PROPERTY FINANCE EUROPE

• European REITs • German non-performing loans (NPLs) • Institutional real estate portfolio investment • Mortgage securitisation, CMBS/RMBS • French office property • Distressed debt • German real estate banking • Special mortgage servicing • US real estate funds in Europe • Pfandbriefe/covered bonds • Paris SIICs •

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UK declaration on REITs launch galvanises European property sector

Britain's announcement that it intends to introduce legislation next year to permit Real Estate Investment Trusts has galvanised the entire European property industry and lent new urgency to German plans to match the move.

The announcement, which came in the 2005 Pre-Budget Report on 6 December by UK Chancellor of the Exchequer Gordon Brown, said, "Alongside the 2005 Budget, the Government published a discussion paper on the creation of Real Estate Investment Trusts in the UK, (UK-REITs) to improve the efficiency of both the commercial and residential property investment markets by providing liquid and publicly available investment vehicles for all investors to access… The Government will bring forward draft legislation for inclusion in the 2006 Finance Bill. Details of the tax proposals will be published before the end of 2005."

Stephen Herring, partner at accounting firm BDO Stoy Hayward, said the royal assent for the 2006 budget in July was the most likely implementation date for the legislation.

Separately, the Brussels-based European Property Federation has asked the European Commission to take the initiative to create an EU Real Estate Investment Trust. In a letter, EPF President Pedro Gamero said minimum coordination of tax treatment of REITs in various member states could, "create a sector of such scale and diversity as to bring stability to property across Europe as well as competing with foreign REITs already venturing into the European market." EPF Director General Michael MacBrien told PFE the EPF has been working on REITs for over a year and that, "this is the beginning of a long campaign".

In Germany, the UK announcement has given fresh impetus to lobby groups who were already keeping pressure on the new grand coalition government of Chancellor Angela Merkel to introduce legislation next year for the introduction of G-REITs (See page 3). pfe

Lone Star said getting €400m dowry to buy union-owned AHBR mortgage bank

The private US-based Lone Star funds, the largest and most active institution investing in non-performing loans in Germany, is reported to have received €400m to take over the ailing German mortgage bank Allgemeine Hypothekenbank Rheinboden (AHBR), while the bank itself will undertake recapitalisation at sale of €175m, and also receive a capital injection of another €584m from its trades union owners.

The Handelsblatt newspaper reported the payments last week at the announcement that Lone Star had won the lengthy contest to acquire AHBR. The bank was sold out of a trades' union trust holding after its transferral in October from the balance sheet of the BHW building society. Financial sources said Lone Star paid out about €600m in the transaction. (See page 4). pfe

PFEUROPE.DE

The last Property Finance Europe in 2005 is certainly the occasion for celebration after our first year! With 16 editions under our belt, packed with information and analysis for you, we are taking a breather for four weeks. The first PFE of 2006 will be coming to an Internet screen near you on 9 January.

You will have seen some changes already: our www.pfeurope.de website has gone through a redesign, and you will henceforth be issued with a personalised login code to gain access to PFE assuming you are a subscriber or have registered for our trial test subscription offer. From here, we aim to build the site further, to become the one-stop overview of the important events on the European continent for all major investors, institutional and otherwise, in European real estate. Only another 22 editions to go in 2006!

Meanwhile, all of us at PFE, and at our highly valued publisher Hypoport, wish you whereever you are in the world a very merry Christmas, a Happy Hannukah, or whatever you wish yourself and your family at this festive time! **A happy, healthy and prosperous 2006 to us all!**

European Property Federation asks Brussels Commission to construct pan-EU framework for REITs

The Brussels-based European Property Federation, grouping real estate associations across the European Union, has asked the European Commission to take the initiative to create an EU Real Estate Investment Trust.

In a formal letter to the Commission, EPF President Pedro Gamero said minimum coordination of tax treatment of REITs in various member states could, "create a sector of such scale and diversity as to bring stability to property across Europe as well as competing with foreign REITs already venturing into the European market."

EPF Director General Michael MacBrien told PFE separately that the EPF has been working on the REITs issue for over a year and that, "this is the beginning of a long campaign".

In a prepared release, he also commented that an EU REIT would help the property industry to develop from a local to a pan-European business that should ensure funds for property investment and development spread across the EU. "The industry could help the less cash-rich economies to build a modern infrastructure and move more towards the EU average, and ultimately better integration." Better quality property and infrastructure would attract business and have a multiplier effect on regional development.

The EPF statement noted that REITs legislation is planned or has been adopted in several EU member states, but the lack of a pan-European property investment vehicle is handicapping the EU by creating competitive distortions in the internal market as capital flows to REIT countries, stunting the capacity of the property industry to develop on a European scale, hurting small member states and their savers, and causing poor allocation of capital in the EU in general.

MacBrien told PFE that awareness of the potential impact of REITs on the property sector and, beyond that, on national and the regional economies, was very low. "We tend to forget that outside the property world, many people don't know what a REIT is," he said. It is crucial, in particular, to make political decisionmakers aware of REITs, but this would take time.

"You won't find two members of the European parliament who know REITs are," he told PFE. Enhanced cooperation on tax between the 25 member states would be needed, and the initiative must not be allowed to be obstructed by those states that rejected all tax harmonisation in principle. However, an EU REIT demanded cooperation at the level proposed in the EU constitution, which stalled principally as a result of no-votes from France and the Netherlands. pfe

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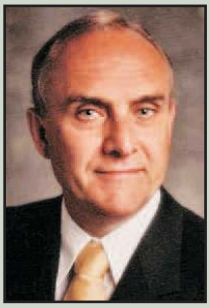
Christmas is coming and the geese are getting fat. Well, hopefully! We wish you a very merry but restful couple of weeks whether you celebrate Christmas, Hannukah or anything else at this time of year. We are kicking back until 9 January 2006. Yippeee! No prizes for guessing the main real estate topic occupying European minds as the festive season begins: It's that R-word again! No, not RRRudolf the RRRed-nosed RRReindeer, but RRREITs! July's RRRoyal Assent to the budget is when we are expecting Her Majesty to drop the chequered flag for the British introduction of RRReal Estate Investment Trusts. And then watch out, Europe! Out the way! Marvel as City racers roar past those continental slowcoaches, en route to the nearest investing institution with a bag of money to donate to a nice liquid property investment, a market value updated daily, a management team to interrogate, and a charmingly tax-free cash-flow.



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The question of tax, however, has just become an even hotter roasted chestnut: As US experience has shown, REITs tend to specialise in one distinct sub-division of real estate. Of the 172 US REITs, there are residential REITs and prison REITs, plus all categories of commercial. And there is my favourite, wine REITs, as Carol Ruth, chairwoman of the Ruth Group, which specialises in PR and IR in the REIT environment from its New York base, revealed to the REITs World conference last week. Ah, now there's a job! If REITs specialisation is such, we muse, then a French or Dutch REIT/SIIC could specialise in German or Spanish property or any other sub-cut of the asset class. German or Spanish residents could blissfully invest in their own domestic property via Euronext or, from next year apparently, the London Stock Exchange. Why do we need a G-REIT anyway?

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Ah but beware! Behind this innocent surmise lies the rub. First, all tax regimes are not created equal. One has only to talk to a professional such as Ronald Wijs at Loyens & Loeff in Amsterdam to realise just how unequal they are. Wijs has written the most recent definitive study for the September EPRA annual meeting. (www.loyensloeff.com/pers/Report/eprasurvey.pdf). We reported comprehensively in PFE 10. Dividend payments from REITs, even if advertised as tax free, are not paid out gross. Most countries with REIT regimes, NL and France among them, levy a withholding tax at source and only reimburse in full to qualified investors. These may indeed be private, retail investors and even non-resident. They are less likely to be non-resident institutions - even though Paris is grappling with just this problem in regard to strengthening foreign institutional investment in SIICs. Check the precise national regulations. As we agreed last week with another expert in the REITs field, Stephen Herring of BDO Stoy Hayward, it's a can of worms.

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But the thought which, as Christmas beckons, is sending shivers down financial officials' spines across Europe, takes us right back to our racing start: If the City of London gets the Royal Flag next year to start its collective engines in the European RRREITs rrrace, then so long as Britain stays in the EU, it will become harder and harder to prevent all EU REITs capital investment being sucked in through the Square Mile. See the European Property Federation's reflections in this PFE 16. The competition in European property, my friends, has just become several tens of degrees celsius hotter. And nary a fat goose in sight. Merry Christmas!

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Allan Saunderson, editor@pfeurope.de

British announcement on REITs galvanises European property sector

The British announcement that it intends to introduce legislation next year to enable the establishment of Real Estate Investment Trusts (REITs) has excited the entire European property industry and lent new urgency to German plans to match the move. Experts anticipate the most likely date for the introduction is in mid-July when the 2006 UK budget bill is given royal assent.

The British announcement came in the 2005 Pre-Budget Report, released on 6 December by UK Chancellor of the Exchequer Gordon Brown. In clause 3.130, it said, "the Government published a discussion paper on the creation of Real Estate Investment Trusts in the UK, (UK-REITs) to improve the efficiency of both the commercial and residential property investment markets by providing liquid and publicly available investment vehicles for all investors to access. As recommended by Kate Barker, this reform will encourage increased institutional and professional investment to support the growth of new housing, as well as the Government's wider objectives for raising productivity."

Therefore, it went on, "The Government will bring forward draft legislation for inclusion in the 2006 Finance Bill. Details of the tax proposals will be published before the end of 2005."

The UK plans to include the following key features in any REITs legislation:

• the regime will be open to property companies resident in the UK that are publicly listed on a recognised stock exchange;

• companies or groups that meet the UK-REIT eligibility criteria will not pay corporation tax on qualifying property rental income or chargeable gains;

• they will be required to distribute at least 95% of net taxable profits on rental income to investors, who will then pay tax at their marginal rate.

The report added, "The Government is committed to taking a flexible approach in developing a UK-REIT while ensuring a fair and appropriate regime for all taxpayers… The Government remains committed to ensuring that the introduction of a UK-REIT results in no overall loss of revenue for the Exchequer and will continue to keep this under review."

The rate and mechanism for the conversion of assets and companies being brought into a UK-REIT regime will be announced at Budget 2006. The UK government is also still considering the taxation position for authorised investment funds investing in property.

Stephen Herring, partner at UK accounting firm BDO Stoy Hayward, told the REITs World conference in London last week that the royal assent for the 2006 budget in July was the most likely implementation date for the new legislation. In a reference to the much celebrated 1966 World Cup soccer final when England beat German on penalty shots, he joked, "Unusually it looks as though the UK will pip the Germans to the post on penalties this time!"

The British announcement, though long expected, set a distinct timetable on the introduction of REITs that Germany, because of the long hiatus from May to November caused by the federal election and formation of the grand coalition government, has been unable to match. Industry professionals - and also governments in Germany and France, where REITs were introduced in 2003 - remain eager to see how the UK deals with the fundamental question of taxation of non-resident investors. pfe

Pressure stays on Merkel grand coalition for G-REIT legislation in 2006

Property Finance Europe has a new home, and a spanking new sign on the door! You can find us in the New Year in our offices at Franklinstrasse 62-64, 60486 Frankfurt am Main, Germany. New telephone number +49 (0)69 719 18 96-10. New fax +49 (0)69-719 18 96-69. Give us a call, drop us a fax or an email, or simply come by!

Officials in the Germany federal finance ministry and lobby groups are keeping pressure on the new grand coalition government of Chancellor Angela Merkel to introduce legislation next year for the introduction of Real Estate Investment Trusts (REITs) in the nation.

The Börsen Zeitung newspaper quoted Finance Ministry State Secretary Barbara Hendricks, who has retained her post despite the government changeover, saying that the federal government intends to introduce "a legislation proposal without delay". She gave no further details.

The Financial Centre Germany Initiative (IFD), an informal lobby group focused on the REITs issue, also presented a revised recommendation for G-REITs that takes into account the wishes of the funds industry to have greater access to the property vehicle. In contrast to a blueprint IFD presented last January, it now proposes that capital investment companies (KAGs) should have the right to establish and manage REITs or to take over REITs that already exist. Open end funds should also be able to invest up to 20% in REITs, IFD suggested, even if a stock exchange listing should remain a fundamental requirement.

Walter Klug, head of German real estate for Morgan Stanley, told the Financial Times Deutschland in an interview, that, "it's going to be mainly the long-term oriented institutional

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investors from home or from abroad that are likely to invest in German REITs. In the first few years, private investors are not likely to be a significant investor group for REITs, in our view.“ As well, REITs will probably, as in the US, specialise on specific segments of real estate, providing distinct specialisations and regional clustering. pfe

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Lone Star said getting €400m dowry to buy union-owned AHBR mortgage bank

The private US-based Lone Star funds, the largest and most active institution in non-performing loans in Germany, is reported to have received €400m to take over the ailing German mortgage bank Allgemeine Hypothekenbank Rheinboden (AHBR), while the bank itself will undertake recapitalisation at sale of €175m, and also receive a capital injection of another €584m.

The Handelsblatt newspaper reported the payments last week at the announcement that Lone Star had won the lengthy contest to take over AHBR, which was being sold out of a trades' union trust holding after its transferral in October from the balance sheet of the BHW building society. The sums have not been confirmed by the buying or selling party, which agreed non-disclosure. Other financial sources have said that Lone Star paid out about €600m in the transaction.

The deal brings to a close speculation through most of this year about the future of AHBR. After the sale of majority shareholder BHW to Postbank closed in autumn, part of the deal - agreed from the beginning - was that AHBR should not be in the BHW package. The latter had been offered for sale by the two union groups who were the majority owners.

The AHBR sale is to proceed in phases and will be concluded by the middle of January. In addition to the shares Lone Star has already acquired it will have a call option on the remaining 12% of AHBR stock kept until that time by the union-owned BGAG group.

At the end of September, AHBR held property-backed assets on the balance sheet of some €24bn, and another €36.9bn in public sector credits. AHBR's total assets were valued at some €74.5bn and it retained 372 employees. It is believed that a substantial part of the portfolio is sub- or non-performing. AHBR ran into liquidity problems during 2002 and 2003 when miscalculations on monetary developments brought deep losses on its pfandbrief/covered bond book.

Lone Star and other institutions such as interests connected with George Soros and Christopher Flowers, have been competing to acquire AHBR and use it as a platform for expanding their NPL business in Germany. Lone Star, working with its tied Special Servicer Hudson Advisors, has been at the forefront of the German NPL market for three years and won the lion's share of the major portfolios sold by domestic banks. pfe

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Matthäus-Maier set to head KfW Group, while Bbk's Stark to go to ECB

After the long hiatus over formation of the German federal government, the creation of the grand coalition under Chancellor Angela Merkel has brought a decision on two key personnel changes over the coming months.

The coalition of Christian and Social Democrats has agreed to install at the head of KfW the SPD politician Ingrid Matthäus-Maier as new chairperson when Hans Reich, the current incumbent, steps down in autumn next year, the Handelsblatt reported. In return, the right-of-centre CDU, Merkel's party, will appoint the successor to Otmar Issing at the European Central Bank. This is highly likely to be Jürgen Stark, current vice-president of the Bundesbank and a former G-7 'sherpa' for former chancellor Helmut Kohl.

The personnel decisions come despite Reich indicating that he would consider an extension of his contract although he will be reaching the standard retirement age of 65 next year.

Matthäus-Maier has long been on the board of the KfW group, which is partially owned by the federal government and used as a holding institution for government stakes in various privatised or partly-privatised former state institutions such as Deutsche Telekom. It has also been instrumentalised to lead the true sale initiative to provide standards for the German ABS and MBS segments. pfe

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No need for legislative action to foster EU mortgage integration - Berlin

The German Federal Justice ministry has announced that it sees no current requirement to take legislative action to promote further integration of the European Union residential mortgage market.

The German Justice Ministry said a study conducted by the London Economics consulting group had not conclusively proven that a comprehensive integration of EU home loan markets would boost regional GDP growth by 0.7 points per year. "The growth potential calculated seemed to be based on assumptions - and thereby on modelling calculations - that cannot be directly assumed to be plausible," it said in a statement. Berlin in particular rejected the need for a product harmonisation in mortgages, for instance by introducing a legal requirement for mortgage lenders to allow early repayment even on fixed-rate mortgage loans.

Following the achievement of the grand coalition government under Chancellor Angela Merkel, the position statement was a reaction to efforts through the so-called "Green Paper", in which the European Commission recently examined various questions that stand in the way of EU-wide integration in the home loan market. Last Tuesday, the EC held hearings from "stakeholders" in the residential mortgage market around Europe to gauge positions on various questions in regard to fostering wider and deeper integration. pfe

HVB launches largest ever German RMBS at €4.8bn, pool of 52,000 loans

Hypo Vereinsbank, now a part of the Italian Unicredit Group, has launched the largest ever residential mortgage-backed securitisation (RMBS) at a volume of €4.78bn, using the credit enhancement of the KfW Group's Provide platform.

The transaction, which carries the name Provide-A 2005-1, is by far the largest of the 30 transactions that KFW's provide programme has launched since its beginnings in 2001, and is the fourth Provide transaction ever launched by HVB. The pool contains some 52,000 private mortgages, and is designed to provide regulatory capital relief amounting to €3bn, according to a bank spokesman. This would provide capacity for new business.

The HVB Group last launched an RMBS in February 2004, placing some €3.5bn with investors. Prior to that it had done a similar transaction in October 2003 for €3.1bn, and before that in 2001 for €1bn.

KfW said the transaction allowed HVB to place private mortgage loans originated in Germany with the international investor community. Some €505m have already been placed in the form of credit-linked notes with a maturity of 5.2 years.

Average value of each loan is €90,000 and the entire portfolio is secured against 39,200 individual residential properties. Average life of each mortgage is seven years. Outstanding balance of the loans is around 69% of the market value of the underlying properties, of which 47% are guaranteed against properties in Bavaria and Baden-Württemberg.

Some 94.5% of the entire portfolio has been rated by Moody's and Fitch with their highest rating, Triple "A", while just 1.3% is estimated to be below investment grade. pfe

NYSE's W.P. Carey earmarks €1bn for German real estate investment

The New York Stock Exchange-listed real estate investor W.P. Carey aims to invest around €1bn in Germany over the coming year, according to its European investment director.

Alistair Calvert told the Börsen Zeitung newspaper that Carey intends to strongly expand its presence in the European real estate market. Most recently it purchased 16 do-it-yourself stores from the Hellweg chain for €126m, and Calvert said another two deals had closed with a total volume of around €50m. Carey was also very interested in the current portfolio of C&A store locations being put up for sale by Redevco, and the office property packet on offer from the city of Hamburg.

Carey has a total of around €7bn invested in real estate around the world. The company concentrates on sale and lease-back operations where, as a rule, very long lease periods between eight and 25 years are the norm. This means that Carey and its associated property funds placed on behalf of private investors, still hold around 95% of the property investments that they have made since its foundation in 1973.

One standard strategy is to cooperate with private equity funds such as Apax Partners or Bridgepoint, which specialise in leveraged buy-outs of corporations. Carey purchases the real estate from such transactions, and normally pays 10–15 times the annual net rental for them, according to Calvert. "The companies that have sold us their property keep a fairly wide-ranging operative control and freedom over their real estate," Calvert told the newspaper. pfe

Fitch upgrades LNR's commercial mortgage servicer unit Hatfield Philips

Fitch Ratings said it has upgraded the UK commercial mortgage primary and special servicer ratings of Hatfield Philips International, a unit of LNR Property Corporation, reflecting the significant improvements HPI has made in the last 12 months to its UK operations.

Fitch said HPI has including expanded its training program, undergone a full internal audit with no adverse findings, and created a dedicated special servicing group separate from the asset management and securitisation teams. "The (higher) ratings are based on the company's ability to effectively administer a diversified commercial mortgage loan portfolio along with the considerable industry experience of its management and staff and the strong support from its parent.. particularly in technology development and internal audit," Fitch said.

As at 31 August 2005, HPI was primary servicer and/or special servicer on 25 portfolios (19 securitised) consisting of 631 loans secured by 2,238 commercial properties with an outstanding principal balance of £9.16bn. The total includes six securitisations for £1.34bn where HPI is special servicer only, as well as European loans collateralised by commercial properties located outside the UK (61%) notably in Germany and France.

Ratings on HPI's primary and special servicing rise respectively to CPS2UK from CPS2-(minus)UK and to CSS2UK from CSS2-(minus)UK. pfe

Paris La Défense proposal to boost office space by 850,000 sq.m.

The La Défense office complex in the west of Paris is to undergo a relaunch. Bernard Bled, chief executive of Epad, the state management company, told the Simi property conference late last month that he will propose a plan to construct another 850,000 sq.m. of office space for La Défense

La Défense on the western perimeter of Paris: Epad management company was created in 1958 to manage La Défense and since that time has overseen construction of around 3.3m of office accommodation, providing working space for some 150, 000 people.

by the year 2020, including a 400-metre-high tower block.

The proposal, to be made to the Minister of Equipment, foresees adding 500,000 sq.m. of new office space in the existing complex, and 350,000 to be constructed on a lot freed up by moving the southern part of the ring road circling La Défense. Epad is also proposing to finance the extension of the fast commuter train line RER E out to La Défense.

"All these projects should in combination attract some 50,000 more people to work in the complex over the next 20 years," Bled told the Simi. Financing for the development will be supported by the general council of the Hauts-de-Seine region. Its president is Interior Minister Nicolas Sarkozy, also president of Epad. pfe

DTZ sees foreign property investment in CEE hitting record €4bn in 2005

The total amount invested by international institutions in prime real estate in central and eastern Europe since 1998 reached €11.6bn by the end of third quarter 2005, and this year's volume will hit a record €4bn, according to a report by the DTZ realty group.

The pace of activity has increased exponentially each year. Poland, the Czech Republic and Hungary continue to be the major destinations, although investor interest in emerging destinations elsewhere in CEE is huge.

Poland has accounted for €1.95bn or 51% of all CEE investment so far this year, and its retail sector has consolidated its position as the leading target sector for buyers. Several large volume shopping centre and hypermarket portfolio deals have been executed in the last 12 months, and a secondary market is developing steadily as first movers begin to sell.

As the supply of traditional investments narrows, the trend has been toward forward funding deals, and sale and leasebacks. Yield compression has occurred quickly in 2005 as bidding for available product has become fierce, DTZ said.

The longer established large investors have been less active 2005, and newer emerging market funds have taken up the reins. With the purchase of Sestka shopping centre in Prague during the summer however, Austrian investor Europolis returned to the top spot as leading regional investor. French investors have been the most active group in 2005 to date, spending approximately €832m by end-3Q05.

Overall, 77% of the investment market since 1998 has been shared between investing institutions from Germany, the US, Austria, and France. UK investors are steadily increasing their profile, with funds such as Dawnay Day and IO Group making acquisitions in the retail and industrial sectors. Another emerging trend is the number of domestic closed-end funds active in smaller cap volumes. Funds such as Raiffeisen Ingatlan in Hungary, Ceska Sporitelna in the Czech Republic, and Arka and the BPH fund in Poland have been increasingly active. pfe

Unprecedented growth surge in French listed real estate company sector

The French stock exchange is seeing a surge of activity without precedent across the entire listed real estate sector after years of neglect, and new companies are coming to market with every month, a roundup by the businessimmo.fr property portal said recently.

The broker Patron Capital recently brought to market the company Vectrane, a group formed from the Quebec-based Jesta Capital and run by chairman Jean-Claude Bossez. The founder and chairman of Paref, Hubert Levy-Lambert, has also lodged a request to float his company on the stock exchange. Paref owns and manages 100, 000 sq.m. of space (See later in PFE 16). Only a few weeks ago, the supermarket group Casino executed an international public offering into a French REIT/SIIC (Société d'Investissements Immobiliers Cotée) with a portfolio of hypermarkets, now named Mercialys.

This dynamic has been reinforced by the purchase of shell companies. Foncière des Régions is about to partner up with Predica to launch a quoted company holding residential property, Foncière Développement Logement (FDL). To do this it bought into the shell quoted firm La Soie.

PROPERTY FINANCE EUROPE - *BULLETIN BOARD*

DIARY DATES AND UPCOMING IN 2006

(As you will see, we have slightly altered the context of the PFE Bulletin Board to include major US events that bring together cross-border institutional real estate investors.)

January 24-25, 2006

16th Annual CIMMIT 2006, Frankfurt am Main, Germany

Chaired by FRICs President Jürgen Ehrlich, and Barbara Knoflach, chief executive of SEB Immobilien-Investment GmbH, this conference will discuss the following questions: Germany in the focus of foreign investors; is German real estate undervalued in international comparison? What strategies are foreign investors following? Will real estate become a capital markets product? What are the investment products of the future, G- REITs, closed funds, open-end funds? More info (in German): www.cimmit.de

January 29-February 1, 2006

4th Institutional Real Estate Investor Forum Scottsdale, Arizona, USA.

The Strategic Research Institute hosts the 4th Annual Institutional Real Estate Investing Forum. Several hundred real estate investment officers from government pension funds, corporate pension funds, endowments, REITs, opportunity funds, value-added funds, and joint ventures come together to take stock of the institutional real estate investing industry. The Forum runs concurrently with the 5th Annual Blue Ribbon Hedge Fund Symposium and the 8th Annual Private Equity Roundup. More info: www.srinstitute.com

February 7- 8, 2006

2nd Annual Euromoney PropInvest Europe conference, Barcelona, Spain.

This will look at the future of European Real Estate as it matures as an asset class. Areas to be covered include: Are we in an asset bubble? Future trends In European real estate markets. The European REIT market in a global context. Future allocation to European real estate. Why launch a cross border fund? How best to source product. How do derivatives apply to real estate? Alternative real estate investments: Maximising return on investment. More info: www.euromoneyplc.com.

March 14-17, 2006

MIPIM, Palais des Festivals, Cannes, France.

Building the World with MIPIM. The MIPIM (Marché international des professionnels de l'immobilier) bills itself as the world's leading real estate event and says, it brings together key industry decision-makers from around the world, allowing them to establish long-lasting relations, to present new projects, and to lay the foundations for fruitful collaboration. Conferences are an essential part of the MIPIM experience and allow delegates, through a series of panels, workshops and keynotes, to discover the latest news and trends on issues that affect their business. More info: www.mipim.com

March 21-23, 2006

European Securitisation Forum Annual Conference, Venice, Italy

ESF Annual Conference at the Westin Excelsior Resort on the Lido. Building on three years of successful conferences in Geneva and in Nice, ESF says the 2006 event will be the most innovative and exciting yet. It will "retain its reputation as the most substantive, educational and engaging securitisation conference in Europe, while substantially expanding issuer and investor participation to maximise business networking opportunities with the dealer and servicer communities." More info: www.europeansecuritisation.com

April 6-7, 2006

The Second Annual CMBS Conference, Canary Wharf, London

Organised by Information Management Network in conjunction with Clifford Chance LLP. More info: www.imn.org

The PFE Interview: Douglas Gardner & Alexander Hoff, Halverton REIM

Fast-growing Halverton REIM targets out-of-favour multi-let light industrial real estate on European continent

The acquisition of multi-let light industrial properties on the European continent has made Halverton Real Estate Investment Management one of the fastest-growing property funds in Europe and it expects to have €1bn in assets by the second quarter of 2006, within only one year of operations truly getting under way this spring.

Halverton Chairman Douglas Gardner told *Property Finance Europe* in an interview that the company's foundation in November 2004 had been carefully timed. Its principals had been tracking the business park market for the prior 2-1/2 years. The bulk of the equity in the new fund has been invested by the Australian real estate company Babcock & Brown and one of the oldest and largest Australian real estate funds, the GPT Group. The joint venture of the two companies, BGP Investments, is, in turn, the prime investor in the joint venture fund with Halverton via the HBI legal entity based in Luxembourg. "You can get the equity for this kind of fund if the investors see that you have the skills' base," said Gardner, who for most of the 1990s was chairman of Brixton Estate Plc, one of the big 10 UK property companies. The five Halverton managing partners include financial director Andrew Yates, Richard Croft, William Sexton and Taco De Groot, who brought his Cortona Holdings BV into Halverton earlier this year.

Gardner said he would not be surprised if the fund, carrying leverage of around 75%, did not double in size over the next year or two. All the principals of Halverton have developed significant experience in multi-let light industrial properties. Croft in particular has spent several days per week over the last five years touring Europe and purchasing business park real estate. Cortona has for several years managed around €200m of similar light industrial assets in the Netherlands for another major institutional client.

Alexander Hoff: High quality assets with low rental cash flow risk.

Halverton has already acquired and now asset-manages 48 multi-let light industrial real estate investments in the Netherlands, France, Germany and Denmark, amounting to around 600,000 sq.m. of lettable space, split into just under 600 units. Multi-let light industrial properties are smaller commercial trading estates and business parks housing such industries as printing, IT, storage, light manufacturing, local distribution and building supplies. The asset class demands a great deal more hands-on management than, for example, offices or single-let industrial. Estates typically vary between 3,000 and 50,000 sq.m. in total, split into 10-50 individual units. They usual exhibit low technical construction specifications and have corresponding low obsolescence rates.

"It's a high-yielding stock which is essentially an industrial property vehicle and it has the advantage that you can borrow against it at pretty low figures," Gardner said. Halverton has access to average financing costs of sub-4%, hedged out to five years. Net initial yields in this asset class are around 8%. "We had been tracking to see when the best opportunity would be to establish a new company," he said. "All in all, we have been looking at this asset class most closely for the last 2-1/2 years before we eventually founded the company."

Halverton opened a German office in Frankfurt in October and expects to set up a second next year. Germany is headed by Alexander Hoff, previously head of property management at Vivico Real Estate and prior to that in a similar position with CB Richard Ellis. Hoff told PFE that Halverton expects to have five to six asset managers in Germany by the middle of 2006, and has already invested €70m in Neuss, Bremen, Cologne and Gustavsberg. "We take fully into account the views of the other investors so we are looking for high quality assets that have a low risk from the point of view of the rental cash-flow," Hoff said.

Halverton moves very fast in its offer and execution process. "We do a valuation in two or three days and then make an offer at a fixed price. We don't get involved in tender bids which push prices up to ridiculous levels, but we prefer to acquire off-market. It's more or less take-it-or-leave it. If it doesn't work we simply move on," Hoff said. Halverton does not develop business parks but will exploit any potential letting space already zoned in any of the properties that it acquires. "The multi-tenant aspect of our investments means that we're taking low risk in terms of any one large tenant cancelling the contract at any time," Hoff told PFE.

Overall Halverton is dealing with 4,000-5,000 lease contracts in its asset base. The asset class has been out of fashion in recent years in Germany. Most investors have selected shopping centres, offices or, for example, logistics real estate. "This is the kind of investment where you do need good managers who can really control the letting process," Hoff said. "You can't just buy-in in this asset class and hope that it will run itself." HBI in October completed a contract to purchase the Louis Krages Property in Bremen in north Germany for €32.5m. This business park has around 150,000 sq.m. of lettable space and its tenants include DHL and Finnforest. It produces a net initial yield of 9.5%. Hoff expects Halverton therefore to have assets under management in Germany of over €200m by the early part of the new year. Transactions have been agreed on 11 further assets on behalf of HBI. pfe

At the same time two real estate groups, Shaftesbury and Atland, have launched separate takeover bids for, respectively, Docks Lyonnais and Les Tanneries de France. These follow quite closely the recent purchase of Mines de la Lucette by Morgan Stanley and of Empain Graham Développement by the Orion group. Businessimmo.fr added that a number of quoted property companies have made capital calls in recent months. The Société de la Tour Eiffel has undertaken a capital increase aimed at raising €157m to finance part of its acquisition of Locafimo. Foncière des Régions is also presently considering an increase in its capital of around €100m during 2006.

There is no sign of any let-up in these developments. A number of new companies are expected to come to market in the next few months, one of which is particularly large, Icarde. pfe

PFE COMMENT: France is actually extending its European bellwether function for a REIT-dominated real estate listed sector. The furious activity is not only due to the immense demand for international investors for European property assets now, REITs/ SIICs (Société d'Investissements Immobiliers Cotée) in particular, but also the scheduled end-2006 closure of the tax concessions on the externalisation of industrial assets into a REIT/SIIC. It is also a race against time for another reason: French REITs are being snapped up by foreign investors due to their unique tax status - free of corporate tax and tax-free gross payout of earnings - and Paris is frantically trying to figure out how to stem this loophole. How to tax non-resident investors is of course precisely the same conundrum confronting all other EU governments looking at REITs legislation, notably the UK and Germany right now. In the recent pre-budget confirmation of coming UK legislation, Chancellor Gordon Brown has only stated his intention to permit REITs. He gives no indication of how Britain intends to solve the thorny problem of potential loss of tax revenues.

Apellas and Corpus in bidding contest for Dresden's apartment portfolio

Apellas Property Management and the Cologne-based Corpus real estate group are among the investors selected by the city of Dresden to proceed to the next stage of bidding for its portfolio of municipal apartments, according to various media reports.

Apellas, part of George Soros' financial empire, and Corpus are two of the four investors short-listed by Dresden from among 88 investors. David Pascal, head of Terra Firma, and Matthias Moser from Fortress Investment declined to disclose whether they were in the running.

Terra Firma owns the Deutsche Annington group which successfully bid earlier this year for the Viterra portfolio from the Eon energy utility, at €7bn the largest residential portfolio to change hands yet. The Immobilien Zeitung newspaper said the US investment company Blackstone might be a possible candidate as well. Cerberus appeared to have withdrawn voluntarily from the tender. pfe

Foreign interest boosts German retail space prices by 10-15% in 2005

Foreign investors' avid interest in prime German retail properties, especially larger units, has resulted in marked price increases of 10% to 15%, according to various media.

The Handelsblatt newspaper reported that British investors in particular are investigating opportunities in the German market to improve the meagre yields of 3-4% currently offered on their home territory. Bernhard Schoofs from the Hahn group, a closed-end property fund company now looking to expand onto the continent, said Hahn has formed a joint venture with British firm Capital & Regional plc, which manages property funds valued at £3.5bn.

Danish investors have also discovered opportunities offered by German retail property, and are focusing for tax reasons on smaller and medium-sized towns and the suburbs of larger cities, according the Financial Times Deutschland. Danish interest was prompted by the prospect of longer-term rental contracts of 15-20 years compared with the standard five years at home, and by significantly higher yields.

The C & W H & B-Report, a survey comparing shopping space in 10 European countries placed Holland at the top of the list at 322 sq.m. per 1,000 residents, followed by Great Britain (233), France (211), Spain (197) and Germany (138). Russia and Turkey lagged far behind, at 14 and 27 sq.m. per 1,000 residents respectively.

Other media reported that retail space in Germany had grown to 1.4 sq.m. per capita from 0.94 sq.m in 1990. Sales had however declined from some €4,000 per sq.m. 10 years ago to below €3,400 in 2004. Competition is becoming more fierce and prompting a new approach to the selection of suitable locations, with secondary sites losing out to triple-A addresses. A recent retail survey issued by consumer research institute GfK showed that Munich boasts the highest purchasing power per capita at €5,300, followed by Wiesbaden, Düsseldorf, Hanover and Hamburg. Former east German towns Schwerin, Magdeburg and Erfurt trailed at below €4,000 per sq.m. pfe

Shares in European listed property companies still underperforming

Stock prices comprising the EPRA/NAREIT index of European listed companies rose by 3.6% in November after a slide in October, giving a year-to-date rise of 21.4%, the European Public Real Estate Association said. This remained below the global index measured in euros of respectively 5.2% and 27.7%.

Performances in the major countries in Europe were mixed. The UK performed well (9%), as did Sweden (6.4%), while France and the Netherlands both reported negative performance (-1.6% and -1.4% respectively). UK companies - led by storage centre operator Big Yellow - accounted for six of the top 20 global performers and 17 of the top 20 Europeans. Danish office developer Nordicom produced the best result overall on the continent, rising 38.3%.

In the reporting month, shares in the UK's Big Yellow Group peaked at an all-time high following a jump of 24.7% on a results announcement. Chairman Nicholas Vetch said the group intends to continue its expansion by acquiring six to eight new sites per annum and has 12 stores scheduled for opening. Land Securities, Europe's largest real estate developer, jumped 5.4% when it announced its biggest results improvement in five years, fuelled by higher London office rents. The share price ended 11.5% up for the month.

British Land announced that its net asset value had increased 11% in 1H05, as investor demand pushed up the value of retail centres, and office rents rose. Its shares finished the month up 10.1%. Warner Estates moved forward a strong 16.8% in November after the company announced purchase of a •'a3159m portfolio comprising seven regional office investments throughout the UK from the Co-operative Insurance Society.

In Holland, the BAM Groep announced a public bid for Dutch residential developer AM of €10.15 per share and €2.30 per outstanding warrant through its bidding vehicle Terra Amstel BV. The offer values AM at €952m. AM shares finished November 1.8% ahead. Swedish real estate company Kungsleden jumped 8% following the announcement that the company would join the MSCI standard index. Kungsleden has almost doubled in value this year. Kungsleden announced in October that it is buying 179 properties for $650m from Weland Fastigheter and Faagelviks Holing. Kungsleden ended November up 12.7%.

German retail property company Deutsche Euroshop sold 1.56m shares at €43 each to raise more than €67m to help finance retail investments this year. The company plans to make a new €80m investment before the end of 2005. Its common stock ended the month up 2.9%.

ING UK Real Estate Income Trust, floated on the stock exchange on 25 October, entered the FTSE EPRA/NAREIT Global Real Estate Index on 3 November under the fast track rule. The stock gained 5.3% in November. pfe

Indirect real estate investment rises by 24% in two years, Russell Survey

European institutional investment patterns in real estate are changing rapidly, with indirect investments in land and buildings increasing since 2003 by 24% compared to direct investments, according to the 2005-2006 Russell Survey on Alternative Investing.

Karl Smith, Russell's director of real estate, says the market has changed dramatically in recent years. The growth of tax-efficient vehicles such as REITs or REIT-like structures has ensured that global real estate securities today constitute around 10% of a $5tr global institutional real estate universe.

REIT legislation pending in a number of EU jurisdictions - and now pre-announced in the UK pre-budget report - will bring continued strong growth in real estate investments. The availability of REITs will encourage institutional investors to diversify their property exposure internationally, Smith said.

The survey concluded that investors are looking to alternative asset classes to provide a diversified source of return. Since rental contracts are typically medium to long term and are either directly or indirectly linked to inflation, investors normally gain exposure to higher yields with little correlation to industrial equity and bond return patterns. Russell's real estate group services leading institutional investors and manages some $5bn of global assets. pfe

Vectrane aims to quickly invest all of the €155m raised in its REIT flotation

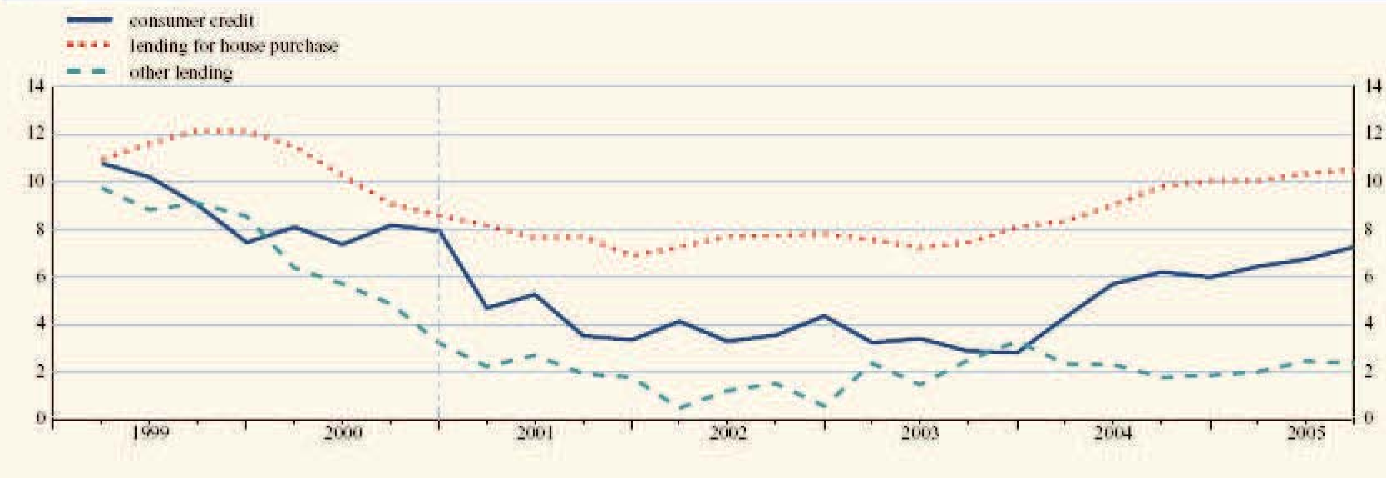
The French property company Vectrane is aiming over the next 18 months to completely invest the entire €155m in capital raised during its stock market flotation into a REIT/SIIC status, according to its chairman Jean-Claude Bossez.

He told the businessimmo.fr real estate portal that Vectrane, which already holds €483m of assets divided equally between office and leisure, is aiming at total property holdings of €1bn in the medium term. The assets are managed by Amex Partners.

Vectrane was founded in 1999 under the name of Jesta Capital du Québec, and up to 2003 had acquired eight commercial properties. It was taken over in July this year by Patron Capital, with the aim of boosting the assets and listing it as a Real Estate Investment Trust (REIT/SIIC). Its current portfolio includes four properties with 133,000 sq.m. of office space, and another four leisure properties including Center Parcs rented to the company Pierre & Vacances. The total portfolio now generates €33.4m in annual rent. pfe

PFE COMMENT: This is an astounding deal. Takeover to flotation within six months must be some kind of record. It certainly exploits the huge attractions of REIT status very adeptly, as well as the strong demand from international investors for solid property investment assets.

C6 Loans to households
(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Including non-profit institutions serving households.

Paref IPO to raise €75m for French property investment during 2006

After Mercialys, floated by the Casino supermarket group, and Vectrane, floated by Patron Capital, the property company Paref (Paris Realty Fund) has announced it has lodged a prospectus with the French AMF financial authority to execute an IPO.

The flotation is aimed at achieving the status of a Real Estate Investment Trust (REIT/SIIC), and will raise €75m for investment during 2006.

Paref founder and chairman Hubert Lévy-Lambert told the businessimmo.fr real estate portal, "The introduction of Paref on the stock exchange now represents a further step toward the formation of a strong and diversified property group…. It is an essential step in our development plan for the company."

Paref started in commercial real estate in 1996 and was formed out of the Sopargem asset management company that Lévy-Lambert had founded five years earlier with the support of the AGF insurance group. Paref integrated the remaining Sopargem assets in 2002, and now manages three SCPI property funds: Pierre 48 in residential, Novapierre in retailing, and Interpierre in office and light manufacturing. It also manages assets for Westbrook and Shelbourne Development. pfe

WestLB exercises full allotment option in Design Bau IPO

Germany's WestLB has exercised in full the over-allotment option it held in connection with the public offering of Design Bau AG, purchasing a further 80,000 shares at a price of €20, and bringing the total issue volume to 930,000 shares.

The 80,000 greenshoe shares were all provided by a former shareholder and have raised the free float to some 38.8%, the bank said in a release.

Design Bau is a full service provider for residential real estate based in Molfsee near Kiel. The company develops, builds and finances housing and apartment properties, primarily in Berlin, Hamburg, Lübeck and Schwerin. pfe

Whitehall completes acquisition of Deutsche Real Estate from Agiv

Whitehall, a property fund partnership managed by US investment bank Goldman Sachs, has completed its purchase of 76% of the share capital of Deutsche Real Estate AG, Bremerhaven, from the bankrupt Agiv property company.

Contracts were signed back in August after a Whitehall investment and financing subsidiary had acquired the loan receivables outstanding against Deutsche Real Estate and its subsidiaries in an amount of €343m. pfe

PFE COMMENT: This deal is a close parallel to the transaction undertaken in France by Patron Capital with Vectrane as outlined earlier in this PFE 16 (see above). The acquisition of an unlisted vehicle or a portfolio within a larger asset pool of a major company can be ring-fenced, bolstered with other assets, and brought, over time, to the stock market where investors are frantic for product. Surely, this is what Whitehall has in mind here. Such P2P (public-to-private; private-to-public) transactions will turn out to be highly lucrative for their principals as long as the demand for accessible real estate assets on the European continent remains as hot as it looks likely to be for a very long time yet. We continue to believe that any German bank currently wringing its hands over depressed valuations of any commercial property assets - be they vacant offices - is strongly advised to examine these strategies much more closely than they are. It is a cultural gap, particularly for public sector banks, but one that needs to be much more frequently bridged if department heads claim to be in command of modern real estate asset management techniques.

Bail Investissement and GE Real Estate France buy €1.6bn Technical portfolio

Bail Investissement, a subsidiary of French REIT Foncière des Régions, has agreed to purchase Technical SAS, owner of a €1.6bn portfolio of mixed use offices and light industrial properties, from the CGW consortium owned by Ixis, Whitehall and GE Real Estate.

Technical's properties represent a total 1.03m sq.m. of space and are leased to France Telecom until 2011 at an annual rent of €124m, nearly half coming from Paris. Since spring, Bail Investissement has been refocusing its investment policy on logistics and business parks.

In addition, Bail and GE will sign a memorandum of understanding to enable GE to retain an interest in the portfolio. GE Real Estate France will purchase mandatory convertible bonds issued by Technical, which will eventually give it a direct stake of 32.5%. Technical's debt will be refinanced through a new €950m bank loan, and it is expected to be consolidated by Bail as from 2006 and therefore to benefit from its SIIC (REIT) tax regime.

With the transaction, Bail said it will double the size of its portfolio and significantly boost its presence in major urban centres, particularly Paris. The return of nearly 8% on the acquired assets will increase overall profitability and be immediately accretive to current cash flow per share, lifting it by around 30%. On completion of the deal, its portfolio will have average loan-to-value of around 50%, without resorting to a share issue.

Ixis is a subsidiary of France's partly state-owned Caisse d'Epargne bank, while Whitehall is a property fund partnership run by US investment bank Goldman Sachs. pfe

Gecina in first diversification since Metrovacesa buy with €89m logistics deal

French SIIC/REIT Gecina announced that it has made its first diversification as planned in the spring 2005 takeover by the Spanish Metrovacesa group, spending €89m on a portfolio of logistics property assets acquired from Orion Capital Managers.

The portfolio is situated in the Paris region and comprises three high-quality logistics platforms constructed in 2002. The assets, located in Cergy-Pontoise, Roissy en Brie and Melun Senart, are 63% rented. Current negotiations suggest this should be boosted to nearly 100% over the next few months - taking annual lease income to €6.6m, Gecina said in a release.

Gecina Chairman Joaquin Rivero, also chairman of Metrovacesa, commented: “This investment is a first step toward the logistics sector, confirming the diversification strategy being undertaken by Gecina. More than €500m were invested over the last few months in assets of very high quality offering high yields. These included four villages belonging to Club Méditerranée and a an office complex situated at Levallois-Perret.” pfe

Strong demand for Spanish offices depresses Madrid vacancy rates to new lows

Huge demand for Spanish office real estate and favourable economic conditions have depressed office vacancy rates in Madrid to 2.3% in the northern suburbs and 4.4% in the central business district, according to a recent office market survey by CB Richard Ellis.

Economic growth of 3.4% over the second and third quarters 2005, coupled with declining unemployment to a new low of 4.1% in Madrid's services sector, contributed to this development, as has the 14.1% increase in tax income. The Spanish stock market gained 21.6% in the first nine months of the year, and property stocks far outperformed the rest, gaining 89.6% over December 2004.

Further increases in peak rents from their current level of between €24 and €27 per sq.m. are however only to be expected for modern office properties in 1A locations, according to the CBRE report. pfe

REDEVCO to put 34 retail properties up for sale across Germany

REDEVCO Services Deutschland GmbH said it is planning to put up for international tender a portfolio of 34 retail properties spread fairly evenly across Germany and located in prime high street locations in medium sized and large cities.

The sale of the properties, mostly let to textile retailing branches of C&A, are part of REDEVCO's strategy to diversify and reduce its exposure to larger retail properties. It is favouring smaller schemes in 1A locations and in specialised retail parks to achieve a better geographical spread. pfe

Residential rents to rise even if German economic growth remains modest - Feri

The market for rental property in Germany should recover in the next few years, with rents gaining in momentum in 2006 and average increases of 2.5% likely through 2014, the Bad Homburg-based Feri Rating & Research said in a new study.

In their analysis of the impacts of the policies on the new grand coalition federal government on the housing market, the research think tank said it expects rents to increase between now and 2014 by 24.4% in total, with residential yields probably reaching 5.6% p.a. despite weak overall economic growth and stagnating employment.

forecasts that unemployment will remain well above 10% of the total labour market over the next 10 years, and the reforms planned by the coalition will not be sufficient to boost economic growth. pfe

Table: European shopping centre market

End-2004	Number of properties (IPD sample)	Capital valuation €bn (IPD sample)	Total IPD floorspace 1000 sq.m. (IPD sample)	Total stock floorspace 1000 sq.m.
Denmark	15	3.684	200	1.300
France	279	8.606	2.200	12.800
Germany	50	4.373	1.200	11.300
Ireland	15	462	125	800
Italy	37	1.256	530	7.400
Netherlands	295	4.572	1.820	5.300
Norway	35	13.624	700	3.600
Portugal	51	2.736	800	1.750
Spain	89	3.666	1.275	8.700
Sweden	31	9.663	500	3.000
Switzerland	64	2.697	450	1.100
UK	312	24.442	7.050	13.600
Total	*1.273*	*79.781*	*16.850*	*70.650*

Source: CB Richard Ellis / IPD European Shopping Centre Digest

German high-streets banks forecast to lose market share in home loan business

High-street banks will see their share of new home loans declining over the next few years in favour of direct banks and internet providers, according to a forecast prepared by Munich's University of Applied Sciences.

The university's Professor of Banking and Finance Klaus Fleischer told a conference organised in conjunction with direct mortgage distributors ING-DiBa, and the MLP and Interhyp brokerage companies, that he does not expect any growth at all in the volume of new loans. Within this stagnating environment however, high street banks are likely to see market share drop to about 50% over the next five years from 70% in 2004.

The study, based on a representative survey of institutions and private clients said the business would shift towards direct banks, online mortgage providers and independent financial services companies. pfe

Hesse's tenants association warns against REITs introduction

Concerns surrounding the impact that Real Estate Investment Trusts (REITs) might have on the residents of the properties potentially in such portfolios have prompted the tenants association of the federal state of Hesse to warn the federal government against permitting the hasty introduction of these listed property vehicles.

Wolfgang Hessenauer, chairman of the Deutsche Mieterbund Landesverband Hessen, told various media that the introduction of REITs could cause shareholder value to become the dominating factor in residential business. This has the potential to usher in maximum exploitation of any rental increase opportunities and the omission or postponement of any necessary repairs to the capital stock. pfe

Property leasing business anticipates unexpectedly good figures for 2005

The value of new property lease contracts in Germany could soar by 34% compared with last year to reach €6.7bn in 2005, according to Federal Association of German Leasing Companies (BDL) President Horst-Günther Schulz.

However, BDL noted that 2004 was the weakest year on record, generating only €5bn in new business. Moreover, the increase should not be interpreted as a general upward trend, since the boost this year was due to only a few large transactions.

Schulz reported further that the overall volume of property investments, excluding residential, has continued to decline. It fell by 3.6% in 2005 alone to some €85bn, while the share of leasing investments has risen by over 2% year-on-year to nearly 8%. pfe

SEB ImmoInvest property assets up 4.4% in year to September

The property asset valuation of SEB ImmoInvest's mutual fund peaked at €4.5bn for the first half of fiscal 2005/2006, gaining 4.4% year-on-year in value as of end-September.

Foreign real estate investment yields were 5.6%y/y whereas domestic yields declined by nearly one-quarter to 4.5%. Capital growth was impacted by the weaker performance in Germany and Belgium but stronger gains in the USA and France.

The Frankfurt-based fund management company plans to extend its real estate investments to include Asia, the Pacific region and Scandinavia in 2006. pfe

Halifax and Bank of Scotland's IERET makes first investment in Germany

Insight European Real Estate Trust (IERET), set up this July by Insight Investment, the investment arm of the Halifax and Bank of Scotland Group, has made its first investment in Germany, acquiring the Campus Heusenstamm office complex near Frankfurt from Deutsche Telekom in a sale and leaseback deal.

IERET said the Campus Heusenstamm purchase is part of its program to invest €600m on the continent over the next 12–18 months, but did not disclose the price on this transaction.

Sireo Real Estate Asset Management, which manages Deutsche Telekom's property assets and is a majority-owned subsidiary, said the property comprises 42,400 sq.m. of land and a 15-storey office building. It has been undergoing refurbishment since 2002, a process that is now completed by the sale. pfe

German Grand Coalition to abolish grants and facilitate home ownership

As expected, the federal government has decided to abolish home ownership grants (Eigenheimzulagen) at the end of this year and to offer additional benefits to home owners within the framework of the "Riester" private pension scheme from 2007 onwards instead.

According to Wolfgang Tiefensee, new federal transport and construction minister, the government also aims to facilitate financing for home buyers through the state-owned KfW banking group by encouraging commercial banks to grant subordinated loans without demanding the usual 20% equity. pfe

PFE COMMENT: Here is a particularly silly piece of German government gobbledy-gook. Why on earth does Berlin think it needs to step in and encourage banks to grant "subordinated loans without the usual 20% equity". Has no one in Berlin put her or his head above the political parapet to discover what is going on in the home loan market? They need only read the interview in PFE 15 with GMAC RFC, or look at the domestic market offerings of a number of other residential mortgage financiers to discover that home loans without substantial downpayment have been a fact of life for the last 18 months. OK, only the last 18 months; Germany has not had such a flexible and wide-ranging mortgage product offering ever before. But even so, we certainly do not need either government subsidies or state interference in what has rapidly and happily become a healthy market competition - to the benefit of the German mortgage consumer. If those outside the country wondered why Berlin's federal budget is impossible to balance, wonder no more. It is stuffed full of similar wrong-headed and unecessary spending items. This is not a good omen for Chancellor Angela Merkel's legislative term.

House prices could become fourth driver of euro growth - Wermuth Asset Management

A continuing rise in house prices across the euro area, combined with increasing stock market wealth, could become become the fourth driver of growth, supporting household demand for very long periods, says Dieter Wermuth, economist at the Wiesbaden-based Wermuth Asset Management.

Recent incoming orders, industrial production and even construction data have been stronger than expected. However, the euro area economy has been characterised for some time now by the dichotomy between an increasingly confident business sector, and depressed consumers. Government spending, hemmed in by the Stability and Growth Pact, is also holding back final demand and GDP growth. "Three developments are driving the expansion, two external ones – the devaluation of the euro this year and the rapid growth of world trade – and one internal one – the ongoing redistribution of national income in favour of employers and buoyant corporate earnings," Wermuth wrote. Household wealth could become the fourth.

The largest share of household wealth is in the form of residential property. OECD statistics for the three largest euro area economies show an average annual increase of home prices of 7.3% and a growth rate of housing output of about 0.9%. Between early 2003 and today the ratio of non-financial assets, mostly houses and flats, to disposable income has risen from 386% to 442%, Wermuth calculates. In addition, the broad Euro Stoxx index has gained 21.1% since the turn of the year, or €670bn. This is 15% of annual private consumption.

"In other words, the combined increase of equity and housing wealth has been from 465% to 575% of disposable income... Household liabilities have also risen in the process, but certainly by not much more than 15 points."

Even if there is no evidence yet that this is about to lead to stronger private consumption, Wermuth said, "the US and the UK models, just as the Japanese model of the eighties, show that the wealth effect can support household demand for very long periods. Once consumers become more confident – because they feel better off as the value of their houses and equity portfolios rises – they will start to spend more which could then result in a self-sustained, broadly-based economic expansion." pfe

Metro Group sells 53 Praktiker properties throughout Europe

Metro Group has sold 53 of its Praktiker home improvement store properties in various locations in Europe to a real estate fund managed by Ixis AEW Europe, a subsidiary of French Groupe Caisse d'Epargne.

The deal comprises 35 stand-alone locations in Germany including the Praktiker headquarters in Kirkel, and also includes further eight locations in Greece and 10 in Hungary. The disposal is subject to the approval of the German cartel authorities.

The IPO of Praktiker a few weeks ago, as well as the real estate disposal resulted in total cash proceeds of around €840m for Metro in fiscal 2005, the group said. pfe

Prudential Financial's Pramerica invests in France for open fund

Pramerica Real Estate Investors, the real estate investment management arm of US insurance group Prudential Financial Inc., said it has paid €20m net to purchase the Le Pont Royal office building in Cachan near Paris for its open-ended property fund.

Pramerica acquired the property, built in 1993 and measuring 10,129 sq.m., for its globally investing TMW Immobilien Weltfonds, where it will be included in the portfolio at a market value of come €21.5m. pfe

Deutsche Telekom cuts stake in property manager Sireo, Corpus takes majority

The German real estate group Corpus is to take over a majority in Sireo Real Estate Asset Management, based in Heusenstamm near Frankfurt, raising its stake to 50.4% from the current 24.5%.

Sireo is part of the Deutsche Telekom AG group, which is simultaneously reducing its participation to 25.1% from its slight majority. The participation of the third main shareholder, Morgan Stanley Bank AG will remain unaltered at 24.5%, the companies said in a combined release.

Sireo, which specialises in the acquisition and management of commercial property, manages assets with a current value of €11.9bn. Consolidation of this into the balance sheet of Corpus, which until now has focused on residential real estate, will reach €14.5bn.

The deal takes effect on 1 January 2006. The companies announced that Sireo will continue to operate in the market as an independent company. pfe

Dewag purchases German residential portfolio from AMB Generali

Cologne-based AMB Generali Immobilien GmbH said it has sold a portfolio comprising some 2,500 apartments located in Munich, Stuttgart, Wiesbaden, Aachen and Essen to Dewag Deutsche WohnAnlage GmbH.

Following the purchase, Stuttgart-based Dewag now holds a portfolio of more than 7,000 residential units in some 50 locations. No price details were available.

Danish investors buy Radisson SAS-Hotel in Frankfurt

A syndicate of Danish investors including Keops A/S has purchased the recently completed 4-star Radisson SAS-Hotel Blue Heaven in Frankfurt from Hochtief for a total price of about €130m.

Radisson SAS has leased the 96-metre high hotel with 428 rooms, located close to Frankfurt's exhibition centre, for 20 years. Copenhagen-based Keops has set up an investment vehicle specifically for this property and hopes to achieve a yield of about 6% in the first year. pfe

KarstadtQuelle sells logistics properties to international investors

Struggling retail group KarstadtQuelle has sold and leased back three logistics properties to Ixis Capital Partners and a further 36 properties to Slough Estates International for a total price of well over €400m, according to CEO Thomas Middelhoff.

Ixis, a subsidiary of France’s partly state-owned Caisse d'Epargne bank, has acquired three national goods distributions centres in Unna, Essen and Brieselang (near Berlin) via its Captiva Capital Partners II fund.

Slough Estates International has purchased properties in Berlin, Hamburg, Hanover and Düsseldorf, and other German locations. Middelhoff was appointed earlier this year. pfe

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Robbert van Zinnicq Bergmann (57), joins the management board of **Aareal Asset Management GmbH** as CFO with effect from 1 December 2005... **Bérith Kuebler** has been appointed to the **Grosvenor fund's French** management team... The **Royal BAM Group NV** has appointed **Roel Vollebregt** as chairman of **BAM Vastgoed bv** in Bunnik. He succeeds **Ton Vaags** who will join the board of **Heijmans IBC** as of 1 January 2006. **Patrick Esveld** has also been appointed director of **BAM Vastgoed bv**... **Thomas Schmengler**, 50, has resigned as international director and member of the management board of **Jones Lang LaSalle** after more than 18 years to become shareholder and managing director of **KIZ Projektentwicklung GmbH**... **Arnaud Beyens** has joined **ING Real Estate Investment Management France** as financial director of **ING Retail Property Fund France Belgium**... **Oliver Broscheit** (39) has become head of sales at **Hamburgische Immobilien Handlung GmbH (HIH)**... **FSIF (Fédération des sociétés immobilières et foncières)** has confirmed president **Jean-Paul Dumortier** for a further three-year term. **Groupama Immobilier** chairman **Jean-Louis Brunet** and **SFL** chairman **Yves Mansion** were elected deputy presidents... **Robert Ummen** (44) will join the management board of **Dr. ZitelmannPB. GmbH** on 1 January 2006 after five years of heading up the property division of German daily newspaper **DIE WELT**. **Dr. Rainer Zitelmann** remains sole managing partner... **Jean-Claude Bossez** has been named chairman of **Vectrane**... **Eckehard Dettinger-Klemm** (42) will take over responsibility for the Financial Market Division on the executive board of **HSH Nordbank AG** from **Franz S. Waas**... **Thomas Kott** (40) has been appointed managing partner of **DGIM Deutsche Gesellschaft für Immobilienmanagement mbH**, Heidelberg, a joint venture involving **Deutsche Bank**... **Dr. Peter Zechel** has left **HypoVereinsbank** after 28 years to act as property and service management consultant to **SME**s... **Russell Investment Group** has appointed **Derek Williams** to the newly created position of senior research analyst for real estate in Europe...**Tim Wiesener** has left **Catella Eureal** to head up the new **Savills** office opening in Munich at the beginning of 2006... **Roy Frydling**, **Lars-Oliver Breuer** and **Ingo Spangenberg** have been appointed to the management board of **Savills GmbH** pfe

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