

EPRA sees boom in mutual funds investing in RE stocks

Some 68 mutual funds now exist which invest in global real estate stocks and the sector is booming, says a new EPRA study. **Page 2**

European ABS to hit a record €325bn in 2006 - ESF

The European Securitisation Forum says ABS this year will surge by 15% to €325bn, with CMBS set for a revival, rising by almost 50% from 2005 to €60bn. **Page 3**

German RE sector watching Grundbesitz re-opening

The German property sector is watching the re-opening Friday of the Grundbesitz fund closed by Deutsche Bank Real Estate in December, sparking a storm of controversy. **Page 5**

Austrian Immoeast in huge €3bn capital boost for CEE

Vienna-based Immoeast, a unit of Immofinanz, is to raise a massive €3bn in new capital to invest in eastern Europe. **Page 11**

Bernd Knobloch

Eurohypo Chairman

The PFE Interview: **Page 8**

Italy's Pirelli RE, Merrill Lynch sign resort hotel joint venture

Italy's Pirelli RE and Merrill Lynch have signed a joint venture to invest up to €1.5bn in Italian resorts and hotels over the next five years and are targeting hospitality chain Valtur as the first investment.

Pirelli will contribute 35% of the equity capital of the JV, and ML will provide the remaining 65% through its Global Principal Investments business unit. This already has around €1.5bn of capital invested in European property and related assets.

The joint venture aims to take on a primary role in Italy's resort and hotel sector, which offers high growth and development potential. The new agreement is its fifth partnership with major financial international players for opportunistic investments in different segments of the Italian property market - light industrial/logistic, residential, retail & entertainment, office, and resorts.

The group, Italy's largest real estate company, already has partnerships with Morgan Stanley, Lehman Brothers, Deutsche Bank and Cypress Grove International Funds.

Pirelli and Merrill Lynch face competition in the Italian hotel sector from the Banca Nazionale del Lavoro subsidiary Bnl Fondi Immobiliari and Deutsche Bank's DB Fondi Immobiliari. The California-based private equity fund Glenbrook also recently invested in Città del Mare, a Sicilian resort.

The Italian tourist industry remains very fragmented, and many family hotels are on the market for sale especially in the south - which Rome-based real estate consulting company Scenari Immobiliari spa considers the most attractive for opportunity investors.

The hotel group Federalberghi recently reported that incoming tourism in Italy grew slightly last year, bringing in around 1m, or 1% more customers than in 2004. Signs are that 2006 will also shape up to be a strong year. In addition to sector trend, the government has recently extended easier leverage rules to real estate opportunity funds, in line with those for specialised investment funds in other asset classes. pfe.

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Property Finance Europe takes on a slightly stronger gleam in this issue 20 as we switch formatting programs, and adjust one or two settings. It's not your eyes. We DO look different. All in the name of getting the information across to you quickly and easily!

Many thanks from PFE to our brand new subscribers who came in during February. Feedback from the sector has been fantastic, convincing us that we are on the track with the strategic information you need for your investment decisions on continental real estate investment. We are appreciative of all feedback and, once again, will consider all media communications. If, that is, you send them to our newswire email at news@pfeurope.de.

Apologies that we failed to appear on your TV screens two weeks ago. We will be back from MIPIM though on 16 March and the CNBC Europe appearance, which we erroneously brought one month forward. Not yet, not yet! Just what stories will we be able to relate from MIPIM? Watch, as they say, that space.

They tell us well that PFE is fast approaching its first anniversary edition, and that we should put out the flags. Yes, that too must be right. Have we done a year already? With the 27 March edition evidently. Seems like only yesterday...

Sweden's Kungsleden sees 50% profit rise in 2006 on strong foreign demand - CEO

Sweden's Kungsleden more than doubled 2005 net profit, and its chief executive says demand for real estate is so strong that the company is forecasting another 50% rise in 2006.

CEO Jens Engwall told PFE, "There's still a very heavy demand both from domestic and from other European-based investors. Liquidity is very strong and this is affecting us. I know we can find plenty of properties so it will be a very active year." Strong demand is coming from Denmark and Norway but interest from UK and Irish investors is intensifying. Kungsleden estimates 2006 net profit excluding items not affecting cash flow will rise to SEK1.5bn from SEK1bn last year. (See also p13) pfe

EPRA sees boom in mutual funds investing in global property securities

Over the past two years, the growth in mutual funds investing in global real estate securities has been phenomenal, says a recent report by EPRA. While only 10 existed at the end of the 1990s, the pace of launch of such funds has accelerated in recent years so that 68 now exist, having assets under management of \$14.5bn. Many more are now planned.

The report, written by Fraser Hughes and Jorrit Arissen for the European Public Real Estate Association, says growth in the number and asset size of the global property stocks' funds is driven by diversification, current REIT developments in Europe and Asia, and the fact that, from a US standpoint, the addition of Europe and Asia doubles the size of the investment universe. It grows to \$610bn in market capitalisation from around \$320bn in the US alone. EPRA estimates that the size of the institutional-quality global listed real estate market will hit \$1tr in the next five years.

"The sector is booming, booming, booming and the growth in assets under management is phenomenal," Arissen told PFE, "plus, we are aware of a number of funds coming to the market in the near future."

The study showed that global real estate stocks' funds have average assets under management (AUM) of \$213m. Three funds have AUM of over \$1bn each. No fewer than 11 are domiciled in Japan, illustrating the enormous demand from Japanese investors seeking premia over the bond rate. Ten funds are domiciled in Australia, then Luxembourg (9), the US (8), and the Netherlands (7).

Global funds are overweight in Europe, having an average allocation of 27.4%, compared to the 19.3% capitalisation of European companies in the FTSE EPRA/NAREIT Global Index. Asia is underweighted at 25.1% versus a 28.3% market cap, and North America is even more sharply underweighted, at 45.1% versus 52.5%. One reason for strategic overweighting in Europe is the opportunity to take advantage of developing REIT markets.

"If REIT legislation is passed in the UK and Germany in the next 24 months, we can expect to see increased levels of activity and growth in the European market," the study said. pfe

PFE COMMENT: It has been our contention since even before launching PFE last year that the coming of REITs will change the world – in Europe at least! Good to see EPRA confirm this. These conclusions are dramatic, and should give pause for thought to those who think REITs will be a pass-

The continental European investment property base is widening. Even as we speak, investors and managers are starting to refocusing capital toward assets other than office and retail. Specialist intermediaries are looking at logistics, light industrial, mixed-used, car-parking assets and, yes, even hotels... Strategically, and not just in small parts of the portfolio. Which is why, as



Berlin-based asset manager Stephan Bone-Winkel points out, it is becoming more important to make comparative trans-national studies divided by asset class. Research departments, please note. Check JLL's current push into the French warehouse sector, and hotels - and many other investors such as Eurinpro extending their logistics activities. The JV between Pirelli & CRE and ML in Italian resort investment was a divergent enough to put on PFE front. Not your usual plain-vanilla Paris, Madrid or Munich office exposure. Though we don't know them well, we think Pirelli must be a canny bunch – resilient and flexible like the base product of their parent group. Having concentrated too much on office in the past, Pirelli is stretching into more promising logistics and hospitality (and NPLs). Like growing numbers of asset managers, it is mining for higher yields for its real estate funds investors. The

support of Merrill Lynch brings financial engineering professionals into the sunny resort sector that, until now, has funded mainly through banks. But Pirelli – 35% held, by the way, by Norges Bank - and ML are also betting on the high visibility of the just-ended Turin winter Olympics to boost tourism business. The domestic hotel sector is picking up after three or four years of low competitiveness. Cultural destinations such as Florence, Venice, Rome have overhauled their roster of artistic events to catch some of the Turin kudos. Upgraded investment plans of big players like Bulgari, its Marriott parent, Kempinsky and Starwood also suggests an improvement in hotel prices and rental returns.

Staying in Italy, the general election on 9 April is being closely watched, among other things, for the fate of REIT laws under construction at Rome's Ministry of Economy. Legislation is on the cards if the coalition under Prime Minister Silvio Berlusconi is re-elected. The laws are modelled on the French SIICs rather than US REITs, and the most intriguing question for Italian listed RE companies is whether the exit tax on capital gains at sale should be 16.5%, as in France, or higher. The staff of Finance Minister Giulio Tremonti is said to be oriented around 18% but the minister himself favours the French format. Listed property company Beni Stabili is particularly involved, and has

mandated the legal practice of Bonelli Errede Pappalardo to study implications of the potential new SIIC legal form. Beni Stabili has profited from the Italian 2006 Financial Bill by revaluing its portfolio without too much damage to 2005 profitability. Chairman Leonardo Del Vecchio headed a delegation of the largest Italian real estate association, Assoimmobiliare, for a meeting at the PM's office in Palazzo Chigi with undersecretary Gianni Letta recently. The sector is pressing hard for the SIIC format, similar to France.

"Are you going to be at MIPIM?" seems to be the question on everyone's lips these days. Yes, Property Finance Europe will be there. This year without the 17-metre yacht and fleet of Ferraris for client transport(!), but we will be present with the help of our good friends Haufe Verlag, the Freiburg-based publishers of the German property monthly ImmobilienWirtschaft and other fine magazines and reference tomes. Expect to find a copy of the 13 March PFE, PFE 21, on the Haufe stand, and elsewhere in the publication boxes among the glittering receptions and rumbunctious festivities. Oh, and perhaps even in the business negotiations! Can't forget those, can we?

Allan Saunderson, editor@pfeurope.de

ing fad, or a phenomenon without profound impact and/or only attracting institutional money, and this in fairly small volume. We definitely see the 'emerging asset class' of European continental real estate as being hugely attractive for the retail investor globally, precisely because it offers the yield and security of bricks and mortar, good potential upside, and is combined with the liquidity of a stock, instantly tradeable via your broker or via the internet. Mutual fund managers should have no difficulty at all attracting retail capital.

European ABS likely to hit a record €325bn, CMBS to expand fastest - ESF

Securitisation market growth in Europe is likely to hit another record in 2006, touching €325bn and around 15% higher than the estimated €283bn in European ABS volume done in 2005, according to a survey by the European Securitisation Forum.

Released around a month before the ESF's annual meeting in Venice, Italy, the survey said the generally upbeat forecast is in line with the favorable financial market environment and the European securitisation market's rapid growth trend over the last several years. "Issuers consider securitisation to be a reliable, efficient and cost effective funding source, while investors see continued value in the form of higher spreads relative to other fixed-income sectors," it said. "Thus, the expected new issue volume growth in 2006 should be well absorbed by the robust investor demand."

The annual issuance forecast survey is done by the Senior Researchers Working Group of the ESF comprising 10 major member institutions. The consensus view is that most collateral sectors will grow in 2006 and CMBS is expected to expand the most. This will be fueled by the formation of a large number of conduits and the recovery in European commercial real estate. CMBS issuance is expected to reach €60bn, up 43% from 2005.

Issuance of RMBS, the largest securitised product sector, is expected to increase, though at a slower rate of 5% to around €160bn in 2006. Several respondents held the view that a few markets could experience a decrease as a result of a potential housing market downturn and the expansion of covered bond issuance. Consumer ABS, including auto loans and credit card receivables, is ex-

pected to expand by 14% to €25bn, while corporate ABS is expected to decrease 9% to €15bn.

Securitisation in Germany will experience highest growth rate in 2006 based on commercial real estate mortgage portfolio growth and the expectation of an economic recovery, the respondents concluded. The UK will remain a collateral country of choice because of its market transparency. pfe

Barclays Capital sees even more dramatic growth in European CMBS

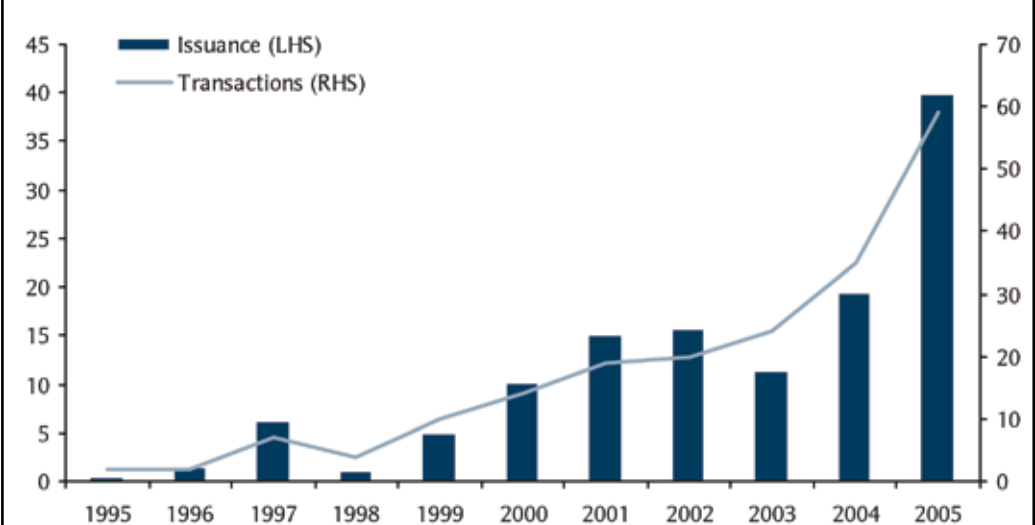
Barclays Capital is expecting even more dramatic growth in European CMBS issuance in 2006 than the ESF, seeing a 45-50% expansion this year, but for the same basic reasons - conduits' aggressive plans. But its own recent investor survey,

Figure 5: Top 10 European CMBS conduit programmes by 2005 issuance

Rank	Conduit name	Sponsor	No. of deals	Euro issuance
1	Opera Finance	Eurohypo	6	4.7bn
2	DECO	Deutsche Bank	4	2.5 bn
3	ECLIPSE	Barclays Capital	4	2.3bn
4	Titan (Cornerstone)	CSFB/GMAC	3	1.8bn
5	Windermere	Lehman Brothers	2	1.7bn
6	Real Estate Capital	Rothschild	2	1.7bn
7	Talisman	ABN-AMRO	2	1.3bn
8	EPIC	Royal Bank of Scotland	2	1.2bn
9	ELoC	Morgan Stanley	2	1.1bn
10	Taurus	Merrill Lynch	2	0.9bn
	Seven Others		7	4.9bn
		Total	36	23.8bn

Source: Barclays Capital.

Figure 1: European CMBS issuance (€ bn)



Source: Barclays Capital.

The growing importance of conduits in the CMBS arena in Europe are seen by both ESF and Barclays capital as bringing a huge increase in issuance during 2006, up by nearly 50% to a new record volume of over €300bn.

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signed by head of research Hans Vrensen, said that demand should be sufficient to absorb this new supply.

It sees European CMBS issuance reaching a new annual record high of €41bn last year, when full figures are in, more than double that of 2004.

In comparison with eight other ABS sectors, European CMBS offers above-average spreads at below average levels of risk. "Overall, we believe fundamentals are favourable and expect CMBS to continue to offer good relative value. We prefer granular deals, despite the trade-off between granularity and quality. Furthermore, we prefer the European recovery play over the UK, and office over retail as a property type," the study said.

Collateral trends indicate that CMBS conduits made up 59% of issuance in 2005.

Despite many single-borrower conduit deals, there was an increase in more granular deals, with multi-borrower deals making up 42% of the total. Euro-denominated issuance was only 29% of the total and fixed rate was even scarcer. The UK continued to dominate issuance, making up 73% of the total, though German issuance increased to 10%. We expect an increase in German multi-family portfolios and non-performing loan pools in 2006. pfe

Terra Firma's Annington German residential unit to restructure financing, possibly securitising rents

Deutsche Annington, the German residential property holding subsidiary of UK private equity fund Terra Firma, intends quite soon to reduce its financing costs by either reordering its current bank credits or securitising rental cash-flows.

David Pascall, head of Germany for Terra Firma, told the *Börsen-Zeitung* newspaper however that the company, which currently owns 230,000 residential apartments in Germany, still intends to build this to around 1m over time. "At the moment we are particularly looking at portfolios which are still in state hands," Pascall said.

In April, Deutsche Annington intends to begin an evaluation process for the LEG portfolio of the State of North Rhine-Westphalia. Following municipal elections in Hesse, he also expects a privatisation of the state-owned Nassauische Heim.

The German real estate branch expects around 1.5m apartments to be sold from the public sector in the next few years, mainly by municipalities and states. The WOBA residential portfolio owned by the City of Dresden has just been sold to the US private equity investor Fortress Group (see article elsewhere in PFE 20).

One of the largest securitisations in the sector so far was the €1.5bn issue made in 2005 to partially refinance a €2.1bn purchase by Corpus and Morgan Stanley of the 48,000-apartment residential portfolio of Thyssen-Krupp in late 2004.

Separately, Deutsche Annington CEO Volker Riebel told the *Immobilien Wirtschaft* magazine that the company sold some 9,300 apartments to tenants and occupiers last year. Interest in home ownership as a means of financing retirement caused demand to remain strong throughout 2004 and 2005. In addition, it also signed 19,000 new rental contracts in 2005.

Pascall said that a combination of privatisations and rental income allowed Deutsche Annington to achieve a yield on its entire residential portfolio of 5.5% to 6%. Rental income in 2005 totalled €750m while apartment sales brought in €1.1bn.

Annington has become the largest apartment holding company in Germany, having been the vehicle last spring for Terra Firma's purchase of the €7bn portfolio from Eon comprising 138,000 apartments. It is carrying total debt of around the same amount, and equity capital of some €1.4 bn, of which 17.5% is owed to Citigroup and the rest to the Japan-based bank Nomura. The *Börsen-Zeitung* said Terra Firma is currently seeking fresh money in the US and Europe of around about €2bn for a new fund, which is likely to be used to allow Nomura a partial withdrawal of some financing. pfe

PFE COMMENT: There are those who suggest that Terra Firma became somewhat overstretched with the Viterra acquisition, even if the overpayment was not, as many reported, as high as €1bn above the next highest bidder but closer to €200-€300m. However, the deal was more or less driven by the need to pick up management fees on portfolios and drive some revenues after TF boss Guy Hands had had only mixed success on a few of the prior deals in the residential

and other segments. Among other things, this included the UK Box Clever transaction, which was an attempted financing of residential tv rentals followed by a securitisation – which went dramatically wrong not only for TF but also for WestLB.

Total non-performing loan volume in Germany seen at €160bn

Around €20bn in non-performing loans changed hands in Germany during 2005, of a total still on the books of the banking of around €160bn, according to the private valuation company Terranus/Tagos-Group.

“Economic necessity will force the banks to take action in the foreseeable future,” said Carsten Brinkmann, Terranus/Tagos-Gruppe CEO, told the Immobilien Manager magazine. “The reasons for the long-drawn out delay are clear, the commercial banks are simply scared of realising the losses on the balance sheets by making these sales, and put their credit policies up for public discussion.”

The major acquirers in the German NPL business have so far been Anglo-Saxon institutions such as Lone Star, Cerberus, Goldman Sachs or JP Morgan. Some 50 such Opportunity Funds and investment banks are active in the market. pfe

German property sector watching reopening of Deutsche's Grundinvest

The German property sector is closely watching the re-valuation and re-opening of Deutsche Bank Real Estate's Grundbesitz-Invest open-end property fund that it closed for capital withdrawals in mid December amid a furore of controversy

DBRE said it will announce on Thursday the result of its revised valuation for Grundbesitz-Invest. It will reopen the fund the following day, Friday 3 March. Most expectations centre around a depreciation in the asset valuation of 3%-5%, and that anticipate that the Deutsche Bank group – which has laid aside €203m in provisions in 2005 accounts for this – will cover any losses or withdrawals that occur after the reopening.

Grundbesitz-Invest has assets of around €5.9bn, and an investor base of around 300,000. The closure was forced upon it after an announcement in early December of a coming depreciation led to a massive outflow of capital, mainly by institutions. This then led to a liquidity shortfall just before year end.

Deutsche has meanwhile sold property assets out of the fund to the value of around about €1 bn through Jones Lang Lasalle. The Financial Times Deutschland reported that it has been trying to sell off a second property package, a portfolio of retail properties worth around €275m.

DBRE has given no indication of the number of sales orders that have come into Grundbesitz-Invest since the closure but, “we are aware of what is awaiting us,” a DBRE spokesman told the Handelsblatt newspaper. pfe

PFE COMMENT: Deutsche Bank really has no political choice now but to cover all liquidity outgoings once the fund is reopened. A very large number of bridge were badly seared, if not burned by the precipitous closure of the fund, and there is no option that we can see to do this a second time shortly after re-opening. The irony is that after what could be a significant wave of selling, the more canny investors will move in to pick up certificates, just as in any market panic – the 1987 stock market crash, for instance. We see no reason to expect a particularly deep sell-off in the light of strong foreign demand for anything real estate related on the European continent, especially Germany. pfe

Germany's KanAm denies Paris property portfolio sale to raise liquidity

The German fund manager KanAm denied a newspaper report that it has decided to sell a property portfolio in Paris to secure its liquidity. Responding to a report in the Financial Times, a spokesman for KanAm said, “We are sounding out different options that will lead to reopening our funds. Selling a portfolio is just one of these options.”

Financial Times earlier reported that KanAm is looking to sell a portfolio of five prime office buildings in Paris worth up to €1.2bn. The newspaper said KanAm has appointed the realtor DTZ to carry out the sale of the five buildings. The spokesman for KanAm declined to comment to AFX News whether this was the case.

KanAm last month froze two open-ended property funds after a heavy run of withdrawals amid accounting concerns, threatening liquidity.

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The portfolio was reported to include two properties bought recently from CGI – River Plaza and 7/9 avenue de Messine, Crystal Park at Neuilly-sur-Seine, the Tour Scor tower in the La Défense complex, and the headquarters of Bloomberg at 5/7 rue Scribe.

The Financial Times also reported that KanAm is considering it assets in London. pfe

Massive €4.2bn flows out of German open-end property funds in January

The official figures for capital flows in German open-end funds in January show that outflows reached a massive €4.2bn out of the total 34 funds in January.

The Association of Investment und Asset Management (BVI) said the funds had lost €7bn over two months and are down to around €78bn in combined volume. The largest loser in the month was property management company Crédit Suisse Asset Management which lost €785m from its real estate funds, followed by KanAm Grund KAG with €625m. Newcomer Morgan Stanley Real Estate Investment, by contrast, added a net €93m. pfe

Eurohypo reports record 2005 figures, more than doubling new business

Eurohypo, the largest European real estate bank, reported that earnings in 2005 easily surpassed record levels achieved in 2004, with operating profit up 8.1% to €682m, while new business in real estate and public finance more than doubled to €62bn.

The bank said it will propose a dividend of €0.65 per share to the Annual General Meeting on 29 May 29.

In real estate finance, Eurohypo achieved new commitments of just over €31bn, an increase of 80% on the previous year, with international business accounting for 72%. An almost identical sum of new commitments came in public finance, where new commitments tripled and international business contributed 55%.

Eurohypo, formed by the 2002 merger of the mortgage banks of the three largest commercial banks, is due to be merged into the Commerzbank group at the end of March.

For 2006, it is aiming for further growth in all its existing markets. US business remains the most important growth market and here, it Eurohypo intends to develop an increasingly strong position among the top players. In new markets, Eurohypo is particularly focused on Japan, and it will also be making use of the competitive advantage given by its position as part of the Commerzbank Group to open up other major Asian markets.

Knobloch predicted that Eurohypo in 2006 should be able to strongly increase its profits by some 15-20%. pfe

PFE COMMENT: In the results press conference Knobloch several times compared the value of Eurohypo with Hypo Real Estate, which has been the success story of the German banking centre over the last three years, soaring to ever new heights

with its share price since flotation from HypoVereinsbank. He sees Eurohypo as performing around 50% better than HRE so that its value should be at least that of the market cap of HRE, if not higher. Eurohypo was aiming to be floated on the MDAX by around now. "Instead, we are coming into the DAX but a bit earlier than we expected," he joked.

Fortress to get go-ahead to buy 50,000-apartment Dresden WOBA portfolio

The mayor of the city of Dresden, Ingolf Rossberg, is expected to recommend on March 9 that the US private equity fund Fortress Investment should be given the green light to acquire the 50,000-apartment city-owned residential portfolio WOBA.

Fortress will pay €1.75bn, of which the city will receive €980m after payment of outstanding debts, according to various reports. WOBA has been the object of a bid battle for several months, with most other major residential investors such as Cerberus said to be among the bidding group. The Soros associate apellas Property Management, based in Berlin was the last competitor left to Fortress in the bidding round.

The sale price brings significantly more for Dresden than the €650m that the city had originally anticipated. Reports suggest that Fortress outbid a competing offer from apellas of a net €933m.

The Börsen-Zeitung newspaper said the sale price for WOBA corresponds to around €660 per sq.m. and is 13 times the annual net rental of €132m. This places it in the middle of a range of such sales made over the past six years. More recently, Cerberus paid €900 per sq.m. for the Baubecon portfolio of apartments. However, 70% of the WOBA portfolio consists of prefabricated apartments, some of which are earmarked to be demolished.

Fortress has provided employment guarantees for five years, an undertaking not to convert any units into luxury accommodation, and also supplied assurances of residency for life for renters older than 60 years - plus other social guarantees. The WOBA takeover would extend Fortress's residential holdings to around 160,000 from the current 110,000. By contrast to its intentions with the GAGFAH and NILEG portfolios, the WOBA portfolio is not likely to be floated on the stock market. pfe

Tishman buys largest private building in Paris from Blackstone for €650m

US-based property investment firm Tishman Speyer has bought the largest privately-held building in Paris, La Lumière, from its US counterpart Blackstone for an estimated €650m, the French real estate portal businessimmo.com reported.

The purchase brings to four the number of property acquisitions by Tishman in France since the start of this year.

La Lumière, the former Bercy Expo located in the east of Paris, has some 125,000 sq.m. of rental space, including 9,000 sq.m. of commercial space and 21,000 sq.m. of warehouse space. The building was conceived in 1993 as an exhibition site for France's food industry, but was subsequently transformed into office space by Morgan Stanley Real Estate Fund, which

sold it to Blackstone in 2002. It is now mostly rented out to banks. pfe

Strong interest from Danish institutions for Sparinvest property fund of funds

Danish institutional investors are showing great interest in Europe's first global property fund, dedicated solely to investing in non-listed property funds worldwide.

Several significant Danish pension funds have committed €310m in the first closing of Sparinvest Property Fund K/S and the fund is expected to grow to around €500m before its final closing in June 2006, Sparinvest said.

Through a structured and thorough screening process, the fund said it will spend the next three years building a portfolio of approximately 15 non-listed property funds - both open-ended and closed-ended.

It will primarily invest in Europe and the US, and secondarily in Asia. Retail and office assets will constitute the majority of the portfolio, with the remaining part in residential and industrial/logistics. The fund is thus expected to provide investors with an attractive core-plus return and significant risk diversification. pfe

Investors flock to French logistics property in search of higher yields

Investment in French logistics assets is growing due to higher rates of return compared to office and residential markets, greater transparency and increasing cross-border trade, Jones Lang Lasalle says in a new study.

About 13% of total investment in commercial property in France during the first eight months of last year went into warehouses, nearly double the figure for 2004. This brought €1.4bn into the sector last year compared to €800m in 2004. About 61% of the total by volume came from institutional investors. "The yields are higher and the market is easy to understand so there are more and more operators moving in," Vincent Delattre, associate director of capital markets at Jones Lang Lasalle, told PFE. "The number of investors has doubled and each month we're seeing at least one or two new ones coming in."

Strong growth in all sectors of French property has put pressure on yields and created a shortage of offerings in some prime investment categories. Institutional investors are increasingly seeing logistics as an alternative to more traditional investment in prime office property. "American investors have made a comeback into France," said Delattre. "They have adopted a long-term strategy here."

Last year Americans were on par with the French as the largest investors in logistics by volume. Yields have come down significantly as a result, hovering between 7%-9% for new buildings with firm nine-year rental agreements, and dipping as low as 6.5%. This compares to about 4% for Paris office space. One recent logistics sale near the Lyon airport was completed on the basis of a 7% yield, whereas 18 months ago the same site would have fetched a yield of 8.25%.

The decline however has been almost entirely due to rising

capital values. French logistics' lease rates have remained relatively stable over the last two years and are among the lowest in Europe. The average in the Paris region is around €55 per sq.m. compared to €192 per sq.m. outside London and between €70-80 per sq.m. in Amsterdam, Frankfurt and Madrid.

While the bulk of French logistic sites are located in the Paris region, important trucking routes between the Marseille-Fos container ports in the south, through the Rhone Valley and Lyon and further north to Lille have led to greater investor interest in sites near these cities. Delattre said he expects the volume of the country's logistics sites to double over the next 10 years as trade through France with eastern Europe expands. pfe

Henderson-Warburg joint venture to invest another €1bn in Europe this year

The joint venture between the UK-based funds group Henderson and Hamburg-based MM Warburg real estate bank expects to invest around €1bn in Europe during 2006 and has already attracted some €1.8bn into its six funds, according to chief executive Henning Klöppelt.

After closing Pan-Europa Fonds No. 1 with €600m equity capital, and No. 3 with €300m, Warburg Henderson is launching a new fund, European Core Property Fund No. 1. The focus will be on commercial property, above all in Germany, France, Britain and Italy.

Major Australian International Funds Management Business seeks European-based JV Partner to establish European Property Portfolio

A major Australian-based Funds Manager with strong experience and a proven track record is looking to establish a European Property Investment Fund through a Joint Venture partnership.

In response to intense Australian demand for quality property investment product overseas, this Fund Manager seeks to use its reputation and domestic market position to grow an initial €100-200m portfolio base to €1bn within two years, focussing initially on Germany, Sweden and France.

Criteria:

- Seeking property owner / developer with substantial, good-quality assets looking to divest ownership through available Australian equity;
- Owner to retain minimum equity holding, with possibility for ongoing management role and profit share;
- Preference (in order) for retail, logistics and offices;
- Confidentiality required and guaranteed between the two parties.

Please respond in confidence by email to jv@pfeurope.de

The PFE Interview: Bernd Knobloch, Eurohypo Chairman of the Board

Open-end property funds should return to original purpose of retail investor vehicles, reforms designed to hinder institutional investment, boost REITs

German open-end property funds should return to their primary purpose of being a real estate investment vehicle for small investors, and reform proposals of 12-month notice for withdrawals by institutional investors are in reality designed to achieve this, says the chairman of Europe's largest real estate bank, Eurohypo.

Bernd Knobloch told PFE in an interview liquidity problems such as those caused Deutsche Bank Real Estate to close its grundinvest fund in December would not have occurred if the sector had not tried to grow by shifting toward attracting large-size institutional capital. "This brought the problems into the funds in the late '90s and early this decade," he said. "They were always looking at the league tables, saying 'I have to be the biggest', and trying to attract the biggest investors. The open-end fund is a liquid vehicle as long as you have a large amount of small investors in your sights. If you have an investor who puts €500m into such a fund, or €200m or €300m, and he goes out from one day to the next that will cause a lot of problems."

DBRE is scheduled to re-open its fund this Friday. The controversial closure was forced by the unprecedented withdrawal of capital, largely by institutions, following its announcement of an upcoming asset valuation downgrade. Knobloch, whose institution remains part-owned by Deutsche Bank until the takeover by Commerzbank takes effect at the end of next month, said he does not expect the depreciation to be very strong. "The first rumour of the size, 3%-5%, that's a non-issue. I don't understand why people have made such a big thing out of it. Some people were expecting 50% but this can never be the case if you know the market."

But the 12-month notice for investment amounts over €1m proposed by the Federal Association of Investment and Asset Management (BVI) would hinder institutional investment. "You won't see these investors putting their money into this vehicle if they have to wait for 12 months to get the money out," he said. "You don't tell them 'we don't want you any more', you just make their life more difficult."

Institutional investors have in any case a huge diversity of alternatives for investing in real estate. Conversely, open-end funds have a future as a retail vehicle. Small investors, particularly in Germany, are wary of a vehicle such as proposed Real Estate Investment Trusts (REITs). "It's a question of education. It's not comparable to the US investor who has a lot of his assets in stocks. The whole secret behind open-end funds in Germany is precisely that they are not stocks. The Germans don't like the volatility of a direct stock investment, they like to go into investment funds. They are not direct investors."

Eurohypo last week announced very strong figures for 2005. Operating profit rose 8.1% to €682m, with pre-tax earnings up 2.9% to €629m. New business more than doubled to €62bn, split equally between real estate and public sector financing.

Knobloch said the introduction of German REITs, which he expects to be introduced in 2007, will boost Eurohypo business. The controversy over open-end funds will bolster the government's resolve to provide a more institutionally-focused



Eurohypo Chairman Bernd Knobloch (centre) at the results news conference last week with CFO Joachim Plesser (left) and Communications Head Siegfried Guterman (right).

capital market vehicle for channelling capital into the nation's property market. A key factor in the improved performance in recent years has been the faster turnover via the transformation of real estate into more of a tradable asset rather than a balance sheet holding. Eurohypo CFO Joachim Plesser characterised this in the results press conference as a new 'roll-on, roll-off' mentality.

Will REITs indeed change the world? "Not the world but the markets," Knobloch told PFE. "For us it's another chance to create more business. We are already talking with people who are interested in turning their portfolios into REIT structures." However, he does not expect industrial office assets to form the primary asset base for the new vehicle, as many in the sector anticipate. German corporates are not ready to sell, even if the 'exit tax' for selling assets into a REIT is favourable in the eventual legislation. Residential assets are more likely to be in the forefront, but also a diversity of other real estate classes.

Eurohypo issued €6.7bn in CMBS during 2005, and Knobloch told PFE this could well rise toward €10bn annually over the next couple of years. "In the US there's a tremendous demand," he said. "It's a real estate-type business, less volatile maybe. It's liquid so that you can sell it. So there are a lot of advantages against direct investment." The absence of long-term bank funding in the US means the vast majority of property is funded through securitisation. This makes it different from Europe, where bank lending - alongside Pfandbrief/covered bonds - has been the traditional method. "This is the big reason why in Europe for the last 10 years now it has been very difficult to develop the CMBS business," he said. pfe

In a news conference last week, Klöppelt said around €1bn in assets have been acquired so far. Including leverage via debt financing, the group has a total €3bn to place. Germany and France are the major points of investment, alongside Spain, Italy and Austria. The funds are also invested in Scandinavia, the Benelux countries and the UK.

The group intends to become one of the five largest investors in Germany in terms of assets under management, Klöppelt said. It is targeting a minimum 26 investments in the current year, focused on office assets (60%–65%) since this segment is particularly liquid. However, it is also seeking retail assets in continental Europe for 30%–35% of its asset base. The remaining 10%–15% will be placed in warehousing and logistics.

Klöppelt said the 38 investors in the six special funds of the joint venture are mainly insurance institutions and utility companies - alongside pension funds, banks and corporations. They are based in Germany, Liechtenstein, the Netherlands, Austria and Switzerland. The largest single mandate last year was for €600m. pfe

Fitch Rates Aareal Hyp €1bn Jumbo Mortgage Pfandbriefe at AAA

Fitch Ratings has assigned a final AAA rating to Aareal Hyp AG's €1bn Jumbo mortgage Pfandbrief due 1 February 2011 and affirmed the AAA rating for all its other outstanding mortgage Pfandbriefe. The ratings reflect the German legal and regulatory framework, the credit quality of the mortgage cover pool and the current level of available over-collateralisation (OC) between the cover pool and all related Pfandbriefe.

Aareal Hyp, a 100% subsidiary of the Wiesbaden-based Aareal Bank, focuses on financing first ranking commercial mortgage loans. Under the present business model, it does not originate loans but acquires them from the parent bank. Under the new German Pfandbrief law, which abolished the specialist bank principle last July, Aareal itself is now able to receive a license itself from the German financial supervisory BaFin. Thus, the merger of Aareal Hyp with Aareal Bank is expected in early 2006. pfe

DG HYP gets financial injection from DZ for depreciation of real estate portfolio

The Hamburg-based real estate unit of the German cooperative banking system, DG HYP, is to receive financial support from the system's central bank DZ Bank amid a downward value adjustment of its mortgage portfolio, according to the Frankfurter Allgemeine Zeitung newspaper.

The newspaper reported that DZ has injected a double-digit million euro amount to help DG HYP adjust the value of retail loans taken out between 1997 and 2000. DG HYP itself took over nearly €100m. This risk cushion is needed since a profit and loss transfer agreement with DZ makes it difficult for DG HYP to establish reserves of its own.

In a research note, Commerzbank analyst Claudia Vortmüller said many German banks have made similar depreciations in recent years, including Hypo Real Estate, Eurohypo, Aareal, HVB and Allgemeine Hypothekbank Rheinboden, recently sold to the US private equity group Lone Star. "It was only a matter of time before DG HYP also had to carry out value adjustments

on its own mortgage portfolio," Vortmüller commented.

DG HYP had a balance sheet of €74bn at end-2004, and is a major Pfandbrief issuer. At December 2005, €39bn of its loan book was in public sector finance, with mortgage loans accounting for €25bn. The mortgage cover pool consists of 98% domestic loans, with the remainder mostly French, Dutch, Spanish, UK and Austrian.

Although many German mortgage banks have been in difficulties with regard to East German exposure, this is not the case with DG HYP, Vortmüller said. The need for value adjustments has arisen due to rising unemployment rates and higher divorce rates across its portfolio. It already conducted depreciations for the commercial portfolio in 2003 and 2004, and the current action should be the last step to finish the bank's value adjustments.

At December 2005, DG HYP's total mortgage cover pool amounted to €19.23bn, with 82.3% in residential mortgages and the remainder in commercial. It has exposure to eastern Germany of 20.3%, and a spokesman said the need for value adjustments was no higher in the east or north than elsewhere. Its Pfandbrief ratings remain unchanged. pfe

Eurohypo boosts Global Jumbo Pfandbrief to €3bn on strong foreign demand

Strong interest from international investors has allowed Eurohypo to raise the issue volume of a new global Jumbo Mortgage Pfandbrief launched earlier this month to €3bn from the originally planned €2bn.

Eurohypo board member Henning Rasche said the successful issue testifies to the strength and liquidity of the Pfandbrief market. "Information published on the price spread with a flat area created astounding market momentum, which gave us the opportunity to increase the issuance volume," he said.

International investors took almost 50% of the issue, and at 15%, the portion placed in Scandinavia was particularly high. Of the total, 49% was placed with banks and around 27% with funds.

The benchmark issue has a 3.0% coupon, a six-year term and expires on 18 January 2012. The issue price was set at 98.880, with a re-offer price of 98.705 so that the spread is equal to the swap rate (flat) and 11.4 basis points over the 5% January 2012 Bund. The issue has rated Aa1/AAA/AAA. pfe

Italy's Aedes reports surge in fourth quarter profit, doubling of revenues

Genoa-based real estate group Aedes reported that operating profit for the fourth quarter of 2005 rose to €51.5m, well up from €30.4m in 4Q04, while revenues climbed to €117m, more than doubled the €56m in the same period of 2004.

Earnings before taxes rose strongly to €39.7m from €5.7m in the same period of 2004.

Aedes said in a release it had real estate assets under management of €593m valued at book as of December 30, 2005. Of this, €184.2m relate to building and land stocks and trading activities, down from just over €1bn at September 30.

Much of the revenue growth was due to the capital gains attained by transferring the portfolios in the joint ventures with the UK's REIT AM and Germany's IVG Immobilien AG, it

PROPERTY FINANCE EUROPE - BULLETIN BOARD

DIARY DATES AND UPCOMING IN 2006

March 14-17, Tuesday-Friday

MIPIM, Palais des Festivals, Cannes, France.

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

March 21-23, Tuesday-Thursday

European Securitisation Forum Annual Conference, Venice, Italy
ESF says the 2006 event, the third annual conference, 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

March 30, Thursday

The British GRI 2006, London, England

Pre-eminent leaders of the UK and Irish property markets come together at the British GRI to debate the burning issues and latest trends affecting the real estate industry today. The British GRI is a forum for decision makers. More info: www.globalrealestate.org

April 6-7, Thursday-Friday

The Second Annual European CMBS Conference, Canary Wharf, London

Information Management Network in conjunction with Clifford Chance LLP. Commercial Mortgage Backed Securities is the fastest-growing asset class in European ABS. The conference is a prime venue for networking with the industry leaders responsible for this growth. More info: www.imn.org

April 19-20, Wednesday-Thursday

Euromoney's inaugural global REITs conference, London

This two-day event covers all aspects of global REIT markets. Topics include: What makes REITs attractive to investors and where should they feature in your portfolio? Why have REITs been so popular in the US? What can the UK market learn from the US experience? Which model will become the industry's vehicle of choice post UK REIT Introduction? More info: www.euromoneyseminars.com/reits

April 21-23, Friday-Sunday

14th International Real Estate and Investment Fair REFE, Wroclaw, Poland

To examine current themes on investment and property financing, including apartment building for communes, strategies of investment funds, a forum of economic cooperation with regions such as the Persian Gulf, Russia and Siberia, and central and eastern European markets evaluated in the light of the economic situation and opportunities for further investment. More info: www.refe.pl

April 27-28, Thursday-Friday

INREV Annual Conference, Rome, Italy

The 2nd Annual Conference will address key issues on the current state and future evolution of unlisted real estate vehicles in Europe and beyond. The conference program is divided into three main themes: Economy, Capital Markets and Real Estate: current state and prospects, Going Global, and INREV Initiatives. More info: www.inrev.org

April 28, Friday

Paris-London The Perfect Match! Paris, France

Day seminar of INSEAD Alumni Association and Cambridge University Land Society in association with HEC Paris. "The two major cities in Europe observe each other with mutual envy and admiration. Founded and fostered in different historical, environmental and architectural contexts, each has developed specific answers to Real Estate challenges upon which the future quality of life depends." Register by 25 April. Info: www.the-perfect-match2006.com

May 8-9, Monday-Tuesday

The Deutsche GRI 2006, Frankfurt, Germany

This brings together the leading international players and national decision-makers driving the real estate business in Germany and Austria today. The Deutsche GRI consists of interactive conversations, involving all participants. More info: www.globalrealestate.org

May 10-11

13th Handelsblatt Annual Conference on Real Estate, Berlin

This conference in German language brings together top class speakers and offers numerous panel discussions and is one of the most important meeting points for the real estate industry in Germany. More info (in German): www.immobiliien-forum.com

said. Rental revenues decreased due to the effect of the deconsolidation of Aedilia Nord Est and Centro, and of the transfer of 11 supermarkets to Aedilia VIC, now renamed Dante Retail real estate fund. pfe

Financial costs fell to just €1.7m from €24m in fourth quarter of 2004. Aedes had average net debt costs of 4.0%, excluding the effect of derivatives evaluation. But the improvement is mainly due to the strong reduction in group net debt, which more than halved to €338m at end-2005. This means Aedes has achieved its goal of a debt/equity ratio lower than 1, two years ahead of schedule. pfe

DZ Bank hits record 2005 operating profit despite weaker real estate earnings

The central bank of the German cooperative banking system, DZ Bank, had its best year ever in 2005 in terms of operating profit after risk provisions, boosting this to €1.48bn, around one-quarter higher than in 2004. Its balance sheet expanded by 13% to €402bn.

Finance and insurance business contributed to the rise in the operating profit, while results from real estate banking decline, the Immobilien Zeitung newspaper reported. The Schwäbisch Hall building society subsidiary saw a fall in demand for property related loans, while the Hamburg-based DG HYP mortgage bank (see above) saw earnings fall as older, high-margin business came to maturity. This was only partially compensated for by new retail mortgage business. pfe

Hypo Real Estate Bank International launches Pfandbrief in Australia

The recently renamed Hypo Real Estate Bank International has launched the first Pfandbrief in Australia, naming it a Kangaroo bond and issued according to the requirements of the German Pfandbrief law as well as national Australian legislation.

The A\$400m Pfandbrief is for public sector financing and will be issued under the law of New South Wales. This marks the first time Pfandbrief that Australian investors can acquire since they are limited to paper issued under local law. The Kangaroo bond has an annual coupon of 5.75% and a maturity of 10 years.

The issue will be included in the main Australian index, the UBS Composite Bond Index, which comprises paper with a maturity of more than one year and a volume in excess of A\$100m. The HRE Kangaroo Pfandbrief, rated AAA by S&P and Aa1 by Moody's, is the largest-ever covered bond issued in the Australian market. pfe

Austrian Immoeast in massive €3bn capital increase to fund CEE investment

Vienna-based Immoeast Immobilien Anlagen AG is planning to raise its capital by €3bn, the largest-ever capital increase by an Austrian company, to fund further investments in central and eastern European property.

A subsidiary of the Immofinanz group, which currently owns more than 102 properties in the CEE region, valued at €2.4bn, Immoeast already has investment projects totalling €1bn in the pipeline, including the development of business parks in Budapest and Bratislava.

The price of the 333.5m new shares to be issued will offered in the range of €8–€10 and determined by a book-building procedure, the company said. This is expected raise its equity capital to some €5bn, making Immoeast the fourth-largest listed property company in continental Europe. The share is currently trading at around €9, up by around one-third over the last 12 months. The parent company will participate in the capital increase in full, thus maintaining its stake at 51% after the issue.

Immoeast Chairman Karl Petrokovics said in a release Immoeast anticipates no problems in placing the issue, given the enormous interest of international investors in the company's strategy of focusing on investments in all important real estate categories in the CEE region. pfe

Italian Treasury's Fintecna looks for new partner to replace Aedes in Quadrante

Fintecna spa, the real estate holding company controlled by the Italian Treasury, may take action to counter the recent acquisition by the Milan Stock exchange-listed Aedes spa of the 50% equity capital in Quadrante spa, in which it holds the re-

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€ 16.1 MILLION

Non-Performing German Loans

Bid Date: March 29, 2006

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Non-Performing German Loans

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European property associations: The Polish Real Estate Federation

Polish Real Estate Federation expects continuing inflow of foreign capital this year after foreign investment hits another record in 2005

Capital inflows into Polish real estate hit another record in 2005, with total investment volume across all sectors reaching €6bn, about a six-fold increase compared to 2003. Leading the stampede of foreigners have been the German, Austrian and American investors, and more recently Irish syndicates, British and French. Yields have fallen steadily in the past few years, and the market is now marked by growing competition among investors.

The Polish Real Estate Federation is an independent professional organisation created in January 1995 by six regional real estate brokers associations. It serves what is the largest market in central Europe and the eighth largest on the continent, with a population of 40m people. Formerly known as the Polish Federation of Real Estate Brokers, PREF changed its name in February 1997 and currently incorporates 27 regional associations with almost 2,000 member real estate agencies.

"This is a very good and a growing market with property prices still rising at the rate of 10% per year or thereabouts," PREF President Marek Stelmaszak told PFE. Residential property in the main cities Warsaw, Krakow and Poznan is attracting strong foreign investment, as are all kinds of commercial property, primary of all office. "There's a lot of Irish and British investment, millions of euros, coming into Poland right now, and not only into residential" he said. "These investors are very smart and, above all, very close. It only takes 1-3/4 hours from Heathrow into Warsaw's Frederic Chopin Airport." However, US investors discovered Polish real estate at the end of the 1990s and continue to be, alongside Germans, the largest national group of property owners.

Yields for prime office space in Warsaw have fallen below 7% and are expected by Knight Frank and most other realtors to drop further this year toward 6%. A report by Jones Lang LaSalle showed that prime Warsaw office space was renting late last year for €17-20 sq.m. per month. New A-class office space is renting for about €14-18 sq.m. Competition for tenants remains strong, however, and many are being offered rent-free periods and other incentives to cut the effective entry rent by up to 25%.

If JLL sees rental levels bottoming out, vacancy rates decreasing and occupier demand increasing further, Knight Frank expects initial downward pressure at the start of 2006 when two-large scale projects, Rondo 1 and Lumen, are completed. One saving grace could be the buoyant residential market, since a number of city sites earmarked for office space development could be converted.

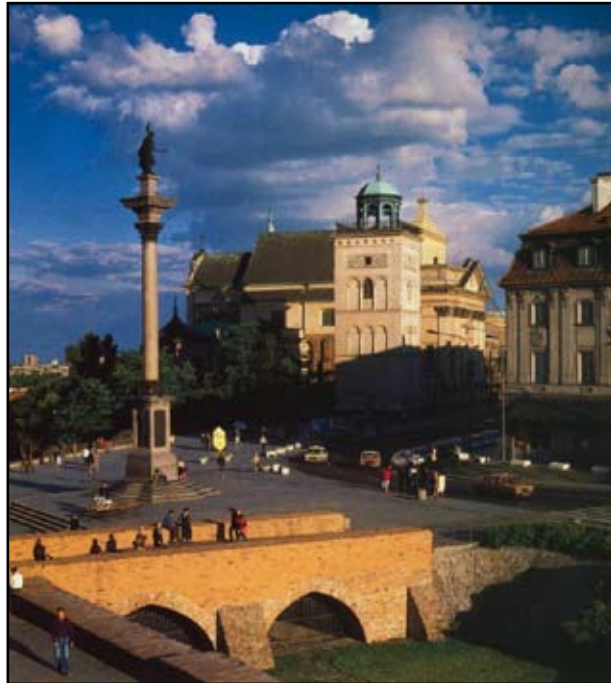
Hadley Dean, managing partner at Colliers International, commented recently, "During 2005, landlords in Warsaw, particularly in the city centre, managed to lease much of their vacant space and now enjoy a better bargaining position. Effec-

tive rents are now rising in all districts and despite the record levels of new supply we predict that headline rents will rise in 2006." Increasingly, international businesses are moving administrative departments such as accounting and IT to Poland, to benefit from the cheaper, high-skilled workforce. "Polish regional cities will attract the bulk of this investment, and it represents an exciting opportunity for the real estate sector in 2006 and future years," Dean said.

Poland, among the leading group of former communist countries joining the European Union in May 2004, is also experiencing prolific growth in warehousing and logistics. With competition fierce amongst developers, end-users are seeing the benefit of this in low rents. This activity is no longer concentrated solely in Warsaw and is providing growth and employment opportunities outside of the capital. Dean commented, "Investment yields have dropped in all sectors and should continue the trend towards convergence with yields in western Europe. With the Polish market showing signs of maturing, the most obvious transactions have been concluded."

The principal legal act governing business activity is the Act of 2 July 2004 - Economic Freedom Act, which regulates undertaking, running and closing businesses, as well as tasks of the public administration. The purchase of real estate by

foreigners is governed by the law of 24 March 1920, as amended, where the general principle is that permission is needed from the Minister of the Internal Affairs and Administration. In addition, the Law of 24 March 2001 introduces a distinction between investors from the EU and those from other countries. Polish corporate income tax is levied at a flat rate of 19%. Personal income tax has three thresholds: 19%, 30% and 40%. However, Poland has signed double taxation agreements with most countries, and their nationals may choose which is the more advantageous for them when working in Poland. pfe



Restoration of many of Warsaw's public monuments is boosting tourism and helping property yields. Here, the Old Town with the monument to the Polish 17th century king Zygmunt III Waza.

This *Property Finance Europe* series looks at national real estate investment markets in Europe through the perspective of national and trans-national associations. We are intentionally placing initial stress on the emerging nations of central and eastern Europe.

The second in the series looks at: The Polish Real Estate Federation, PREF (Polska Federacja Rynku Nieruchomosci).

maining half.

Last month, Aedes purchased the Fintecna stake in Quadrante from Brioschi Finanziaria spa at a price of just over €50m. Quadrante is involved in the development and revaluation of the area of Torre Spaccata in Rome, its main asset, located in the southeast of the city. Significant differences exist between Aedes and the Treasury however over the most appropriate strategy for this development.

Before the arrival of Aedes in the Quadrante capital, Brioschi Finanziaria and Fintecna had already obtained the necessary public approval of their project, focused on a commercial and entertainment complex. Fintecna has until Thursday of this week to consider whether to activate a call option on the 50% taken over by Aedes with the possible aim of selling it on to other partners. pfe

BNP Paribas reduces stake in French SIIC Klépierre to under 52%

Shopping centre developer Klépierre, the third largest French REIT/SIIC, announced that BNP Paribas is marginally reducing its equity stake to just under 52% from a prior 53.5%, but has reaffirmed its intention to maintain its majority position in the company.

Formed in 1998 primarily through a series of mergers involving BNP Paribas subsidiaries, Klépierre also has a second large shareholder in the form of Dutch investment fund ABP, which holds 5.6%.

Earlier, Klépierre announced that 2005 net cash-flow rose 12% to reach €391m, and reported revenue of €489.8m, an increase of 13% compared to 2004. This was mainly caused by a sharp rise in shopping mall rental rates which makes up 88% of turnover.

Klépierre has also obtained a syndicated €1.5bn line of credit to refinance existing loans and for future financing needs. The seven-year loan will lengthen the average debt profile to 5.3 years from the current three years.

Shopping mall revenues rose 17.6% to €390.6m last year, with about 46% of total coming from outside France, mainly Italy, Spain and Hungary. At the end of last year the overall occupancy rate for shopping mall space was about 98%.

Klépierre has been on a recent shopping complex buying spree which included the recent acquisition of a mall in downtown Paris last year, three in Italy and four in Poland. It is selling office property, and reported a nearly 20% drop in revenue from office space rent to €52.9m last year and a rise in office vacancy rates. pfe

Vivacon to make first-ever securitisation of ground rents, boosts earnings

The Cologne-based DAX-listed property company Vivacon, which specialises in the purchase and development of properties entailing sale of the buildings and retention of the land plot rights, announced that it intends soon to make the first-ever securitisation of the cash-flows arising from ground rent acquired in this way.

It also announced that earnings from privatisation of apartments in 2005 rose sharply to €24.6m from €7m in 2004. Unit

sales climbed to 8,470 for a value of €368m, compared to 1,900 in 2004 which brought in turnover of €112m. The vast majority of the sales came in the form of share-based transactions however, so that turnover fell by €16.6m last year to €85.3m.

For the first ABS transaction, the company said it foresees an issue of €62m in an securitisation that will be structured by HypoVereinsbank. The subsidiary set up to transact this business, German Ground Lease Finance, will purchase bonds from various Vivicon units and hold these in a central portfolio for the purpose of the securitisation. The acquisition will be financed via the issue of various fixed income paper. The cash flows will be based on ground rent rights that have a duration of between 72 and 183 years.

The Vivicon share price has soared in recent months. Trading around €12 per share in the early part of last year, it has soared about €35 more recently. Analysts estimate that ground rent cash-flows are valued at around 20 times in the Vivacon balance sheet - which in 2004 totalled some €60m. However, because these offer a highly secure cash stream, analysts are also of the view that they could be value still higher, perhaps 25 times. pfe

France's Affine group buys Belgium's Banimmo Real Estate from Macquarie

The French REIT/SIIC Affine late last week signed a contract with Lend Lease Global Properties, owned by the Australia-based Macquarie Global Property Advisors, to acquire 88% of the capital of its Luxembourg subsidiary GP Beta Holding, valuing the latter at €103.5m.

GP Beta is, in turn, a holding company for the entire equity capital of the Belgian property company Banimmo Real Estate SA/NV and its French subsidiary Banimmo Real Estate France.

The businessimmofr real estate portal reported that the deal is scheduled to close tomorrow. Financing will be covered out of Affine's own liquid capital plus a bank credit line, without recourse to the capital markets.

Affine will take over 75% of the total capital and the remainder will be held by the Banimmo directors, raising their combined stake from the current 12%. Affine reserved the right to sell down part of its equity to diverse institutional investors but intends to retain a majority stake.

It said in a release, "Thanks to this operation, which illustrates the development strategy of Affine in France's Eurozone neighbours, the total portfolio of the group increases to around 100 individual properties having a combined value of €687m."

The Affine group is an independent commercial property manager in France, focused on operating rental properties and financial leasing, specialised subsidiaries for logistics, development and business centres. Rental and leasing businesses are managed by the parent company. pfe

Sweden's Kungsleden more than doubles net profit, asset base in 2005

Swedish listed property group Kungsleden more than doubled net profit in 2005 to SEK2bn (€212m) from SEK877m in 2004, equivalent to SEK48.1 per share vs 21.7, and hugely

expanded its assets under management.

The company (see also front page) announced that operating net improved considerably while earnings capacity was also strengthened through extensive property trading. During the fourth quarter alone Kungsleden acquired properties for SEK7.6bn, and over the year as a whole the total value of the property portfolio rose from SEK 25.8bn from SEK12.5bn.

CEO Jens Engwall, who is due to step down in mid-year, told PFE one major transaction in 2005 was an asset sale to the UK-based Boulton Group for SEK1.7bn (€181m). Kungsleden's rental revenues increased to SEK1.8bn from 1.4bn and operating net increased by 28% to SEK1.3bn. The board will propose a 56% dividend increase to SEK11 per share.

At mid-month, Kungsleden's share price jumped to some SEK280 from its previous level around SEK230. One year ago it was trading below SEK150. pfe

Finnish Sponda reports jump in profit in 2005, revenues slightly higher

Good leasing operations and an increase in the value of the property portfolio brought Sponda Oyj, the partly state-owned listed Finnish property company, a jump in 2005 net profit to €29.6m from €3.2m in 2004, on a moderate rise in revenues to €103m from €99m.

The company said the market value of its property assets at end-2005 was €1.26bn, up from €1.22bn in 2005, and net assets per share were €7.25 vs €7.44. Sponda adopted IFRS reporting standards last year.

For 2006, Sponda sees results from leasing operations and cash-flow from operating activities remaining at last year's level, but development investment increasing the property portfolio overall. It expects the economic occupancy rate of the investment properties to decline slightly in first half 2006 due to the expiry of several large leasing agreements, but this should improve again towards the end of the year.

Sponda President and CEO Kari Inkinen said competition in the core investment market in the Helsinki Metropolitan Area has intensified in recent years and this brought a review of strategy last year. "Sponda's new strategy is to seek growth and profitability in the years ahead mainly through property development coupled with expansion into Russia and the Baltic countries," he said in the release.

Sponda, which is listed on the Helsinki stock exchange, is 34.3% owned by the Finnish state, while foreign institutions hold around 53% of equity. pfe

Sponda sees internationalisation of Finnish property continuing in 2006

The internationalisation of the Finnish real estate market is continuing, according to an assessment by Sponda Oyj, and foreign investors are seeking investment prospects in other parts of Finland in addition to the Helsinki Metropolitan Area, especially in growth centres.

Property yields declined last year by between 0.2 % and 0.75 % due to demand in excess of supply, low interest rates, the varying willingness of different players to take risks. The incre-

ase in Helsinki office vacancy rates came to a halt, and Sponda expects this to decline in 2006. Rents in modern office premises rose slightly, but divergence in rent levels grew because demand for old office premises remained low.

The vacancy rate of retail premises continued to be low. However, the completion of new shopping malls such as Jumbo in Vantaa and Sello in Espoo should increase vacancies in older premises, at least temporarily. Rent levels for retail premises in the centre of Helsinki rose slightly, and this trend is forecast to continue.

Modern logistics properties in central locations are attracting investors and vacancy rates in this asset class was also low. Rent levels increased somewhat in the case of new premises and especially in the area around the Helsinki-Vantaa airport. Roughly 120,000 sq.m. of new logistics facilities have been or are being completed, which is increasing the vacancy rate in this segment. pfe

Finland's Kesko retail property group in sale-and-leaseback of 92 properties

Finland's Kesko has agreed to a sale-and-leaseback of 77 retail properties in various parts of Finland to Niam Retail Holding Finland AB for over €200m, giving a profit on the disposal of nearly €100m. In addition, 15 real estate properties owned by the Kesko Pension Fund have been sold at the same time, it said in a statement.

All the above premises have been leased back for the use of Kesko's division parent companies under 5- or 10-year lease agreements with extension options. Kesko Group's lease liabilities, covering all properties now leased and totalling approximately EUR 144 million, are not classified as finance leases. Lease liabilities concerning the real estate sold by Kesko Group amount to EUR 118 million. The deal was made subject to international competitive tendering, which helped to ensure a favourable level of rent for Kesko.

Out of the 77 properties, 57 are used by K-food store chains, 14 by the K-rauta and Rautia chains, four by the K-maatalous chain and two by Anttila department stores.

At end-December Kesko owned real estate in Finland, other Nordic countries, the Baltics and Russia totalling 1.1m sq.m, plus leased real estate of 2.3m. It has made average annual investments in property and store sites in the past five years of around €140m. pfe

ING Real Estate inflows into domestic property funds more than double in 2005

Domestic Dutch institutional real estate funds owned and managed by ING Real Estate expanded by over €400m in 2005, more than double the inflow in 2004 and 2003, bringing total under management to around €4.2bn.

ING Real Estate said its Dutch retail fund was the most popular, attracting €224m in new money and 14 new shareholders last year. ING Dutch Residential Funds realised an inflow of €174m and also signed up 14 new shareholders, while the Dutch office fund recorded an small inflow in 2005 for the first time in two years. The latter was complemented in the first months of 2006, with a new inflow of €30m.

On 31 December 2005, the retail funds had €1.57bn assets under management, with residential funds ending the year with €925m in assets and the Dutch office fund having €1.65bn in assets under management. The figures are subject to audit. The funds are unlisted investment funds for institutional investors. pfe

Austria's CA Immo has largest-ever asset expansion, sets new regional focus

Austrian listed property group CA Immo AG saw its property portfolio expand by 60% to €1.1bn in 2005, the highest increase in value since incorporation in 1988, and intends this year to carry through a regional re-orientation, focusing on Germany, Russia and the Ukraine in addition to the central and east European countries.

CA Immo now manages property with total usable space of about 818,000 sq.m., of which 64% is located in Austria and the remaining 36% in central and eastern Europe. Of the latter, the bulk is in Hungary (11%), followed by Romania (9%) and Poland (8%). Some 45% of the total usable space is offices, 8% residential properties, and the rest is made up by industrial, retail, hotels and car-parking assets, it said in a release.

CA Immo focuses exclusively on whole property packages and does not acquire single properties. Its major markets are Poland, the Czech Republic and Hungary as well as Romania, Bulgaria and Serbia, but it intends in the future to invest in the German market.

"The fiscal year 2006 is expected to even surpass last year's positive performance," it said. It plans to almost double its property portfolio to €2bn and in the next three years, and targets the 'magical limit' of €5bn in the longer term. "However, growth as such is not the only priority. CA Immo carefully considers the market situation and cuts its own path with its growth campaign 2006," it said.

The company will set up a new open-ended fund under Luxembourg law, and invest the existing CEE portfolio worth about €500m to attract institutional investors. Over the next three years, the fund volume is planned to reach €2bn. CA Immo tends to remain majority owner with a stake of 51%. pfe

Wereldhave Belgium sees rise in net profit, expansion in portfolio to €320m

Belgian REIT (sicaaf immobilier) Wereldhave Belgium reported a rise in 2005 net profit to €28.7m from €22.32m in 2004, and said its property portfolio expanded over the year to €320m from €307m a year ago.

This better net result derived mainly from a revaluation of assets under management of €6.2m. The net increase on the portfolio can be attributed to the purchase of four commercial units at Nivelles, new investments on buildings in the portfolio and a positive net revaluation of the portfolio.

In order to comply with IAS 40, fair value has been computed after deduction of the transaction costs incurred at the sales process. Transaction costs contain mainly registration taxes of 10%-12.5%. pfe

Switzerland's Zublin Immobilien to list French unit, expand into French market

Swiss property group Zublin Immobilien Holding AG plans to list its French unit on the Paris stock exchange as part of a strategy to move more aggressively into the French property market.

About 12% of the Swiss company's activities are currently based in France. "France is one of the top investment markets in Europe so we have decided to intensify our activities in France through our French arm Zublin Immobiliere France," the company said in a statement.

Zublin Immobiliere France already owns three office buildings in the Paris suburbs of Neuilly-sur-Seine and Saint Cloud, and plans to invest €100m over the next 18 months and €300m over the medium term in office, retail and logistics property.

Ahead of the listing, Zublin named Pierre Essig as director general of the French unit. pfe

France's Paref reports revenue doubling, plans to adopt SIIC status this year

French property fund Paref, listed on the Paris bourse last December, reported that revenue more than doubled last year to €10.7m, and said it plans to convert its legal form to a REIT (Société d'Investissements Immobiliers Cotée, SIIC).

Residential rental income tripled to €1.5m while commercial property rental income increased 54% to €3.2m. The latter is expected to rise significantly in the coming months due to ongoing acquisitions. Assets under management rose 16.5% by volume and 27.4% by value.

At the end of last year Paris acquired office space in Les Halles in central Paris, which is rented to France Telecom. It is in the process of buying four other city-centre buildings for retail, office and residential use.

The change to SIIC status is scheduled for this year when the new French law on new OPCI open-ended vehicles called takes effect, Paref plans to transform three of its non-listed property vehicles, which now have the status of SCPIs, into OPCI status. pfe

Spain's Fadesa to invest €500m in first major project in France via Rive Gauche

The Spanish property developer Fadesa is planning to invest €500m in its first major project in France, the development of two state-of-the-art 42-storey skyscrapers in metropolitan Paris.

The company's French subsidiary, Financière Rive Gauche Fadesa, has signed an agreement with Levallois - Perret Town Council to develop the Levallois Towers project, it said in a release. This will offer 110,000 sq.m. of office space, 90,000 sq.m. of retail space, 20,000 sq.m. for a hotel, and 1,600 parking places. The towers, located in the district of Collage Front de Seine, 500 metres from the business district of Paris-La Défense and 4.5 kilometres from the Eiffel Tower, will be 165 metres high. Fadesa entered the French market in 2005 by acquiring a 70% stake in Financière Rive Gauche. The subsidiary is currently studying several further property developments in Paris, Lyon

and the Rhône-Alpes region. Fadesa also operates in Portugal, Morocco, Hungary and Poland, and said it is researching several opportunities in other European countries. pfe

Danish-Icelandic group starts investment in German, CEE, Nordic property

The newly founded Danish property investment company, the Copenhagen-based Property Group that also includes Icelandic money, said it is planning to start a program of investment in commercial and residential property in Germany

It said would have a three-digit million euro amount to invest this year and in the subsequent three or four years expects to make purchases in excess of €1bn in the German real estate market. Further investment locations include the Nordic countries and parts of central and eastern Europe. For Germany, the firm intends to focus on individual investments of €15-20m in apartments, office, retail property and hotels in the larger cities.

Property Group has original equity funding from the Icelandic investment bank Straumur-Burdarás, and a group of partners from four Danish specialists for international real estate trading, plus the German lawyer Lutz Könnecker, the Immobilien Wirtschaft magazine reported. Könnecker was formerly with the property division of HSH Nordbank in Kiel. pfe

Hamburg's TAG Tegnsee boosts capital, Anglo-Saxon investor takes stakes

Hamburg-based listed property group TAG Tegnsee Immobilien- und Beteiligungs AG is to increase equity capital by 25% to €12.6m, and this will be accompanied by the acquisition of a new large Anglo-Saxon investor.

It said of the total 1.25m new shares to be issued, a maximum of a half will be subscribed by an Anglo-Saxon institution. It did not name the institution but said it is also buying from the parent company another 1.5m shares of the TAG subsidiary Bau-Verein in Hamburg, paying €4.75 per share.

The same investor is also participating in the simultaneous capital increase of Bau-Verein of a maximum 3m new shares, and has undertaken to subscribe to 1.1m of these. pfe

The Carlyle Group sells business centre near Milan to JPMorgan Fund

Global private equity firm The Carlyle Group has sold Cassina Plaza, a business complex located near Milan, to a fund managed by JPMorgan Asset Management for an undisclosed price.

Carlyle purchased the 40,000 sq.m. asset, which consists of several properties located in a business centre in Cassina de

Pecchi close to Milan's Linate Airport, in March 2003 as part of the Jupiter portfolio of 36 buildings.

It conducted major renovation and improved the tenant structure. Current tenants include Nokia, Otis and Si-Call (Carta Si Group), Brother and Beckman Coulter.

Carlyle Managing Director Robert Hodges said in a release the Italian market is very dynamic at the moment, offering numerous opportunities as the current stock of commercial real estate needs to be refurbished into more modern and efficient space. pfe

French government embarks on reform of state property

The French government has embarked on a radical overhaul of the way its real estate is managed, the country's budget and state reform minister said Wednesday in a statement to cabinet.

Calling the new property management scheme a "government reform priority," Jean-Francois Copé said the government will work more quickly to optimise the use of buildings and modernise its property holdings. Real estate holdings will be transferred to a separate agency called France Domaine. Ministries and other public bodies will be given temporary rights to occupy buildings and will have to pay rent.

State property holdings were worth some €38bn at the beginning of the year, and the state plans to raise €480m from property sales compared to the €630m earned last year. Income

Table: French listed real estate companies, by capitalisation

Share Prices, € adj

Companies	SIIC	mkt cap				Div yld Dec05	
		MC	Dec04	Dec05	High Low		
GECINA	SIIC	6029	72,90	97	101,6	71,1	3,81%
UNIBAIL	SIIC	5119	91,71	112,4	122,4	86	3,34%
KLEPIERRE	SIIC	3661	65,15	79,3	85	60,6	2,90%
SOCIETE FONCIERE LYONNAISE	SIIC	1891	39,90	44	50	40	4,66%
SOCIETE DU LOUVRE		1689	93,20	147,1	158,4	91,1	1,22%
BAIL INVESTISSEMENT FONCIERE	SIIC	1568	31,05	44,5	45	30,9	3,82%
FONCIERE DES REGIONS	SIIC	1558	57,07	90	99,5	57,1	2,75%
MERCIALYS	SIIC	1417		19,43	21,5	18,1	
SILIC	SIIC	1348	74,00	78,05	95	68,1	4,06%
NEXITY		1284	26,38	43	46	24,1	2,33%
FONCIERE EURIS		897	105,00	89,9	124,9	83,2	7,79%
FONCIA GROUPE		819	15,88	25,29	29,7	15,7	0,16%
ICADE EMGP	SIIC	762	39,99	71,1	80	37,3	1,86%
KAUFMAN & BROAD		757	43,50	67,95	69,2	40,3	1,81%
ALTAREA	SIIC	743	42,00	108	112	43	1,53%
PIERRE & VACANCES		604	84,45	68,85	96	56,2	2,61%
ANF	SIIC	589	18,80	35,41	47	17,1	0,72%
FONCIERE DES MURS	SIIC	541	57,00	78	130	28,9	3,41%
SIIC DE PARIS	SIIC	431	176,50	220,9	227,4	175	3,85%
TOUR EIFFEL	SIIC	378	62,32	74,5	81,21	63,1	1,86%
ACANTHE DEVELOPEMENT	SIIC	345	5,16	4,34	5,39	4,22	16,21%
MAISONS FRANCE CONFORT		322	22,38	46,48	47,25	22,4	1,25%
ICADE FONCIERE DES PIMONTS	SIIC	321	78,50	97	124,9	71,6	2,41%
COFITEM-COFIMUR		318	77,00	93,5	93,5	75	3,96%
LOCINDUS		301	44,39	36,99	51,9	34,1	7,30%
AFFINE	SIIC	239	67,31	88,85	93,75	64,9	4,33%
VECTRANE	SIIC	223		13,6	14	13	
LUCIA		130	24,20	29,46	30	23	
SOFIBUS		950	54,05	120	251,2	54,1	2,08%
SIIC DE PARIS 8ème	SIIC	93	34,35	46,5	46,5	34,4	3,44%
ADT SIIC	SIIC	67,0	0,11	0,17	0,21	0,11	5,88%
DOCKS LYONNAIS		59	37,50	53,55	53,55	27	1,11%
EUROSIC		58	33,30	40,5	42,1	32	4,27%
PAREF		52		71,75	72,5	69	
OPERA CONSTRUCTION		50	13,50	20	24,85	12,7	2,35%
MINES DE LA LUCETTE	SIIC	40	19,10	25,5	27,5	18,2	
FONCIERE MASSENA	SIIC	35	10,10	8,94	12	8,36	75,50%
ADC SIIC	SIIC	27	2,05	0,47	0,61	0,38	8,51%
IMMOBILIERE HOTELIERE		13	1,82	1,55	2,35	1,47	
FDL	SIIC	11	46,10	65	68,7	46	0,46%

Source: Institut de l'Épargne Immobilière et Foncière (IEIF) and Fininfo

from property sales ballooned last year due to the sale of a customs building in the heart of Paris.

About 15% of the proceeds will be used to alleviate government debt while the remaining money will be given to various ministries for their relocation. pfe

German building industry expected to stabilise in 2006 after years of decline

Following another year of declining revenues, the construction industry in Germany is expected to recover this year, according to the industry association's interpretation of construction figures published by the Federal Statistics Office (FSO).

Although the overall figures forecast by the FSO are still negative, it attributes this to former east Germany, whereas west Germany has already witnessed an increase of nearly 1% in new construction orders. Commercial construction orders remain the strongest sector, with an increase of over 2% in 2005, while residential construction remains weak, posting a decline in excess of 7% in new orders last year.

Overall the industry association sees a marked improvement in optimism for 2006, with demand for construction works growing over recent months. It expects construction revenues to remain stable compared with last year. pfe

ING-DiBa moves up to third largest retail bank in Germany by customers

The German direct bank subsidiary of the Netherlands-based ING financial giant, ING-DiBa, reported another year of very fast growth in 2005, having acquired a total of 5.1m clients in its mortgage financing operations and become the third-largest private customer bank in terms of new business.

ING-DiBa Chairman Ben Tellings told a press conference last week that the deposit business had been its fastest-growing segment during 2005, followed by mortgage financing, funds and brokerage business.

Pre-tax earnings jumped 156% to €269m, even though this was distorted by a change in accounting to an IFRS basis from the prior Dutch GAAP. Even in terms of German accounting rules, however, profits rose by 140% compared to 2004.

Tellings said the customer base gave ING-DiBa a market share of one-third of the total 15m customers of the group as a whole. In Germany ING-DiBa is third behind Postbank and Deutsche Bank in terms of retail banking customers. pfe

Israel's Elran to finance CEE investments by raising capital on the LSE

Israeli company Elran Investments plans to raise between €260-350m on the London Stock Exchange to finance further investment projects in central and eastern Europe.

The group, part owned by the Dankner family and Merrill Lynch and listed on the Tel Aviv Stock Exchange, is currently developing the Hilton Warsaw, the city's biggest hotel project,

where its total investment is ultimately expected to reach nearly €35m, according to Eurobuild. The hotel is scheduled for completion in 2006.

In addition to the Hilton project, Elran is also developing three residential and commercial sites in Warsaw. The company expects total sales of these projects to exceed €160m. A further residential development in Spain is expected to generate sales of €60m. pfe

Dutch listed property company Corio to acquire French retail park for €85m

Dutch listed property company Corio has agreed to purchase a retail park development in Coignières, west of Paris, for about €85m from French construction giants Vinci.

The turnkey project, scheduled for completion in 2008, will offer 37,600 sq.m., of which over 90% is already let. Tenants include Castorama, Conforama, Boulanger and Cultura. Coignières is a densely populated and wealthy part of the Paris region, where household incomes are much higher than the French average.

Corio's investment portfolio is currently valued at €4.3bn, consisting mainly of shopping centres in the company's core markets in the Netherlands, France, Italy, Spain and Turkey. pfe

Holland's Rodamco pays €75m for a 50% stake in Bratislava shopping centre

The Dutch-based Rodamco Europe has completed its acquisition of a 50% stake in the Aupark shopping centre in the Slovakian capital of Bratislava. Initial price paid was €75m, and Rodamco receives a guaranteed return of 7.75% on its initial investment for the first three years.

The final purchase price will be based on 2008 net rental income. Rodamco Europe, the largest publicly-listed property investment and management company in the European retail sector with an investment portfolio totalling €8.7bn, has an option to acquire a further stake from 2013 onwards. The seller, Slovakian company HB Reavis Group, has an option to sell its stake from the final closing date. Antitrust approval is expected during the second quarter.

Aupark is the largest and most successful regional shopping and entertainment centre in the Slovakian capital. The two parties have agreed to further extend the centre by 14,400 sq.m. between now and 2007, bringing it up to around 58,000 sq.m. in total. Rodamco will also acquire 50% of the extension at a slightly lower yield. pfe

Edinburgh House purchases Holstein shopping centre in Germany

London-based Edinburgh House Estates has added the revitalised Holstein Center shopping complex in Itzehoe to its portfolio of German retail properties.

EHEL paid around €40m for the 17,000 sq.m. complex, comprising some 40 retail outlets, according to Jones Lang LaSalle, who acted as advisors on the sale by the German Albrecht Group.

Edinburgh House, a privately-owned investment and development company, now has a German portfolio of about a dozen retail properties, comprising shopping centres and stand-alone stores and valued in excess of €300m. Germany is the only country outside the UK in which EHEL has made property investments thus far. pfe

German office space turnover rises 13.5% in 2005 - research association

Office rental turnover in the eight main German office markets rose to 2.7m sq.m. in 2005, an increase of 13.5% over 2004, according to figures published by the Association for Property Research (gif).

Frankfurt topped the ranks with a turnover increase of 41%, followed by Cologne at 24%, Berlin at 23%, and Munich at 15%. Turnover declined in Hamburg and Stuttgart by 5% and in Dresden by 29%. The figures were culled from more than 50 different sources.

Vacancy rates in the eight markets – the above, plus Düsseldorf – dipped slightly to 10.4% from 10.9%, with Frankfurt witnessing the highest rate of 17.8% and Stuttgart the lowest, at 5.5%. Peak rents gained marginally in Hamburg and Cologne, but dropped somewhat in Berlin, Dresden and Düsseldorf. The highest rents were commanded in Frankfurt, at €33/sq.m./month; the lowest in Dresden, at €9.80.

Günter Muncke, head of the gif market analysis task force, sees these figures as proof that the market has now bottomed out. pfe

Austrian office vacancy rates around 5%, far below those in Germany

Office vacancy rates in most Austrian cities larger than 20,000 inhabitants average around just 5%, while they are around 6% in the capital Vienna, according to a study by the Society for Market and Turnover Research (GMA), reported by the Immobilien Zeitung newspaper.

Office space in the 25 cities researched totalled 36.6m sq.m., of which over 10m in Vienna alone. Graz and Linz are the next largest towns, with around 2m sq.m. of office space each. The majority of space is taken by business-to-business services such as brokers, lawyers and tax advisers, while every eighth is occupied by industrial firms, and every 11th by banks and insurance companies.

Office rents in Vienna have fallen by 20% over the last five years so that rates in the other major cities such as Bregenz, Dornbirn, Mödling or Salzburg are very frequently above those in the Austrian capital. pfe

Germany's 'first vertical urban landscape' scheduled to open in 2008

FrankfurtHochVier, the €850m mixed-use development project in Frankfurt's city centre, is scheduled to open in September 2008, according to its developer Bouwfonds MAB Development, part of the Netherlands-based Bouwfonds funds group.

The massive project, praised as Germany's first vertical urban landscape, comprises a retail centre, office tower, hotel tower and the Thurn-und Taxis-Palais with a total floor area in excess of 118,000 sq.m. The project is being developed as a joint venture between Dutch Bouwfonds and London-based real estate investment and fund management firm Meyer Bergman.

Bouwfonds Property Development is also planning two furniture retail stores in Germany. pfe

Paris office rents end decline after strong 2005 demand - Keops

Rents on office property in the Paris region ended their decline in 2005 after very strong activity which saw office space of more than 2m sq.m. taken up by the market.

This contrasted with the supply immediately available of 3m sq.m., according to Keops, the real estate brokerage subsidiary of Crédit Foncier, according to a report on the Businessimmo real estate portal.

Keops reported Paris office space take-up last year reached 2.19m sq. m., an increase of 12% against 2004. More than one-third of this encompassed new or restructured space, while take-up of older office space rose by 25%. pfe

More economic growth needed before French office rents rise - JLL research

In the absence of stronger economic growth, French office rental rates are unlikely to rise significantly during 2006, and the current rental cycle is flatter than in the 1990s so that rents could stagnate for some time to come, says Jones Lang Lasalle's French research head.

"I don't expect a big upward movement in 2006," Michael Morris told PFE. While slight upward movement continues in a few restricted areas of Paris, this is likely to be very modest - despite the availability of incentives such as several months free rental on new contracts.

France's extremely active office market in recent years has forced a rethink of the traditional rental cycle, which has always been closely linked with economic growth, he said. "The market has been very active over the last two years even without much job creation." French companies have consolidated their office space, moving into better buildings and moving back-office jobs away from expensive inner-city buildings.

"While this trend will continue as many companies have still not rationalised their property occupation, it nevertheless can't last forever. Sooner or later we will need more economic growth to underpin letting activity," he told PFE. pfe

Germany's DIFA fund becomes first to acquire property in Norway

Hamburg-based DIFA Deutsche Immobilien Fonds AG last month said it became the first German property fund company to acquire property in Norway when it paid the BI Norwegian

School of Management around €62m for an office building in Oslo.

"Campus Nydalen", offers 16,400 sq.m. of office and retail space over six floors, and is part of the 95,000 sq.m. business school campus completed in summer 2005. It is situated in the heart of Oslo's up-and-coming Nydalen office location.

Separately, the German subsidiary of the Swedish SEB Bank, also said it has made an investment of €16m in the logistics property Ski Council near Oslo for its open-end property fund ImmoPortfolio Target Return Fund.

DIFA board member Ingo Hartlief said in a release its Norwegian acquisition is a logical step towards expanding the fund's Nordic portfolio. BI was acquired by the recently-established DIFA Immo-Invest, which already owns two office complexes in Stockholm.

Over 2005, DIFA, owned directly by the cooperative banking system and its Union Investment Group, invested €375m in eight properties in Europe and North America. The fund has total assets under management of €760m and last year returned 4.1%. DIFA runs retail funds available to German private investors via local cooperative banks, and has almost €15bn under management in total. pfe

French-German fund invests €150m in Polish commercial portfolio

PBW Real Estate Asset Management, a joint venture between French investment bank Ixis and German asset managers Munich Ergo Asset Management (Meag), a subsidiary of the Munich Re group, said it has invested €150m in a portfolio of three commercial properties in Poland.

The Klif portfolio, sold by property development company Monsun, consists of two shopping centres - one in the port city of Gdynia measuring 21,000 sq.m. and one in Warsaw measuring 18,000 sq.m., together with an 8,000 sq.m. office building in Warsaw.

PBW focuses on office and retail properties in central and eastern Europe and has invested more than €530m in properties in the Czech Republic, Hungary and Poland. pfe

UK's InterContinental selling seven European hotels, further sales coming

The British InterContinental Hotels Group PLC said it is selling seven of its European hotels in a move to reduce asset ownership and increase its management and franchise business.

The hotels for sale are the InterContinental Amstel Amsterdam, InterContinental Budapest, InterContinental Carlton Cannes, InterContinental De La Ville Rome, InterContinental Frankfurt, InterContinental Madrid and the InterContinental Vienna.

Jones Lang LaSalle and Merrill Lynch are advising on the sale, which InterContinental expects will take about nine months. Interconti also intends to sell a portfolio of mid-scale European hotels at a later date.

The two hotel portfolios have a net book value of about £600m, generated revenue of £310m in 2004 and make up the final tranche of hotels InterContinental had previously announced it would sell. With these sales, the group will have sold 176 hotels with a net asset value of more than £2.8bn. pfe

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Jaap Gillis has left the board of AM NV to set up a new European development division as COO at Redevco Europe... Bouwfonds Property Finance International has appointed **Michiel Olland**, president of INREV, as a member of management and promoted **Sander Scheffer** to director of operations... **Heike Bendner** has replaced **Gerlinde Knapp** as head of the central German region of Patrizia Immobilienmanagement... **Gerd Hessert**, chairman of the management board, will leave Viterra Development at the end of April... **Rüdiger Wolff** has been appointed CEO of financial company Rothmann AG... **Tim Wiesener** has left Catella Eureka to head up Savills' new Munich office... DTZ has appointed **Jan Andrykowsky** as associate director and **Sophie Daniellou** as investment consultant to its international investment team in Paris... **Pierre Essig** was named director general of Zublin Immobilière France... **Jean-Claude Bourdais** has joined the oversight committee of DTZ group... **David Segard** will become director of retail parks at Hammerson... **Edmund Craston** was named European head of real estate investment banking at Lehman Brothers, based in Paris... **Rene Metz** was named director general of Meunier Habitat... Kungsliden is to propose to its Annual General Meeting on 6 April an extension of the board by one member, adding **Jan Nygren**. It will propose the re-election of **Bengt Kjell**, **Mats Israelsson**, **Jonas Nyrén**, **Per-Anders Ovin**, **Anna Weiner Jiffer** and **Jens Engwall**, who will also be proposed as chairman... **Peter Harmening** has taken over at the start of the year as department head in office rentals at the Munich branch of Atisreal... **Stefan Albert** has been promoted into management at Engel & Völkers International,

where he will be responsible for office real estate in Europe and South Africa. He was previously with HVB Private Banking... The board of Austria's CA Immo will be enlarged by one new member with effect from 1 March. In addition to **Wolfhard Fromwald** and **Gerhard Engelsberger**, former supervisory board member **Bruno Etenauer** will take over as spokesman of management board and be responsible for the stepped-up foreign expansion and for property investment fund for institutional investors... **Wojciech Orlof** has been appointed Country Manager, Poland, for ING Real Estate Development as of 1 May... **Oliver Falk** has been named new press spokesman for the German federal Association of Free Property and Residential companies (BFW)... **Johannes Haug** has been appointed to the executive committee of Deka Immobilien Investment... Atisreal is reorganising its management of major international client business from Paris, and **Raymond Fontaine** has been appointed director in charge, with **David Bouvier** and **Jean Christophe Gausi** named as deputies. Newly-arrived **Jérôme Quennec** will take responsibility for major clients in France, with **Yohann Floc'h** following repeat project development for France and international, and **Luc Chandelon** taking over administration and logistics for the new group... **Axa Reim** is to reinforce its investment team by the appointment of **Pascal Aujoux** to take over investments and join the executive committee. **Christophe Facomprez** is to take over acquisitions, and is to be joined by **Fabrice Cervoni**, currently senior manager. **Aujoux** as well as **Jean-Manuel Rossi** will report to **Eric Stampfli**, managing director of Axa Reim France. pfe

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