

Sweden's Klöver sees spring in 1Q10 profit

With the maxim 'after the winter comes the spring', Sweden's listed property group Klöver, based in Nyköping, reported stable first quarter rental income, with lower customer losses and tenant payment flows at a good level. Net profit was SEK26m, turning round a loss of SEK44m in 1Q09. CEO Gustaf Hermelin said this is a strong result, bearing in mind the still weak state of the economy. (See inside pages for full story)

Berlin GSW could raise €524m in IPO

Subscription opens today for shares in Germany's biggest real estate IPO in several years, Berlin's GSW housing group, and it could raise nearly €456m from the market after GSW last week received final approval for full flotation from the city. With an additional share allocation from owners Cerberus and Whitehall, full cash raise could reach €524m. The shares are offered at €15 to €18.50, with final deadline 6 May. (See inside pages for full story)

CEE developer Warimpex in €40m rights issue

Listed CEE hotel developer Warimpex is launching a capital increase of 14.4m new shares, equivalent to 36.4% of current equity to raise a maximum of €40m. After a rights issue, it will make a public offering of stock not taken up. The maximum offer price has been set at €2.80, compared to its last price around €2.30. Separately, Polish investment fund BPH, owned by the US-based General Electric, has breached the 5% equity threshold on the upside. (See inside pages for full story)

Immofinanz-Immoeast merger effective Thursday

Thursday 29 April has been confirmed by the Commercial Court Vienna as the registration date for merging the two Austrian real estate firms Immoeast and Immofinanz. The new firm will have a combined portfolio, heavily weighted toward eastern Europe, of €15.3bn. The merger entails a Immofinanz capital increase of €589m through issuance of 567m in stock to shareholders of Immoeast. (See inside pages for full story)

Gazit's Katzman to join Finnish Citycon board

Chaim Katzman, chairman of Israel-based Gazit Globe, is to join the board of listed Finnish shopping centre group Citycon, in which Gazit holds around 48%. The Helsinki firm announced an extraordinary board meeting to increase membership to 10 from nine. Gazit also controls Atrium European Real Estate. Katzman founded US REIT Equity One in 1992 and also chairs the Toronto-listed First Capital Realty. (See inside pages for full story)

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Sweden's Klöver sees spring in 1Q10 profit

With the maxim 'after the winter comes the spring', listed property group Klöver, based in Sweden's Nyköping, reported stable rental income for the first quarter, with lower customer losses and tenant payment flows at a good level.

It posted net profit for 1Q10 at SEK26m, turning round a loss of SEK44m in 1Q09, and corresponding to SEK0.16 per share. "Klöver is reporting stable rental income for the first quarter of 2010, which is a strong result, bearing in mind the still weak state of the economy," said CEO Gustaf Hermelin. "Customer losses have to date been lower than for the corresponding period last year. The payment capacity of tenants remains good. Delayed rent payments are not greater today than they were before the financial crisis."

Klöver made a number of new lettings during the first quarter, including a major asset in Norrköping. There, property costs were unusually high due to the hard winter in Central Sweden. "Committed work with snow and ice clearance, high electricity prices and the fact that we have a lot of square metres in relation to the property value contributed to property costs being SEK20m higher than in a normal year," Hermelin added.

Klöver is paying a dividend of SEK1.25 per share on last year's result. The firm's annual meeting also elected Lars-Göran Pettersson as new board member. Klöver has business units in 10 Swedish cities, and at 31 March 2010, a portfolio valued at SEK12bn with annual rental of SEK1.4bn. ■ pie

Berlin GSW could raise €524m in IPO

Subscription opens today for shares in Germany's biggest real estate IPO in several years, the Berlin-based GSW housing group. It could raise nearly €456m from the market after GSW last week received final approval for full flotation from the city government.

The shares will be offered in a range of €15 to €18.50. The current owners will offer some 15.3m shares - potentially raising €283m - and another 9.3m will be in the form of a capital increase. The owners may sell up 3.7m in an additional allocation - meaning the total IPO cash raise could eventually reach €524m. The price gives a company valuation of €670m to €790m, which compares to its reported net asset value of €950m. The discount corresponds to the current average in listed real estate firms. Final deadline for subscriptions is 6 May.

GSW owns 49,700 apartments and 3.1m of floor space in Berlin, valued at some €2.6bn, and manages another 17,000 units for third parties. Founded in 1924, it was originally a communal housing company and was acquired in 2004 from the Berlin city by the private equity group Cerberus and the Whitehall Funds real estate subsidiary of Goldman Sachs, each owning 50%. Berlin at the time put a limit on any flotation of 49% of equity and stipulated the group could not be floated before 2014. Both the Senate and Lower House of Berlin state have voted to lift these requirements over the last month.

Industry sources told the Handelsblatt newspaper that the IPO is structured to allow the two owners to sell up to 60% of their equity stakes in the IPO, while another €140m will flow back into the company - above the minimum €100m required by the city. ■ pie

PIE COMMENT: The share is 'priced to go' as retailers would say. The key element is that it succeeds since the discount is in any case far less than bargain basement prices accepted for real estate in the heat of the financial crisis by, for example, Goldman in its Spanish-French Colonial-SFL exposure. The two groups have moved very fast, clearly wanting to exploit a relatively strong stock market to exit as much of GSW as possible. To persuade the city of Berlin, it was made clear that the alternative was potential portfolio underinvestment.

CEE developer Warimpex in €40m rights issue

Listed CEE hotel developer Warimpex, based in Vienna, is launching a capital increase to issue 14.4m new shares, equivalent to 36.4% of its current share capital, raising a maximum of

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just over €40m. After a rights issue to shareholders, it will make a public offering of any stock not taken up.

The maximum subscription and offer price has been set at €2.80, compared to its last price around €2.30. Terms are four new shares for every 11 already held as of 23 April. The global offering consists of a public offering in Poland, and a private placement outside Poland and US. The new shares will be offered at the same price. Runs to on or about 10 May. The final subscription price will be determined by way of a bookbuilding.

Separately, the company said it has received an announcement that Polish investment fund BPH, owned by the US-based General Electric, has breached the 5% threshold and now owns just under 2m shares, or 5.02% of total equity. BPH (BPH Towarzystwo Funduszy Inwestycyjnych) has been operating in the Polish capital market since 1998. Other main Warimpex shareholders are Jurkowitsch and board member Georg Folian, with 19.10% each, two foundations Amber and Bocca, each with 14.40%. Some 27.88% of equity is in free float.

“This investment reflects the confidence of the Polish investment fund in our company and highlights the importance of our listing on the Warsaw Stock Exchange,” said Warimpex CEO Franz Jurkowitsch. The positive development of the Polish market, even during challenging times, has confirmed Warimpex’s strategy of focusing on hotel operations and development projects in Poland, which generates 37% of business. ■ pie

PIE COMMENT: As Warimpex itself points out, the Polish capital market has received a boost from investment funds such as BPH and pension funds. The Polish retirement system is based on two pillars: a public system and a private investment program. Retirement funds are required to invest a significant part of capital in shares listed in Poland, which is an important driver for its capital market. This factor was key in Warimpex’s decision to go public in Warsaw in 2007.

Immofinanz-Immoeast merger effective Thursday

Thursday 29 April has been confirmed by the Commercial Court Vienna as the official registration for merging the two real estate firms Immoeast and Immofinanz. The new firm will have a combined portfolio, heavily weighted toward eastern Europe, of €15.3bn.

The Polish Financial Market Authority has also approved the information memorandum for the share exchange in its market. The merger has long been planned to integrate the Immofinanz-controlled Immoeast and continue a recovery of the two firms hit hard in the last two years by a scandal at their original owner, Constantia Bank, and the global economic crisis. With the merger, trading of Immoeast shares on the Vienna Stock Exchange will cease and an application for cessation on the Warsaw Stock Exchange will also be made.

The merger entails a Immofinanz capital increase of €589m through the issuance of 567m in stock to shareholders of Immoeast. The share exchange - three Immofinanz shares for two Immoeast - takes effect on the merger date.

Immofinanz reported earnings in the first three quarters of its 2009/10 business year, to end-January, of €0.48 per share, turning round €4.06 loss in the comparable 2008/9 period. This

mainly reflected virtually no change in its portfolio, compared to writedowns of a massive €936m 12 months earlier. Comparable Immoeast results were EPS of €0.30 after a loss of €2.32, and flat writedowns versus a negative €634m. ■ pie

Gazit’s Katzman to join Finnish Citycon board

Chaim Katzman, chairman of the Israel-based Gazit Globe, is to join the board of listed Finnish shopping centre group Citycon, in which it has a large minority holding around 48%. The Helsinki firm announced an extraordinary board meeting to increase membership to 10 from nine to accommodate Katzman. It gave no reason for the move.

Gazit controls a number of other property firms in Europe, including Atrium European Real Estate, formed after the takeover in 2008 of the former Meinel European Land alongside Citi Property Partners. Katzman also founded US REIT Equity One in 1992, and took it public in 1998. He also chairs the Toronto-listed First Capital Realty, a Canadian owner, developer and operator of community retail malls.

With the addition of Katzman to the board Citycon will also change its articles of association to allow more than one deputy chairman, raising the expectation that he will take this role. The share price jumped nearly 8% following the news to just under €3. ■ pie

PIE COMMENT: Katzman is a heavyweight transatlantic real estate player, focusing his professional activities on shopping centres so that this give rises to speculation of corporate moves. Katzman is a hands-on manager and Citycon is the only public company in which he is invested but not on the board. His greater involvement likely portends faster organic or perhaps some kind of external expansion for the group.

French REIT Silic sees 1Q10 growth, sets dividend

French business parks REIT/SIIC Silic, 43% owned by the Groupama insurance group, reported a 3% rise in rental income in first quarter to €42.8m, and is proposing a dividend on 2009 results of €4.65.

It said a 2.9% rise in rental income was driven by acquisitions, and like-for-like, it suffered from negative rent indexation but the average continued to rise, reaching €184 per sq.m. compared with €181 at end-2009. Tenant default was almost non-existent. In 1Q10, the property portfolio was consolidated with the acquisition of a 14,500 sq.m. building at Nanterre-Préfecture for €73m, providing full-year rents of €5.0m. Other construction projects are all fully financed as Silic had €285m of available financing at end-March.

Silic confirmed its forecasts from earlier this year. “Barring exceptional deterioration in the economic environment, Silic expects to report further growth in rental income and stable cash-flow after very strong growth in 2009,” it said. At the annual meeting on 7 May, the board will recommend a dividend of €4.65 per share - an 8.1% increase on 2008.

Following the resignation of Chairman and CEO Dominique Schlüssinger, the board is separating the offices and has appointed François Netter as Chairman and Philippe Lemoine as CEO. Silic is the leading business park owner in the Paris region with 1.2m sq.m. of office and multi-purpose business space valued at €3.2bn. Most is concentrated in three core areas: La Défense and Roissy-Charles de Gaulle and Orly airports. ■ pie

France's Klépierre on disposal track, rents up 4.6%

French shopping centre REIT/SIIC Klépierre has made €48m of disposals so far this year as part of its overall asset disposal program of €250-€400m. Meanwhile rents rose 4.6% in the first quarter amid initial signs of a recovery in retail sales.

Klépierre completed the sale of an office building in Levallois-Perret on the outskirts of Paris for €36m in early April and has also agreed to sell a storefront retail property complex with a GLA of 2,848 sq.m. in Rouen for €12m. It also made investments of €89m on projects in France, Norway, Sweden, Hungary and Portugal. It said the leasing of its major projects under development is making good progress, with reservations running at more than 60% at the Corvin Atrium shopping centre in Budapest, more than 50% for the Millénaire project in the Paris suburb of Aubervilliers and 40% at Aqua Portimão in Portugal.

Rental income grew 4.6% to €229m in 1Q10, mainly as a result of new developments delivered last year but it said sales revenues of its retail tenants are now starting to show signs of recovery, growing 1.4% year-on-year in the first quarter after contracting 1.6% in 2009. This improvement was particularly visible in March. Shopping centres and other retail stores account for 95.7% of Klépierre's rental income, and the gradual improvement in retailers' revenues should lead to a slight increase in the group's rental income on a current portfolio basis and, to a lesser degree, on a constant portfolio basis.

Klépierre's debt remained relatively stable in 1Q10, standing at €7.3bn at end-March, with the average cost of debt steady at 4.48%. The company took advantage of an easing of interest rates in January to anticipate the renewal of its interest rate hedges maturing at end-2011 and in 2012, and in early April it raised €900m through a bond issue and private placement to refinance debt and enable it to seize investment opportunities. Klépierre now has €1.2bn of unused credit lines and the average duration of its debt stands at 6.3 years. ■ pie

France's Gecina concludes new rental contracts

Gecina, one of France's largest REITs/SIICs, said it has concluded two new rental contracts as part of its dynamic lettings policy and office renovation and refurbishment program. Gecina said this strategy "is effectively protecting the rental value of its portfolio in a Parisian market that is still disrupted".

Gecina owns and manages a diversified portfolio of €11.3bn of commercial and residential real estate, as well as student resi-

dences, logistics platforms, healthcare facilities and hotels. It had total rental income of €647m in 2009. After being riven by disputes between shareholders during the reign of former chairman and CEO Joaquin Rivero, it is now seeking to focus on the development of its core business under new CEO Christophe Clamageran and chairman Bernard Michel.

The company said it has relet its building at 32 boulevard Haussmann in Paris at an average annual rent of €485 per sq.m. to six tenants. The 2,333 sq.m. building was renovated in 2009. It has also signed a nine-year lease with the law firm Vivien & Associés for its building at 3 rue de Monttessuy, also in Paris. The 1,600 sq.m. six-floor building was fully refurbished and renovated in 2009. ■ pie

Castellum sees Swedish real estate improving

Swedish listed property group Castellum posted a drop in rental income in first quarter 2010 to SEK674m from SEK669m in 1Q09, but said both the rental market and the overall sector is improving across the nation. Net income was SEK173m, turning round a loss of SEK177m 12 months earlier, equivalent to SEK1.05 per share.

"Castellum has good earnings but it is never satisfactory to show a negative growth in income from property management - we are not used to that!" commented CEO Håkan Hellström. "However we see tendencies of an improving rental and real estate market with interesting business opportunities." Income from property management, excluding changes in value and tax, fell 11% to SEK234m. But Castellum raised the value on its property portfolio by SEK46m in 1Q10, reversing a SEK397m writedown last year. Derivatives losses were halved.

One of the major listed real estate companies in Sweden, Castellum's real estate portfolio is valued at SEK30bn and comprises office, retail, warehouse and industrial assets. It is owned and managed by six subsidiaries in five growth regions: Greater Gothenburg, Öresund, Greater Stockholm, Mälardalen and Eastern Götaland. ■ pie

Dutch architect MVRDV wins 35ha Bordeaux project

The Urban Community of Bordeaux (CUB) has commissioned Dutch architectural practice MVRDV to develop a masterplan for a 35ha stretch of unused industrial and military grounds on the bank of the Garonne river for an urban program of up to 300,000 sq.m.

ZAC Bastide-Niel will be the most significant urban project in Bordeaux in coming years and aims to extend the centre over the river. MVRDV's analysis identified potential to build a neighborhood to reconnect with the river in a new urban style with increased ecological efficiency. "We chose MVRDV because of its sensitive reading of the possibilities of the site. Bordeaux will extend its centre with an excellent new urban quarter which will be an innovative, social and sustainable example," said CUB President Vincent Feltesse.

Land use will encompass at least 55% housing - 2,400 units in different categories to create a mixed urban environment. Up to 20% will be reserved for offices, and up to 15% for retail and public services. Commissioned by CUB the project will be executed by MVRDV heading a team comprising Arcadis France (traffic, engineering), Oasiis (environment), Davis Langdon (economy) and Territoires (landscape). ■ pie

Rating agency Pfandbrief reviews criticised

Even if rating agencies new focus on liquidity to assessing financial debt instruments is very welcome, evaluation of Pfandbrief covered bonds as a category of structured products is the wrong approach, says the CEO of the German Pfandbrief Bank Association, vdp.

Jens Tolckmitt says Fitch, Moody's and Standard & Poor's are reviewing their assessment criteria in light of the financial crisis but are unable to move away from seeing Pfandbrief through "structured finance glasses". However, the instrument has been stronger through the crisis precisely because this is a wrong perception, he told a press conference.

The association has however introduced some flexibility into S&P's intention to tie Pfandbrief ratings to those of the issuing bank. Also the special security of the Pfandbrief has been recognised by this agency so that it has been allotted a ratings up to seven notches higher than for other kinds of covered bonds. Requests from Fitch for more data on individual cover pool loans is also problematic for Pfandbrief member banks.

However, he added: "We do not expect rating downgrades in large scale to occur as a result of the changed rating methods. This depends however also on the strategic positioning of the individual issuers." ■ pie

Europe's East/West divide losing RE relevance

The real estate investment profile of Europe is changing and the traditional East/West classification has become less relevant, partly due to the Greek debt crisis, says Cushman & Wakefield. In a new European Economic Pulse, it also says pricing in Grade-A assets is attractive, while secondary stock may get cheaper.

While in the short term, economies such as France, Germany and Switzerland stand out for offering potential out-performance at below-average risk, over a 2-3 year period, the Czech Republic, Poland and Slovakia should be included - alongside Nordics such as Sweden and Norway, C&W says. "The traditional East/West classification has become less relevant as top performing economies are drawn from different regions of Europe... While macro national-level risk factors are very much in focus as the tragedy of Greek finances unravels, the growth outlook can differ quite significantly between cities located within the same area, suggesting a need to focus on regions and not just countries." Some top performing cities for the next 1-2 years are expected to be in central Europe, notably Warsaw and Prague. Budapest and Bratislava are also expected to fare relatively well.

In the West, the top performers are seen as Stockholm, Luxembourg, Zurich and Oslo.

C&W European research head David Hutchings says some economies ended 2009 on a weaker note but 1Q10 indicators suggest growth has restarted and almost all major economies are set to expand. Business has to live with some degree of uncertainty and cannot stand on the sidelines for ever, he says. Less pricing clarity exists than many would like and less competitively-priced finance is available than needed. "Nevertheless, confidence has improved in the first quarter and both occupiers and investors sense that Grade-A property pricing is now around as good as it will get, but for secondary stock there is no urgency to invest or occupy property which should get cheaper yet," he adds. ■ pie

PIE COMMENT: This is the first analysis directly addressing the re-shuffling of East/West perceptions due to the Greek crisis, though we have thought for a while that excessive west European government debt plays strongly to the advantage of the East as a investment destination. A few major institutional players have recognised this shift in patterns and prospects, but by no means all. The trend must inevitably go further, we think.

Property impact from Euro debt crisis seen low

Given the political and economic fallout of the Greek debt crisis and turmoil in government bond markets in Europe, measures taken to restore public finances have most potential to influence the real estate sector, says CB Richard Ellis. However the impact is more remote than might be expected and is most likely to affect secondary property.

If the recent strength in the real estate market has been driven by yield differentials with government bonds, recent increases in government bond yields could be expected to produce a negative impact on the property market recovery of the last year. "The historical relationship between real estate pricing and government bonds is complex because of the part-bond-part-equity nature of property and the fact that real estate is not a homogeneous asset class," CBRE says.

CBRE Research Director Michael Haddock commented: "Sovereign default or a country being forced out of the Euro would impact the market for bond-like properties, but not to the extent that might be expected. The risk of a tenant defaulting on a rental payment is independent of the credit risk at country level. A property let on a long lease to a major international company will continue to generate rent almost regardless of what is happening to the sovereign debt of the country where it is located."

Whereas normally an international investor, in the case of sovereign default, would also experience a huge loss from currency devaluation, any investor from the Eurozone itself would see no currency loss whatsoever. If a country left the Eurozone, contracts such as leases would continue to be valid as the Euro will continue to exist. Where properties are let to local occupiers, dependent on local revenue streams, the investor is less secure. "Real estate investors have less to fear about sovereign debt market volatility than might first appear - and investors in prime property probably should worry least," he said. ■ pie

European property debt gap seen at €115bn

European commercial mortgage loans worth €482bn fall due in the next two years, but value declines and more conservative lending and LTV terms mean not all will be refinanced, says a report by DTZ Research. A 'debt funding gap' exists of around €115bn.

The study, authored by Kostis Papadopoulos and Nick Almond, says that a separate analysis shows €58bn of equity is available in each of the next two years to target direct real estate in Europe, and could make up for the debt shortfall. This equity has however been available for some time, and providers have not committed amid economic uncertainties.

The European debt funding gap varies across countries but 56% is estimated to be in the UK and Spain – while France, Germany, Italy and Ireland account for a further 28%. "Naturally, the larger markets have higher absolute levels of outstanding debt than smaller markets," says Almond. "However, in terms of relative exposures, comparing the funding gap to the invested stock is a more appropriate measure." The UK and Spain each have high absolute gaps, which are also high compared to overall invested stock at 7% and 8%, respectively. Germany and France have more modest relative debt funding gaps at 2% and 3%, while Ireland, at 10%, has the highest relative debt funding gap in Europe.

Papadopoulos says a number of obstacles have so far prevented matching of the equity to finance the debt funding gap. On the equity side, a divide has emerged in the type of opportunities that investors are seeking. Many global, opportunity-driven fund managers are keen to invest in banks' property loan portfolios but high total return requirements would only be met if banks sell at significant discounts to par. "On the other hand, most institutional investors are focused on investing in prime properties in core markets. Also, many of these institutions do not have to ability to buy loan positions," he added.

The DTZ Research report highlights three approaches tried as solutions to the funding gap: the first is a pure debt solution to mix restructuring, extension of maturities, and loan sales to third parties and foreclosure; The second is a new equity injection by the existing borrower or a new equity partner; Third is a debt-for-equity swap. Concludes Hans Vrensen, Global Head of Research at DTZ, "Based on our analysis, we have a positive outlook for the European property markets. We expect the existing equity investors to continue their work with new equity investors and lenders to resolve the European debt funding gap in the next two to four years." ■ pie

Union buys Warsaw Plaza for €102m from IVG

Hamburg-based fund manager Union Investment Real Estate has acquired the Horizon Plaza office complex in Warsaw for its UniImmo Global fund for around €102m, the second property in the nation for this fund. The asset was developed by the German listed group IVG, and is the largest transaction on the commercial real estate market this year in Poland.

The ensemble consists of one 11-storey building and one 7-storey building and offers 32,700 sq.m. of office space, a retail area, and 3.200 sq.m. of storage space. It ranks as one of the most state-of-the-art buildings in the country and has an outstanding reputation in terms of sustainability and energy efficiency. Occupancy of the office and retail space is 90%, and tenants include Nokia Siemens Network, Getin Noble Bank, Pekao Bank Hipoteczny and WestLB Bank Polska.

"The acquisition of Horizon Plaza fits perfectly into our investment strategy of generating higher income in core-plus countries," commented Union Investment RE Board Member Karl-Joseph Hermanns-Engel. In October 2008, Union Investment acquired a shopping centre in Katowice for €95m for UniImmo Global. ■ pie

Too soon to celebrate real estate recovery

Despite initial positive signs in first quarter, it is too soon for euphoria in the European property market, says realtor Jones Lang LaSalle. While initially it was feared that the tender shoots of a growing economy could be ploughed under again, March showed an unexpected drop in unemployment. But risks remaining include some huge state deficits across the EU.

For the office market in the six major German centres, the tempo of the economic recovery as well as labour developments are playing deciding roles due to the development of office employment as a driver of demand for space. As businesses cannot adjust space requirements to economic conditions immediately, the effects will work through only with a time lag, and any celebrations over a recovery should wait until then.

The Big Six saw around 586,000 sq.m. of rentals in first quarter, rising for the first time in six quarters. Such numbers are relativised with a look at individual markets. In Frankfurt, revenue dropped 61% in comparison to 1Q09, although the 70,000 sq.m. rental of the German railway 12 months ago distorts the figures. Something similar could happen in 2Q10 when the 80,000 sq.m. of the European Central Bank is included in the statistics. ■ pie

Luxury brands see Europe as key location

Germany's luxury shopping streets were in good shape in 2009, when tenancy turnover was lower than in previous years, says Jones Lang LaSalle. Thanks to good demand, the few properties that came vacant were re-let without any problem and at stable rents.

"International luxury brands continue to invest in their branch networks and regard the European luxury destinations as 'must' locations," said Doris von Muschwitz of Jones Lang

LaSalle Germany in a report. Led by Düsseldorf's Königsallee and the Maximilianstrasse in Munich, Germany has five luxury destinations. "The German streets need not fear comparison with New Bond Street or Rue Faubourg St. Honoré in Paris. On the contrary, they have an equally high density of

luxury labels, while prime rents are relatively low," she added. Some 30 of the 50 top luxury brands defined by JLL are based in these locations.

Rents in luxury retail locations in London and Paris were highest, while German locations were relatively inexpensive. The most expensive luxury shopping street in mainland Europe is Via Montenapoleone in Milan, with annual rents of up to €6,800 sq.m. London's New Bond Street averaged €6,440 while German locations ranged from €2,300 to €2,800. The exception was Munich where Maximilianstrasse prime rents exceeded €3,700. ■ pie

Global listed real estate recovery seen

With almost all developed economies now expected to show positive real growth in 2010 and beyond, continued recovery is likely to be the key driver for real estate stocks in 2010 and 2011, says LaSalle Investment Management.

Earnings of global real estate firms in LIM's investment universe are expected to fall around 4% in 2010 with the weakest coming in US. "As the global economy strengthens, the European real estate sector should benefit in terms of stronger earnings and improved value," said LIM's Ernst Jan de Leeuw of LIM in a new report. "Better managed companies with financial flexibility and good quality portfolios are likely to outperform due

to stronger organic growth and the possibility to acquire accretively. Investments in these companies offer good current income protected by the value of real assets, and an expectation that dividends will grow as real estate markets recover."

The other key driver is capital availability for real estate companies as they renew expansion. Last year proved to be excellent for capital raising, with more than \$50bn raised by listed property firms in equity and rated debt, along with additional funds in mortgages and lines of credit. Capital markets continue to be receptive to real estate offerings, particularly the US debt market. More than \$5bn in rated debt has been raised thus far in 2010, along with more than \$1.5bn in equity. This trend is expected to continue through 2011 and beyond. ■ pie

Sweden's Kungsleden divests SEK460m at 7%

Swedish property group Kungsleden has finalised sale of 22 commercial assets to the Stockholm-based Corem for a total net price of SEK460m after deducting deferred tax and excluding transaction. The yield amounts to around 7% and profit after tax is SEK55m.

The transaction, agreed in late December and conditional on arranging funding, has been declared unconditional and therefore can be concluded, announced Kungsleden. Corem, which is

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mainly active in central and southern Sweden, listed on the NASDAQ OMX Stockholm in an IPO last year. It has a balance sheet of just over SEK30bn. Kungsliden, with a presence throughout Sweden in 130 municipalities, manages a portfolio of SEK21.8bn. ■ pie

European mall development still slowing

Development of new shopping centre space in Europe slowed considerably in 2009, and is unlikely to pick up before 2012 at the earliest, says real estate adviser Cushman & Wakefield in its new European Shopping Centre Development report.

The sharpest fall in new space in almost 15 years occurred last year, with around 7.4m sq.m. of new shopping centre space completed, a 19% fall on 2008. 2010 should see around 6.1m sq.m. completed. In 2011 shopping centre development is expected to hit its lowest level in seven years with around 5.0m due to be completed, 46% down on the peak 9m in 2008. However, should the European economy bounce back quicker than expected, a large number of shelved mall projects could be revived quickly, boosting the development pipeline.

Cushman & Wakefield's Alexander Colpaert said: "It is clear that much will depend on the pace of the economic recovery across Europe as well as the appetite for risk taking among investors and funders. Emerging markets such as Russia, Turkey and Poland will most likely lead the way in terms of a recovery in .. activity, with favourable demographics and healthy demand from international retailers for the best space in prime locations. In many mature western European markets the focus will be on regeneration of existing retail destinations as polarisation between prime and secondary locations continues to increase. ■ pie

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First phase of €2.4bn Budapest ToPARK topped

Hungary's Walker and Williams Investment Group has topped out the €138m Parizsi Street first phase of its ToPARK mixed-use project in Budapest. The whole complex is expected to be completed by 2020 for an investment of over €2.4bn.

The initial phase will have 200,000 sq.m. of built space including 93,000 sq.m. of leasable office and retail space and some 11,000 sq.m. for 150-plus rental apartments next to the offices, which are 47% leased. Following delivery of the office buildings, the shops and rental apartments currently under construction will be handed over in 1Q11. In a municipal initiative, Buda Intermodal Centre will also be built to serve ToPARK as Hungary's most modern intermodal transport hub. In the next phase, expected during 2011, construction will begin on ToPARK Shopping Mall, the largest shopping and entertainment centre in CEE with leasable space of 89,000 sq.m., to be followed by the Expo exhibition centre, expected to open in 2013-2014.

Walker and Williams is a closed property investment manager in office, logistics and residential development. ToPARK has been the company's most important activity, boosting capacity to such a degree that it sold its earlier projects and in future will primarily focus on development of city centres and individual city quarters. ■ pie

Cinema City in €91m sale to Israel Theatres

The Israeli-based Cinema City International is selling all real estate development in Bulgaria to Israel Theatres Real Estate and Pan-Europe Finance for €91m. CCI CEO Moshe Greidinger, also one of Israel Theatres' controlling shareholders, said the move will substantially cut bank debt, enabling CCI to focus on expansion of its core theatre activities.

Israel Theatres, as a long-term real estate investor, will be able to maximise the financial potential of both mall projects, in Ruse and Stara Zagora, without any time pressure. CCI will participate in future gains from the transactions by Israel Theatres until end-2014 but without carrying the risk of property market volatility. The assets include the Mall of Ruse project at an advanced construction stage, while Mall of Stara Zagora is still in planning. They also include a property development and management firm RESB. The buyers assume all CCI's development-related obligations in Bulgaria including post-sale commitments in Plovdiv.

The transaction was effected through the sale of shares in subsidiaries of the company which directly or indirectly hold the assets. The buyers will pay an additional earn-out based on a percentage of gains realised from disposals before end-2014. CCI, who agrees not to engage in shopping mall development activity in Bulgaria in the next five years, intends to use cash and freed-up leverage to fund expansion of its movie theatres. Its debt fell to €30m and will be further cut by Israel Theatre's second payment. CCI is the largest multiplex cinema operator in CEE and Israel, operating 69 multiplexes with 668 screens in Poland, Czech Republic, Hungary, Romania, Bulgaria and Israel. It has 42 more multiplexes under development. ■ pie

Greece's Lamda moves focus to Serbia, Turkey

Listed Greek developer Lamda plans to sell land assets in Bulgaria and Romania to focus on Serbian and Turkish markets. Lamda CEO Odisseas Athanassiou told institutional investors recently the sale of Balkan land holdings will take place over the next 12-24 months.

In Serbia, it plans to develop a 500-unit residential project including a hotel in the historic centre of Belgrade, and is already in advanced talks with a major hotel group to operate the hotel. Lamda reported group recurring EBITDA increased by 44% to €41.8m last year. Consolidated net profit fell to €7.7m from €60m, mainly reflecting write-downs of €13.8m from €50m. NAV before taxes rose to €502m from €486m and net LTV improved to 42% from 46% at end-2008.

The group is concentrating on two major development projects in Belgrade and Serbia, and also plans new investments in Greece, south-eastern Europe and Turkey in commercial developments and acquisitions. Lamda is 56% owned by the Greek Latsis group. ■ pie

Budapest office absorption just positive

Net absorption on the Budapest office market - the change in the total occupied area - scraped into positive territory between 4Q09 and 1Q10 at some 1,900 sq.m or 0.08% of the total speculative stock, King Sturge has calculated.

This reflects the trend among tenants to relocate to better, newer and more affordable locations or renew leases on advantageous terms, while overall tenant demand for office space is unchanged, King Sturge says. Sub-markets vary widely, and periphery submarkets saw declining occupancy. So did the popular and established Váci út Corridor, which has the lowest vacancy rate of 14.8%, but this reflected two major financial institutions which moved.

King Sturge expects positive absorption to pick up in 2H10, and in 2011, it predicts this plus a reduced construction pipeline will cut vacancy rates, currently averaging 25%. Its calculations were based on data from the Budapest Research Forum, of which it is a member along with CB Richard Ellis, Colliers International, Cushman & Wakefield, DTZ and Jones Lang LaSalle. BRF also noted that 90% of newly-built offices were empty. Despite efforts by builders to slow down projects, new

office space totalled 91,000 sq.m. in 1Q10, boosting the overall vacancy rate to 25%.

Developer Ablon recently ranked vacancies in four CEE countries and put Hungary top after climbing to 22% during 2009 from 13% a year earlier. Romania came next with vacancies at 16%, followed by the Czech Republic at 11.6% and Poland at 7.3%. It predicted that Hungary's office rental market would only begin to grow again substantially in 2012. ■ pie

China signs for €170m Gulf of Finland JV

SRV Russia, a subsidiary of the Finnish SRV Group, has signed an agreement with the Chinese state-controlled Shanghai Industrial Investment to form a joint venture firm to implement the Baltic Pearl project over 205ha on the coast of the Gulf of Finland, southwest of Saint Petersburg. It has a projected investment value of around €170m.

The JV will buy from Baltic Pearl CJSC a lease right to 8.1ha for construction of a shopping mall with gross area 140,000 sq.m. This is scheduled to be carried out in two phases, the first of which is targeted for completion by the end of 2012.

The mall is part of the Baltic Pearl development project. The entire project entails a total of about 1m sq.m. of apartments, two hospitals and several schools and nurseries. Most roads, canals, and structural engineering infrastructure are already in place. Baltic Pearl is the biggest foreign investment project carried out by the Chinese government, excluding oil and natural gas investments, and is expected to be fully developed by 2013. ■ pie

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