PROPERTY FINANCE EUROPE

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German March open property fund outflows re-spark nervousness

Figures showing capital outflows from German open-end property funds surged again in March have re-sparked nervousness, with investors cashing a massive €1.3bn out of Deutsche Bank's grundbesitz-invest after its re-opening at the month's start.

Data from the mutual funds association, BVI, showed that private investors took €2.1bn out of all real estate open-end funds last month, up from €1.2bn in February but still only half the amount redeemed during January. Since the start of the year €7.5bn or nearly 10% of total fund volume has flowed out in certificate redemptions.

The figures deal a fresh blow to the sector after specialists had hoped that calm would return after the unprecedented closure of two funds within a month over the turn of the year - grundbesitz-invest, and two funds of the KanAm group, unsettled by a sell recommendation issued by the Berlin-based Scope rating agency.

Alexandra Merz, managing director of Scope's open-end fund rating, told PFE in an interview this issue that KanAm's swift but successful sale of assets in Paris, London and The Hague had proven that it can raise liquidity fast. "What we feared was that they can't sell so well, and that's why we informed investors about the increased risk," she said (See p8).

However Fritz Oelrich, supervisory board chairman of DekaBank's real estate activities, told the Handelsblatt, "the branch is in the middle of a consolidation process that is likely to continue for about another six months."

Meanwhile there are signs that Chancellor Angela Merkel's right-of-centre CDU may be prepared to press G-REITs legislation forward over the objections of some of more radical leftist views of MPs from its Social Democratic grand coalition partner. Plans for UK REITs last week attracted a strong endorsement from the sector at a conference in London. pfe

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Property Finance Europe goes to Rome and Madrid this week: the first location offers the INREV annual conference where we are eager to see how the fund industry is faring against the apparently inexorable advance of capital market listed vehicles. No so, many say! In Madrid, courtesy of Sal. Oppenheim, we reacquaint ourselves with the attractions of Spanish commercial real estate - quite distinct from the much more summery thought of lazing on mediterranean beaches at Malaga or Marbella.

By sheer magic we also attend a couple of Paris seminars. Very ably represented by Editor-France Tara Patel, PFE gets to visit an IEIF conference plus what we expect to be a lively debate between Paris and London on the relative merits of locating your next office either in the City or in La Défense. We of course maintain stoic neutrality in the debate.

Re-running the European MBS table on page 16, garbled by gremlins in PFE 23 so that issuers of CMBS or RMBS were lost in our usual scramble to get you the news on time and in all the space that fits. Our thanks also to the continuing flow of trialists coming to check PFE out, and of course new subscribers coming on board to keep themselves updated on all the info and analysis on mainland European real estate that does indeed fit in print. We are very appreciative of your confidence. Thanks again!

Nexity takes stake in Century 21 France, creates nation's largest realtor franchise

The French residential and commercial real estate developer Nexity, which reported a 2005 net profit jump of 59%, has taken a majority shareholding in Century 21 France and, after the acquisition of Guy Hoquet l'Immobilier, created the largest operator of real estate brokerage franchises in the country with a 10% market share.

Nexity was floated on the French stock exchange two years ago by CDC, LBO France and Lehman Brothers after a strategic reorientation. It was created from the George V Group, founded by Bernard Arnault in 1974 after he sold the family building company in Roubaix to form a real estate promotion firm. Arnault subsequently took over luxury goods group Louis Vuitton and is now its chairman (See p5). pfe

Metrovacesa bid by Sacresa authorised by Spain's competition authority

The Spanish competition authority (SDC) has authorised the public offer by the Catalonia-based Sacresa (Cresa Patrimonial) for a further 20% stake in the country's leading listed property company Metrovacesa, to take its total holding up to 44.29%.

SDC said in a statement it has decided not to refer the bid to the nation's monopolies commission, but it will be passed to the market authority (CNMV). The bid, which was unsolicited, is for 20.3m shares at €78.10 per share. It will cost Sacresa nearly €1.6bn, and values Metrovacesa at just under €8bn. The offer price was pitched, on 1 March, at a premium of nearly 25% above the closing Metrovacesa share price on 28 February, and at 37.5% above the average common stock price of the prior six months.

Román Sanahuja Pons, the head of both Sacresa and the Sanahuja family holding company Cresa Patrimonial told the CNMV that the bid objective is to, "define a shareholder structure for Metrovacesa which has a clear frame of reference and guarantees the stability of the management and its strategic continuity." The bid will be partly financed via a credit from the Banesto bank.

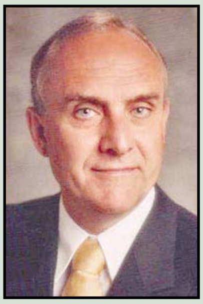
Sanahuja has been building up his holdings in Metrovacesa, apparently with the fully knowledge of its Chairman Joaquín Rivero. The two in February acquired 100% of HC, a company that owned 5.0% of Metrovacesa. Rivero holds 6.7% of Metrovacesa stock.

The company has had no official comment on the bid since it was launched. Dutch investment fund PPGM Pensioen Fonds holds 8.6% of Metrovacesa equity, the Spanish savings bank Bancaja has 6%, industrialist Juan Bautista Soler holds 5.4%, and the building society savings bank plus other regional savings banks have smaller holdings. pfe

GE Real Estate France considers SIIC status, shifts investment strategy

GE Real Estate France is considering bringing some assets into a French REIT, benefiting from the new 'SIIC 3' regime, and is also shifting strategy by moving away from investment in office space in Paris' main business districts and into downtown retail shopping centres, business parks and hotel and hospital property.

It sounds a little like Mrs Beaton's cookbook, the bible of the Victorian housewife and mother: (i) Take two eggs! No, take a small amount of start capital, probably from your private money. (ii) Demonstrate significant real estate expertise, preferably with a big name City of London investment bank. (iii) Run road-show to major investment funds in London and New York mentioning the magic words 'real estate' and 'Europe' in the same breath. Frequently. (iv) On London's Alternative Investment Market float some percentage under 50% of your fund. (v) Collect 80 mill (euros). (vi) Find promising strategy on European continental property. (vii) Plonk down 25% and raise the other three-quarters via debt financing. (viii) Wait for expected capital gain or positive cost-of-carry; alternatively sell to second- or third-comers if the dough doesn't rise. (ix) Walk away with profit on a sum probably in excess of 20 times your seed capital. Welcome to the wacky world of continental European real estate!



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It's a not only a good recipe but has become a highly interesting board game. Speymill is doing it at the instigation of Jim Mellon, who evidently wrote the book on the Coming UK Housing Market Crash. Speymill and Mellon's Charlemagne Capital have, via AIM in the last six weeks, bailed out of Britain and started to bail into Berlin. Dawnay Day Trevira and our friends at ACL Capital … plus a myriad others are now being rigorously tracked by numerous small investors looking for the lucky break. It's all about capital efficiency – a point made clearly by Lehman's Edmund Craston at the opening of last week's UK REITs conference in London. While AIM supplies smaller players with efficient access to low cost capital, REITs provide larger players with a most efficient capital allocation mechanism – at least in those jurisdictions prepared to entice property out of corporate balance sheets and onto stock markets by halving capital gains tax - or, in the case of Britain, abolishing it! The German real estate sector hasn't got either yet, neither AIMed or REITed. But, not untypically, it's collectively worried already. Colonia and Vivacon are at heady levels. "A host of new products for fans of concrete gold," screamed one recent headline. "Memories of the Neuer Markt reawakened"' howled another. OK. No doubt 20-40% premia to NAV are unrealistic over the longer term. But then again, as RREEF's John Hammond pointed out at the UK REITs pow-wow, some analysts don't know their NNNAV from their nnnavels. Recommendations to steer clear of Unibail last year did not correct for a 40% revaluation of its portfolio.

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Take a look as well at the analysis of Alexandra Merz in the PFE Interview this week. Unshaken and not particularly stirred by the controversy she sparked with Scope's KanAm downgrade in January, Merz is a professionally keen observer of German real estate and sees a dire need for reform. In the end, the message is, the intransparency of the past has to go. And we couldn't agree more. German banks HAVE become fat and complacent with fees and commissions taken out of the profits that retail investors were expecting to receive, but didn't.

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Talking of German open-end funds… Oh dear! I surmise that we are not alone in seeing the March capital flow stats from the BVI as an ominous rumble beneath a structure we thought we had successfully propped up. Can Deutsche Bank sell buildings fast enough to compensate for €1.3bn per month flowing out of grundbesitz-invest, reopened only six weeks ago? I rather think not. Yes, DBRE sold Tour Adria in Paris la Défense for €560m and took a nice profit quite easily in January. No, for a fund to lose over one fifth of NAV in a month means the game may well be up. "We will do everything we can to ensure the fund stays open," a spokesman said. Damned with faint praise. Lights will have burned in the twin towners of DB at the weekend by the time you read this. But we doubt if a lot of light bulbs went on, or bright sparks were in evidence. Emmmmmm. Food for thought indeed. Perhaps Mrs Beaton would have approved.

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Allan Saunderson, editor@pfeurope.de

GE Real Estate France Managing Director Francois Trausch said a particularly attractive element of new legislation is the opening up of acquisition of SIIC shares to the newly legislated status for property investment groups, OPCI. “Until now we haven't had any particular reason to adopt the SIIC status but with SIIC 3 we don't want to be at a disadvantage compared to our competitors,“ he told the French real estate portal Businessimmo in an interview.

SIIC (Société d'Investissements Immobiliers Cotée) is the French name for Real Estate Investment Trusts (REITs), originally established in the nation in 2003.

Trausch predicts property companies will continue a trend to sale and leaseback, taking advantage of the SIIC 3 status which, from this year, allows assets to be sold into the REIT for cash while still benefiting from the halved capital gains tax rate of 16.5%.

The change of overall strategy in asset class - away from CBD office space and into downtown retail, business parks and hotel and hospitals - is a needed adaptation, and will encompass disposals of €100-300m of assets this year. “This diversification indicates that GE knows how to adapt to market conditions,“ he said, adding that the group targets an annual return on equity capital of 18-20%.

GE is also more comfortable about acquiring development property, such as an office complex called Le Flavia along the Seine river, and in single buildings as low as €10m outside Paris. This is a switch from past practice of buying up large portfolios and companies. GE will also focus more on regional investments outside of Paris. It has just hired an executive based in the south-western city of Toulouse to oversee this strategy. pfe

UK REITs to focus Europeans on capital cost, particularly after Dresdner, KanAm

The planned introduction of UK Real Estate Investment Trusts (REIT) is focusing minds on efficient capital for property investment in Europe, and two large recent deals have made the entire sector sit up and take notice of capital costs in the new vehicle.

That was the view at a London REITs conference last week from two experts, Edmund Craston, European head of real estate investment banking with Lehman Brothers, and Simon Martin, head of research at Curzon Global Partners, a subsidiary of the Ixis Group. Craston said: “The European property sector is more exciting now than it has been for the entire 16 years that I've been covering the sector as a banker.“ The introduction of REITs outside the US - now in Singapore, Japan and gradually coming to Europe - means companies are changing strategies and that REITs will become the medium of choice for corporate capital raising, and also for the investment community seeking exposure to real estate.

The advent of REITs is also likely to change the European property cycle. The recent sale by Dresdner Bank of a €2bn office portfolio and by the German open-end fund KanAm of a large Paris portfolio has galvanised the sector.

“In each case the auction was won by entities using particularly sophisticated public capital market strategies,“ Craston told the conference. The Dresdner portfolio was purchased by the Eurocastle listed subsidiary of the US private equity group Fortress, and the second by Mines de la Lucette, a French REIT/SIIC controlled by Morgan Stanley. “These two companies have the lowest cost of capital as publicly-listed entities, and this has made an enormous amount of people sit up and take notice around Europe,“ Craston said. “People now have really begun to realise the potential of REITs in the global market place.“

Martin noted that around 60 global funds with capital of around $14bn now invest solely in listed REITs stock. Some 30 initial public offerings of real estate companies, many of them REITs, had taken place around Europe over the last 12 months, compared to only about 20 in the six years between 1998 and 2004. Of the 90 listed companies in the property sector in the UK, around 20 have come to market in the last 12 months.

Martin sees four major reasons for the massive capital flows of investment into property. First, capital markets have globalised quite quickly and more money is seeking this type of investment than can be accommodated in individual domestic markets. This is particularly true of jurisdictions such as Australia and Germany. Secondly, capital inflows are deepening and broadening markets; merely the impact of reduced cost of capital as investment flows is causing structural changes in small listed real estate markets. “This is all about broadening and deepening the opportunity set,“ Martin said.

Thirdly, the proliferation of property companies has brought an increasing professionalisation of managers and methods in real estate asset management. Fourthly, global macro-economic cycles have become more correlated so that publicly-listed real estate stocks offer an increasingly rare opportunity to diversify away from industrial equities or bond markets. He said global trading volumes in real estate companies have surged to around $3bn a day from some $500m at the turn of the decade, but still only 5% or 6% of all property around the world is held through listed companies on the stock market.

“The increase in the size of the market is going to pose a lot of opportunities for investors to capture in the future,“ he

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said. "The creation of REITs by companies in the UK and elsewhere will tend to increase their overall valuations… As a house we have a price tag across the board for companies converting to REITs of a 10% premium to net asset value. We don't award that kind of valuation to any other companies in the property sector." pfe

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Property specialists make glowing judgment on opportunities offered in UK REITs legislation

The shape of UK REITs legislation introduced in the budget to take effect next January, will be positively received despite the 10% limitation on dividend and voting stakes and a withholding tax of initially 22% on revenues from income, according to property specialists at the Euromoney UK REITs conference last week in London.

The basics of the legislation are: no UK corporation tax on income, withholding tax at 22% on dividends, taxed at the shareholder level as income from property and taxed as a normal UK corporate in relation to other income. A UK REIT must be a corporate resident of the UK alone; it must be listed on a recognised stock exchange, which does not include London's Alternative Investment Market; it may not be controlled by five or fewer shareholders; 75% of the gross value of assets must be in real estate, with the same amount of total income derived from 'ring-fenced' property activities. It must distribute at least 90% of income to investors but this includes only the income of the exempt business and not capital gains, where there is no requirement for dividend distribution at all.

As Peter Beckett from Ernst & Young told the conference, assets brought into a UK REIT will be taxed at just 2% of market value at conversion. This may be spread over four years in which case the conversion charge rises very slightly to 2.19%. A future UK REIT may own any type of property, located anywhere in the world, but the portfolio must contain at least three property assets. No single property may represent more than 40% of total asset value.

Ownership restrictions allow a shareholder to sell dividend rights to a third party if it holds more than 10% of the stock. Beckett said the British Treasury was concerned about a loss of tax revenues if it did not make this restriction since international rules dictate, via double taxation treaties, that entities located in most jurisdictions would effectively pay no tax at all.

Various panellists saw the absence of a genuine 'exit tax' on capital gains at conversion as a huge incentive for those companies which have latent tax liability - ie where assets are valued in the balance sheet well below current market value. John Richards, chief executive of UK listed property group Hammerson, said this tax efficiency had not really fully registered with the sector as a whole. Large amounts of private property assets held in entities with latent capital gains are likely now to be realised. "This is an extraordinarily efficient disposal mechanism for any privately held property which has a lot of capital gains today, and it will be a real competitive advantage," Richards said. Hammerson owns a French REIT/SIIC to take advantage of the 50% of embedded capital gains tax paid on assets at conversion.

Adrian Elwood, from Henderson Global Securities, told the conference he expects full conversion of the UK sector to REITs. "In five years' time REITs will become the natural role for the British property companies," he said. "Looking at the French example, the regulators are likely to gradually become more relaxed as they realise that this is a legitimate investment vehicle rather than a shady tax-avoidance scheme."

John Hammond, head of European real estate securities for Deutsche Bank/RREEF, told the conference that the low dividend yield paid out by UK companies had been a disincentive to invest, even though this was not the sole criterion. In the case of France's Unibail, for example, an almost 40% rise in NAV during 2005 overshadowed the moderate initial dividend yield because of the subsequent rise in share value.

Mike Slade, managing director of the UK's Helical Bar group, said however that companies such as his were in development and trading in all property sectors. While development may be possible within a REITs structure, his company and others are too small to split into specific geographic/sectoral REITs while still staying capital efficient.

Richards added: "The wall of money is very real… Investors are certainly going to increase their allocations to property. This is a real structural change for the stock market." In addition, the creation of UK REITs will probably smooth out share volatility and mean that property stocks will be more correlated to underlying real estate valuations. "They are going to behave more like property and a lot less like simple equities," he said. pfe

German CDU rejects SPD G-REIT criticism, sees introduction on track for January

Right-wing Christian Democrat members of German Chancellor Angela Merkel's grand coalition government are beginning to show resistance to fierce criticism by their left-wing Social Democrat counterparts of the introduction of German Real Estate Investment Trusts (REIT).

Michael Meister, deputy chairman of the CDU parliamentary party and a member of the G-REITs committee currently examining the issue, told the Börsen-Zeitung newspaper that the undertaking to introduce REITs is contained in the coalition agreement, and that no one is likely to place this into question. "We have a firm agreement in the coalition contract that we will introduce REITs in Germany. Our time objective is 1 January 2007."

He cautioned that the proposed legislation must be ready before the summer parliamentary break, but said the preliminary legislative work in the Berlin Finance Ministry was already in advance stages. Meister told the newspaper that the main resistance came from a small group in the SPD and, "this will not pose a hindrance to the eventual result".

He sees no major loss of fiscal revenues but is assuming the introduction of REITs will boost the tax take. In particular, a halved capital gains tax regulation will spark fiscal income that, otherwise, will simply not occur. Meister added that Berlin may well follow the lead of London in the shape of its REITs law.

Separately, the Handelsblatt newspaper carried a report that showed total gross real estate holdings by the major listed German corporates, illustrating the potential amount of property that might be converted if capital gains tax for REITs conversion are halved. The list is headed by DaimlerChrysler with €22.4bn of holdings, Allianz with €20.5bn, and Deutsche Telekom at €17bn. Below these came Volkswagen with €14.2bn of owned property assets, RWE with €13bn, Metro at €12.3bn, Eon at €11.7 bn, Munich Re at €10.4 bn and Siemens owning €9.8bn of real estate.

A draft proposal on G-REITs laws was due to be passed to German Finance Minister Peer Steinbrück earlier this month. Industry representatives, tenant groups and experts will be invited to look into the repercussions for residential and financial markets in the second week of May. pfe

PFE COMMENT: In general, whether or not what we are seeing in open end funds can be called a structural crisis, the dramatic runs on liquidity have cost a serious amount of money to parent institutions that are extremely weighty - if discreet - players in the political debate in Germany. Institutions such as Allianz, HVB, Dekabank and, above all Deutsche Bank have faced or may yet face provisions running into the hundreds of millions of euros if fund investors continue to run a mile at the slightest hint of trouble. Because of the surging demand for German real estate by foreigners, there is little logic in the generalised retreat out of property mutual fund certificates - assuming we discount intense anger that Deutsche and KanAm so abruptly closed to redemptions. For corporate Germany, however, enough is undoubtedly enough. They are making clear that the REITs exit from some of these potential risks is badly needed now. Many chairmen will in recent weeks have come a-knockin' on Angela Merkel's door to make precisely this point.

Nexity takes stake in Century 21 France, creates largest property broker franchise

The French residential and commercial real estate developer Nexity, which reported a 2005 net profit jump of 59%, has taken a majority shareholding in Century 21 France and, after the acquisition of Guy Hoquet l'Immobilier, created the largest operator of real estate brokerage franchises in the country.

The company, floated on the French stock exchange Euronext just two years ago by CDC, LBO France and Lehman Brothers, said the residential realtor network encompassed 1,280 franchisees and 7,695 sales associates at end-2005.

Nexity reported 2005 recurring profit up by just under 60% to €128m, with operating profit up 42% to €220m and the operating margin rising to 14.4%. Group backlog of business rose 26% to €2.3bn, around 18 month of revenues. "In a dynamic residential real estate market sustained by a shortfall of over 500,000 housing units and growing investments in the commercial sector, Nexity is .. significantly above its objectives," Chairman Alain Dinin said. Nexity confirmed a revenue growth target of 15% for 2006 and an operating margin of 13%.

Century 21 France was founded in 1987 by Michel Trollé and Franck Cluck, and has 830 franchisees and 5,900 sales associates. In 2005, the combined total of 1,280 Century 21 and Guy Hoquet agencies recorded more than 65,600 transactions for existing homes, a market share of more than 10%.

Nexity said real estate brokerage franchises are a new distribution channel and will also create new opportunities for its development. The group intends to bring privileged access for franchisees to a broader range of products, made up of Nexity real estate products and those of third party institutional investors. It will pool market information systems to create new revenue synergies over the longer term, particularly to access information on land opportunities, and extend and develop real estate services to private individuals.

Real estate brokers in France currently carry out more than 45% of transactions in existing residential units, with the remainder directly between private individuals. At end-2005, the French market included more than 35,000 real estate brokers, of which over 5,125 operated under franchises. The four leading real estate broker networks in France – ORPI, Century 21, Laforêt and Guy Hoquet – together make up 9% of brokers and represented some 24% of transactions for existing residential units. Century 21 France is a member of the international network. In 2005, it recorded more than 46,600 transactions, equivalent to more than 7% of France's existing home market.

Nexity was created from the George V Group, founded when Bernard Arnault in 1974 sold the family building company created in 1926 in Roubaix to form a real estate promotion firm called Ferret Savinel. Arnault subsequently took over the luxury goods group Louis Vuitton and, since the late 1980s, has been its chairman. pfe

Jim Mellon's Speymill sets up German property fund, targeting €1bn residential

Isle of Man-based Speymill Deutsche Immobilien Company, which listed on the UK's Alternative Investment Market last month to raise capital to invest mainly in the German residential property market, expects to disburse around €1bn in the next 12 months.

The latest fund, which seeks smaller portfolios of between €5m and €60m, is the second in quick succession for the group. Last autumn, Speymill set up a €500m private fund for investing specifically in Berlin residential property.

Speymill is ultimately controlled by Jim Mellon, who also runs Charlemagne Capital, and has gained a high profile reputation for publicly warning in a book about a coming crash on the UK housing market. Charlemagne Capital was admitted to AIM earlier this month.

In Germany, Speymill Deutsche Immobilien has taken on Goal Service, Berlin, as its principle asset acquisition advisor. It AIM debut was on 17 March. Speymill Group shares have surged in recent years and peaked at 87p on 1 March. pfe

Pervaiz-Stenham's Numisma secures €500m for European acquisitions

Numisma Group, a joint venture of Guernsey-based Pervaiz Naviede Family Trust (PNFT) and Stenham Group, has secured a €500m credit line from Anglo Irish Bank for a property portfolio with lot sizes in excess of €20m.

The Numisma venture, which buys retailing sites, warehouses and hotels, has already invested more than €150m in retailing and office property in Germany and Switzerland with its three-month-old facility. Numisma aims to build a €500m fund in the two markets by end-2006. Deals can be closed quickly because Numisma is a cash purchaser.

Ken Hutchings, managing director of McCafferty Asset Management, which advises and handles Numisma's transactions, said in a statement the German and Swiss commercial property markets provide the best medium and long-term returns. "Low interest rates in the euro zone coupled with relatively high yields means we are looking for a yield target for our fund of 7% and above, before the deduction of non-recoverable expenses," he said.

An example of Numisma's new acquisitions is the 215,240 sq.ft. Eiderpark in Rensburg, part of the building of a 1m sq.ft. portfolio of several retail parks, shopping centres and neighbourhood centres. pfe

German open-end real estate fund nervousness re-sparked by outflows

Nervousness is growing again in the German open-end property fund sector after figures last week for capital outflows in March showed a renewed surge above February so that €7.5bn, nearly 10% of total fund volume, has flowed out since the start of the year.

Fritz Oelrich, supervisory board chairman of the real estate investment activities of the Dekabank savings bank, told the Handelsblatt newspaper, "the branch is in the middle of a consolidation process that is likely to continue for about another six months."

Data from the German funds association, BVI, showed that private investors took €2.1bn out of real estate open-end funds during March, up from €1.2bn in February but still only half the amount redeemed during January.

The property funds of Deutsche Bank were particularly hard hit, seeing €1.3bn flow out in March alone. The fund was re-opened at the start of March following its sudden and controversial closure in late December. Deutsche Bank closed its Grundbesitz-Invest Fund in an unprecedented move for the sector, after an announcement of a valuation depreciation caused such a run on its certificates that it breached liquidity rules and was approaching insolvency. The move caused an uproar across the entire segment, Deutsche Bank to set aside provisions of €200m in 2005 accounts for bailing out the fund, and calls for legislation changes and supervisory action for the open-end fund industry in Germany.

A spokesman for Deutsche Bank hinted to the newspaper that the latest outflows could force Deutsche to repeat the closure. "We will do everything in order that the fund stays open," the spokesman said. Prior to reopening Deutsche had made massive asset sales - as has KanAm Investment, which was also obliged to close in January as a result of a 'sell' investment recommendation by the Scope rating agency in Berlin (See also The PFE Interview). Scope based its assessment on KanAm's association with The Mills Corporation, a US REIT required by the SEC to restate its recent accounts.

The BVI noted that the net outflows for March were however in the vast majority due to Deutsche Bank and that redemptions excluding grundbesitz-invest had slowed significantly compared to the prior two months. Specialist funds analyst Stefan Loipfinger commented however that confidence in the entire branch has been thoroughly shaken. pfe

Italy's listed Beni Stabili wins Intesa's Comit Fund portfolio with €1.1bn bid

With a bid of €1.1bn, Italian listed property group Beni Stabili has won the auction to acquire the property portfolio belonging to Comit Funds, the former pension fund of Banca Commerciale Italiana, now part of the Bank Intesa Group.

The eventual winning price was well above market expectations in the region of €700m for a portfolio that included trophy offices in Milan, bank branches in leaseback arrangements, and a residential component.

Ben Stabili said in a release that it had faced 70 competing expressions of interest for the auction, which began in December 2005 and took place in two phases. Just eight bidders entered the last round on 12 April.

The group will finance the purchase primarily via a €725m loan put up by San Paolo Imi as lead arranger and Banca Antonveneta as joint arranger, with the remaining funds provided by available liquidity and lines of credit. The deal is expected to be signed at the end of April, with closing due in June.

The property portfolio consists of 24 entire buildings and 27 portions of properties for commercial use, totalling around 252,000 sq.m. and about 82% of the whole portfolio. Another five buildings and 15 portions of residential use properties comprise the remainder 57,000 sq.m. Around 92% of the portfolio is located in Lombardy, with 74% of these in the centre of Milan.

A statement released by Beni Stabili's joint managing directors, Massimo de Meo and Aldo Mazzocco, said the portfolio provides a perfect match to others currently owned by the group. "This is one of the best opportunities offered by the Italian property market in the last six years. After five years of continuous growth, our Group can look forward to the future with confidence, having strengthened our portfolio and established the basis for further value creation." pfe

Morgan Stanley buys into Germany's DIC Asset, prior to flotation

The international investment bank Morgan Stanley is to participate in a capital increase of Germany's DIC Asset group prior to the latter's stock market flotation, aiming to take its stake up to 10%.

The Frankfurt-based DIC (Deutsche Immobilien Chancen) is a stock-exchange listed subsidiary of the DIC real estate group, founded in 1998 and active in the acquisition, sale, management and development of commercial real estate. DIC Asset, which holds its real estate portfolio, has expanded strongly over the last few years. Acquisitions included eBay's German headquarters in Berlin, the real estate portfolio of Frankfurter Sparkasse, the Degussa site in Frankurt and the Rhine-Main-Neckar portfolio of Rheinischer Grundbesitz.

On 3 February, DIC Asset shareholders voted to double ordinary share capital to €20.34m, offering new shares in the form of subscription rights in the ratio of 1:1. The remainder have been offered widely by means of a public offering. DIC Asset is currently listed on the over-the-counter market at the Frankfurt, Munich and Stuttgart stock exchanges, but the IPO is intended to qualify it for listing in the new Prime Standard list at the Frankfurt Stock Exchange. Free float has been set at 40%. pfe

PFE COMMENT: The continuing saga of Morgan Stanley buying anything in the real estate sector that moves - or in this case doesn't! Given recent examples of flotations, notably Patrizia, Colonia and Interhyp, the bank is not wrong either. Any and all pre-IPO business in German real estate offers potentially heavenly returns right now.

UK's Rockspring Property launches €715 German retail asset fund

Rockspring Property Investment Managers, formerly PRICOA Property Investment Management, said that, in conjunction with Dusseldorf-based Prime Management, it has closed its specialist fund focused on out-of-town retail warehouse assets in Germany.

The new fund, a closed-ended Jersey-based Limited Partnership, will be known as the Rockspring German Retail Box Fund. It achieved its maximum target equity level of €250m, brought in from 11 investors across nine countries, as well as a co-investment by the manager Rockspring. With gearing, the fund's spending power will be around €715m.

Rockspring said German Retail Box was established to capitalise on a sector defined by strong credits, long leases, low rental levels and significant value enhancement opportunities. It will target a net distribution yield of 8% p.a. and total return of 12% p.a. and focus on core, core-plus and value-added opportunities.

As part of the investment program, €203m of assets have been acquired to date, including a 133,000 sq.m. sale and leaseback portfolio of retail

warehouse properties purchased for €160m. "A strong pipeline of further investment opportunities is currently being considered," it said. Rockspring will act as fund manager and Prime Management established as specialist retail advisors since 1999, will act as asset manager. pfe

Advisory group forms for second German property sale by Hesse, at €700m

The advisory group is forming around the German state of Hesse for the sale of its second large portfolio of state sector properties, worth an estimated €700m, after the first in the middle of last year brought an unexpectedly strong windfall profit.

The Cologne-based private bank Sal. Oppenheim will be the main advisor, alongside the Dr. Lübke real estate assessor and broker, plus the local practice of the Clifford Chance network for all legal work.

Dr. Lübke worked alongside Deutsche Bank's DB Consult unit to advise the city of Dresden on its recent highly successful €1.7bn sale of the city housing company. "More and more states and cities are planing to privatise a proportion of their property holdings," Dr. Lübke specialist Christof Scholl told the Immobilien Zeitung newspaper. Organisation of all documentation and

The PFE Interview: Alexandra Merz, Scope Rating Agency

German open-end fund crisis may raise sector transparency, boost G-REITs introduction, but valuations seen crucial

The head of the German ratings agency that earlier this year issued a sell recommendation on an open-end property fund of the KanAm group, causing it to close temporarily, says the company has done well in disposing of assets in the interim. However the storm of controversy in the sector - started by Deutsche Bank's open-end fund closure in December - may turn out to be beneficial, ushering in better transparency and speeding the introduction of Real Estate Investment Trusts (REITs) in Germany.

Speaking last week before new figures showed further massive capital outflows from German open property funds in March, Alexandra Merz, managing director of the Berlin-based Scope Analysis, told PFE in an interview that the sales by KanAm were needed to prove the group could raise liquidity to improve the fund balance. "What we feared was that they can't sell so well, and that's why we informed investors about the increased risk," she said. "They proved they can make a gain."

Since January, KanAm has disposed of a portfolio of five properties in Paris to the Mines de la Lucette REIT/SIIC controlled by Morgan Stanley for €1.11bn. It also sold the East India Dock office property in London for £163m, and office assets in The Hague - earning about 16% profit during the closure. The liquidity allowed KanAm to re-open its domestic fund in mid-March and its US fund earlier this month. A major part of Scope's shift to 'sell' from 'hold' derived from KanAm's association with The Mills Corporation, a US shopping centre REIT obliged to restate earnings and under investigation by the SEC.

Alexandra Merz: Missing a REITs medium-risk RE investment vehicle

Merz sees a major part of the problem in open-end real estate funds in general as the intransparency which is also concerning latent tax liabilities. "The subject of capital gains tax liabilities, or hidden reserves, is a touchy subject," she says. The challenge is to decide what level of provisions to set against potential capital gains tax payable on foreign holdings - the difference between balance sheet and sustainable value (Verkehrswert). The sector realised about five years ago that this should be harmonised but has not been able to achieve it.

"Five years ago they said we can't agree, let's ask the BaFin, the regulator," she said. "The BaFin didn't feel competent to do this so they asked the auditors - PWC, Ernst & Young and some others. The two big ones couldn't agree… Some said 100% is too much because you never liquidate the whole portfolio, but 50% is maybe not enough."

Now the German mutual funds association, BVI, is proposing to harmonise reserves levels but Merz advises caution. "A decision for this tax issue hasn't been found for five years. To place more stress on funds now when they are lying down and can only show a 2% or 3% performance plus liquidity problems, this is probably the last thing they need," she says. "Opening the REITs window in Germany could allow them to get out of some of these problems."

Scope calculates the performance lag on all German open-end funds if suddenly the decision is made to set foreign capital gains tax provisions at 100% of potential liabilities. "I am not saying it is realistic that the BaFin or the legislator will decide 100% but we want to see what happens if from one day to the other they all have to set up of reserves against 100% of their potential revaluation tax liability. Some funds would lose 1-1/2% overnight."

By contrast, she says, Commerzbank has found a brilliant solution to this challenge with the bundling of some Paris office assets into a French REIT. The bank's property fund arm, Commerz Grundinvest (GGI), in late March floated a minority stake in three Paris properties worth around €800m as a French REIT/SIIC, CeGeReal. The reduction of the actual capital gains tax payable in the move meant it was able to write €88m of reserves back into the net assets of CGI's hausinvest europa fund.

"What CGI did was such a brilliant idea," says Merz, who worked from 1998 to 2004 in Paris for Moody's. Using REITs would allow an exit from the tax issue for many German funds who hold large amounts of underprovisioned assets in countries with REIT regimes - France, the Netherlands and soon to be Britain. As well, the listing of CeGeReal in France may have started a trend. "I have been speaking to quite a few competitors of CGI who said that's interesting," she said. "I believe there will be more interest in this construction. Most of them have French properties and can achieve tax relief in exactly the same way."

However the real breakthrough would be to introduce German REITs - if possible at the same time as the UK in January next year, even if four years later than France. "What do the Germans do? Just keep on worrying about it," Merz says. "The French made some mistakes on the double taxation issue… It's true that the Spanish can buy French REITs and pay no tax, and they are. The estimate is that this loses the French government about €100m, but so what? They have gained in market value multiples of this, just multiples!

"What we are completely missing in Germany is this medium-risk indirect real estate investment vehicle. On the one side we have open-end real estate funds with a certain value, a certain volatility and a particular risk objective - with banks behind them that have learned they have to stand up when the house is burning. On the private equity side we have the closed-end funds which are primarily tax driven and very German instruments. But we don't have this middle part of risk-chance investment. German institutions needs to get rid of this burden of too much property that is illiquid and held at book value. This is ridiculous but it can't be taken out of the balance sheet at the moment.

"Don't forget that the German retail investor is very real estate oriented - more than the French or Italian for example," she says. "If they are not given the REIT they will go abroad to invest… It's not really a case of 'do I want REITs or don't I'? It's more like 'do I want this cake or do I want to let it go'?" pfe of the dataroom is essential in order to attract large foreign institutional investors, and establish a good negotiating position.

The original Hesse portfolio which included some state ministry buildings and the recently built main Frankfurt police station, was sold for just over €1bn to the Commerzbank property subsidiary Commerz Grundbesitz-Invest. pfe

PFE COMMENT: It may be a potentially interesting prospect but buying state property from the state of Hesse is also a highly political game. Premier Roland Koch is one of the most high profile of the CDU state premiers, relatively close to Chancellor Angela Merkel, but also considered to be a very strong candidate for the chancellorship of German in future years. He therefore is careful to make few, if any, political mistakes. It was not for nothing that a German investor not known for having easy access to the capital to compete with the likes of Lone Star and Terra Firma finally got the nod on a portfolio that contained at least one police station and several state ministry buildings. Now, Hesse wants to sell its Heimstätte housing company. In view of the political nature of the event, it is unlikely - albeit not impossible - that a foreign institution will walk away with this prize.

Gecina buys from Hines planned office building in Boulogne-Billancourt for €75m

Gecina, the French REIT controlled by Spain's Metrovacesa, has acquired from US real estate group Hines a planned 9,800 sq.m. office building in Boulogne-Billancourt just west of Paris for about €75m.

This will be developed, as all of the Hines sites, through its €387m Hines European Development Fund, launched in 2002.

The Class A office building will be built on a bend in the Seine River across from Seguin Island. Hines said construction will begin in late 2007 and scheduled delivery is for the middle of 2009. The project is part of a massive plan to develop a former Renault industrial site.

Gecina and Hines signed a similar agreement last December for 40,000 sq. m. of office space including one building in the office district of La Défense and two others on the Renault site in Boulogne-Billancourt.

Development of the Renault site includes business, cultural and residential projects. The factory, built between 1929 and 1934, employed more than 30,000 people and rolled out its last car in 1992. Conversion of the site has sparked controversy, notably when French billionaire Francois Pinault transferred to Venice a planned modern art museum to house his extensive collection. pfe

Swiss Prime Site net profits surge 57% due to Maag acquisition

Swiss Prime Site, Switzerland's largest property investment group, recorded a 57% increase in net profit to CHF77.3m in 2005 mostly due to the acquisition of the Maag group.

Net rental income rose 46% to CHF188.2m and the valuation of Swiss Prime's property portfolio has reached a record CHF3.31bn.

The group, listed on the SWX Swiss Exchange, said prospects for 2006 are bright in part due to retail space operations, where vacancy rates are forecast at 6%-7%, lower than average for the country. The overall vacancy rate rose last year to 6.27% from 5% due to the Maag properties, but Swiss Prime said the level is still well under the 10% average for Swiss office space.

Swiss Prime's capital call last year raised CHF269.4m which has been used in part to reimburse short-term loans. Investment projects are on track, including Sihlcity in south Zurich where about 61% of the rental surface is rented or reserved. The centre is expected to open in the spring of 2007. Swiss Prime has submitted an application for a building permit for an office tower in Zurich called the Prime Tower which, at 126 metres high, will be the country's tallest. pfe

ProLogis raises $80m to develop large logistics site in booming Bucharest

ProLogis, the global logistics REIT listed on the New York Stock Exchange, says it is spending at least $80m on a transit-goods facility in fast-growing Romania to position itself for that country's scheduled European Union entry next year.

Having staked out strong positions in industrial distribution centres in Poland, Hungary and Czech Republic, the huge US company unveiled plans to develop 157,700 sq.m. of industrial space on a 28 hectare site on the main east-west transit highway outside Bucharest. The first of two distribution centres, with 56,600 sq.m. of space, are slated for completion late this year.

Walt Rakowich, the president and chief operating officer of ProLogis, said the planned ProLogis Park Bucharest A1 would "deliver real benefits both for customers with European operations and our investors" by meeting Romania's robust demand for modern, high-quality logistics sites. With 22m. people and growth rates topping 5%, Romania's vacancy rate for industrial space has tightened just 2%, ProLogis said.

ProLogis maintains a network of 2,340 logistics site in 77 markets of North America, Europe and Asia. pfe.

FADESA earmarks triple-digit millions for Madrid, Galicia and Saragossa

Spanish listed developer FADESA Immobiliaria is launching several large new housing projects for Aragon, Galicia and the Madrid region.

The four projects slated for the Madrid region will include around 3,375 new dwellings with at least 1.1m sq.m. of living space. No price-tag was mentioned. It is investing $348m in a project at Saragossa with 2,200 units and a golf course and another $110m to develop a beach resort community of 500 detached houses, condominiums and apartments for the AB1 market at Sanxenxo on Galicia's Atlantic coast.

The largest of the Madrid regional projects, 30 kilometres north of the capital at El Molar, covers 779,900 sq.m., while a second project in a Madrid suburb covers 201,326 sq.m.

FADESA already promotes projects with 5,500 housing units in the Madrid region, including 2,950 homes at Ciudad Jardín at Aranjuez, which it described as "a stunning success" in terms of sales. pfe.

PROPERTY FINANCE EUROPE - BULLETIN BOARD

DIARY DATES AND UPCOMING IN 2006

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.

INSEAD Alumni Association and Cambridge University Land Society seminar 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

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, Wednesday-Thursday

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.immobilien-forum.com

May 10-12, Wednesday-Friday

IPD European Property Investment Conference 2006 and IPD Leisure Property Investment Conference, Lisbon, Portugal.

This will explore the dimensions of the property investment universe: new financial mechanisms and debt instruments, evolving national markets and greater cross-border activity, innovative asset categories and forms of tenure, wider investor base, such as those in private equity, indirect vehicles. More info: http://www.ipdindex.co.uk

May 11-12, Thursday-Friday

Central European Property & Investment Fair (CEPIF), Warsaw, Poland.

This is the third annual event, and this year is expected to attract up to 3,500 participaants active in central and eastern European property. CEPIF is an exhibition plus conference, and topics include public-private partnerships, the CEE commercial property market, the CEE retail market, risks in property acquisition in CEE. More info: www.cepif.com

May 23-25, Tuesday-Thursday

Real Estate Investment World Europe 2006, London.

The conference covers the latest developments in the European commercial property market, including the various investment vehicles available to investors in new and emerging regions within Europe and types of property that are yielding a high ROI. More info: www.terrapinn.com

May 31-June 1, Wednesday-Thursday

EuropeServicing 2006, London.

Run by EuroCatalyst, this is a showcase for mortgage administration in Europe to highlight issues facing CMBS, RMBS, and covered bond servicers. Supported by the CMSA and host partners Homeloan Management Limited, FitchRatings, and Morgan Stanley Mortgage Servicing. More info: www.eurocatalyst.com

June 7-10, Wednesday-Saturday

The 13th annual European Real Estate Society Annual conference, Weimar, Germany.

A forum for the exchange of research in a wide range of real estate related areas, the topics of the conference cover all areas of real estate, urban economics and urban studies. The conference will be hosted by the Bauhaus-Universität Weimar in cooperation with the German Society of Property Researchers and chaired by Prof. Dr. Ramon Sotelo. More info: www.eres2006.org

June 12-15, Monday -Wednesday

Global ABS 2006, Barcelona, Spain.

IMN presents this annual event bringing together participants in the asset backed securitisation market at the Hotel Arts, on the waterfront in Barcelona. More info: www.imn.org

Italian-Polish Pirelli Pekao buys home developments, charts ambitious plan

Pekao Development, a property financing unit of Poland's Bank Pekao, was renamed Pirelli Pekao Real Estate on 3 April upon government approval of its majority takeover by Italy's Pirelli Real Estate.

With the nod from Poland's antitrust authority, Pirelli now owns 75% of the renamed company, while Bank Pekao S.A., a unit of Unicredito, retained 25%. As its first move after relaunch, Pirelli Pekao completed acquisitions of development lands of 150,000 sq.m. in Warsaw and 20,000 sq.m. in Gdansk for a combined price of $33m and opened talks to purchase an additional 140,000 sq.m.

The merged company will manage and develop Polish properties for itself and its customers. The company said it planned to expand into retail banking and insurance for house buyers and owners. Before the Warsaw and Danzig additions, the mostly residential development project portfolio included about 1,600 apartments and 120,000 sq.m, with 60% still under construction. pfe

Property unit of Greek Eurobank raises €86m with public stock offering

Eurobank Properties Real Estate Investment, the property unit of Greece's Eurobank, has raised €85.8m with its initial public offering of 5.51m new common shares on the Athens Stock Exchange.

REIB Europe Investments Ltd., a unit of Deutsche Bank that owned 15.9% of Eurobank Properties, simultaneously sold 1.1m shares in Eurobank Properties. Including a reserve of 680,000 shares, the combined transactions came to 7.29m shares that were initially priced at €15.6 each after the subscription period between 29 and 31 March.

The flotation was lead-managed by Citigroup and EFG Telesis Finance. Eurobank Properties became the second real estate investment trust (Reit) listed in Greece.

Apart from the 70.9% stake of Eurobank and the REIB stake holding that were sold, a minority interest in Eurobank Properties is held by Lamda Developments. pfe

Deutsche EuroShop scores record 2005 with two new shopping centres

Germany's leading listed retail property group Deutsche EuroShop raised consolidated net profit in 2005 by about 134% to €62m and proposed a dividend of €2 a share, following the best performance in its history. The Hamburg company also forecast at least a 26% rise in revenue this year to €91m, along with a modest increase in pre-tax profit from the 2005 level of €31m.

Group 2005 revenue rose by 17.4% to €72.1m with the full-year consolidation of two shopping centres, Pécs Árkád in Hungary and Phoenix-Center in Hamburg. Opened in February 2005, Forum Wetzlar also contributed. Good centre management held the overall vacancy rate below 1%.

Deutsche EuroShop said in a release its net finance costs increased by €5.8m to €26.4m on a decline in interest income because of rising investment and a rise in borrowing costs for newly operational properties by €5.6m to €33.6m. Valuation gains jumped to €49.9m from the previous year's €8m because the two new centres were rebooked at market, adding €33.8m, while most existing properties also increased in value.

The company valued its net assets the end of 2005 at €794.5m, or €46.22 a share, compared with €686.8m, or €43.96 a share, the previous year. The Shopping Etrembières centre in Annemasse, France, was sold to French investors in mid-April 2006 in a share deal from which should net at least €3.5m for the second quarter. pfe

Hypo Real Estate provides €140m finance for apellas Berlin projects

Hypo Real Estate is financing the €140m purchase of two residential portfolios, an office building and a residential construction program, in Berlin for the apellas group, which is associated with interests close to the financier George Soros.

Acquired by apellas from Deutsche Bank and from DKB (Deutsche Kreditbank) Immobilien AG were 1,250 apartments, 11,000 sq.m. of office space and 84,000 sq.m. of developed land in several Berlin neighbourhoods. "This transaction continues our successes during recent months and underscores our resumed focus on the German real estate financing market," said Reinhold Güntner, a bank director.

Ulrich Weber, managing director of apellas Property Manage-

The real estate associations: European Securitisation Forum (ESF)

ESF sees future in leveraging link to US Bond Market Association despite surging European MBS, trans-Atlantic Basel II divergences

Asset-backed securitisation is rapidly expanding in Europe and its growth in the last couple of years has propelled the London-based European Securitisation Forum, an affiliate of the US Bond Market Association, into key areas particular to Europe such as Basel II capital adequacy regulation implementation. Senior officers say Europe can still benefit from US experience in the rapidly growing ABS sector.

Proof that the sector is booming was seen not only in the record 1,200 attendees at the ESF annual conference in Venice last month - far outstripping the 800 or so that went to the event in Nice in 2005 - but also the buildup to a membership of 150, mostly institutions. The appointment of new ESF head Rick Watson this month is likely to propel the association still further. European securitisation issuance surged by 31% last year to nearly €283bn and hit a new quarterly record in the fourth quarter at $136bn equivalent. The ESF expects securitised issuance to grow by around 15% in 2006, based on continued expansion of securitisation knowledge among issuers and investors, as well as a continuation of relatively tight new issuance spreads and growth in sales of lower or unrated subordinated tranches. Many in Venice said that, on the basis of the first quarter, primary market developments in commercial mortgage-backed securitisation (CMBS) and collateralised debt obligations (CDOs) alone mean that prospects are strong for at least double that velocity in these products.

Incoming ESF Managing Director Rick Watson: Priorities in investor education, monitoring economic capital adequacy rules of Basel II.

Watson took over this month from Scott Rankin, the driving force of the ESF foundation at the start of the decade. He was previously with the monoline insurer FGIC, and also has a background in origination with Bear Stearns and HSBC. Helped by director Carlos Echave and associate director Marco Angheben, Watson aims to build on the foundations Rankin set. "ESF has gone through the first stage of identifying its principal objectives and building up the membership," he told PFE. "My main role is going to be implementation as well as continued engagement with regulators on a variety of topics such as accounting treatment of securitisations, Solvency II, and various ABS market practices and standards. Another priority is investor education, with more technical training for our members. It takes a bit of time in this business just to understand the technical jargon that the industry uses."

Despite the surging growth now in European ABS, the sector this side of the Atlantic remains a long way behind the US in volume and development. Therefore, divergent trans-Atlantic views on the key upcoming issue of Basel II capital adequacy ratios are outweighed by the benefit in leveraging ESF links with the US/BMA, rather than seeking greater independence. ESF also maintains close connections with its sister organisation, the American Securitisation Forum, also part of the BMA. "The BMA is a very well respected association not only among the global/European broker-dealers, also has a very active asset managers committee and is well connected," Watson says. ESF staff remains 100% European-based as are the majority of its members; all issues dealt with out of London are entirely European-centric. It also wants to expand cooperation with other trade associations such as the British Bankers Association, London Investment Bankers Association, CML, IDSA, ICMA. CMSA, ECBC and many continental European associations.

Within the Basel II process, the ESF is working with local industry groups on clarifying and implementing new insolvency regulations to ensure they take into account needs of securitisation deals, and implement reasonable capital market weightings for the buy-side. In accounting, focus will be on promoting transparency, particularly with the IAS 39/ SIC 12 rules which the industry sees as faulty, and requiring considerable further input.

Another objective is consistent market practice guidelines. Here, the ESF is about to issue guidelines for residential mortgage-backed securitisations (RMBS). "Now that people are investing in the entire range of securitised products in different locations they want to be able to compare deals, and they are still, in many cases, unable to do so," Angheben says.

The ESF is run by a board of directors nominated by the membership, and organises individual projects and initiatives through committees and working groups. These include a legal, regulatory and capital committee, an accounting committee, a global securitisation accounting convergence committee, an investment committee, local national committees for Germany, Italy and Spain, as well as committees for market practices, CDOs, and CMBS committee. The working groups focus on market data, implementation of Basel II, investors' seminars, risk modelling, trustees, RMBS and trading.

Angheben is active with the ESF Italian committee to improve a framework for securitisation in his native country, consulting with the Treasury and the Bank of Italy. "We're basically trying to create a level playing field in Europe," Angheben says. "There are a lot of areas of national discretion in the Basel II and European Commission's Capital Requirements Directive and we are hoping to be able to create a homogenous view for the sector continent-wide. As an industry, we also want to be in the forefront of promoting state-of-the-art transactions which promote either risk transferrence, such as the growing investor market for first-loss tranches in RMBS and CDOs, or help increase market liquidity and pricing transparency, such as the growth in trading of credit derivatives on ABS." pfe

This *Property Finance Europe* series looks at national and trans-national real estate associations and the implications of their activities for European property investment.

ment GmbH, said the acquisitions strategy focuses on undermanaged German residential and commercial properties with value potential. “Planned modernisation and new construction investments of more than €50m reflect the long-term strategy of the apellas Group,” he said. pfe

FTSE EPRA/NAREIT listed property company index splits into REITs, non-REITs

The three institutions FTSE, EPRA and NAREIT have produced a subset of the widely used index series separating the existing constituents into REIT and non-REIT indices.

Effective, 30 March, the groups in combination launched the FTSE EPRA/NAREIT Global REITs and Non-REITs Index Series. The new index series is a sub-set of the FTSE EPRA/NAREIT Global Real Estate Index Series.

They said the two indices will continue to provide investors with the diversification that real estate offers due to its low correlation with other asset classes - along with sufficient liquidity to gain access to that asset class easily. The series is therefore suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds. pfe

Warburg–Henderson pays over €100m for four European retailing centres

Warburg-Henderson’s Hamburg-based asset management joint venture has acquired more than €100m in suburban specialty store centres in four countries for two of its property investment funds.

Centres were bought near Cologne, Germany; Nantes, France; Bologna, Italy and Malmö, Sweden, for the institutional property fund Pan-Europa Fonds Nr. 1 and the Pan-Europa Fonds Nr. 3 property investment fund. The centres, with some high-profile retailing tenants, range in size from 27,000 sq.m. in Nantes to somewhat less than 6,000 sq.m. at Bologna.

Further western European purchases of about €1bn are planned for 2006. The asset management company (KAG) was founded in 2001 by German private bank M.M.Warburg and English asset manager Henderson Global Investors. It manages six property finds for German and foreign institutional investors. pfe

Rise in securitisation deal calculation errors becoming a concern, Fitch says

The growing number of calculation errors related to European structured finance transactions is becoming a concern, says Fitch Ratings. As deals become more complex and numerous, greater reliance is placed upon administrators of deals accurately tracking the intricacies of documentation often a number of years post issuance, and mistakes are multiplying.

Examples of problems are the incorrect amortisation of junior notes and reserve funds, and accounting for losses within the cash-flow. Responsibility for this lies with the cash bond administrator often also referred to as agent bank or computation agent.

„All industry participants should ensure well-defined CBA policies and procedures are in place to mitigate risk,“ says Andy Brewer, senior director in Fitch‘s Structured Finance team. „Diligent quality control and verification processes with respect to transaction calculations reduce the risk of errors arising in the future. This provides more comfort to investors that the potential for losses through inaccurate bond calculations is minimised.“

While none of the errors have yet threatened ratings, they appear to be increasing in frequency. On two occasions originators have had to inject cash into transactions to cover lost revenues resulting from errors. “Had the originators been unwilling or unable to provide such support, these revenues would have been permanently lost and noteholders may have been exposed to potential losses,” Fitch said in a report entitled Calculation Errors in European Structured Finance. pfe

Eastern European vacancy rates touch record low - CB Richard Ellis

A record low vacancy rate of 7.9% the end of 2005 is proof of stable growth of the property markets in central and eastern Europe, according to a market report by realtor CB Richard Ellis, which is quoted on the New York Stock Exchange.

The vacancy rate for CEE reforming economies fell in each quarter of 2005, cutting it by 2.73 percentage points compared to the end of 2004. The low rate results from rising demand and slower completions of new buildings in the region's seven key markets: Bratislava, Bucharest, Budapest, Moscow, Prague, Sofia and Warsaw.

Demand for office space rose by 22% in 2005 to a record 2.2m sq.m. More than 1.2m sq.m. of new space was completed in 2005, up by 2%. Nearly half of this was in Moscow, and at least one-third of that was completed in the final quarter of last year.

The inventory of office space in the region grew by 12% last year to 13.3m sq.m. with 15m projected for end-2006. Although rents are rising in Moscow, prices are stable in other markets and are expected to remain so, despite slight buoyancy cause by low vacancies.

"The determining factor in the property markets of central and eastern Europe in 2005 was the falling vacancy rate everywhere," said Andreas Ridder of CBRE in Vienna. "The falling vacancy rate raises the possibility of rent increases. This causes rising investor confidence, lowering the risks of investments in a market with a comparatively aggressive price level and first-class properties, leading finally to further increasing valuation." pfe

Dutch Eurocommercial buys Swedish and French retail properties for €44m

Eurocommercial Properties (ECP), a chartered Dutch investment company traded on the Amsterdam Stock Exchange, has announced the acquisition of retailing properties near Stockholm and Paris for €44m.

The company, which is currently making a €100m expansion to its larger northern Italian portfolio, acquired the Moraberg retail park at Södertälje, 30 km southwest of Stockholm, for the equivalent of €37.5m. Moraberg raises Eurocommercial's Swedish portfolio to €302m. The retail park's 19,000 sq.m. is fully leased to major retailers with rents averaging nearly €130 sq.m.

In France ECP purchased a smaller pre-let retail park at Buchelay, west of Paris, on which construction has started. Average net yield of these sites is around 6%.

Eurocommercial invests in retailing, office and warehousing properties exclusively in the European Union, and targets France, Italy and Sweden as well as the Netherlands. All but 10% of its portfolio is retailing property. pfe

Eurohypo finances €2bn redevelopment of former Milan exhibition site

Eurohypo, the largest German property financing bank and now a unit of Commerzbank, says it has been chosen as the exclusive lender of almost €2bn to finance the redevelopment of Milan's former exhibition site for a consortium of insurers Generali, Allianz, Fondaria SAI and the Lamaro construction company.

When completed in about seven years, the project will offer 345,000 sq.m. of residential accommodations, office and retailing space in a central urban location. Called CityLife, the redevelopment project will be the largest of its kind in Italy. Architects Arata Isozaki, Zaha Hadid, Pier Paolo Maggiora and Daniel Libeskind have worked to make the project's Milan office towers the highest in Italy. pfe

Finland's Sponda renews €300m syndicated loan agreement

Sponda Oyj, the largest investment company on the Helsinki Stock Exchange, has signed an agreement on a five- and seven-year syndicated credit facility of €300m to refinance part of its loan portfolio.

The facility, underwritten by Danske Bank A/S, Handelsbanken, Nordea and OKO Bank, replaces a similar agreement made in July 2004. The rollover facility pays a margin of 0.375%-0.70% above Euribor.

With property investments of €1.26bn, Sponda lets 840,000 sq.m. of commercial space, including offices, retailing sites and logistics facilities. pfe

Pirelli RE boosts 2005 net profit by one-quarter, operating up 40%

Pirelli & C. Real Estate, Italy's largest listed property group, raised 2005 net profit by one-quarter and its operating earnings by 40% when business performance improved across the board. Stockholders approved a dividend of €1.90 a share for the past financial year at the 12 April general assembly. The dividend will be booked on 24 April and paid on 27 April.

The group reported a 29% increase in revenue to €3.5bn. Operating income, including income from equity participations, grew to €186m, an increase of 40% that compared with average annual compound growth of 22% for 2003-05. Net profit rose by 24% to €145m.

The stockholders elected Carlo Croce to the board of directors, confirming his 25 Jan. appointment by the board as a non-executive director. The assembly also renewed the authorisation to purchase treasury shares within the legal limit of 10% of the share capital for another 18 months. pfe

Paris office transactions hit record level but supply overhang drops only slightly

Office space transactions in the Paris region hit a five-year record during the first three months of this year but immediately-available stock dropped just 7%, indicating demand from new clients is still relatively weak, latest Immostat statistics showed.

The sale and rental of office space in the French capital region, Ile de France, totalled 780,500 sq. m. in the first quarter, more than double the 383,700 sq.m. during the same period last year. The transaction level was similar to the 702,800 sq.m. recorded in 4Q05.

Immediately-available office space in the Paris region fell in 1Q06 to 2.57m sq.m. from 2.77m sq.m. at the end of last year and 2.91m sq.m. at end-March 2005. Analysts say the relatively slow absorption of the supply overhang reflects the optimisation of property usage but an unwillingness to expand into more space.

Property investments totalled a record €12bn last year and €4.6bn during 1Q06. Investment ballooned at the beginning of this year due to major transactions, including the sale of KanAm Grundinvest's portfolio of five Parisian office buildings for €1.1bn (see also *The PFE Interview*). An estimated 60% of investment in the region is from foreigners.

During the first three months of the year, the average office rental rate for Ile de France firmed slightly compared 4Q05 but is still down from the same period last year. The average rent in the central business district was €443 per sq.m. and €338 per sq.m. in La Défense. This compares to €430 and €343 per sq.m. respectively in the two areas during the last trimester of 2005, but is down from €447 and €348 during 4Q05.

Jones Lang Lasalle said rental transactions could reach an all-time record this year. "Ile de France is the uncontested leader in the European rental market, far ahead of other cities," the company said in a comment. More and more companies are renting large surfaces in buildings not yet built or renovated, bringing the vacancy rate to 5.3% and helping to push up rental rates slightly over the past few months.

Immostat, closely-watched by the industry, is a joint venture of the realtors Atisreal August-Thouard, CB Richard Ellis, DTZ Jean Thouard and Jones Lang Lasalle. pfe

Hypoport launches monthly German House Price Index; new homes up 5%

The Berlin-based Hypoport AG has launched the first German house price index, aimed at tracking nationwide residential property price developments on a monthly basis. First figures showed the annual rate of price inflation for new homes across Germany was 5% in the year to end-March.

Hypoport is the publisher of *Property Finance Europe*. In a commentary, it said prices of existing homes and apartments were weak over the prior 12 month period, and there is as yet no clear trend across all residential property classes.

Chairman Thomas Kretschmar said the launch of the Hypoport German House Price Index (HPX) fills a gap in measurement data for residential property prices, and brings transparency for home buyers. "This should allow them to follow the housing market much more closely so that they can judge whether or not they wish to make a purchase," he said.

HPX will be released monthly and constituted similarly to indices published by most major building societies in the UK. It is compiled from neutral data on 4,000-6,000 home sales processed monthly over Hypoport's proprietary EUROPACE platform. In December, mortgages on the platform hit a record €1bn, nearly 10% of the total home mortgage market, as German homebuyers rushed to take advantage of the owned-home premium before it was abolished at year end. In January 2005 mortgages processed via the platform had been just €200m per month.

In a commentary, Hypoport said home sales volumes dropped markedly across all residential property sectors in the first three months of this year, but it expects a gradual pickup of activity over 2006 as long as financing rates stay at current fairly low levels.

"Recent comments from the European Central Bank indicating a slowing in its expected gradient of rate rises this year, plus still-low consumer price inflation, give reason to hope that home financing rates will remain moderate at least until end-2006," it added. pfe

Deutsche Wohnen, Deutsche Bank agree to share deadline extension for de-linking

Listed German residential property group Deutsche Wohnen is extending until 12 May the deadline for shareholders to convert shareholdings aimed at triggering the dissolution of a control agreement with Deutsche Bank that the company sees as key to its future.

Deutsche Wohnen said that as at the first deadline - close of business on 12 April - some 86% of all shares rebooked into registered shares had declared for conversion into bearer shares, just below the target DB set at 90%.

"Due to the strong support received to date from its shareholders, Deutsche Wohnen and DB Real Estate Management GmbH have agreed to enable further shareholders to declare shares for conversion up to May 12, 2006," is said in a release.

Through the deconsolidation from Deutsche Bank, Deutsche Wohnen intends to improve its positioning on the German residential market and sees this as the only genuine path to increasing its net asset value by acquisitions of residential property portfolios. The original parent bank, which floated the company in an IPO in 1999, is unprepared to allow further acquisitions because of economic capital costs it would incur at group level.

Deutsche Wohnen, on the other hand, needs to replenish its residential portfolios which is dwindling due to an ongoing program of privatisations. "The German housing market provides good opportunities," the company said. pfe

French Eiffage refuses board seats for Spain's Sacyr despite 32% stake

Corporate warfare was all but declared this month between Spanish developer Sacyr Vallehermoso and French construction giant Eiffage after the latter refused to give the Spanish company boardroom representation despite its recently-acquired 32% stake.

In return at Eiffage's annual general meeting, , Sacyr used its voting power to block a number of proposals including a bonus share issue and a stock buy-back program.

Acrimony has intensified between the companies after Sacyr earlier this year bought up a stake in Eiffage that now amount to a 32% of common stock and 33% of voting rights. Eiffage, which builds fast-train rail links and bridges, publicly rejected the move.

However at the AGM, management went further, announcing

Table: Issuance of European MBS, covered bonds

Since January 2006

Asset class		Country	Currency	Closing Date	Deal
CMBS	Commercial Mortgages	UK	GBP	Mar 2006	Fairhold Securitisation Limited
RMBS	Covered Bonds	UK	EUR	Mar 2006	Abbey National, Series 3
RMBS	Residential Mortgages	UK	GBP	Mar 2006	Newgate Funding - Series 2006-I
CMBS	Commercial Mortgages	DE	EUR	Mar 2006	Titan Europe 2006-1
RMBS	Residential Mortgages	NL	EUR	Mar 2006	Arena 2006-I B.V.
RMBS	Residential Mortgages	FR	EUR	Mar 2006	FCC Minotaure Compartiment 2004-1
RMBS	Covered Bonds	UK	EUR	Mar 2006	Northern Rock, Series 4
RMBS	Residential Mortgages	UK	GBP	Mar 2006	RMAC Securities No. 1 - Series 2006-NS1
RMBS	Residential Mortgages	ES	EUR	Mar 2006	TdA CAM 6, FTA
CMBS	Commercial Mortgages	EU	EUR	Mar 2006	DECO 7 - Pan Europe 2
CMBS	Commercial Mortgages	UK	EUR/GBP	Mar 2006	Eddystone Finance
CMBS	Commercial Mortgages	UK	GBP	Mar 2006	Longstone Finance
RMBS	Covered Bonds	IE	EUR	Mar 2006	AIB Mortgage Bank Covered Bond Programme
RMBS	Covered Bonds	ES	EUR	Mar 2006	AyT Cédulas Cajas Global, FTA - Series V
RMBS	Residential Mortgages	UK	EUR/GBP/USD	Mar 2006	Permanent Financing (No. 9)
RMBS	Covered Bonds	ES	EUR	Mar 2006	Programa Cedulas TDA, FTA
RMBS	Covered Bonds	ES	EUR	Mar 2006	Programa Cedulas TDA, FTA Program Report
RMBS	Residential Mortgages	UK	EUR/GBP/USD	Mar 2006	Paragon Mortgages (No.11)
CMBS	Commercial Mortgages	UK	GBP	Apr 2006	Business Mortgage Finance 4
RMBS	Residential Mortgages	NL	EUR	Apr 2006	Holland Homes Oranje MBS B.V.
CMBS	Commercial Mortgages	UK	GBP	Apr 2006	White Tower 2006-1
RMBS	Residential Mortgages	UK	GBP	Apr 2006	Leek Finance Number Seventeen
RMBS	Residential Mortgages	NL	EUR	Feb 2006	STORM 2006-I B.V.
RMBS	Residential Mortgages	UK	GBP	Feb 2006	Southern Pacific Financing 06-A
RMBS	Residential Mortgages	UK	GBP	Feb 2006	Preferred Residential Securities 06-1
RMBS	Residential Mortgages	DE	EUR	Feb 2006	Mesdag (Berlin) B.V.
RMBS	Residential Mortgages	IT	EUR	Feb 2006	Vela ABS S.r.l - Series 1-2006 S
RMBS	Residential Mortgages	IT	EUR	Feb 2006	Berica 6 Residential MBS S.r.l.
RMBS	Residential Mortgages	NL	EUR	Feb 2006	Holland Mortgage Backed Series (Hermes) XI B.V.
RMBS	Residential Mortgages	UK	GBP	Jan 2006	Southern Pacific Securities 06-1
CMBS	Commercial Mortgages	IR	EUR	Feb 2006	Opera Finance (CMH)
CMBS	Commercial Mortgages	UK	GBP	Feb 2006	Vanwall Finance
CMBS	Commercial Mortgages	UK	GBP	Jan 2006	BL Superstores Finance
RMBS	Covered Bonds	ES	EUR	Jan 2006	Bancaja 9, FTA

Source: Europace for investors

it would trim Sacyr's voting rights down to just over 30% because the Spanish company had failed to comply with rules on disclosing stake acquisitions. French takeover rules require companies to make a full takeover offer when its stake reaches 33%.

Sacyr, a building and holiday rental group, had requested four boardroom seats. Chairman Luis de Rivero told the French business daily Les Echos, "The (French) financial market authority regulations prohibit us from launching a bid for the next 12 months… But we will definitely leave it longer, between a year and a half and two, before making a decision." pfe

French military sells three buildings in Paris last year, plans more sales

France's Defence Ministry sold 77 buildings last year worth €122m including three in Paris netting more than €70m. One of the buildings is located at the foot of the Eiffel Tower and was bought by Cofetem-Cofimur for €61m, the French real estate portal Businessimmo reported.

Jacques Brucher, head of the ministry's property operations, said the department is currently focusing on 600 properties stretching over 7000 hectares. It has sold 1850 buildings for about €840m since 1987.

The French military recently came under fire in a parliamentary report for moving too slowing in making more efficient use of property and selling underutilised and expensive real estate. The French government is selling property to replenish state coffers. pfe

Oppenheim study finds drastic drop in European starting office yields

Booming investment in office buildings in many European markets has hammered net starting yields dramatically because rents haven't kept pace with selling prices, according to a survey by Oppenheim Immobilien-Kapitalanlagegesellschaft (OIK), a German real-estate investment firm. That trend will continue in some locations, it predicted.

"Peak return in London's West End, for example, has dropped to 4.0% from 5.25% in one year because of the rise in prices,“ OIK research director Oliver Voß was quoted as saying in a report in the German property financing magazine Immobilienwirtschaft (IW).

OIK's study said that private and institutional investors, especially European pension funds confronted with rising retirement claims, flocked to the relative income stability of bonds and real estate when stocks crashed in 2001. The tightening of interest rates and falling bond prices then concentrated this flood of liquidity on the property market, where the limited supply of office buildings lifted selling prices and undermined anticipated yields.

The fall in starting yields is especially pronounced in Central London, Paris, Madrid and Stockholm, where peak rents have been shooting up in recent months. There, many analysts regard annual peak rent increases of more than 10% as possible, OIK said.

The study also found office properties in the central European cities of Vienna, Prague, Warsaw and Budapest to be comparatively expensive internationally. Low taxation in the last three mentioned cities has permitted high effective returns despite the low prime yields, it said. Investors are also willing to pay higher prices there to take advantage of economic transformation and to diversity from western Europe.

French cities were regarded as comparatively reasonable, as were German and Dutch office properties for which prime yields haven't fallen as much as in other countries. These markets are behind the trend of their neighbours because the office rental market has taken much longer to stabilise.

The OIK experts said demand for office property will be sustained because its 6.5% average share of asset portfolios is still well below the estimated ideal of 13%-15% and because property yields maintain an advantage over government bonds. And international convergence of real-estate yields will progress in Euroland. IW

Fadesa and Colony to jointly develop residential, office project in Massy

France Financiere Rive Gauche, a unit of Spain's Grupo Fadesa, will jointly develop with US property investment company Colony Capital a residential and office project in Massy, a suburb south of Paris.

Under the development plan, 100,000 sq.m. of mostly residential and office property will be built at a cost of €213.5m over the next five years.

The project is on a six-hectare plot currently occupied by French telecommunications group Alcatel, which is in the process of consolidating office space around the capital. pfe

German commercial property transactions jump 426% in first quarter - Atisreal

Property transactions, including sales of non-performing loans, amounted to €14.35bn in Germany during the first calendar quarter of 2006, and German commercial property transaction volume alone soared by 426% from the year-earlier quarter to around €10bn reports Atisreal, the BNP unit that is Germany's largest realtor.

Atisreal attributed the size of this increase to large deals, such as the sale of stores by the troubled KarstadtQuelle department-store chain. "The result for the first three months confirms our forecast of rising investment volume again this year, especially because of the swelling portfolio business,“ said Piotr Bienkowski, business manager of Atisreal Deutschland.

About €7bn of the commercial property transactions involved portfolio sales while the remaining €3bn were individual deals. Thanks to Karstadt, retailing property dominated the commercial transactions with a volume of €7.2bn. Office buildings worth €1.85bn also changed hands, as well as €197m in logistics facilities.

Rounding out the €14bn in total property-related volume changing hands in the first quarter was about €3.1bn in housing and €1.17bn in non-performing property loans.

First-quarter transactions in Germany's six biggest property markets – Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich – jumped by 94% to €2.75bn, with Hamburg alone kicking in €1bn, up 152%, on its sale of public housing. Munich's smaller share of €549m was still a gain of nearly 1,000%, while Frankfurt's €421m share represented a drop of 24% because the sale of the Skyper building had enlarged the year-earlier figure. pfe

Klépierre unit opens shopping centre in northern city of Valenciennes

Segece, a unit of listed French property group Klépierre, a French REIT, has invested nearly €52m in a new shopping centre in the northern city of Valenciennes.

The downtown retail centre Place d'Armes will generate €4.6m annually, and is part of a broader urban transformation project for the city which includes residencial property, office space and underground parking.

Segece is Europe's leading shopping centre manager with nearly 400 centres across the continent.

In a recent market report, Knight Frank said French shopping centres are entering a transition phase, with a trend move away from malls built around a hypermarket, and towards original, themed concepts with more striking architecture that can thrive in downtown areas. Investment interest in new retail projects in France, of which there are around 400, has nearly halved prime yields over the last few years to below 6%. pfe

One-third of Frankfurt's vacant offices can be written down - Drivers Jonas

More than one-third of Frankfurt's vacant offices can no longer be rented, according to the third Crane Survey of British-based realtor Drivers Jonas.

The survey, using market statistics from Bulwien Gesa, quantified this as about 500,000 sq.m. of the German city's total vacant space offering of 1.87m sq.m. Aengevelt, a German competitor, had only recently calculated this unrentable vacancy as 380,000 sq.m.

Drivers Jonas, which operates in France, Germany and Britain, still regards the financial capital on the Main River as a beacon for the commercial real estate market of Germany, although Frankfurt's office market has plunged in the last five years and investors have grown cautious.

The European property consultant's Crane Survey for Frankfurt also found that 233,000 sq.m. of office space was under construction at the end of 2005 and that 42% of this was still unlet. The corresponding figure for the adjacent suburban office complex of Eschborn was 37,000 sq.m., most of it let.

In Frankfurt's downtown banking district, which has about half of all new office space, 110,000 sq.m. of new space was completed in 2005, but the survey said 70% of this was still unlet. pfe

Colony, Butler, Morgan Stanley win Paris Saint Germain soccer club, stadium

Canal Plus, the French pay television division of media group Vivendi, has agreed to sell the Paris Saint Germain soccer club for €41m to a group of investors led by Colony Capital, Butler Capital Partners and Morgan Stanley.

The French real estate portal Businessimmo said the investor group is planning a major refurbishment of the team's playing field, the Parc des Princes stadium in western Paris. The team has long been plagued by poor results, investigations into the club's finances and an ongoing problem with hooliganism.

Sebastien Bazin, head of European operations for Colony Capital, said, "France is behind other European organisations in terms of sports complexes. Thought is now being given as to how to give this club better installations."

The club has rights to the Parc des Princes stadium through 2014 and the industry is abuzz with speculation about various plans to modernise and expand the site. One idea could involve lowering the playing field by about 70 centimetres to fit in 10,000 more seats. pfe

Skanska CDN gains €57m on sale of Swedish properties for €80m

Skanska Commercial Development Nordic made a capital gain of SEK536m (€57m) by selling a Swedish property portfolio to Fastighets AB Balder for SEK750m (€80m).

The company sold one property in Malmö and four in the Stockholm area. They will go on the books of Fastighets AB Balder on 16 May.

Completed in 1957, fully developed Spinneriet 8 in central Malmö has a hotel, shops, a parking lot and offices covering 40,000 sq.m. It was the first project developed by Skanska for its own management. In the Stockholm area, the Storsätra block in Sätra has 32,000 sq.m. of offices, shops, storage and production premises. The three other office developments in the same region ranged in size from 2,200 sq-m. to 6,300 sq.m.

Skanska Commercial Development Nordic initiates and develops property projects, with offices, logistics and shopping centres in Sweden and the Copenhagen area of Denmark. Commercial buildings are developed in strong retail markets in Sweden and Finland. pfe

Sweden's Akelius adds 392 units to growing Berlin apartment portfolio

Sweden's Akelius Fastigheter AB says it has purchased 392 apartments in Berlin as part of its plan to acquire as many as 10,000 German apartments in coming years.

Akelius, which describes itself as Sweden's biggest private apartment company with 26,000 units, already owned 402 apartments in Berlin's Reinickendorf neighbourhood.

The new units in Berlin's Alt-Hohenschönhausen are being acquired by its German subsidiary, Akelius GmbH. pfe

German private building societies anticipate strong business in 2006

Private building societies say would-be German house owners boosted their savings in the first calendar quarter and are also drawing more construction money, a possible sign of an upturn in the building of single-family houses in Germany.

The association of private German building societies (private Bausparkassen) said its members arranged 3.9% more savings contracts in the first quarter. Above-average business in western Germany raised their construction savings plans by 14%.

Disbursements of building funds, meanwhile, rose by 7.4%, a harbinger of more building activity in the sector of one-family houses as savers rush to take advantage of a government incentive that is slated to expire.

Although the association expects its rising business trend to continue for the rest of the year, it said it did not anticipate any general upswing in residential building. pfe.

Franklin Templeton cleared to market two global REIT funds in Germany

Franklin Templeton Investments has won regulatory clearance to market in Germany two mutual funds that invest globally in mainly Real Estate Investment Trusts (REITs).

The funds are the Franklin Global Real Estate (Euro) Fund and the Franklin Global Real Estate (USD) Fund. Both target stable earnings and moderate growth of invested capital.

Reits are exchange-traded property companies with special tax treatment.

The managers of both funds invest in exchange-listed property companies that pay large dividends and grow their capital. To achieve earnings stability and balance, the portfolios are diversified geographically and by types of property. pfe

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Max Berkelder is leaving the Amsterdam-based investment bank **Kempen & Co** to join **IBUS Asset Management** in Hoofddorp, the Netherlands, taking responsibility for asset management, institutional investor relations and business development. **IBUS** develops and invests in office, retail, residential and hotel properties in the US, UK, France, Switzerland, NL and Germany… **Christer Löfdahl** is appointed CFO at **Catella AB** in Stockholm. He is presently CEO of Catella-owned **Sponsor Stiftelseförvaltning**… **Ralf Schneider** will take over on 15 May as department head of project management at **Vivico** in Munich. He succeeds **Hans Peter Oberhuber** who is leaving on 30 June… Logistics group **Gazeley** has boosted its Germany team from the start of this month with the appointment of **Thomas Karmann** as development director…. **Roger Welz** has been appointed to the management of the **Munich Re**-owned **Meag Munich Ergo Kapitalgesellschaft**, with responsibility for marketing real estate products to institutional clients. He was formerly with **Commerz Grundbesitz** institutional funds marketing in Wiesbaden… **Jean-Claude Aznavour** has been elected president of **TEGoVA France**, the French arm of **The European Group of Valuers Associations**. He represents the **French Real Estate Institute** (**Institut Francais de l'Expertise Immobilière, IFEI**) and replaces **Jean-Claude Amselle** of the **Property Experts Chamber of France** (**Chambre des Experts Immobiliers de France CEIF Fnaim**) who will become honorary president... **Ralph Winter** has confirmed that he is stepping down as head of **Cerberus Deutschland** with immediate effect and, alongside Vice President **Thomas Landschreiber** is leading an exodus of almost the entire team to start up their own private equity fund… Former **DB Real Estate Management** managing director **Michael Kremer** has transferred to the new German branch of **London & Regional Properties**, where he will help manage a portfolio of around €1bn our of the €6bn L&R has under management in Europe. **Kremer** has the task of expanding the team to around 10 specialists, and foresees investment in office, retail, hotels and sale-and-leaseback deals up to €1bn in size… **Oliver Stumm**, group communications officer for **Hochtief Development** in Essen transferred at the start of the month to take over a similar task at **BauBeCon Wohnen** in Hanover… **ING Real Estate** has announced the appointment of **Menno Maas** as CEO development and member of the management board as of 1 July. He will assume overall responsibility for the global business line development, and report to CEO **George Jautze**… **Colliers International** has added or promoted several employees in Poland. These include **Beata Wałujska** who becomes Head of Retail Department, **Magdalena Nowak** who becomes an associate, and **Alicja Wardziak** who is promoted to Commercial Associate. **Paweł Suracki** has joined Colliers' team as an Investment Analyst… The Spanish subsidiary of **Cushman & Wakefield** has announced the nomination of **Ana Gomes**, **Ana Silva**, **Fernando Ferreira**, **Jorge Catarino** and **Tim Seconde** as new European associates… Effective 1 May, **Krisztián Hornok** will be appointed managing director for **DTZ Hungary**, replacing **Chris Naylor** who has been running the office since 1999. Naylor leaves to take a position representing **Mosaic Property**, a UK-based private investment fund focusing on central and eastern Europe…**CB Richard Ellis** is merging its property management activities in Belgium with the nation's largest realtor **Sogesmaint**, a subsidiary of the **CFE group**… pfe

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