware of the structural impacts of the activities of the various property sectors and the role that the industry in general is going to play to assist the nation to exit from the economic crisis and boost growth when conditions for this are once again in place."

Kelberg is a lawyer, graduating from Science-Po in Aix-en-Provence and Fellow of the RICS. He is also president of the committee of real estate leaders (COPI), and lectures in real estate at University Paris I. ■ pfe

Germany's Hochtief cancels IPO of Concessions unit

The Essen-based construction group Hochtief in early December hastily called off its planned IPO of its industrial infrastructure subsidiary Hochtief Concessions, citing the Dubai crisis as hav-

ing disturbed capital markets, which made an IPO no longer feasible without restrictions.

Group CEO Herbert Lütkestratkötter commented: "As an active portfolio manager, our claim has always been not to sell in any case for less than our target value. We have always said so and continue to be under no pressure." The steps taken to date towards a capital market transaction nonetheless had positive aspects. Syndicate banks clearly confirmed asset values, and the cancellation of the IPO has no impact on the company's further growth. The group had aimed to float the unit by the end of 2009, targeting the Prime Standard of the Frankfurt Stock Exchange.

It planned to continue to hold majority equity in Hochtief Concessions after the listing, which will also encompass a capital increase for the unit. Hochtief board member Peter Noé was earmarked as chairman of the newly listed company, which will target real estate project investment of €500m over the next five years, of which €321m alone in Hochtief's Budapest Airport project. Hochtief Concessions will also target future investments of up to €100m in projects on which the parent group has the status of preferred bidder. Hochtief Concessions has a portfolio at end-2008 of some €1.5bn across business areas that include airports, roads, social infrastructure and public-private partnership projects. This comprised six airport holdings, seven roads, 91 schools, two town halls, a community centre, a military base, two geothermal energy projects and two investment partnerships. It is the parent company of Hochtief AirPort and Hochtief PPP Solutions. ■ pfe

PFE COMMENT: There are many clever ways to access capital for real estate, whether over the public or private markets, and this looks to be a smart call for channelling external investor funds into one of Hochtief's major development units and supporting infrastructure bids elsewhere. Thus, the IPO is likely postponed and not cancelled. In particular, a vehicle of this kind would be supportive in target projects in central and eastern Europe, where capital inflows has shrunk to a trickle amid the crisis of the last 18-24 months, and investors remain still very wary.

Finnish property investor demand to rise - barometer survey

Finnish commercial and residential property prices are moving higher now, and a recent barometer survey by the RAKLI-KTI groups showed investor demand is expected to increase in all property types during the next 12 months. Separately, Statistics Finland showed that residential prices rose 2.5% nationwide in the third quarter.

In commercial property, the barometer showed that respondents expect yields to have reached the peak and to at least hold stable for the next 12 months, or even decrease in office and retail assets in all cities. Meanwhile, the prices of homes in old apartment buildings and terraced houses continued to increase, with the biggest jumps coming at 3.6% in Greater Helsinki and by a lower 1.5% elsewhere in the country. Among the largest cities, only Oulu on the north-west coast saw home prices fall in 3Q09.

Separately, the listed residential property group Sato reported that it bought 570 rental apartments located in Espoo and Vantaa from the church-associated company Kirkon. Sato is one of Finland's leading corporate investors in housing, owning 23,000

rented homes in Finland's largest centres of urban growth and in nearby St. Petersburg, Russia. Sato's assets have a fair value of roughly €1.4bn. ■ pfe

Retro-fitting built stock seen main European 'green' challenge

Retro-fitting of the built stock of real estate in Europe to modern, sustainable-energy standards is the main challenge the sector faces over the next two to five years since alternative energy generation is inadequate to substitute for a potential drop-out of fossil fuels, says realtor King Sturge in new research.

"Even if every hill had a wind turbine, every tidal estuary had a power station and we maximise the use of solar panels and photovoltaic cells, we still could not meet our current energy needs. It might be possible at best to produce 10% of our needs this way," says the latest edition of the King Sturge annual European Property Sustainability Matters report. "Saving energy has a far better payback than trying to generate 'green' energy." Existing buildings need to be better utilised; housing alone creates 46% of Europe's current CO2 output, while better utilisation of existing office buildings and saving the embodied energy could cut energy consumption by more than 20%. Making buildings more energy efficient could save another 20% - a total saving of 40%. Better space planning and use of materials will bring benefits such as reduced value depreciation and higher productivity.

Head of Research Angus McIntosh said very little evidence exists that Energy Performance Certificates in the UK have significantly cut the carbon footprint of buildings, while Display Energy Certificates can accelerate this process. "But we must go further than the current recommendations," he says. "King Sturge advocates that DEC's be made mandatory for all buildings above 250 sq.m. rather than the current 1,000 sq.m. for government buildings." He also suggests that UK corporate tax assessments could encompass on DEC ratings, while UK Stamp Duty Land Tax be based on the EPC rating. "By translating ratings into cash savings (or payments) we would better appreciate the benefits that can be achieved from better energy use in buildings. This includes energy cost, carbon emissions and the corporate financial contributions to the upcoming Carbon Reduction Commitment."

The report adds that re-using towns and cities is also a major challenge for the next decade. Assessing sustainability requires accommodating environmental, social and economic issues: Social sustainability encompasses also the need for building better communities and urban areas; cities need to accommodate more bicycles - while nationally and internationally a variety of solutions exist to create private public partnerships to fill gaps where public sector funds are insufficient to kick-start urban renewal. ■ pfe

Property FoF activity slides but sector to pick up-INREV

Real estate funds of funds have recorded very low activity in 2009, with just five equity investments of €75m made to end September into individual non-listed funds compared to 50 in

2008 totalling €548m, but activity is likely to pick up in 2010, says a recent survey by the European association of property funds, INREV.

The slowdown in activity - which is a further drop from 2007 when 97 investments totalling €2.2bn were made - shows that fund of funds managers chose to step back from further commitments while the market direction was unclear - plus a continued focus on ensuring existing investments are on track. "However the results also show that fund of funds managers see opportunities opening up for 2010 for un-invested capital with a focus on potential secondary market transactions as well as vintage 2010 funds," said INREV Research Director Lonneke Löwik. Two thirds of respondents said the secondary market is now a more important part of investment strategy, and all respondents see opportunities to enter funds at advantageous prices. Other main drivers are immediate access to locations and sectors as well as potential capital growth if units re-value to published net asset value. Of the sample, 93% will consider increasing exposure to existing funds. However, this has not yet translated into investment, with only 4% of funds of funds completing a trade in the last 12 months. Some 96% of respondents cited the inability to price fund underlying assets as the main obstacle.

Some concerns also exist over the stability of fund sponsors, and the potential for managers to be distracted by legacy issues, and INREV Interim CEO Andrea Carpenter noted this has boosted investor reporting requests from fund managers. "In the short term this has resulted in increased workloads for fund managers but there will be a long-term benefit for both sides with improved transparency, particularly on issues such as risk management and reporting on debt issues," she said. The survey was completed by 16 fund of funds managers with 30 funds and total target equity of €10bn. The INREV database now holds information on 52 Fund of Funds, representing €17bn of target equity. ■ pfe

Cordea Savills fund equity collect surges in 4Q09

International property fund manager Cordea Savills has boosted its activities in acquisitions and fundraising in recent weeks, acquiring in November the office property Aurélys in Lyons, France, and taking in €80m equity for its Cordea Savills European Commercial Fund, around half of the total €160m since launch in 2008.

Fund assets are focused on France, Britain and Scandinavia but also Netherlands, Italy and Spain, with Germany slated for a lower asset portion. The institutional fund is income generating, and targets stable dividend payments of at least 5% per annum and a total return of minimum 7% per year after tax and fees. Gerhard Lehner, Associate Director of Investment, said the Lyons acquisition is characterised by being centrally located and having low tenant vacancy. The fund is also diversified through the sector and country allocation and supports through its beneficial tenant mix an investment strategy based on long-term and secure rental income. Adds Berith Kübler, Cordea Savills Director of Investment, "Demand for core assets is strong across all of western Europe right now, even while the supply is at present

quite tight. Despite this, we have been able to make very attractive investments.“

German Managing Director Thomas Gütle, says the French acquisition is the second in the last few weeks for the European Commercial Fund. It already holds a specialist market property in Växjö, Sweden, and an office property in Cardiff, UK. In Lyons, the Auréalys asset is located in Lyons Part Dieu, the second largest office quarter after La Défense in Paris. The acquisitions confirm the fund strategy of focusing on western European core markets even while investors are becoming more willing to buy. Cordea Savills manages around €3bn of assets through offices in London, Milan, Munich, Stockholm, Luxembourg, Paris, Singapore and Bangalore, India. ■ pfe

Austria's conwert starts third share buyback

Vienna-based listed apartment housing developer and investor conwert Immobilien is to commence the third part of its share buyback program authorised at the shareholder meeting in May 2009, and from mid-December to end June next year will acquire its own stock at a price between €1 and €10.

The group said it has already acquired 4.3m common shares or just under 5% of the issued capital in two previous share buyback programs in 2008/9 and the latest action targets up to 5.001% of issued capital. It said the administrative board adopted a further share buyback program, “because the current share

price is roughly 45% below the company's net asset value and provides a good opportunity to buy own shares to use them, among other things, for later acquisitions.” ■ pfe

Crédit Agricole acquires Carlyle's Evergreen office complex in Paris

The French Crédit Agricole banking group has acquired, from The Carlyle Group, the award-winning Evergreen office development in Montrouge near Paris, an 8ha historic site that comprises 40,000 sq.m. of office space and gives the bank an option of constructing additional new offices for possible occupation through to 2013.

No financial details were provided, but the companies said the property was acquired from Carlyle's first European real estate fund, Carlyle Real Estate Partners I. The acquisition provides Crédit Agricole with the prospect of uniting different parts of its business in one location. It expects to occupy the development from 2Q10. Evergreen was developed to meet French HQE sustainable building standards and designed to ensure a good work/life balance for its occupants, both of which are entirely in line with Crédit Agricole SA's sustainable development strategy. The transaction and any subsequent occupation and developments will be, carried out by Crédit Agricole Immobilier, Crédit Agricole's real estate division.

“The Evergreen development is a good example of how Carlyle typically looks to invest in offices in France and across Eu-

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rope,” commented Eric Sasson, Managing Director of The Carlyle Group. “Our strategy is to create value for our investors by acquiring single assets where we can identify significant development potential, usually in areas which are emerging or have emerged as new business centres.” The first buildings on the site were built in the 1920s and provided an industrial complex for La Compagnie des Compteurs, acquired by the Schlumberger group in 1970. In 1984, the architect Renzo Piano, and the landscape architect Alexandre Chemetoff helped develop the site while preserving its unique character. This partnership yielded a landscaped garden highlighted by a now iconic building, the Forum, with its famous white canvas sails. Carlyle bought the asset in March 2005. ■ pfe

CEE-RUSSIA/CIS

Colony, Orco terminate equity injection talks

Struggling listed CEE real estate developer and investor Orco and US investment company Colony Capital have terminated talks begun last April on the latter providing an €80m equity injection, conditional on agreement from debt holders on a restructuring.

“Given the lack of debt restructuring to date, the investment conditions have not been met and Colony Capital’s option has expired accordingly,” Orco said. It added that it amended terms and conditions on its rescheduling proposals for bondholders meeting on 16 December, providing for redemption of 2010 and 2014 bonds at their full principal amount. If all warrants were exercised, this would result in a maximum capital increase of €183m and maximum reduction of bond indebtedness of €234m. Separately, Orco also won two new shareholders in the form of Switzerland’s IFB Group, and Czech financial group Fio, both with 2.03% stakes. Czech Prosperita investicni remains the biggest shareholder with 4.48%.

Meanwhile, actions required to protect the group under the *sauegarde* procedure are progressing on schedule, Orco said. Under French court protection from creditors since March, the firm has put a number of projects across CEE up for sale, aiming for orderly strategic asset disposal over 2009 and 2010. It aims to benefit from protection from creditors to avoid sale of assets at distressed prices. Orco has total debts estimated at €1.6bn. Orco is listed on Euronext and in Prague, Warsaw and Budapest. ■ pfe

Arco Vara sells Ukranian subsidiary for €250m

Listed Estonian property developer Arco Vara has completed the phased sale of its 86.7% stake in Ukraine subsidiary Arco Ukraina Valduste for €250m to minority shareholder Bagatini, and received shareholders approval for a cut in its share capital.

Arco Vara sold the unit to exit from loss-making activities, and end financial support. The core shareholder of Bagatini is Juri Nikitin, also on the board of Arco Ukraina Valduste. Arco Vara

has refocused this year on its core business activities in Estonia, Latvia and Bulgaria. To reduce volatility in the share price, provide an opportunity for more efficient pricing of its stock and provide an opportunity for further strengthening the capital structure, equity capital will be cut by €58m. Arco Vara also settled litigation over a residential development plan to build up to 605 apartments in Tallin. Tallin-listed Arco Vara is a leading real estate developer in the Baltics, operating in development, brokerage, construction and property maintenance 18 cities in Estonia, Latvia, Ukraine and Bulgaria. ■ pfe

Ballymore’s Slovakian Euronova Centre to open in March

Irish international developer Ballymore Properties plans to open its 60,000 sq.m. Euronova International Trade Centre in Bratislava, Slovakia in March. It is part of its new landmark 230,000 sq.m Eurova scheme, the largest mixed-use commercial development in central Europe.

Euronova, being built around Europe’s largest new public square, comprises 60,000 sq.m. of retail, leisure and entertainment including 150 retail outlets, 30 restaurants, a 9-screen multiplex cinema, 209-room Sheraton hotel, 24,500 sq.m. of grade A office space and 235 luxury flats. Located on the banks of the Danube, Eurova will create a new multipurpose riverside development in the heart of Bratislava, Slovakia, said consultant DTZ, awarded a five-year contract by Ballymore for property and asset management services for the whole scheme. The second phase includes 86,400 sq.m. of offices and 900 apartments.

The DTZ team led by Mike Holt will also include experts from the UK, Czech Republic and Sweden. Within the framework of the mandate, Ballymore will draw on DTZ’s experience in delivering top-end, mixed-use retail property and asset management services to clients around the globe. Ballymore was founded in Ireland in 1982 by its chairman, Sean Mulryan. ■ pfe

No change in Polish warehouse trends before mid-2010 – C&W

The Polish warehouse market remained slow in third quarter 2009, with new space delivered plunging to 57,000 sq.m. from nearly 400,000 sq.m. in 3Q08, realtor Cushman & Wakefield reports. At end-September, only 150,000 sq.m. of space was under construction compared with 1.25m a year earlier. The current trend is not expected to reverse until after mid-2010.

Tenant sentiment improved slightly during the period, with leases signed for nearly 200,000 sq.m - the highest figure this year, but still down 64% from a year earlier, Cushman & Wakefield said. The most successful markets were the Warsaw region, central Poland and Upper Silesia. The vacancy rate stabilised at 16.3%, up 5.8%-points from a year earlier and totalling nearly 1m sq.m. The highest vacancy was in Szczecin (100%) and Upper Silesia (21.1%) and the lowest on the Warsaw market (15.7%), in Poznań (9.3%) and Tricity (1.4%). Given the large volume of vacant space, tenants are continuing to negotiate favourable lease terms.

Despite improved economic fundamentals, expectations for 4Q09 are not too optimistic. Developers are launching only schemes with pre-leases. Some 20% of space under construction at the end-September or 30,000 sq.m. of new warehouse space is seen delivered, about half the previous quarter. Tenants' activity remains at a similar level to that seen in the third quarter, but a slight increase in lease volume is expected. Vacancy and rental rates are seen stable. ■ pfe

Czech housing construction gets government boost

The Czech government has approved a bill to guarantee loans for construction companies or individuals to build rental housing in a dual effort to boost the frozen construction industry and tackle a nationwide housing shortage.

The bill guarantees loans for either up to 70% of the cost of construction or CZK1.5m (\$87,057) per flat for companies building rental apartments, Prague Post reported. The money will come directly from the state fund for housing development. The loans will be available to any company or individual who invests in rental housing construction. The government loan system comes in response to growing complaints from developers on the difficulty of securing loans to fund new projects. The aim is to boost investment in rental apartment construction, helping both the dismal state of the building industry and those struggling to find an affordable flat, said Prague city councillor Jiří Janeček. Building permits awarded this year dropped by 10% and the number of new flats by 5.7%, Czech Statistical Office figures show. In 3Q09, new domestic construction orders plunged 26.4%.

The sector is showing the first signs of recovery, but uncertainty remains and it is still extremely difficult to secure financing for development projects, so any aid from the government is appreciated, said King Sturge investment consultant Dušan Štastník. "Compared with previous months, there are more positive expectations. Some developers and professionals believe they can see the light at the end of the tunnel." But it is way too early to talk about a general market improvement, he cautioned. ■ pfe

EBRD lends \$150m to Raiffeisen's Ukrainian unit

The European Bank for Reconstruction and Development, the biggest financial investor in Ukraine with €4.2bn committed in 194 projects, is providing a subordinated loan of \$150m to Raiffeisen Bank Aval JSC, a subsidiary of Austria's cooperative lender Raiffeisen International, and the third largest bank in Ukraine.

This project is part of the EBRD's previously-announced €150m long-term financing programme for Raiffeisen International's network banks in Ukraine, Romania and Russia. The ten-year subordinated loan will support Raiffeisen Bank Aval's capital base thus boosting the bank's overall financial strength. This latest EBRD loan is a continuation of its support for the Ukrainian banking sector, which has reached over \$700m since the beginning of 2009.

Raiffeisen Bank Aval, which has over 1,000 business outlets across Ukraine, services nearly 4.8m customers in both the corporate and private individual segments. "This subordinated loan provides additional proof of the deep commitment that both Raiffeisen International and the EBRD have to the CEE region, said Herbert Stepic, CEO of Raiffeisen International. The additional resources will strengthen Ukraine's banking sector and benefits the country's economy.

Raiffeisen International operates one of the largest banking networks in CEE, covering 17 markets across the region through subsidiary banks, leasing companies and a range of other financial service providers. The group's nearly 59,000 employees service around 15m customers via more than 3,100 business outlets. Raiffeisen International is a fully-consolidated subsidiary of Raiffeisen Zentralbank Österreich (RZB). ■ pfe

Futureal plans €250m Hungary project, Romanian mall 70% leased

Hungarian central Europe developer Futureal said its commercial projects are progressing successfully despite a fluctuating market environment, with plans for a €250m commercial and entertainment project in Budapest, Hungary and its Romanian Gold Plaza shopping mall now 70% leased.

In Hungary, Futureal plans a €250m commercial and entertainment project, Etele City Centre, in South Buda. The centre, with 40,000 sq.m. of leasable space at the terminal of the new M4 metro line is currently being designed and can probably be completed by 2013. Futureal Group is working closely with local government on the project. Meanwhile, it has completed the first stage of its €500m Corvin Promenade PPP urban revitalisation mixed offices, retail and residential project in Budapest with Cordia Co. at end-November and will start lease negotiations next spring.

In Romania, Futureal signed a 10-year lease agreement with an option to extend up to 30 years with hypermarket chain in its €97m Gold Plaza shopping centre in Baia Mare, Maramures, Romania set for completion next year, bringing leased space up to 70%. Since the 2007-2008 boom, Romania has been hit by a slowdown, with many brands postponing opening of new units this year and only 20% of projects skated for completion this year realised in the country. "In light of this, we consider the signing of this lease agreement an outstanding accomplishment," said Futureal CEO Tibor Tatár at a press briefing.

Retail results of the Christmas shopping period will influence retailers' plans for 2010, and major international chains are expected to resume expansion. "In central Europe, Poland's standing is the best in terms of the future of retail trade, while that of Hungary's and Romania's is, unfortunately, the worst," Tatár added. Nonetheless, he noted a perceptible improvement in investor interest, though financing remains restricted and delays can be expected. The fall in lease fees will soon bottom out, while new investment volume will remain low, allowing an improvement in the supply/demand balance in 2010, he predicted. Futureal Development is part of Hungary's property development, investment and fund management company Futureal Group. ■ pfe

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