

Global 2010 RE investment may rise 50% – JLL

Global commercial real estate investment reached \$66bn in 2Q10, nearly double the market bottom one year ago, and realtor Jones Lang LaSalle sees full year 2010 up 40% or 50% over 2009 to some \$300bn. Global volumes reached \$130bn over the first half; volumes in Europe, Middle East and Africa rose 15% in 2Q10. *(See inside pages for full story)*

Pirelli equity agrees Prelios name, capital boost

Shareholders of Italian listed group Pirelli & C. Real Estate have approved a change of name to Prelios, and also a boost of up to 10% in equity in which the banks Mediobanca and UniCredit have expressed interest in subscribing for a total €20m. The appointment of Enrico Parazzini as finance director was confirmed, to work alongside CEO Giulio Malfatto. *(See inside pages for full story)*

DIC Asset sees market base, first upturn signs

Frankfurt's listed office investor DIC Asset has experienced a bottoming-out in the market for several weeks and is seeing first signs of improvement. It still expects a tough environment, though with rising take-up and decreasing rental incentives. The assessment was made by CEO Ulrich Höller at the group's annual meeting recently. *(See inside pages for full story)*

Poland clears Unibail's Simon Ivanhoe deal

The Polish competition authority has approved the €715m acquisition by French-Dutch REIT Unibail-Rodamco of mall investor Simon Ivanhoe, a joint unit of US REIT Simon Property and Ivanhoe Cambridge. SI holds shares in seven shopping centres in France and Poland, where the acquisition of the Arkadia and Wilenska malls needed approval. *(See inside pages for full story)*

ORIE to continue fight against Grand Paris tax

Ile-de-France commercial property body ORIE will continue to push for an alternative to the capital gains tax adopted by the French parliament as the way of financing the Grand Paris urban renewal plan. *(See inside pages for full story)*

Italy Research Forum issues first joint office study

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**OUT 23 AUGUST
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SUMMER CLOSE DOWN

After this Online Weekly 175, Property Investor Europe closes down for its traditional summer vacation. **We will be back** with OW 176 on **23 August**.

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Global 2010 RE investment may rise 50% – JLL

Global direct commercial real estate investment reached \$66bn in the second quarter of 2010, similar to first quarter but nearly double the market bottom one year ago, said realtor Jones Lang LaSalle. For full year 2010 it anticipates a rise by 40% or 50% over 2009, to some \$300bn. Global volumes reached \$130bn over the first half.

RE investment in the Americas rose 54% in second quarter over the first and in Europe, Middle East and Africa was up 15%, but in Asia Pacific it fell 34%. Arthur de Haast, JLL Head of the International Capital Group commented: "This is solid progress for commercial real estate investment markets, reflecting the pick-up in trading which we have witnessed in certain countries globally. That said, volumes are still well below pre-credit crisis levels, and since third quarter 2009 incremental growth has been relatively modest." He added that the expected full year \$300bn in global volumes is still less than half the pre-credit-crisis levels of 2006 and 2007, but added that those, "were heady years for commercial real estate investment, with unprecedented record trading volumes."

In EMEA, volumes rose a modest 15% in 2Q10 over 1Q10 to €23bn, 80% up on 2Q09. The UK accounted for over 40% of EMEA volumes. While London maintained its position as the world's most active market at close to \$5bn, investors are increasingly focusing on France, Germany, the Nordics and Poland. In EMEA, Jones Lang LaSalle expects investment volumes 35% higher in 2010, reaching €100bn at year-end.

Julian Stocks, Head of Capital Markets England at Jones Lang LaSalle, said: "We have seen a strong bounce back in activity and pricing so far this year - especially for prime London. However in the last few weeks I have noticed a slight change in sentiment and the balance between buyers and sellers has altered. I expect yield movement to be minimal for the next few months and turnover in England to be slightly ahead of 2009." ■ pie

Pirelli equity agrees Prelios name, capital boost

Shareholders of Italian listed real estate group Pirelli & C. Real Estate have approved the company change of name to Prelios, and also a boost of up to 10% in equity in which Mediobanca and UniCredit have expressed interest in subscribing for a total €20m.

Ordinary and extraordinary meetings in early July also confirmed the appointment of director Enrico Parazzini, co-opted on 28 May, and his post as finance director, the company said, to work alongside Chief Executive Officer Giulio Malfatto. The new name Prelios S.p.A., and amendments to the bylaws will take effect when the separation of Pirelli RE from its tyre-making parent Pirelli & C. is finalised in the next few weeks.

The shareholders' meeting granted the board the power to increase share capital for cash in one or more instalments within a year of the resolution date by up to a maximum amount of 10% of the pre-existing equity through the issue of ordinary shares without pre-emptive rights. Mediobanca and UniCredit expressed their interest in subscribing to a reserved capital increase of €20m divided equally between them, as per terms and conditions to agreed after the separation from the parent group.

A property fund and asset manager, Pirelli RE has been listed on the Milan Stock Exchange since 2002 and has operations outside its home nation also in Germany and Poland. Assets under management amount to around some €16bn, of which €14.4bn in property and €1.6bn in non-performing loans. Properties worth €7.2bn are located in Italy, most managed through 19 real estate funds, while €7bn of its assets are located in Germany, and just €200m, mainly residential, are in Poland. ■ pie

PIE COMMENT: It looks very much as though separation from the tyre-making parent is a done deal and these are just formalities. Clearly, the banks have been requested to support this move, boosting the Pirelli RE equity base, which has been under considerable pres-

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sure amid and following the global crisis. There is some concern that the change of name, simultaneously removing the parent's financing 'umbrella', could lead to turbulence.

DIC Asset sees market base, first upturn signs

Frankfurt's listed office investor DIC Asset has been experiencing a bottoming-out in the market for several weeks and is seeing first signs of an improved market. It still expects a tough environment, though with rising take-up and decreasing rental incentives.

The assessment, made by CEO Ulrich Höller at its annual meeting recently, also included an initial assessment of business development in 2010. DIC Asset has to date achieved sales volumes of some €40m and a letting volume of around 100,000 sq.m. of commercial premises - comprising renewals of 56,000 sq.m., and new leases of 44,000 sq.m.

This represents a further increase in renewed leases compared with first quarter 2010 and a clear rise in letting performance. The Annual General Meeting, with a capital presence of 73%, approved all management items with a large majority, and its proposed dividend. In addition to the payment of a dividend of €0.30 per share, the focus of the resolutions was on the creation of approved capital to the amount of €19.5m.

Established in 2002, DIC Asset pursues a return-oriented investment policy, and has real estate assets under management of some €3.2bn comprising 2m sq.m. of floor space, spread over 316 properties. The portfolio is divided into core-plus, value-added and some opportunistic assets. DIC Asset has been listed on the SDAX index since June 2006. ■ pie

PIE COMMENT: This is a promising development. CEO Höller has been very cautious over the last six months at predicting a recovery or even a bottoming after dramatic downturns in German office amid the global crisis. DIC is one of the largest 'pure play' German office stocks on the market, and so can be taken as a good bellwether. Perhaps the mood will lift the stock. It was last trading around €5.90, at the lower end of a 52wk range up to €9.93.

French Gecina aims to boost office, healthcare

French REIT/SIIC Gecina, until recently grappling with severe corporate governance controversies, aims to grow the office portfolio to €9bn and its healthcare assets to €1bn over the next three years.

Addressing some 40 investors and analysts in late June, CEO Christophe Clamageran said: "In connection with the realignment of the strategy around France, our ambition is to significantly strengthen our office and healthcare businesses, on which we have a leading position, founded on very good quality assets and high-level teams." Welcoming Antonio Duarte, President of Association Grand Paris, who presented an update on progress, he added: "Naturally, a project on the scale of Greater Paris will offer opportunities over the coming years which players of our size are better positioned to capitalise on than others."

Organised around a visit of office buildings and dedicated workshops the investor day represented an opportunity to discover the group's flagship Horizons tower project, one of the four buildings owned on Ile Seguin Rives-de-Seine in Boulogne Billancourt. Gecina owns, manages and develops property holdings, which were worth €11.3bn at the end of 2009, consisting primarily of office and residential buildings in Paris and the region, as well as student residences, logistics platforms, healthcare establishments and hotels. ■ pie

PIE COMMENT: A further laudable action by Gecina to woo investors and re-instate some transparency after having survived the Joaquin Rivero era. It should be taken as a good paradigm for some other listed groups around Europe, whose share prices would benefit from blowing the cobwebs off information deficits surrounding their activities and portfolios. Gecina's share was last trading just below €77, in the upper end of a 52wk range up to €86.

Poland clears Unibail-Rodamco Simon Ivanhoe deal

The Polish competition authority has given the go-ahead for the €715m acquisition by French-Dutch shopping centre REIT Unibail-Rodamco of shopping centre investor Simon Ivanhoe.

Simon Ivanhoe, a jointly-held unit of US retail mall REIT Simon and Ivanhoe Cambridge, holds shares in seven shopping centres in France and Poland. The deal was announced in February but the acquisition of the Arkadia and Wilenska malls in Poland was subject to approval by the nation's Office of Competition and Consumer Protection. Arkadia is the largest asset in the portfolio with a total retail area of 103,128 sq.m., making it one of the biggest malls in CEE.

Poland made approval conditional on Unibail-Rodamco relinquishing its management role at the Zlote Tarasy shopping centre. The group will however retain its economic interest in Zlote Tarasy and the right to approve key decisions. Unibail-Rodamco said completion of the Simon Ivanhoe transaction will reinforce its presence in Warsaw. The group is present in 12 European countries and owns a portfolio of shopping centres, offices and convention-exhibition venues valued at €22.3bn at end-2009. ■ pie

ORIE to continue fight against Grand Paris tax

Ile-de-France commercial property body ORIE will continue to push for an alternative to the capital gains tax adopted by the French parliament as the way of financing the Grand Paris urban renewal plan, and hopes to use a government review in 2013 to make the case for a more efficient financing solution.

The capital gains tax plan was included in the law on Grand Paris adopted in late May that took effect on 3 June. It provides for a capital gains tax on property that increases in value as a result of new transport networks created through the Grand Paris plan. For buildings or land within 800 metres of a station, a tax of 15% will be payable to the central government to finance the Société du Grand Paris body that will oversee the new transport

infrastructure, while a further 15% tax could be charged by the regional government to finance infrastructure development by the regional transport authority. These taxes will be charged on 80% of the capital gain and cannot exceed 5% of the sale price in total. The capital gains tax angered real estate groups who said it would deter international investors from the Paris market.

ORIE (Observatoire régional de l'immobilier d'entreprise en Ile-de-France) has argued for a 1% tax on all property transactions over a 20-year period as an alternative, and intends to continue pressing its case. Its proposal would have the benefit of simplicity and more predictable receipts, with the association reckoning that it would raise €1bn a year.

"We intend to put forward our proposal with the aim of achieving the most efficient financing method possible, relying on article 2 of the Grand Paris law which envisages that the government will make a report to parliament by 31 December 2013 on the application of the law," said ORIE president Michel Grossi. "The report will have to refer to the capital necessary for the completion of the Grand Paris public transport network so we hope that it will also take stock of the solidity of the financing plan." ■ pie

PIE COMMENT: This is an extremely important issue in Paris, and the quick imposition of the capital gains tax has raised deep concerns among investors and developers in Ile de France. Expect this particular tussle to continue over the longer term.

Italy Research Forum issues first joint office study

Italian real estate research executives from six major international realtors, in the enlarged working group Italy Research Forum that aims to boost market transparency, have released their first joint document, analysing the office market.

The group was started by an initiative of Cushman & Wakefield and Jones Lang LaSalle in 2003 and during the last five years has been reinforced by the adhesion of other main operators – BNP Paribas RE, CB Richard Ellis, DTZ and Savills. "The aim of the forum is to exchange and compare non-sensitive data, information and opinions regarding market trends, in order to achieve greater transparency in the main Italian real estate market sectors," the group said in a release. "The starting point is a platform of common and fundamental definitions, which are both shared and homogeneous."

The enlarged IRF made a first combined presentation in June at the European Real Estate Society annual meeting in Milan. Company representatives in IRF are Mirko Baldini - CB Richard Ellis, Claudia Buccini - Cushman & Wakefield, Raffaella Pinto - Jones Lang LaSalle, Valentina Puleio - BNP Paribas Real Estate, Rezarta Tasellari - DTZ, and Susan Trevor-Briscoe - Savills. IRF objectives include an extension to cover Rome as well as Milan office, and to subsequently look at Italian domestic retail and logistics markets.

The cooperation is the widest in Europe between major realtors. It mirrors the Immostat cooperation in France, launched in 2001 by BNP Paribas Real Estate, CB Richard Ellis, DTZ and Jones Lang LaSalle to study the office market in the Paris-Ile de France region. The UK-based Investment Property Databank joined Immostat last year. ■ pie

PIE COMMENT: A highly laudable move, and one that raises the question why major brokers are unable to cooperate in a similar way in other markets around Europe - to the benefit of boosting incoming property FDI. With good data management, issues of confidentiality cannot be too complicated to solve, either from the point of view of client discretion or of avoiding breaches of competitive corporate confidentiality within such a joint undertaking.

German housing portfolio deals up 35% in 1H10

Some €2.3bn of German residential property portfolio transactions were recorded in total in first half of 2010, up 35% on the same 2009 period, according to international realtor BNP Paribas Real Estate.

"Even if the transaction volume is a long way from the record turnover of the boom years, it is clear that the positive trend seen since the middle of 2009 has continued unabated," commented BNPPRE's Oliver Schötz-van der Hoff. "In particular, this is especially remarkable in the light of the special conditions initiated by the billion-euro deals in the years 2005 to 2008, which are unlikely to repeat themselves any time soon. Current signals we are seeing also point to positive demand in the second half of the year."

Transaction volumes in 1H10 were relatively homogenous, with around 49% of the large deals over €100m in volume. Schötz-van der Hoff said around 37% of the investors were private equity and/or real estate funds that mainly were seeking to invest in lower price housing segments. Another 14% each comprised institutional Special Funds and pension funds, which were quite active - while private property companies were responsible for 15% of total first half investment volume, and listed firms took just over 10%. Almost half of all transactions involved foreign investors. ■ pie

King Sturge, Gabetti partner in Italy

UK-based realtor King Sturge has entered a cooperation in Italy with Milan-based Gabetti Property Solutions, a leading real estate brokerage firm, listed on the stock exchange.

Founded in the 1950s by Giovanni Gabetti, the Italian company provides commercial services including agency, property management, research and valuation as well as residential services through a franchising network. Gabetti has nine offices, including Milan and Rome, and employs 73 staff.

"Italy has been a significant gap in our network for the last few years and with the European markets now starting to recover, as well as our clients looking to expand, we are delighted to have formed an association with Gabetti," said Richard Fiddes, King Sturge Managing Partner for Mainland Europe. "Our new associates have a lot of experience in the marketplace and we are excited to see where this new joint initiative takes us."

Added Gabetti CEO Giorgio Lazzaro: "The agreement with a major international player such as King Sturge is an important milestone for us. The partnership is aimed at internationalising

our business, granting us the opportunity to serve our clients abroad and to attract capital and foreign investors to the Italian market.” Gabetti Property Solutions is the parent company of the Gabetti Group which includes Gabetti Agency, Gabetti Finance, Abaco Servizi, Gabetti Cube, Patrigest, Gabetti NPL and La Gaiana. ■ pie

Eurohypo in €75m financing for ProLogis' PEPF II

ProLogis European Property Fund II, the externally-managed European logistics real estate fund set up by US REIT ProLogis in 2007, has raised €75m in a non-recourse loan from Germany's Eurohypo to re-finance a logistics distribution centre portfolio in Poland.

The loan is secured by over 14 modern distribution facilities wholly owned by PEPF II offering a total of 295,610 sq.m. in major distribution hubs throughout Poland. The facilities are fully leased and benefit from excellent locations, the company said. “We are pleased to have concluded another financing transaction in Poland and to further strengthen our relationship with Eurohypo,” said ProLogis Head of Treasury Europe Christian Nickels-Teske. Added Stéphane R. Adolf, Eurohypo Head of Corporate Banking: “The funds we are lending show again that Eurohypo is able to underwrite large ticket transactions and to work with its key clients on core markets.”

PEPF II, based in Luxembourg and managed by ProLogis, was established by the US REIT alongside several worldwide logistics funds in 2007, raising €3bn in equity for a total investment capacity of up to €7.5bn. Launched eight years after the US group's first fund, ProLogis European Properties, PEPF II investors included PEPR - plus the CPP Investment Board, which invests the assets of the Canada Pension Plan, and an affiliate of GIC Real Estate, the real estate investment arm of the Government of Singapore. ■ pie

Gecina boosts stake in Paris Beaugrenelle mall project

French REIT/SIIC Gecina has increased its stake in the company owning the Beaugrenelle shopping centre project in Paris but said the investment is a one-off move rather than the start of a shift into retail assets.

Gecina bought a further 25% in SCI Beaugrenelle from SCI Pont de Grenelle, taking its stake in the company to 75%. The cost of the operation was €58m after factoring in partial repayment of an advance granted by SCI Pont de Grenelle to SCI Beaugrenelle. But the final amount may be higher depending on the valuation recorded after delivery. “By taking the lead on this exceptional project, the group is seizing a unique opportunity to develop a shopping centre at the heart of Paris, offering significant value creation potential and profitability of over 8%. Beaugrenelle does not however represent the starting point for growth in shopping centres. Gecina's strategy remains firmly focused on the office, residential and healthcare business lines,” said CEO Christophe Clamageran.

Gecina's €11.3bn portfolio mainly consists of office and residential buildings in Paris and the region, student residences, logistics platforms, healthcare and hotels. But it has been involved in Beaugrenelle from the outset. The centre will have a GLA of almost 45,000 sq.m. in the 15th arrondissement of Paris. Total investment will be €400m. The mall is due to be delivered during the second half of 2013 following a recent administrative court ruling in favour of SCI Beaugrenelle over claims made relating to the building permits. ■ pie

French Eurosic sees possible corporate tie-up

French REIT/SIIC Eurosic could link up with another property company rather than being fully sold off by parent company BPCE, says Eurosic CEO Jean-Eric Vimont.

BPCE, France's second largest banking group, controls 52% of Eurosic through its Nexity and Banque Palatine units. It announced in February that Eurosic was among financial investments and no longer part of core business. “Since this announcement, a rapprochement with another company is a possible scenario,” Vimont said in an interview with Business Immo magazine. “This will not necessarily take the form of a sale of Eurosic. We have a growth strategy and look at all opportunities on the market, for the direct acquisition of buildings or for a tie-up with other real estate companies in the context of an inevitable consolidation of the property sector on the Paris stock market.”

BPCE is in negotiations to sell its Société Marseillaise de Crédit unit to Société Générale subsidiary Crédit du Nord for €872m. Vimont also said that Eurosic is looking to dispose of its two Center Parcs resorts and other leisure assets to focus fully on Paris office, but it is in no rush to complete a sale. “One third of our portfolio consists of diversified assets, notably the two Center Parcs in Sologne and Normandy, which offer secure yields of around 7%. We intend to sell these assets. But we are not in a rush to sell because they make a significant contribution to cash-flow. Our long-term goal is to refocus our portfolio on offices in Paris and the immediate suburbs, while still maintaining a policy of asset rotation.” He reiterated that Eurosic is aiming to sell €75m of mature or non-strategic assets in 2010. Its portfolio was valued at €1.4bn at end-2009.

On the investment side, deputy managing director Marie Wiedmer-Brouder said Eurosic has no interest in joining the intense competition for core assets on the market because it already has a strong core portfolio. “We are therefore looking instead for buildings with leases with a maturity of 2-3 years, which require an asset management job, either through the greening or restructuring of the building or through the renegotiation of the rental terms,” she said. ■ pie

European office recovery to extend beyond London – LIM

Europe's economic recovery is on track despite the noise from a volatile euro and the sovereign debt crisis in Greece, says LaSalle Investment Management. European office markets will recover

over the next 12-24 months and prime rent growth will become more prevalent, extending beyond London which has seen most gains so far.

The main European economies of Germany, France and the UK, plus most of northern Europe, are seeing increases in output again after the 2008/09 collapse. Central and eastern Europe is taking longer to turn the corner, with a number of nations struggling to expand - though growth should return in 2011. Poland is an outlier, having avoided recession.

The conclusions were contained in an interim update following LIM's Investment Strategy Annual in December 2009. At the halfway point of 2010, said the group: "Each country is responding differently to the various stimulus packages .. in response to the financial panic and subsequent economic collapse of 2008-2009. The performance of investment real estate also varies greatly from market to market. The 2008-2009 credit crisis was nearly synchronous across the developed markets of the world. The recovery is not."

The global crisis, though not without precedent, was historic in its scale and scope, shrinking world output for the first time in 60 years. The unprecedented, interconnected nature of the credit crisis will also shape a global recovery unlike any before. The drivers will play a major role in the performance of commercial real estate - in both mature and emerging markets. "At this point, it is already clear that the characteristics of this recovery are going to be unlike any other in recent economic history," LIM said, noting that the IMF has coined the term 'multi-speed recovery', to emphasise very different economic growth trajectories.

LIM said the euro crisis provides an unhelpful background for real estate fundamentals and is a risk to German and French markets through their banks. However, real estate investment demand has now bounced back strongly, with equity inflows principally attracted from open-ended funds of Germany and the UK. The debt market is also starting to loosen. Senior loans are available for good income producing assets in all the main markets for deals of up to at least €100m, up from just €50m six months ago. However loan-to-value limits mean senior debt beyond 60%/65% is extremely hard to source without amortisation. ■ pie

French retail investment to continue growing – Savills

Investment in French retail property grew strongly in the first half of the year and the expansion is likely to continue in 2H10, according to international realtor Savills. It climbed to €2.1bn from €529m in 1H09, largely as a result of the completion of prime retail deals such as Unibail-Rodamco's acquisition of Simon Ivanhoe and the purchase of the prime Cap 3000 shopping centre by Altarea Cogedim and its shareholders Predica and ABP.

Savills' Christophe Gouny commented: "We believe this upward trend in investment is set to continue throughout the second half of 2010 as some major assets are currently under negotiation, including St-Martial in Limoges for €100m and l'Heure tranquille in Tours for €80m."

Yields have come under pressure as a result of competition between investors and scarcity of prime investments. Prime yields for large regional shopping centres fell to 5.50% from 6.00% in 1H09, and for major retail parks eased to 6.75%

from 7.00%. However, secondary properties held steady at around 6.75% for shopping centres and 8.00% for retail warehouses.

While rents for the most established malls and retail parks remain stable, a significant downward correction is expected in secondary locations. Since end-2008 rents in secondary locations have fallen 11.5% for units of less than 50 sq.m. and 14.3% for retail warehouse units of around 1,000 sq.m. and Savills expects this downward trend to continue. "For the best located premises, retailers are choosing to stay in existing units at their current rents even if this implies an increase of their affordability rate rather than face the cost of moving," said Lydia Brissy of Savills European research department.

While investment in existing real estate is increasing, new retail developments have dipped as a result of decline in consumer spending. Between January and May 2010, some 498 retail projects totalling 1.3m sq.m. were submitted to the CDAC planning authority against 511 projects or 1.6m sq.m. during the same period of 2009. However, discount retailers and value fashion retailers have accelerated their development activity, Savills said. ■ pie

Paris 2010 office take-up above 2m sq.m. – Knight Frank

Office take-up in the Paris Ile-de-France region is likely to be slightly above 2m sq.m. this year, making 2010 an "average but reasonable vintage" for the rental market, according to realtor Knight Frank. Take-up declined to 1.8m sq.m. in 2009 from 2.4m in 2008.

"The situation in the Ile-de-France rental market is fairly reassuring but we need to be realistic. For the past 18 months the market has not been driven by companies' increasing need for office space, but by a desire to rationalise their establishments and to reduce real estate costs," Knight Frank said. But this has been sufficient to end the decline in prime CBD rents, which dropped around €130 in 18 months before stabilising at €710 per sq.m. this year. There are now some signs of upward pressures, with transactions recorded at headline rents of up to €830.

The contraction in construction since the start of the financial crisis is likely to lead to a shortage of new property that will become more intense in 2011, and this will also lead to upward pressures on rents. Only 730,000 sq.m. of new office space is due to be delivered in 2010, followed by a similar amount in 2011, in contrast to the 2009 total of 1.3m sq.m. Vacancy rates are expected to stabilise around the current 7% level.

Investment is expected to continue improving in the second half of the year and total €7bn-€8bn for the year as a whole, but the improvement is likely to be shortlived. "Many investors will face major repayment deadlines in 2011 and 2012 for acquisitions carried out up to 2007. Some will be confronted with a decline in the value of their assets, sometimes to less than the level of the debt," said Knight Frank. Banks will therefore have to focus on the refinancing of these clients which will reduce their capacity for new lending, and this in turn will mean that they will concentrate on core assets and investors with ample capital buffers. The investment market could therefore dry up again in 2011, Knight Frank predicts. ■ pie

Istanbul office investment accelerates in 2Q10

Office investment in the Turkish metropolis Istanbul accelerated in second quarter 2010 after many international firms that had suspended a search for assets in the global crisis re-entered the marketplace, says realtor Propin Property Investment Consultancy.

Its 2010 Second Quarter Istanbul Office Market Report said the general vacancy rate in Class A office buildings in the Central Business District was 11.7%, while Class B Office Buildings was at 12%. Class A office vacancy fell in all districts. In Levent, where demand is always high, it slid to 3.3% from 4.4% in 1Q10, though Class B office saw small rises.

The historical rent in Class A CBD office rose to \$26.5 per sq.m. per mth, and outside this area to \$17.7. Besiktas-Balmumcu district following Levent, which had the historical prime rent in Class A at an average \$33.9. It was remarkable that the average requested prime rent fell to \$44 from \$54, mainly due to the rapid slide in the euro exchange rate. Many landlords, who had demanded rents in euros then moved to denominating in dollars. In 2Q10 a noteworthy increase was observed both in stand-alone office letting demand and in leasing and buying. Demand was concentrated in the range of 3,500-5,000 sq.m.

Propin does not foresee any major changes in historical rents for the next quarter. It expects most firms currently in search of office space to sign new lease contracts around September, due to budget approvals obtained for 2010. Propin foresees a fall in vacancies in third and fourth quarters, however. The fact that most demand starts in January 2011 means the first quarter will be mobile. Umraniye is expected to be the focus of big transactions. ■ pie

End of silent retailing means consumer engagement - JLL

Until now the retail industry has remained very quiet in communicating with people, but the future of retail marketing will undoubtedly become focused on being involved in the dialogue between consumers and instigating own conversations, says Jones Lang LaSalle.

In part five of its Retail 2020 study, entitled The End of Silent Retailing, JLL said it considers how new technologies will create a new imperative for retailers to enter a dialogue with consumers. It explores how social networking will allow retailers to become part

of the real lives of consumers, and how this will impact a retail experience overall. Retailers will have more data about customers and will have to consider how best to utilise this information.

Beatrice Mouton, Head of Retail CEE at Jones Lang LaSalle, commented: "Retailers have already started to chat with their customers via Facebook, Twitter and iPhone apps." However, significant amounts of retailers have yet to engage. "Over the next decade responding to this growing phenomenon will become an essential part of successful retailing."

Added Robert Bonwell, CEO of EMEA Retail at Jones Lang LaSalle: "Retailers will need to relinquish a degree of control over their brands and allow consumers to shape it for them, but the reward will be a better understanding of people's transactional habits. This in turn will allow access to sophisticated data to shape how retailers market products to individuals rather than mass audiences. The next decade will witness competition for the ownership of this consumer information, and the retailers who can master advanced analytics to successfully decode intelligent insights from this data will emerge the winners."

The Retail 2020 study, launched by Jones Lang LaSalle in late May on its own website, examines the rapidly changing global retail landscape over the next 10 years. ■ pie

French RE investment up 77% in 1H10 – Cushman

French real estate investment climbed 77% to €4.6bn in the first half, with international investors showing a particularly strong appetite, says realtor Cushman & Wakefield. Around €3bn of the total was recorded in the second quarter, after a slight fall in the first quarter.

"This general improvement of the market can be explained by greater supply alongside increasing demand for all asset types, notably amongst international investors. Market players are more confident and are gradually repositioning themselves on larger deals", said Olivier Gérard, president of Cushman & Wakefield France.

But investors are still predominantly adopting wait-and-see strategies. "Whilst more investors are willing to invest in larger assets, requirements are mainly for fully let properties, let under long-term leases. 2010 should be the year of the 'long-term investment'. We estimate a total investment volume of just over €10bn for 2010 as a whole, similar to levels recorded in 2003/2004," said Gérard. Investment in French assets totalled €7.9bn in 2009.

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C&W said the market has been driven by French institutions and German funds which together accounted for 76% in 1H10. Middle-Eastern, Anglo-Saxon and Dutch investors also seized opportunities in France. Investors showed a particular interest in retail, which accounted for €1.6bn of the first half total, with its market share up 78% from a year earlier. C&W said retail is considered safer and more stable than other asset classes and also provides investors with the opportunity to diversify. Prime shopping centres were particularly sought after.

Investments in office totalled €2.6bn. It still represents the largest component of investment but now only accounts for 58% compared with an average 80% before 2009. Investments in industrial assets rose 43% to €320m, with acquisitions of logistics platforms in the Ile-de-France region growing significantly. High demand for securely let assets has led to a fall in yields across all asset classes since their 2Q09 peak. And while high street retail yields remained stable in the second quarter, office and logistics yields fell a further 25-50 bps. C&W said prime yields are likely to continue declining over the next few months but at a slower pace. ■ pie

▼ CEE- RUSSIA/CIS

Polish office to favour landlords by 2011 – JLL

Concessions to potential lessees in Poland's six major office markets excluding Warsaw - Wroclaw, Lodz, Krakow, Poznan, Katowice, TriCity - continued in the first half of the year, but limited supply means a gradual shift towards more landlord-favourable conditions by early 2011, Jones Lang LaSalle says in a report.

Existing office stock and new offices for delivery in 2H10 - as well as economic indicators beginning to be broadly positive - give increasing confidence that the recovery trend will continue, JLL predicts, and the shift towards landlords will be seen first in Wroclaw. Currently, prime headline rents range from €11-€13.5 per sq.m. per month in Lodz to €15 in Krakow and Poznan. The should remain stable in 2H10, with upward pressure in most regional markets in 2011.

New office supply more than doubled to some 88,500 sq.m. in 2Q10 and the trend looks sustainable, putting full-year delivery near 2009 at around 227,000 sq.m. Modern office stock totals 1.73m sq.m. country wide, with over 45% in Krakow and Wroclaw. Total office stock under construction at end-June was 276,000 sq.m. New deliveries put upward pressure on vacancy rates in most regional markets in 2Q10, lifting rates in Krakow to 11.4% from 8.9%, Wroclaw to 5.9% from 3.8%, Łódź to 24% from 17% and Katowice to 14.6% from 5.5%. But Poznan vacancy rates fell to 8.8% from 11.4% and Tri-City rates, to 9.7% from 10.6% in 1Q10.

The 2Q10 new completions were initiated under very different economic conditions, and most developers with post-2008 construction permits are adopting a wait-and-see approach pending a clear demand recovery. This means these new office

developments will not be added to the market before end-2011 or even 2012. Until then, more restrictive financing of new developments from will be mirrored in office supply in 2011, which will realistically bottom out at 130,000 sq.m., JLL Senior Research analyst Mateusz Polkowski predicts. ■ pie

US Lufkin signs \$126m site in Romanian Ploesti

Belgium-based Alinso's Romanian unit Allianso Business Park has signed a contract with Texas oil industry equipment and services company Lufkin Industries, to sell a 33 ha plot in Ploiesti West Park on which it plans to build a \$126m manufacturing facility. It is Lufkin's largest investment in Europe and a major transaction in the central European industrial equipments sector.

Alinso is developing Ploiesti in a joint venture with Petrica Usurelu, founder of the Piritec Group; they plan to invest €750m over six years. Allianso Business Park delivered a 30,000 sq.m. warehouse to Unilever last April, and a new 20,000 sq.m. logistics building will be available by end-September. Alinso CEO Ivan Lokere said the fact it found two strong tenants within a year shows Ploiesti was the right choice of location. The Lufkin investment will give new economic dynamics to Prahova County and to the Ploiesti industrial area, establishing Ploiesti West as a base for industrial firms.

Lufkin CEO Jay Glick said the new operation in Romania is a critical step in its strategy to expand its geographic reach for global customers and it will be a strategic hub to serve the European market and the focus for exports to Russia, central Asia, north Africa, the Middle East and east Asia. Romania is becoming a regional energy hub due to the political stability provided by EU membership and the strategic benefit of its significant oilfield heritage. It also provides access to local sources of raw materials, and a technically-capable local workforce. ■ pie

Tishman opens first LEED office in Bulgaria

Tishman International has presented the first commercial LEED-certified office building in Bulgaria, its newest Class A office building in the Sofia Airport Center. Total investment in the joint project with GE Real Estate is put at about €250m.

The building is the first commercial LEED-certified office building in Bulgaria, and is expected to achieve LEED's silver status by using environmental construction materials. SAC design includes sustainable sites, water efficiency, energy efficient materials and resources and overall indoor environmental quality. The environmental and financial benefits of LEED certification include lower operating costs and increased asset value, reduction of waste, conservation of energy and water and cuts in greenhouse gas emissions. Energy consumption is cut by the use of renewable energy and a building management system that regulates climate controls.

Total office and commercial space at Sofia Airport Center will be about 180,000 sq.m. The building will feature a green roof and an interior garden, and has space of 17,000 sq.m. The al-

ready completed 30,000 sq.m. logistics centre of the largest Bulgarian business park is 70% occupied.

Tishman International is active in the US, UK and CEE including Bulgaria, Hungary, Czech Republic, Slovakia and Romania and specialises, in the acquisition, development, management and financing of commercial real estate. GE Real Estate currently has over €1bn invested in CEE, where it has invested or developed in retail, office, residential and logistics in the Czech Republic, Poland, Slovakia, Bulgaria, Hungary and Romania. ■ pie

Modern Bulgarian mall space doubles – Colliers

Modern shopping centre space in Bulgaria doubled in 1H10 with the opening of five new malls to total 452,000 sq.m., and another five are expected to open by year-end in Plovdiv, Varna, Ruse and Stara Zagora, adding another 126,000 sq.m., according to realtor Colliers.

At the same time, increasing competition and weakening consumer propensity to spend is putting significant pressure on retailers. Vacancy levels in main high streets will continue to increase moderately but rental rates are becoming more attractive. Although most of Sofia's newly-completed space has so far been absorbed, a surplus in Varna, Ruse and Stara Zagora is expected due to the economic slowdown and excessive supply. Two key malls in the capital - The Mall and Serdika Center - opened with over 90% occupancy, but vacancies have risen moderately at other malls. Rents continued to fall, by 5% in Sofia and Varna, and 15% and 19% in Plovdiv and Burgas.

New malls also affected the performance of the main high streets. Brands are concentrating in the malls, where rental rates are lower, lifting overall vacancy to 10% in Sofia. High-street vacancies are seen trending higher for the next six months, making this sector more accessible, and with more incentives from landlords there is a good chance of a comeback mid-term. But high streets need upgrading to remain competitive, said Colliers Manager Iglia Yordanova.

Demand for contemporary retail space is driven mainly by European and Turkish brands through direct regional franchisees. Although retailers remain cautious towards future expansion, those with a strong balance sheet are rapidly gaining confidence to expand into markets previously viewed as too expensive or difficult to penetrate, such as eastern Europe, she added. The big-box segment is marked by a continuing boom for discounters, active development of consumer electronics and outlet centres. Another format gaining momentum is the retail park. Several schemes are under construction in Sofia with three expected to be ready by early 2011. ■ pie

RE investors returning to Estonia – Re&Solution

Some optimism is re-emerging in Estonian real estate, and foreign investor interest, especially from Scandinavia, has increased significantly in the last few months, reports consultant Re&Solution, part of Stockholm-based Newsec.

While only six months ago, nobody would consider buying Estonian assets at yields below 10%, a few recent office deals have been transacted close to 8%, with a couple more in office and retail currently being planned at a similar level, says Re&Solution head of Baltics Investment and Research Neringa Rastenyte. This year, investors are focusing on prime properties, with interest in secondary assets unlikely before 2011.

Re&Solution cautions that risks still remain for emerging European markets due to a possible double-dip recession as well as weak occupier demand, and investors will remain cautious in selecting investment targets. "Quality, quality, and once again quality shall be a key issue. Prime assets really have potential, but when considering secondary assets for a net yield of 7.5-8% this is already a signal of risk," said Rastenyte. Strong competition at property auctions also suggest market stabilisation and expectations of further growth, bolstered by the country's improving major macro-economic indicators and upcoming adoption of the euro. ■ pie

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