

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

Infrastructure belongs in real estate asset class - Macquarie

Infrastructure, such as toll roads, airports and rail links, belong in the real estate asset class but must be treated carefully Macquarie RE says. **Page 2**

German MDAX's Vivacon to list property portfolio on AIM

Frustrated over G-REITs delays, Vivacon, quoted in Germany's MDAX, is listing a property portfolio on the UK's AIM. **Page 5**

Gécina to create REIT/SIIC out of new hospital portfolio

Gécina, the French REIT/SIIC controlled by Spain's Metrovacesa, said it plans to launch another French REIT from a newly-acquired portfolio of 28 hospitals. **Page 6**

Soros-controlled Spanish house firm MedGroup launches IPO

Spanish property fund MedGroup, owned 45% by Soros Real Estate, is to bring forward a planned IPO for later this year. **Page 11**

Joachim Ribeiro, CFO Portugal's Sonae Sierra

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Roman shops' 'goodwill' payments top €6m, Via Condotti most expensive

Rome's fashionable shopping street, the Via Condotti, tops the list of the most expensive retail locations with an average €6m 'goodwill' payment levied by the seller as a kind of retirement allowance or bonus, the Italian Federation of Business Agents (FIMAA) said.

Rome leads the list for 'goodwill' in general, followed by Milan where in the modish Via Montenapoleone, the bonus is €5.5m - then Florence at €3m on average.

On ground rents, FIMAA (Federazione Italiana Mediatori Agenti d'Affari) reported that a 100 sq.m. property in the fashion district in Milan currently leases out at up to €21,500 per month. The equivalent in Via Condotti for a similar size store is at least €25,000, and in the adjacent street Via del Corso is around €11,000. (See p22). pfe

Global lobby forms to change tax treaties, foster creation of REITs

Leading European, US and Australian property associations are discussing a global lobby to change international double taxation treaties and ease the national creation of Real Estate Investment Trusts to boost cross-border investment.

Liz Peace, Chief Executive of the British Property Federation, told PFE that double taxation treaties (DTTs) need to be re-written to remove the major obstacle for all national governments in their creation of REITs - the tax treatment of non-resident investors.

"This is the source of the whole problem for everybody," she said. "This was precisely what held up the introduction of the UK REIT and is causing problems for others... where the treaties can reduce the withholding tax to 15% or sometimes even zero."

German delays in announcing a G-REIT is causing some real estate firms to seek listings abroad. Many are eyeing the UK, where REITs will be introduced in January and will be permitted to own property anywhere in the world. To avoid DTT limitations on imposing withholding tax once a holding is above 10% of a REIT equity, the British Treasury has limited holding by single investors to 9.9%.

The Organisation of Economic Cooperation and Development (OECD), which regulates international tax agreements, holds its annual two-day ministerial meeting starting tomorrow, and fiscal rules on REITs are to form part of these discussions, Peace said. Officials from BPF, the Australian Property Federation (APF) and the Amsterdam-based European Public Real Estate Association (EPRA) are to travel to San Francisco in November to discuss a common lobbying effort on DTTs and accounting rules with counterparts at the National Association of Real Estate Investment Trusts (NAREIT) annual conference. Peace said the group hopes to attract participation by the Asian Public Real Estate Association (APREA), established in Singapore last year. (cont. p2)

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With most interesting conferences of the Investment Property Databank in Lisbon, and the CEPIF in Warsaw behind us, **Property Finance Europe** heads for Milan and Expo Italia starting tomorrow, and then London later in the week for the Real Estate Investment World. Nearly missed the Milan fair, which would be a great pity considering the Italian property market is not only huge but also difficult for insiders to truly understand. We are boosting our Italy and Spain coverage in this issue with what you need to know. See quite a few more important items, attempting to cast light, in Italy, on the post-Berlusconi property world. Once again, hard copies of PFE to be picked up at all these conferences if you happen to come along.

PFE Issue 26 is back up to 24 pages, only the second PFE edition to hit such heady numbers, but there is still plenty of information we think you need to know. We might have to create even more room in the future! Apologies to IPD Chairman Rupert Nabarro for calling him Gerald in this space in PFE 25 - even though he was remarkably unworried about being tagged with his father's name in this way. Rupert also gave PFE a ringing vote of confidence in our efforts to cover the property ground on the continent. We are working hard indeed to try to justify his - and your - confidence.

GLOBAL LOBBY FORMS TO CHANGE TAX TREATIES

(Continued from front): A globally-coordinated private sector lobby for changes in international tax rules is nearly unprecedented. It constitutes the first time that real estate associations worldwide have considered teaming up in an effort to persuade authorities to change fiscal and accounting laws and therefore facilitate and foster cross-border investment flows.

The process is being strongly supported by the APF. Its chairman Peter Verwer told the Investment Property Databank (IPD) conference in Lisbon last week that the property sector is operating in an increasingly politicised global environment and must improve efforts to inject its policy program into legislation.

"There's a huge need to create a culture of cooperation between the members and the industrial bodies, but also between the national industrial bodies themselves," he said, speaking by telephone from Sydney. "Without this it's amateur hour, and the stakes are too big for this."

Tax and accounting rules are at the top of a list of priority items, he said, on which the international private real estate sector badly needs to coordinate a common stand. "We must meet, agree an agenda and prosecute it; that's my simple thesis," Verwer said. However there should be no separate body or

secretariat; it should comprise the various national or regional associations that already exist and should be funded by them.

Peace had hinted of the cooperation to the conference. "We have got a bit of a pilot running already which could be a forerunner for getting something more concrete going later on," she told the conference. She added to PFE later that any lobby should also address accounting rules for REITs which are set by the London-based International Accounting Standards Board. pfe

Infrastructure belongs to real estate but needs to be understood - Macquarie

Infrastructure is the new asset class of real estate, starting to emerge five or six years ago, but its place in a portfolio is different from traditional property and its valuation needs to be understood, says Mark Baillie, head of North America and Europe for Macquarie Real Estate.

He said infrastructure is the underlying foundation of basic services, and private investment is growing as alternatives to

It's grandiose and more than a little mind-expanding. I should be speaking in the plural here: they are grandiose and more than a little etc. Because two key topics of the Lisbon conference of the Investment Property Databank 10 days ago may be destined to change the world of real estate. Twenty years after Rupert



Nabarro founded the UK company with the modest aim of providing a single measurement benchmark for British real estate investment, his company is well down the hill toward the construction of measurement indices for many global juris-

dictions, many far from the white cliffs of the Island Monarchy. To the extent the indices are accepted as underlyings for derivatives, the game for you real estate professionals out there changes, if not completely, at least in a very significant fashion: Real estate becomes a trading commodity. Overnight. German open-end funds that need liquidity next week will be able, for example, to raise E300m by selling a swap on UK assets, use it to plug any temporary shortfall caused by panicky retail investors, and quietly redeem when the situation has calmed and normal service has been resumed. Reuters already has broker pages with indicated real-time prices and is chafing at the bit to get more. It is not unthinkable that property derivatives and equities – 'securitised' real estate – will be traded in five years' time the same way

as money, bonds, and industrial equities are now on its worldwide trading room systems. A far cry from the staid property commerce in days of yore, when bowler-hatted City gents placed leisurely investments for long-term portfolios owned by wealthy families - and went off to lunch, or Ascot.

And who would have thought – and here is the second earth-shaker – that a little local difficulty such as every finance minister's head-cracker over how to introduce REITs without opening the floodgates to tax-freed capital outflows to non-resident investors would spark a global effort by property associations to move the legislative goalposts? See PFE front, and above. Few if any private sector bodies have ever seriously attempted to influence international tax rules. These, by definition, are dictated by sovereign countries in common agreement behind closed doors, well away from the grimy cut and thrust of the commercial world. Imagine a cross-border real estate universe where double taxation treaties (DTTs) do not disallow tax at source on income from real estate investment in another jurisdiction. (Or do DTTs give you the heebie-geebes?) Countries could set their own tax rates for foreigners investing in national property firms, creating a multifarious and multilateral worldwide property investment bazaar. Every company and every nation would have an equivalent chance of attracting the 'wall of capital' David Geltner and Mark Baillie see seeking yield-bringing investment to keep us all warm in our

old age. The benefit this would bring to real estate in many countries still suffering from under-capitalisation would bring the asset class definitively out of the investment closet and put it up there alongside industrial equity and debt as a securitised investment opportunity.

All power to the IPD's arm for fostering these revolutionary thoughts! In Europe the quiet revolution is certainly more than rippling the waters. Baillie is moving Macquarie's real estate investment base to London from Chicago in the next few weeks to be closer to the action this side of the pond. KG Redding, with Australian partner AMP, has just opened an office in London to examine real estate listed shares for its dedicated global fund; Toronto's Oxford Properties is busy scouting in the European arena to diversify property investments out of a high-performance North American environment where opportunities are no longer obvious. Putting at least some pensions savings from Canadian teachers and civil servants into a diversified but stable euro and a booming and fast-emerging property asset class on the European mainland might be a good idea, methinks. And so do they. Still, it may well be that you think this is all old hat and very much in the nature of things. Me, I think it's a revolution. Pause for quick refrain of The Internationale. Real estate investment enters the global village. Taraa!

Allan Saunderson, editor@pfeurope.de

government funding become necessary. "What we have had is the perfect storm of governments looking for other forms of funding and selling down infrastructure assets globally, looking to the private sector for help," he said.

The asset class includes roads, tunnels, bridges, airports, and rail links, but can also encompass energy and power distribution facilities, hospitals, schools, courthouses and prisons – as well as parking, telecoms systems and directories. Unlike other property classes though infrastructure is normally not owned but leased, and is usually handed back to the public sector at some stage, Baillie said.

"The important thing is that it provides stability and secure returns over the longer term," told the IPD conference 10 days ago. "However, you need operating capital to run an airport, compared to an office asset where you just need to collect rent every month."

Valuations are based solely on cash-flows, with little regard to underlying valuations or even lengths of lease terms, and Macquarie has so far invested \$28bn, Baillie added. pfe

'Wall of capital' falling onto real estate risks sharply boosting prices - expert

A 'wall of capital' is falling onto real estate assets in the world, and the only way to avoid prices going up dramatically is to increase international investment, expand the definition of physical capital to include infrastructure, increasingly use index derivatives, and expand into smaller non-institutional properties, a leading academic says.

David Geltner, professor of Real Estate at MIT in Boston, told the Investment Property Databank (IPD) conference in Lisbon 10 days ago that \$475bn was invested in real estate around the world in 2005, an increase of 21% over 2004. "It looks like an avalanche of financial capital falling onto real estate, and if we don't increase supply, prices will just rise dramatically," he said. Traditional institutional property assets risked being bid up to prices unhealthy for the market and for investors.

In terms of capital flows, cross-border investment means that European markets are integrating and have grown vastly compared to volumes of domestic investments, he added.

The definition expansion to include infrastructure is also highly justified. "Is infrastructure really real estate? I think the answer is 'Yes' it is," Geltner said. "It's fixed on the land and typically that's the characteristic of real estate." The purchase of the Indiana Toll Road recently by the Australian Macquarie Group was only the latest example of investments possible in roadways, bridges, tunnels, airports, seaports and communication infrastructure.

"This should be a harbinger of what's in store in real estate as we go forward," he told the conference. "This is a very important area that real estate investing institutions should take on as part of our own." Infrastructure has a long life, is location-based, and provides cash flow streams. It will not be positively correlated with other property asset classes but will bring something unique into any portfolio.

Transparency in property assets is increasing as indices produced by IPD and the National Council of Real Estate Investment Fiduciaries (NCREIF) are developed in the US and around the world, he added. This will provide futures contracts in which no cash changes hands up front, providing a fast, low-cost way to obtain a target allocation to real estate risk and return without the

basis risk, and allow hedging to take a short position on the swap. It will also increase liquidity in general property investment.

"You can think of it as property value insurance," he said. "This is the largest physical asset class in the world that does not have a large trading market, and it needs one."

As well, huge physical capital stock of commercial real estate is contained in smaller properties that have so far been largely ignored by investing institutions. The average size of investment assets in the NCREIF pension fund universe is \$40m. Considering that the US capital account estimates total commercial property of \$6tr in value in the nation, only \$2.4tr of it is covered by the fund community grouped in NCREIF, listed Real Estate Investment Trusts (REITs), commercial mortgages, and commercial mortgage-backed securitisation. This leaves \$3.6tr that is not yet part of the universe, he noted. pfe

PFE COMMENT: A fascinating thesis in Lisbon from Geltner. In reality, the most near term potential for widening the current investment property universe lies in the inclusions of infrastructure in the asset class, plus the growing use of derivatives – both recurring themes at the conference (see also below). It has not gone without our notice that various investment banks and groups such as Macquarie are now eyeing the otherwise bankrupt Eurotunnel - an asset that would fall firmly into Geltner's definition of infrastructure.

West Europe lags in commercial property demand despite upturn – RICS Survey

Despite a moderate upturn that began last autumn, business demand for commercial properties in the Eurozone remains cooler than in North America or industrialised Asian markets, says a semi-annual survey by London's Royal Institution of Chartered Surveyors (RICS).

A stronger labour market, lower unemployment, rising exports, low interest and stronger business investment ended the property demand slump that had prevailed for the previous six months, although subdued consumer spending and weak income growth have muted the improvement, RICS said.

In Germany, rising demand for offices and retail properties reflects business optimism but relatively high vacancy rates have kept rents low. Confidence in the real estate market has cooled since the previous survey because the domestic economy remains sluggish.

Property demand accelerated in Spain's robust market and the Paris office sector has responded favourably to a general upturn in France's labour market and low interest rates that have fuelled borrowing and domestic consumption. French rents are rising in office and retail but still in decline for the industrial market.

In Italy, demand for business property has been static due to the stagnant economy, with rents falling. But corporate confidence is now rising on signs of better economic conditions. Property demand in Dublin continued to rise, driving up rents for limited space. Stockholm's business property demand accelerated across most sectors on growing consumer spending and business investment.

Looking at Brussels, RICS said property market conditions are generally flat, with the exception of the rising retailing market. Occupier property demand in Amsterdam has shaken off several years of weakness as Dutch private consumption and

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investment recovered.

The latest six-month survey found that commercial property investment in western Europe has been boosted by sustained low interest rates to match the growth level in North America. This lifted asset values. Momentum quickened in most western European markets, where foreign investors spearheaded purchasing, and financial firms showed sustained interest.

Only a lack of available buildings restrained very strong investment in Spain, with institutional investors taking the lead from real estate companies. Investment in Germany was rising on foreign purchasing, although domestic institutional investors remain cautious.

The Paris investment market has accelerated sharply, led by foreign investors. In Italy, investment demand stiffened, with greater purchasing by foreign investors and domestic financial institutions. The UK market is once more showing a strong rise in investment demand by domestic institutions and real estate companies. pfe

Boston's Beacon Capital ventures into French market with €320m acquisition in La Défense

Beacon Capital Partners, a Boston-based real estate investment company, has made its first foray into the French market with the acquisition of a prime office building in the La Défense business district of Paris.

Beacon Capital Strategic Partners IV closed-ended fund bought the 12-storey Défense Plaza building from HRO Group. It has about 31,159 sq.m. of office space and is 88% rented. The company said the transaction was made on the basis of an entry yield of "more than 5%", but declined to reveal the acquisition price. Specialists say it is around €320m.

Jean-Marc Besson, director of Beacon's French unit, told PFE the group is actively studying further acquisitions in Paris. "We now have three or four targets," he said. These are prime office buildings in the western part of the city with a minimum price tag of €70m.

Beacon IV attracted \$2bn in capital and is targeting property in London and Paris as well as eight US cities. "Paris currently has more potential than London because yields are slightly higher by about 50 to 100 basis points for prime space," Besson said. The group plans to launch a fifth fund later this year that will widen the geographic scope of its European investments to other cities. pfe

Fortress accepts Social Charter in 48,000-unit Dresden apartment acquisition - NYT

The acquisition by the Fortress private equity group of the 48,000-unit portfolio of apartments in the east German city of Dresden, which attracted 83 bidders at the start of this year, is covered by a Social Charter and other multi-year protections for tenants, according to the New York Times.

A recent article by journalist Mark Landler said Dresden Mayor Ingolf Rossberg insisted on residents being protected by an agreement, and Fortress had to sign the Social Charter to stay in the bidding. The contract limits its ability to raise rents - including those below market rate - and protects tenants from being evicted. People over 60 or with severe disabilities are guaranteed lifelong tenancy.

"Moreover, Fortress must hold on to 34,000 of the apartments for 10 years before it sells them," Landler wrote, under the headline Public Housing in Private Hands. "And when it does, it must offer existing tenants a 15% reduction from the market price." Fortress is also forbidden from renovating into luxury condominiums in an attempt to seek higher rents.

Rossberg reached a deal in March to sell Dresden's entire stock of city-owned apartments to Fortress for \$1.2bn. "We had to move fast because if you had 10 German cities selling their property, it would be a buyer's market," he told the newspaper. As well, some 45,000 people signed a petition opposing the sale. He selected Fortress after cutting bidders down to three finalists.

Tenants who opposed the sale said they feared Fortress would raise rents or throw

people out on the street. They questioned how a private equity firm, with its need for hefty returns, could own public housing without squeezing the people who live there.

Fortress wants to reduce the 17% vacancy rate in the portfolio to raise the yield, and Landler cited experts predicting that it will lower rents to do this. However, Dresden has tens of thousands of apartments owned by cooperative associations and any decline in Fortress rents would put them under pressure. Some 40,000 apartments in the city are vacant, a legacy of the westward migration of East Germans after the fall of the Berlin Wall.

The Dresden sale follows Berlin's divestment of state- and city-owned apartments to Goldman Sachs and Cerberus in 2004, a sale of 66,000 units for \$2.5bn. Gagfah, a state-owned company, sold later 80,000 apartments to Fortress for \$4.4bn, while UK private equity firm Terra Firma last spring made the largest transaction to date, paying \$8.8bn for 138,000 units owned by a subsidiary of German utility Eon.

Landler noted that not every German city is cashing in on the gold rush. After Fortress acquired apartments in Munich through the Gagfah deal, the city bought out the company. Munich Mayor Christian Ude has said publicly that he opposes selling public housing to foreign investors. Rossberg said however that Dresden will save nearly \$100m a year in interest payments, freeing money for schools, cultural programs and urban development. pfe

German's independent housing company association calls for residential REITs

Germany's independent property and housing association BFW is calling for the inclusion of residential property in permitted assets amid any planned introduction of Real Estate Investment Trusts (REITs) in the country.

While the federal grand coalition government of Chancellor Angela Merkel is hesitating over the move mainly due to resistance by the left wing of the Social Democratic Party partner, the BFW (Bundesverband freier Immobilien- und Wohnungsunternehmen) says that residential REITs would give the medium-sized company sector the chance to raise capital by benefiting from the reduced capital gains at sale into the vehicle. This would assist the sustainable and long-term development of housing in the nation.

In addition, BFW contradicted the view that REITs would automatically put upward pressure on rents as acquirors sought every means to raise yields. However, REITs should not be obliged to seek an exchange listing since this would be an obstacle for smaller companies to be able to access this investment form. pfe

Develica becomes latest AIM company focused on German real estate

Yet another company is scheduled to come to the Alternative Investment Market in London at the end of this month to raise capital to invest in German real estate, this one focused on commercial rather than residential property.

Develica Deutschland is currently being presented to institutional investors with the objective of raising €250m equity capital and boost this with high leverage to an investment total of €1.25bn, according to the Immobilien Zeitung newspaper.

The intention of the fund is to pay a running dividend of 6% with a net return (IRR) of 15-20% annually.

The founder and principal of Develica, Grant Tromans, told IZ that there is no doubt about being able to raise the required equity capital in London at the moment. "Up until now there have a large number of offers for companies operating in the German residential sector and now we are seeing a much stronger appetite for German commercial property," he said.

Already, transactions with a combined total of €1bn are in the due diligence process. According to Tromans, London investors currently prefer companies which have already acquired property portfolios and are no longer interested in blind pools.

Senior financing partner will be the Helaba Bank, with property and management undertaken by DTZ. pfe

Cologne-based Vivacon to list property portfolio on London's AIM

The Cologne-based apartment trader and manager Vivacon, already listed on the mid section of Germany's DAX, is to seek a further listing for a property portfolio on London's Alternative Investment Market (AIM) in frustration over continued delays of the introduction of German Real Estate Investment Trusts (REITs).

Using a structure with company registration in the Isle of Man, Vivacon German properties PLC intends by mid-year to launch an IPO to raise up to €500m in equity capital with the objective of investing this in residential property in Germany. The capital will be managed by a new asset management subsi-

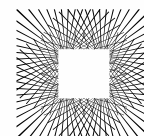
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Marc Leffin, chairman and senior shareholder, told the *Börsen-Zeitung* newspaper: "We are able to get started in this segment with the company without having to lay out a multi-year track record of quarterly reporting." He expressed disappointment at the further delays in REITS introduction in Germany.

The construction allows the creation of a synthetic REIT which is not in the form of a full UK REIT, scheduled to be introduced in January 2007. However it will have a highly similar business model. "We will pay out dividends on corporate level of 90% in untaxed profits to the shareholders," Leffin said.

On the MDAX, the Vivacon share added 6.6% on the announcement in early May to reach nearly €50. Though its soaring stock price Vivacon has nearly doubled market capitalisation to almost €1bn since last September.

Vivacon will take a stake in the new PLC but has given no details of its amount. However the equity capital will be leveraged to at least €1bn of funds for investment, Leffin said. Vivacon in recent weeks has also been provided with capital of around €1bn by a so far unidentified Canadian pension fund to invest in German residential property. pfe

PFE COMMENT: Definitely a sign of the times. We would certainly expect a lot more German companies to be checking this and other structures for bringing in external investment capital and exploiting the current huge demand for domestic property. Even with an offshore registration, an onshore share price brings transparency and liquidity, thereby fulfilling at least some of the criteria of an optimal capital allocation vehicle in real estate. Lehman Brothers said recently it fully intends to bring more German property firms to the London Stock Exchange due to delays in the introduction of REITS. No surprise there. An international banking consortium has been mandated to run the Vivacon IPO on AIM.

Gécina plans to create REIT/SIIC out of new hospital portfolio

Gécina, the French Real Estate Investment Trust (REIT/SIIC) controlled by Spain's Metrovacesa, said it is planning later this year to launch another French REIT from a newly-acquired portfolio of 28 hospitals.

As soon as the €536m-acquisition is finalised, expected in the third quarter of 2006, Gécina plans to create a financial partnership with the status of a REIT/SIIC (Société d'Investissements Immobiliers Cotée). The operation will include leasing agreements for the medical facilities of between 10 and 14 years, with fixed rents indexed annually to inflation.

Gécina, France's largest listed rental property group with a portfolio worth €9bn, has long specialised in office and residential real estate. The move to buy the hospitals from Générale de Santé, the leader in the private hospital market, is aimed at diversifying activities. Gécina also bought hotels and logistics platforms at the end of last year.

Gécina earlier reported a 48% jump in net profit after revaluation of buildings and financial instruments to €171.7m during the first three months of this year. The group registered a rise of 2.6% to €135.5m in rental income and sold residential property worth €25m. It will accelerate the rate of buying and selling of property in the current quarter. pfe

France's Bleeker to seek listing through purchase of Gaillard unit

Bleeker Group, a private French real estate investment company with a €1bn property portfolio, plans to seeking a listing through an agreement to acquire a quoted company.

Foncière Saint-Honoré, a unit of Bleeker, will acquire 72% of Euronext Paris-listed Compagnie Francaise des Établissements Gaillard, based in the provincial town of Beziers, from the family-run holding company Société Gaillard. Bleeker, whose real estate portfolio includes prime office space in Paris and logistics platforms around France, declined comment on the price.

CFEG has sold off its industrial activities and currently owns about 3,000 hectares of forest. Trade was suspended at around €352 a share on announcement of the transaction.

Bleeker plans to retain the listing but declined to specify whether the company would seek the status of a Real Estate Investment Trust, (SIIC). "We are studying the possibility but no decision has been made," Lucile de Vedrines of Bleeker told PFE.

French property companies are rushing to create SIICs and benefit from the favourable tax regime on capital gains. GE Real Estate France recently announced it plans to buy a listed company in which it will inject property assets and create a SIIC. pfe

Group Coppola IPI quadruples 2005 earnings, to invest €100m in Rome

Italy's listed property group IPI, 74% owned by Group Coppola reported 2005 consolidated net income of €41.1m, sharply up from €10.8m in 2004, and also announced it will make new investments amounting to €100m next month in Rome.

Managing Director Danilo Coppola did not specify the location to a press conference, but added that he intends to focus on France and Spain after this domestic investment.

IPI is listed in Milan with a capitalisation of roughly €420m. Net operating income in 2005 was €58.1m, up from €8.5m in 2004, with gross revenues at €308.3m. Net consolidated debt was €379.5m, with net invested capital soaring to €592.8m from €173.2m. Coppola said IPI will become very soon the holding company of the Coppola group.

Coppola a real estate and financial specialist who started the business with a small family company in southern Italy but recently came to the fore of financial notoriety. pfe

Italy's La Gaiana buys €72m properties from Cattolica insurance group

La Gaiana, the property company listed in Milan, has announced a preliminary agreement to buy a real estate portfolio from an insurance company controlled by the Catholic church, Cattolica Assicurazioni, for a total amount of over €72m.

The purchase of the portfolio, which is mainly residential assets spread widely spread over Italy, will be made through a company which La Gaiana controls, and in which it directly holds 35% of the capital. The total surface of the properties covers 34,000 sq.m.

Lehman Brothers will arrange the financing of the 80% through a primary bank, and the deal will be closed at the end

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The PFE Interview: Joaquim Ribeiro, Finance Director, Sonae Sierra

Innovation needed in European financial funding structures to boost property company strategies, support private pension savings

Innovation is badly needed in European financial funding structures to allow the property sector the full range of choices open in the Anglo-Saxon environment and ensure that profits from the asset class flow to private citizens, says the finance director of Portugal's internationally operating shopping centre developer and manager Sonae Sierra.

Joaquim Ribeiro told *Property Finance Europe* in an interview that because property is a capital-intensive industry, cost-efficient financing vehicles are central to future strategies. As real estate frontiers expand, bringing new products, new legal constructions or ownership structures into different regional mixes, a wider range of capital funding solutions must be available to mainland Europe. Real Estate Investment Trusts (REITs) may provide the needed flexibility, plus access for retail investors,

both directly and via their pension funds.

Sonae Sierra owns or co-owns 39 shopping centres in Portugal, Spain, Italy, Greece and Brazil with a total gross leased area of more than 1.6m sq.m. It has more than 2m sq.m. of GLA under management, with over 7,100 tenants. Currently, 13 projects are under



Joaquim Ribeiro: Property investment good for pensions, but politicians not creating the right vehicles.

development in Portugal, Spain, Italy, Germany, Greece and Brazil with a total GLA over 490,000 sq.m.

"The big difference from three to four years ago is probably on the financing front," Ribeiro says. "The Anglo-Saxon model is very much focused on public markets such as listed shares, CMBS and listed bonds, whereas the European model always relied more on private markets." These include equity joint venturing between private entities, unlisted funds, bank debt and syndicated debt. "In Europe right now, debt is abundant. If you exclude the select group of the biggest listed property companies, most property operators have preferred to access bank mortgage-backed debt rather than public debt."

In terms of equity, the example of Sonae shows that this is also not straightforward, Ribeiro notes. Founded in 1989, Sonae listed on the stock exchange in the late 1990s during which the UK Grosvenor group took a 25% stake (recently raised to 50%). It de-listed in 2002, disappointed at the deep discount to net asset value, which also demotivated managers. In 2003, Sonae decided to draw on private capital to expand, and created the Sierra fund with equity of €1.08bn. It placed 49.9% of capital with five institutional investors, ABP, Caisse des Dépôts et Consignations, CNP Assurances, Ecureuil Vie and TIAA-CREF.

"The company, like many others, decided that it could obtain a better valuation in the private markets," Ribeiro said.

"During the same period, closed-end funds mushroomed in Europe and became in effect a significant part of the institutional property investment sector." However this is not suitable for the sector as a whole. Valuations are always uncertain, mainstream investors lack liquidity, particularly if a fund has, for instance, a 10-year life.

Ribeiro says the US experience in the 1990s with the REIT model appears to answer these challenges, allowing easy funding for institutions and thus a conduit for capital into the market. "In the context of the wall of investment money seeking property to acquire, one is bound to think of REITs as the possible solution to the problem," he says. REITs provide adequate pricing of the underlying assets, constant access to liquidity, and no issues over finite life.

"We take the view that the property sector is going to change. In that change it is a question of looking at what we have developed for institutional investors, which is the fund. However the retail investor is totally out in the rain. This beautiful return that we achieve is, for example, not flowing into my pension fund. I think that is going to be an issue for politicians in the future.

"They're saying that we have a pension problem .. and at the same time they are saying property is good for pensions, but they are not creating the vehicle for that... I think the politicians will wake up to this situation. If you are saying that pension provision should have a collective component but it should also have an individual component, I would argue that REITs would be the ideal vehicle. They are simple to understand for a retail investor. They are less risky and offer a quite stable cash-flow, plus property development is stripped out, so they are actually quite simple."

In addition, any funding vehicle for real estate investment should have a guarantee for the retail investor equivalent to that for institutions. "That for me is the key advantage of REITs," Ribeiro says. "IPD (Investment Property Databank) does a wonderful job of improving transparency but what you and I read on a daily basis is the research of the brokers and investment banks on listed companies. Even so, the traditional property listed sector is not the right one, and REITs are much more effective. We won't list again for sure, yet the REIT structure would be a potential substitute for our funds."

The liquidity issue remains, also for Sonae, a consideration for the future. "Let's say that in five years time one of our big investors turns to us and says I want liquidity and I don't get liquid in the market. What's the solution? On a balanced market the question of liquidity surely must be an issue, and in REITs you have as much liquidity as you want. You can sell anything you want overnight. However, I think closed-end funds will continue to be a big business. There will be funds in new markets and new segments that may be seen as risky initially so I see closed end funds as an incubator for REITs. They give the chance to institutional investors to get used to the concepts because the institutions are sitting at the table with management and have access to all information." pfe

of May, La Gaiana said in a release. It aims to put the portfolio on the market within 24 months. La Gaiana has a current market capitalisation of €103m. pfe

Nexity, Axa REIM plan to list new JV Dolmea as REIT

Axa REIM France, the property arm of the French insurance group Axa, and Nexity, the country's largest residential real estate broker, have created a joint housing property venture they plan to list later this year, most likely as a REIT/SIIC.

The new company, Dolmea Real Estate, will have a property portfolio from Axa of mostly residential buildings worth €738m and will be floated on Euronext Paris through an initial public offering, Dolmea said. The company will likely opt for the French form of a REIT (Société d'Investissements Immobiliers Cotée, SIIC).

Property holdings include 52 assets of mostly recent construction totalling 235,000 sq.m. in the western part of Paris. Dolmea plans to benefit from Axa's expertise as an asset manager and Nexity's experience as a property manager. Also, for three years Dolmea will have privileged access to Nexity's block sales of newly-developed housing.

Axa REIM is one of Europe's largest property groups with about €29bn in investments. Nexity recently acquired a majority shareholding in Century 21 France and, after buying Guy Hoquet P'Immobilier, will become the largest operator of real estate brokerage franchises in France with around a 10% market share. pfe

Spanish regulator gives green light to Sanahuja Metrovacesa bid

As the civil war for control of Spain's largest listed property group Metrovacesa gains momentum, Spain's stock market regulator CNMV approved the original bid for a controlling stake in the company launched by board member Román Sanahuja via family-run investment vehicles Cresa Patrimonial and Sacresa Terrenos Promoción.

The CNMV is now analysing a counter-bid aimed to derail the Sanahuja manoeuvre from Metrovacesa Chairman Joaquín Rivero and business partner Juan Bautista Soler. On 5 May, about an hour before Sanahuja tried to raise his offer, the pair made a €2.16bn bid for 26% of the firm. According to Spanish takeover law, a potential buyer cannot improve an offer if a competing bid is being processed by the regulator.

Four days after launching the counter-bid, Rivero and Soler told a press conference that their actions were aimed at defending Metrovacesa from the Sanahuja firms. "This is a defensive counter-bid to protect us from the project of a single family that wants to control the group without providing an exit strategy for shareholders," Rivero said.

Sanahuja on 1 March announced the plan to increase the family holding in Metrovacesa by a further 20% to 44.29% at €78.1 per share, valuing the company at around €7bn. Sanahuja tried to boost his offer to €82 per share when Rivero and Soler launched the counter-bid. Now that CNMV has approved the original offer, Sanahuja may opt to improve his bid but he is likely to have to launch a full takeover.

Rivero said: "Metrovacesa is worth between €12bn and €15bn, depending on the share price. If someone wants to buy 100% of Metrovacesa, he would have to pay €8bn per its present value, between €500m and €600m in capital taxes, plus another €3bn to take care of Metrovacesa credit – which also includes a clause for a change in control – and €1bn for the 30% of Gecina that Metrovacesa does not own." French takeover law forces a company to buy 100% of a unit if there is a change in the controlling shareholder.

According to Sacresa prospectus, if it wins control of Metrovacesa, it would not keep Rivero as head of the company. The Rivero/Soler counter-bid "draws obvious uncertainties about the personal interest and viability of the continuance of the current chairman of the company," the document says.

Rivero and Soler, via investment vehicles Alteco Gestión y Promoción de Marcas and Mag-Import, have secured funding support from The Royal Bank of Scotland, Natexis Banques Populaires and Banco Pastor, plus a credit line at Morgan Stanley International.

Rivero added to the press conference: "I thought about leaving the company because I wasn't interested in continuing in a situation where one of the Metrovacesa shareholders had launched a partial takeover to take control of the company. This situation should not have taken place, or at least they should have consulted us." pfe

Level of property securitisation in the principal real estate markets

US\$bn	Commercial			Securitised	
	Total	Invested	Invested %	Total	Invested
US & Canada	5.250	1.480	28%	12%	41%
United Kingdom	963	323	34%	11%	31%
Asia & Australia	3.275	671	20%	9%	37%
Continental Europe	4.659	764	16%	2%	15%
<i>Total/average</i>	<i>14.147</i>	<i>3.238</i>	<i>23%</i>	<i>7%</i>	<i>33%</i>

*Invested commercial real estate is that held by institutions for investments purposes
Securitized real estate is that held by listed stock market vehicles*

Source: Sonae Sierra, adapted from UBS Global Real Estate Analyser, December 2005

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DIARY DATES AND UPCOMING IN 2006

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 23-26, Tuesday-Friday

Expo Italia Real Estate, New Exhibition Centre, Milan (Fiera Milano)
The first trade fair dedicated to the Italian real estate industry and property market. The exhibition is aimed at Italian and foreign investors, and aims to showcase the main players: property and real estate management, facility management, consultants and advisors, innovative systems / plant / technologies that add value to property and optimise all aspects of its management.
More info: www.italiarealestate.it/eire/eng

May 31-June 1, Wednesday-Thursday

Europe Servicing 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 Commercial Mortgage Securities Association and host partners Homeloan Management Limited, FitchRatings, and Morgan Stanley Mortgage Servicing.
More info: www.eurocatalyst.com

May 31-2 June, Wednesday-Friday

Real Vienna, Vienna.
Real Vienna a real estate business fair that specializes on the CEE. It is organized by Reed Messe Wien and provides an opportunity for international investors to become aware of the enormous investment opportunities within the CEE-region.
More info: www.realvienna.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.
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

June 19/20, Monday-Tuesday

European Real Estate Capital Markets Conference, London
This conference focuses on the importance of real estate and real estate solutions as drivers of capital and financial markets activity. It poses such questions as what are the macro drivers in key European countries? Has the market reached a level playing field? Who is financing the real estate sector? It will also look at the latest trends in CMBS and pan-European REITs.
More info: www.ifrconferences.com/erecm/

June 27-29, Tuesday-Thursday

Property Derivatives World, Terrapinn. London.
Property Derivatives World is a high-level strategic conference that caters to executives exploring the opportunity to invest in or broker property derivatives. It is a gathering of Europe's key providers, advisors and investors at an event that brings together senior world class speakers. Last year, the event attracted over 170 delegates from 10 countries, making it the premier London-based event on property derivatives.
More info: www.terrapinn.com

September 7, Thursday

Euromoney/ ECBC European Covered Bond Congress, Madrid, Spain
From 2006 onwards, the ECBC will also co-organise with Euromoney an Annual Covered Bond event, the Euromoney/ ECBC European Covered Bond Congress, the inaugural holding of which will be in Madrid in September. This will be the place to be for all covered bond market specialists!
More info: <http://www.euromoneyconferences.com>

September 11-12, Monday-Tuesday

The GRI European Summit, Paris, France
The mission of discussion chairs at the GRI is not to talk but to make others talk, engage and connect. Group discussions, each masterminded by leading industry players, get everybody to talk to one another in collegial small groups in the inspiring environment of the French capital, devoid of 'selling' pressure.
More info: www.globalrealestate.org

Spain's FCC and Caja Madrid plan IPO for Realia property JV

Spanish construction firm Fomento de Construcciones y Contratas (FCC) and savings bank Caja Madrid are planning to list their real estate company Realia on the Spanish stock market, according to a statement filed with the stock market regulator CNMV on 11 May.

The listing, possibly up to 40% of the company, is expected to take place after the summer, financial newspaper Cinco Días reported, citing sources close to the operation.

When Realia was founded in 2000, the two controlling firms, which each own 49.17%, agreed to float when market conditions were right. After the IPO, FCC will control a majority stake. Department store El Corte Inglés owns 1.26% of Realia, and Iberpistas controls the remaining float of 0.40%.

FCC and Caja Madrid want to spur growth "via important acquisitions which allow Realia to boost its critical mass, diversify its activities and create value for its shareholders," the companies said.

As part of this strategy, Realia has reached an agreement to buy 73.09% of a Paris-based SIIC de Paris subsidiary for €300 per share, or €428m, plus assume €260m in debt. Realia will make a formal offer soon and expects to complete the deal in July. The SIIC owns 33 properties.

Valencia-based Astroc IPO closes today, to value it at up to €800m

Valencia-based real estate firm Astroc has launched an initial public offering, closing today, that it expects to value the company between €700m and €800m, according to the IPO prospectus that Spanish stock market regulator CNMV approved recently.

Astroc, which deals in properties along the Mediterranean coast, is currently controlled by Enrique Bañuelos de Castro, who owns 99% of the company via a holding firm CV Capital. The remaining 1% is owned by Capital Madrid. The net value of its assets is €455m, according to the prospectus. Its net income last year was €61.7m.

Astroc said it will float 25% of equity for between €5.75 and €6.53, although this range so far is non-binding. The IPO is being directed solely at institutional investors. They were able to place orders until today, when the company will fix a set price for the offer.

Part of the IPO is already agreed. Savings bank Caixa Galicia and Banco Sabadell have placed orders for about 5% each. It is being underwritten by savings bank Caja Madrid. UBS España and Riva y García are acting as financial advisors, and Madrid-based Garrigues is legal counsel. pfe

Soros-controlled Spanish residential firm MedGroup brings forward IPO

Spanish property fund MedGroup, owned 45% by Soros Real Estate, has hired Citigroup to reorganise its divisions and conduct an initial public offering sometime this year, the BolsaCinco newspaper reported.

MedGroup is a developer and manager of residential communities and hotels, with a strong focus on golf courses and sport-related communities. It earned €195m in revenues last

year, almost doubling its sales from 2004.

Under the existing statutes, the George Soros-controlled SRE must sell its stake by the end of 2007. Perry Capital Management owns another 45%, while the management team, headed by Chairman Jordi Robinat, controls the remaining 10%.

MedGroup had originally planned to launch the IPO in 2007 but the competition among other property groups to go public convinced the company to speed up the process, BolsaCinco said, citing sources close to the operation. It joins Astroc, Riofisa and Realia among a number of property firms planning to go public in 2006. pfe

Germany's IVG prepares Stodiek unit for REIT status in group restructuring

Germany's largest listed property company IVG Immobilien is preparing its subsidiary Stodiek Europa Immobilien for listing as a Real Estate Investment Trust (REIT) if these are eventually permitted in Germany.

Since part of the structure is a proposal to the July AGM to change the unit's name to IVG Deutschland Immobilien AG, it is clear that the group restructuring aims to keep a holding on top of an eventual G-REIT subsidiary. "This orientation should be clear in the company name," Stodiek Managing Director Bernd Kottmann said. Previously focused on purchasing, optimising and selling office real estate in Europe, Stodiek will in future concentrate on investment.

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The real estate associations: Royal Institution of Chartered Surveyors, Europe

Growth in cross-border real estate capital flows boost RICS worldwide membership as investors seek fixed standards, ethical rules of conduct

The growth in cross border real estate investment is proving to be a major boost to an association in the property sector universally well-known as RICS, the Royal Institution of Chartered Surveyors. Despite - or perhaps because of - its strongly British origins, the continental Europe chapter expects membership to double in the next four years to over 6,000.

RICS has by far the largest component of its current 120,000 worldwide membership in the UK, where it was founded in 1868 - and where, in 1946, it was granted the title of 'Royal' and adopted the motto 'Est modus in rebus' (There is measure in all things). In fact, the association traces its roots back to the formation of the Surveyors Club in 1792. Its 19th century offices at 12 Great George Street in London form part of the RICS headquarters today.

RICS Europe, one of the five world regions, was created in 1993 in Brussels to 'promote the chartered surveying profession in Europe and to facilitate the exchange of experience and information between chartered surveyors'.

Its role is to maintain links with the European Commission and Parliament, representing the property profession. The other four world regions are RICS UK, RICS Americas, RICS Asia Pacific and RICS Oceania.

RICS Europe now counts 3,605 members, of which 2,034 are qualified members, 697 are trainees and 874 are students. They are spread over 17 national associations in Austria, Benelux, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Malta, Netherlands, Italy, Poland, Portugal, Russia, Spain and Switzerland.

RICS Europe General Manager Lilia Van Cauwenbergh says the vast increase in cross border investment in recent years has boosted membership strongly. "Some people, even at quite high level, would not necessarily become a member because they work nationally or locally, but when they work internationally, their clients nowadays tend to look for the quality mark that we can provide," she told PFE. "If I want to do business, for example, in Poland, I am going to make sure I get the right people into the project and that means working with RICS members. It's a question of working together efficiently, and in line with the same standard and the same ethics."

The aim of RICS Europe now, signed off in the business plan for 2005-2010 by the board under the chairmanship of Chris Grzesik FRICS (Poland), is to grow the membership to 6,000. The main development focus will be on the mature national associations (NAs) in Germany, France and Netherlands, the smaller NAs Italy and Spain with good growth potential, and the high potential emerging markets of Poland, Hungary and Czech Republic. Brussels has created three groups to focus on property, land and the 'built environment', and will also concentrate, helped immensely by the newly-launched website (www.joinricsineurope.eu).

The largest NA in Europe is RICS Deutschland with an

office in Frankfurt and 1,111 members. The second biggest is France with 613 members, followed by the Netherlands with 241 members. "These three NAs have been active for around 10 years and have built up vast experience and expertise in running a National Association," Van Cauwenbergh says. "NAs have normally been started up by expatriates, but to achieve growth and become a locally embedded professional association it is important to get the local top professionals on board." As a next step, courses are accredited to bring in the next layer of professionals - who then take the senior members as their role models.

"RICS was very UK anchored to start with but it went global automatically. You have British members going abroad and starting operations there and so the whole thing grew organically. The world is becoming global. And that why we have expanded so fast to match what it going on."

She continues: "The membership is very, very broad. There are 16 faculties, stretching from commercial property, residential, valuations, construction and so on. If you look at Europe most of the members are in commercial property, but then we have many in residential in Spain and Italy and southern Europe and also in construction.

"Europe is not one large property market but a collection of different interrelated

markets all speaking different languages, and operating in diverse economic, political and educational environments," Van Cauwenbergh says. "This means that across-the-board decisions and rules will not generate the required results in this marketplace, and economies of scale are difficult to achieve."

The main challenges for developing RICS outside the UK environment, where the qualification of Chartered Surveyor is not known are to develop local qualifications that match the reputation that RICS is determined to maintain. "RICS has a high-quality reputation and is well respected in Europe, but is seen as a complementary elite qualification rather than a requirement," she says. RICS is collaborating with universities to help students who are often in their 30s or 40s to handle the additional workload of the upgrading of their qualifications to become a member. "There is of course a lot of interest out there," she adds. "But there is one clear barrier to growth and that's our standards. More people want to join than are able to join. We have quite strict criteria but that's what gives a RICS membership so much value." pfe



RICS Europe General Manager Lilia Van Cauwenbergh: 'It's a question of working together with the same set of standards and ethics.'

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

IVG said the majority of Stodiek's foreign real estate was transferred to a Luxembourg subsidiary at end-2005 and is to be sold. A property in Helsinki has already been sold.

"With IVG Deutschland Immobilien AG, we are ready to launch an attractive REIT focused on Germany, which will distinguish itself on the recovering German real estate market," Kottmann added. "Institutional investors view the German real estate market as underestimated and are looking for pure, indirect investment opportunities in Germany."

In the 2005 financial year, Stodiek posted a return on equity of 10% after tax. Net asset value increased to €135.8m from €129.7m. Consolidated earnings after tax were up by €2.5m to €7.9m, not including income of over €30m from the restructuring pfe

Deutsche Wohnen meets conditions for cancellation of Deutsche Bank link

The Mainz-based listed residential property group Deutsche Wohnen said it has met 'in principle' the conditions for the dissolution of the link with Deutsche Bank group's real estate subsidiary, DB Real Estate Management.

In a release, the company said, "as at close of business on May 8, 2006, the preconditions for the cancellation of the domination agreement between DB Real Estate Management GmbH and Deutsche Wohnen AG are in principle given."

The deconsolidation is intended to take place by entering the cancellation of the domination agreement in the commercial register by

30 June 30. Based on this new situation DW said it aims to improve its position on the German residential market and increase its net asset value by acquisitions of residential property portfolios.

Deutsche Wohnen missed the first deadline on 12 April with acceptances of only 86% of all registered shares for rebooking into conversion into bearer shares, just below the target DB set at 90%. It then extended to 12 May. Deutsche, the original parent bank, floated the company in an IPO in 1999, and was unprepared to allow further acquisitions because of economic capital costs it would incur in extra capital adequacy provisions at group level.

Separately, the company reported first quarter result from ordinary activities up 120% to €3.3m and a net income of 288% to €2.1m, both in IFRS accounting terms. Decisive for the better results was the increase in apartment privatisations. Property management income from rent decreased slightly to €19.5m, exclusively due to privatisations. Gross earnings from property management slipped, for the same reason, to €11.7m. The vacancy situation did not change and at 31 March amounted to 7.6%.

PFE COMMENT: Why does a naturally suspicious mind get the impression that the 'in principle' clause implies that DW did not quite make the 90% acceptances among shareholders that DBRE set as the minimum for cancelling this agreement? In reality, there was no advantage to Deutsche in maintaining a fundamentally untenable situation. The portfolio whose value they considered so questionable seven years ago that they had to provide shareholders with a 10-year call option has turned into a highly valuable asset. However the structure of the original deal means Deutsche cannot benefit. Due to continued consolidation in the group through a controlling

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golden share, DW only presents potential costs if management expands its residential portfolio and thereby increases the amount DB must lay aside in Basel 2 provisioning. This lose-lose situation had to be broken 'in principle'.

Italy's two largest building firms' merger still on hold

An expected merger between the first and the second-biggest Italian building companies Impregilo and Astaldi is losing momentum. Astaldi director Vittorio di Paola said recently that the project is still far from becoming reality and that the delay could be harmful.

The two firms have been discussing a merger for five months as a way of building size to compete in a wider European market. Impregilo, the biggest building company in Italy, is still only the 23rd in Europe for volume of sales. Astaldi is 46th.

Benetton's Autostrade is one of the main shareholders of Impregilo and is now being merged into the Spanish company Abertis, which itself has a shareholding by Dragados, one of the biggest building companies in Spain.

Insecurity has brought discussion among Impregilo's shareholders. Top managers of Igli, a new company controlling 15% of Impregilo, met recently with the other main shareholders, Gavio Group, Efibanca, Techint, and Autostrade to discuss the destiny of the participation of Efibanca and the future exercise of a call option on Gemina's capital.

Apparently they decided to delay a decision. In the same day Impregilo has communicated the results of the first quarter. Consolidated sales increased 18.5% up to €624.7m. Net operative income was €44.9m (22.5m in the same period in 2005). The net income increased from €4.3m in the first quarter of 2005 to €35m in 2006. Net debt remains roughly stable at €477m. pfe

Deutsche's grundbesitz-invest raises €800m in two portfolio sales

Deutsche Bank Real Estate's grundbesitz-invest open-end property fund, which last December sparked a sectoral run when it suspended share redemptions, has in recent weeks sold portfolios to two foreign investing institutions, raising more than €800m.

The company said in a release it raised more than €500m last month in a sale of four properties to SITQ, a subsidiary of the Quebec-based pension fund, Caisse de Dépôt et Placement du Québec. The properties have a combined usable space of 182,000 sq.m. and are located in Munich, Frankfurt and Düsseldorf. Media reports indicate that the DBRE fund's recent asset revaluation carried just these assets at nearly €540m.

Separately, it said grundbesitz-invest sold another package of real estate assets to British property investor Reit Asset Management for €300m.

The bank suspended redemptions of shares in grundbesitz-invest in mid-December in a liquidity crunch after a run on liquidity greeted its announcement that assets were being independently reassessed, and were likely to be devalued. Trading of fund shares resumed 3 March after a comparatively minor revaluation but the fund has since then continued to sell off large assets to preserve liquidity.

Fund figures for March showed a massive outflow €1.3bn from grundbesitz-invest, around one fifth of assets, so that DBRE has been in a new liquidity squeeze in recent weeks. The outflows slowed considerably in April however.

The unprecedented suspension of share redemptions in the fund shook confidence in the entire sector of 34 German open-ended property funds, which had managed assets estimated at €90bn at the time. A fund belonging to Kanam also closed last winter after an adverse rating comment caused investors to bail out.

The distress of the open-ended property funds has strengthened the case for the introduction of Real Estate Investment Trusts (REITs) in Germany next year, although political opposition continues. pfe

Henderson Global Investors to launch global real estate equities fund

Henderson Global Investors is planning to launch a London-listed closed-end fund to invest in property equities worldwide and take advantage of the relatively high and growing dividends from REITs and other real estate companies.

Domiciled in Guernsey, Henderson Global Property Companies Limited aims to provide an initial gross dividend yield of at least 4.5%, and to grow dividends over time. Rising dividends coupled with anticipated yield compression, should result in attractive total returns to investors, Henderson said.

The fund will be managed by Henderson's highly rated team, led by Patrick Sumner. While its investment universe will primarily be listed equities, it will also include asset-backed securities, preference shares, convertibles and infrastructure or PFI funds. The fund will also invest in unlisted companies in anticipation of an exchange flotation, and will have no constraints by region or sector.

"The outlook for global property and property-related securities is good, with office and retail rental values rising in most key markets and residential property thriving in many regions," Henderson said in a release. "Institutions worldwide are increasing their allocations to property as ageing populations seek relatively high income, capital protection and liquidity. This increased demand should impact positively on property values worldwide." pfe

Pirelli Real Estate reports 12% rise in first quarter net, but debt rises

Pirelli Real Estate, Italy's largest listed company real estate, reported first quarter profits reached the top end of target, with consolidated net profit coming in at €30.1m, representing a 12% increase on the first quarter of 2005.

Revenues were up 4% at the end of 1Q06 at €718m. The rate of increase was related to the general mood of the real estate market where prices crept up slower than in the past but still maintained a positive sign, the company said.

A less positive note came from the adjusted net financial position, which includes shareholder loans to companies in which the group has minority stakes. This has steadily increased and reached €363m. The group's gearing is 0.62 compared with 0.53 at the end of December.

As to 2006 perspectives, Pirelli RE has already announced new acquisitions of properties amounting to €773m and will shift its fo-

cus toward central and south Italy, where investments are expected to reach €1.5bn. Another relevant investment will be a 50-hectare project of urban re-qualification in the Sardinian Golfo Aranci. pfe

Spanish real estate firms Fadesa, Sacyr, Metrovacesa post first quarter gains

Spanish residential real estate firm Fadesa reported net income of €41.3m in the first quarter, a 67% increase compared to 1Q05, while total sales rose 111% to €259.6m, of which €246.5m derived from property sales.

This compared with a rise in the average house price in Spain of about 12% during the first quarter, according to the Housing Ministry.

Fadesa also said the volume of pre-arranged sales rose 23% to €2.1bn. The company is now preparing to enter the real estate markets in the Czech Republic and Slovakia to extend its reach into Eastern Europe. The Galician firm already operates in Hungary and Poland, in addition to its business in Morocco, Portugal and France.

Separately, construction and real estate company Sacyr Vallehermoso announced that its sales in the first quarter rose 21.4% y/y to €992.5m. Of the total, the Vallehermoso real estate wing contributed €304.4m, 14.3% higher.

Metrovacesa, now in the midst of a takeover battle, also reported that net income rose to €145.3m in the first quarter, up 47.2% y/y. Total sales rose 4.1% to €279.3m, and the company said it foresees yearly net income to reach about €696m. pfe

Cordea Savills launches Jersey fund for €600m in German retailing property

Cordea Savills, the fund management arm of UK property agent Savills, is preparing to spend €600m on German retailing property for a new fund to be listed in London, the Financial Times newspaper reported.

The planned Cordea Savills German Property Fund, which will be based in Jersey, will have an anticipated market capitalisation of £150m. One asset portfolio of €200m has already been purchased. Negotiations to buy two portfolios of additional assets for €400m are in progress. The new fund is being advised by Lehman Brothers and Oriel Securities. pfe

Real estate funds gaining ground fast in Italy, see 42% growth in 2H05

Real estate funds are gaining ground in Italy at increasing speed, and the total amount of fund-managed properties, valued at around €12bn, achieved very strong growth of 41.5% in the second half of 2005 compared to the first, according to Assogestioni, the registered savings management funds association.

Assets went up by 44.9% and the number of products offered to the market increased by 45.7%. Assogestioni said that the use of leverage rose on average by five percentage points. At the end of 2005, the net worth of retail funds represented a

little more than half of the total (51.2%), a value equivalent to €6bn distributed among 23 funds.

The 28 reserved institutional funds showed the strongest growth in value and number of products. Their value rose to €5.8bn or 48% of total. New subscriptions in the last six months of the year exceeded €2bn.

At year end, the portfolio composition of property funds showed a reduction of investments in office assets, down to 58.5% of total investment. pfe

Italy's First Atlantic Real Estate to close new fund at end-May, testing demand

One of Italy's leading asset managers, the privately-held First Atlantic Real Estate, is set to close a new fund at the end of this month which includes 46 properties with a market value estimated at €720m.

Subscriptions for the new closed real estate fund, Atlantic 1, will be available until the end of May. Eventual success of the new offer will be closely scrutinised as an indication of the future of the market. The company said assets are rented with long-term contracts to primary industrial or commercial groups, among them ENI, Telecom Italia and GS-Carrefour. The 2005 yield was 6.4% before tax, and expiry date of the fund is 31 December 2013.

There are no subscription fees but an annual management fee of 0.9% of GAV, plus performance fees linked to financial results.

First Atlantic Real Estate, founded in 1998, is one of the leading asset managers in Italy with a property portfolio of about 200 assets, worth over €3bn. Transactions carried out during the last year exceed €1bn. It is part of the group FARE Holding SpA, a private company 100% owned by financier Daniel Buaron. pfe

Orco buys Viterra Development from Deutsche Annington for €100m

The Paris and Prague exchange-listed Orco Property Group, headquartered in Luxembourg, has paid around €100m to acquire the Viterra Development subsidiary of the Deutsche Annington Immobilien group German unit of the London-based Terra Firma private equity fund.

In a release, Orco said the acquisition includes four major properties in Berlin, Cologne, and Düsseldorf as well as outstanding financing for these. Viterra is primarily a development company within the Viterra Group purchased from Eon in spring of last year.

Orco is mainly focused on property development in eastern European Union members Poland, Czech Republic, Hungary and Slovakia, and has other exposures in Russia and Croatia. However it has invested some €100m in the last 18 months in Germany, purchasing residential and commercial property in Berlin. The Viterra Development acquisition makes Orco into the largest residential property developer in Warsaw.

Orco had assets under management of €737m at the end of 2005. The Viterra acquisition should bring further turnover this year between €60-80m and the company expects a cash flow over the next three years of around €130m, the Immobilien Zeitung newspaper reported. pfe

PFE COMMENT: Terra Firma has been liquidating assets out of its Viterra purchase this time last year, as well as consolidating the funding through an extensive program of securitisation within the original package of financing totalling €7bn, including its own equity. Expect more selloffs of tangential assets out of the original portfolio of 148,000 apartments, the largest-ever residential package sale in Germany.

Macquarie Goodman's Arlington in French purchase prior for new €500m fund

UK real estate group Arlington Securities, acquired by the Macquarie Goodman Group in December, is to acquire two logistics parks in France for a total price of €55.7m. The acquisition represents the initial assets for a major new pan-European Logistics Fund anticipated to launch in late 2006.

With a minimum Gross Asset Value of €500m, the upcoming Arlington European Logistics Fund will invest in logistics and distribution warehouse properties in the main euro area and core central European nations. The fund will target acquisitions with an initial yield range of 6.25%-8.50% and a minimum lot size of €10m.

The acquisitions will be held on Macquarie Goodman's balance sheet until the fund launches. The new fund is designed to follow up the successful CLOGIX fund which was Arlington's first European logistics vehicle with a GAV of €397m, now fully invested.

Macquarie Goodman Chief Executive Greg Goodman said in a release, „We are delighted to already be making an impact in the European market. The two logistics parks .. represent just the sort of value added investments that we are looking for.“

One of the parks is a 61,404 sq.m. logistics/warehouse development in Montelimar, Lyons in the Rhone Valley, and has been acquired for €41m from Geprim-Nexity, a major French construction and property development company. The other is a similar-use 26,389 sq.m. development in Lille, close to the Belgian border, acquired for €14.6m from SPIE Batignolle Immobilier, the fourth largest construction and development company in France. pfe

GE Real Estate buys €75m Spanish retail portfolio for leaseback

GE Real Estate Iberia has acquired a €75m portfolio of 44 Spanish properties from retailer El Arbol in leaseback transaction, lifting its Spanish investment to €200m.

The transaction included 32 supermarkets, five discount stores, three warehouses, a training centre and three other assets of mixed use. This was the fifth deal for GE.

Real Estate in Spain this year, raising its investment there to €200m during the first four months of 2006.

“As a result of this transaction, we have not only expanded our portfolio through the acquisition of approximately 72,000 sq.m of lettable space but we have also established a close strategic relationship with El Arbol, which we firmly intend to grow through further joint acquisitions,” said Xabier Barrondo, GE Real Estate Iberia's business development manager. “This transaction also confirms GE Real Estate's stated plans to become a major player in the Spanish real-estate market.”

The properties are located in provincial capitals and secondary cities in the autonomous communities of Asturias, Cantabria, Castilla y Leon, Extremadura and Galicia. The supermarket arm of El Arbol plans to use the proceeds to invest in new store openings. pfe

German 2005 commercial property index DIX shows weakest result since 1996

The German commercial property price index run by the domestic associate company of the UK's IPD in 2005 showed the weakest rise since it began nearly 10 years ago, with a climb of just 0.5% in nominal terms and thereby, after taking into account inflation, a real depreciation.

The German Property Index DIX, run by the Wiesbaden-based Deutsche Immobilien Datenbank (DID), measures total return across the aggregate of just over 3,400 investment properties. However it measures an assessed market value, and not transactional prices.

DID Business Manager Daniel Piazzolo said the measure is likely to rise this year, taking into account a higher internal valuation based on the very lively demand for property from foreign investors. “We are working on the assumption that the total return for 2006 will increase,”

he told a press conference.

In fact, just under €34bn or half the properties in the database comprised office properties mainly located in the Rhine-Main region. Of total assets, around 55% were held in stock by German open-ended real estate funds.

DIX showed an average cash-flow yield in 2005 of 4.6%, fractionally lower than 2004. Average devaluations over the year totalled 4%, with the smallest seen in retail and residential property – each downvalued by a nominal 1.5%. Only larger retail

DIX German property index - summary of full results

2005 in %

	Total return	Income return	Capital growth	Rental val gth	Gross initial yld
Retail	4,1	5,7	-1,5	-0,9	6,7
Office	-0,7	4,5	-5,0	-3,1	5,8
Residential	2,8	4,3	-1,5	0,6	6,4
Retail/Office	0,5	4,2	-3,5	-2,2	5,7
Other	0,5	4,7	-4,0	-3,3	6,1
All Property	0,5	4,6	-4,0	-2,4	6,0

Source: Deutsche Immobilien Datenbank

property valuations rose over the year, with urban stores showing a total return of 4.5%.

Office property was devalued by 5% in 2005 across the board. "On an accumulated basis German office assets have been devalued by 15% over the last 10 years," said Mathias Thomas, DID managing director. pfe

PFE COMMENT: This exhibits a very good example of the fundamental problems facing not only the German open-end fund community but also any organisation wanting to construct representative indices for asset management and, potentially, property derivatives. Current practice in Germany is for accredited members of the BIIIS valuers association to provide an assessed market value (Vehrkkehrswert). This is meant to reflect the long-term value of properties and not necessarily current market. Buildings naturally, undergo a normal rhythm of depreciation as they age. However this valuation tends to be conservative and to reflect natural German caution over the current enthusiasm for domestic real estate from foreign institutions. Apart from the open-end funds affected recently by runs on liquidity, their counterparts are hesitant to sell, partly due to the fact they will need to purchase again to meet asset targets and partly because of disincentives built into their commission structures. Thus, the devaluations continue amid a white hot market looking for product. And corporates will not free up property until or unless the government provides a break on capital gains tax at sale into a REIT structure. 'Checkmate', as you might say.

Hannover Leasing's Slovak fund earmarks €112m for property in Bratislava

Munich-based fund company Hannover Leasing has begun raising capital for its first Slovak property fund, which is supposed to have a volume of €111.5m, reports property trade newspaper Immobilien Zeitung.

Half of the volume of the new fund, called Fonds 165 Wachstumswerte Neues Europa 2, is covered by equity capital. The minimum for participation in this Hannover Leasing fund is €15,000. The initial year's payout is projected to be 6.75%.

The fund is investing in the office and business complex Apollo Business Centre in the central business district of Bratislava, the Slovak capital. The centre's rental space of nearly 43,000 sq.m. is occupied by 49 retailers and 31 office renters.

Hannover Leasing manages 130 closed-end investment funds with assets of €10bn. The financial services firm is half owned by the state bank Landesbank Hessen-Thüringen (Helaba) of Frankfurt; 25% owned by IVG Immobilien AG of Bonn and 25% owned by its management. pfe

London and Regional Properties seek to double current €1bn investment in Germany

One of the largest British real estate investment companies, London and Regional Properties, is rapidly expanding its German business under the new leadership of Michael Kremer, the former head of DB Real Estate, and will seek boost exposure by €1bn.

The Immobilien Zeitung newspaper reported that around

the same amount of the entire L&R assets under management of €6bn is already invested in Germany. Some of the largest acquisitions include the Telekom Centre in Munich, the ATU portfolio and the Hilton Hotel in Frankfurt. The latter was bought recently out of the portfolio of Kremer's former employer, the grundbesitz-invest open-end fund, which ran into problems through a sudden closure in December of last year.

Kremer told the newspaper the German L&R subsidiary has been charged with helping to diversify the portfolio, which is currently 50% invested in the UK. The focus of investment interest is on long-term rented office property, shopping centres, hotels and sale and lease-back deals.

"We would like to acquire properties of a volume of around €1bn over the next 21 months if we can," he said. However the pace will somewhat depend on financing costs. If interest rates climb steadily, requiring a higher equity component in any purchase, L&R Germany will concentrate on smaller properties worth between €10 and 30m. pfe

Kungsleden sells €247m Swedish residential portfolio to Erik Selin


Swedish property corporation Kungsleden has sold a portfolio of residential properties worth €247m to private companies owned by investor Erik Selin.

The transaction involved most of the properties Kungsleden acquired from Weland Fastigheter and Fogelvik Holding last autumn, the company said in a release. The selling price exceeded



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the book value of the property by €9.66m and the purchase value by €47.75m. The profits were included in Kungsleden's dividend-based result for 2006.

Most of the properties are located in Sundsvall, Vårby, Norrköping, Gävle, Köping and Karlstad. About 80% of the total rental space of 330,000 sq.m. is residential, and the portfolio contained about 3,900 apartments.

Selin described the deal, effective today, as a long-term private investment to form an independent management organisation separated from his other property investments.

At the end of the first quarter, Kungsleden said it owned 670 properties with floor space of 3.5m sq.m. and book value of about €2.5bn. pfe

Hammerson sells Berlin property to Dubai Investment Group for €88m

One of the UK's largest listed property companies Hammerson PLC has exchanged contracts for the €88m sale to the Dubai Investment Group of Märkisches Zentrum, a 54,700 sq.m. shopping centre in Berlin, that last year generated a net rental income of €4.0m.

Hammerson now owns only one property in Germany, the 28,900 sq.m. Forum Steglitz shopping gallery in south west Berlin. This asset is currently undergoing a major refurbishment and will subsequently be marketed for sale.

Hammerson Chief Executive John Richards said the company's strategic focus is on the UK and French markets where it has critical mass and established teams. The sale proceeds will be reinvested in the development program, which includes major retail schemes in Bristol and Leicester, and an expansion program at Parinor, the second largest shopping centre in the Ile-de-France region of France. pfe

PFE COMMENT: A very canny man, John Richards. Obviously, the attraction of getting out of an investment at this kind of multiple to an Arab investor was too great. We assume he did not get into the investment at an entry yield as low as 4.5% and that Hammerson is adept enough at leasing that it has maintained a steady rental income on the property. Ergo, a significant capital gain is involved. Richards clearly does not buy into the currently fashionable notion that German RE assets are a good buy, whether residential or commercial, simply due to signs of a nascent economic recovery.

German public sector Pfandbrief volumes overtake mortgage covered bonds in 2005

Traditionally the largest segment of the German secondary bond market, mortgage backed Pfandbrief covered bonds were overtaken in turnover last year by state sector backed bonds, according to the Association of German Pfandbrief Banks (VDP).

Citing Bundesbank data, VDP said that secondary market volume hit a record of nearly €3.3tr in 2005, with state financing-backed bonds commanding a 33% market share at nearly €1.1tr, while mortgage-backed Pfandbrief staked out 30% with volume of €976bn. That compared with 2004, when the two types of issue had equal shares of 32% in a secondary market in which turnover topped €3.1tr.

In primary issuance, Pfandbrief overall duplicated their 16.4% market share of 2004 on little-changed volume of €173bn. That included a 13% market share for public volume of €137bn and 3.4% for the €35bn in mortgage Pfandbriefe. As recently as 1998, gross issuance of Pfandbrief reached 44%. Meanwhile, net Pfandbrief placements fell by 10% last year, including net redemptions of €4.5bn for mortgage bonds and €9.9bn for public Pfandbriefe. Net placement for mortgage Pfandbriefe alone fell by 23%.

Offering tight spreads to equivalent government paper, Pfandbriefe are legally defined covered bonds in two varieties: the public Pfandbriefe covered by a stock of public loans and mortgage Pfandbriefe that are backed by property, including ship loans. In the past three years about a dozen European countries have issued mortgage-backed copies of the product. Germany revised its 106-year-old Pfandbrief Act because its state sector savings banks, which were among the major issuers, lost their public solvency guarantees. pfe

IVG makes capital gain on €75m London office property sale to Morley

Listed German property company IVG says it made a capital gain by selling a London office building to British investor Morley for €75m, but gave no details of the amount.

In a release, it said the property, located at 20 Soho Square, has rental space of 5,700 sq.m. and was on its books at €56m at the end of last year. After purchasing the building in 2000, IVG modernised the property and rented it to such tenants as the public relations firm Hill & Knowlton.

Listed on Germany's mid-market MDAX list, IVG Immobilien of Bonn is one of Germany's largest property companies. pfe

Germany's AHBR hits obstacles to jumbo Pfandbrief redemptions

The German mortgage bank, taken over at the start of the year by US private equity fund Lone Star, Allgemeine Hypothekbank Rheinboden (AHBR), is having difficulty redeeming some of its jumbo Pfandbrief-covered bonds backed by state sector credits.

AHBR made the decision to buy back a substantial part of its jumbo Pfandbrief to reduce financing costs on some issues made a few years ago. The new chairman, Carsten von Köller, who is also the chairman of Lone Star in Germany, wanted to redeem €3.94bn but was only able to buy back €2.34bn through consortium leader Deutsche Bank.

According to the Handelsblatt newspaper, some banks, principally among them Westdeutsche Landesbank, have recommended investors not to sell their Pfandbrief holdings into the AHBR offer. They reason that AHBR's attempt to find a purchaser for its entire public sector financing credit business on the Pfandbrief side will bring rising prices.

Continuing questionmarks over the solvency of AHBR have kept pressure on prices of its Pfandbrief covered bonds. West LB thus sees any purchase of the entire portfolio as boosting prices from current levels. pfe

PFE COMMENT: Quite a tricky game for Lone Star to extricate value from its AHBR acquisition. It has always stated

that the reason for purchasing the Frankfurt institution was to establish a platform for processing German non-performing real estate-backed loans, for which there remains a huge market – and in which Lone Star has for three or four years now been by far the most important player. Von Koller however should be able to achieve this, if anyone can. He was previously chairman of Eurohypo, which he helped form in 2002 by leading the merger of the three mortgage banks owned at that time by the largest private commercial banks, Deutsche, Dresdner and Commerz bank.

REIT Asset Management uses €200m HRE credit line for portfolio buy

Reit Asset Management Deutschland, the Munich subsidiary of Britain's Reit Asset Management, is to acquire properties for a German retailing portfolio financed by a €200m loan from Hypo Real Estate Bank

RAM Managing Director Iris Schöberl said in a release that half of the credit line has already been used to buy 22 municipal properties in the cities of Aachen, Dortmund, Düsseldorf, Erfurt, Hagen, Lüdenscheld, Osnabrück, Paderborn, Schwäbisch Gmünd und Zwickau. The rest of the credit line will be spent on retailing properties. Once these purchases are made, the German unit will hold assets managed worth more than €1.2bn. pfe

France introduces equity release mortgages in two different forms

The French Ministry of Justice has published secondary legislation which will allow the introduction of flexible mortgages (Crédit Hypothécaire Rechargeable) and reverse mortgages (Prêt Viager Hypothécaire), according to the European Mortgage Association.

Both are forms of equity release. The CHR will enable home owners to re-borrow the amount of money they have already paid off, and use it for renovation projects, inheritance schemes or for consumption. The PVH is a loan pledged against the main property, typically advanced to an elderly borrower who may no longer have an income from employment. The capital released can be used by the borrower to re-plan finances or also to transfer funds to other family members. The loan is typically repayable on the death of the owner occupant.

These loans are expected to be available by the end of 2006 or early 2007. pfe

French residential property price rise slows but market not collapsing - FNAIM

French residential property prices rose at a slower rate in April than at the end of last year but the market does not appear to be collapsing, latest statistics from the country's National Property Federation (FNAIM) indicate.

The average price rise in April for existing homes was 9% y/y, slower than the 10.3% at the end of 2005, said the professional

organisation FNAIM (Federation Nationale de l'Immobilier). The slowdown hit apartment prices hardest, with an annual rise April of 8.7% compared with 10.6% at the end of last year. The rate of increase in individual homes hardly changed however, standing at 9.5% compared with 9.9%.

In a commentary FNAIM said, "the market is not collapsing", and the price rise in April alone was 2%, "attesting to a healthy market during a traditionally busy period." April figures bode well for an encouraging summer.

After a period of double-digit price rises in France's housing market, analysts have been predicting a slowdown coinciding with a rise in interest rates. pfe

Record 2006 turnover anticipated for German logistics space – JLL

While record warehouse turnover shows Germany's rising importance as the logistics hub of the expanding EU, new sites need be built to the specifications of investors as well as user-owners, says an expert of international realtor Jones Lang LaSalle.

JLL director Rainer Koepke said in a report that the apparent concentration process among international trading companies will strengthen demand for larger, more modern logistics sites thanks to Germany's good infrastructure, large market and central location within the EU.

"The design of facilities will therefore have to match investors' requirements, such as the capability to be segmented and rented to third parties, as well as the needs of the main user," said Koepke. "In the future, that share of space reserved for own use will decline even for companies from the production, trading and services industries. In this process liberated capital will benefit their core businesses."

Logistics space in Germany's five main centres – Berlin, Düsseldorf, Frankfurt, Hamburg and Munich – amounts to nearly 10m sq.m. Adding the space in the industrial Ruhr district, the most important supra-regional base, the inventory comes to 12.4m sq.m, divided among 600 logistics properties.

Greater Hamburg and Frankfurt have the largest concentrations of around 2.76m sq.m each. Demand for space of less than 5,000 sq.m. was strongest there in 2005. Turnover came to nearly 1m sq.m. in the first quarter of this year after record demand volume of 2.7m. sq.m. last year, driven particularly by sites outside the urban centres. First-quarter growth features major transactions in both rentals and proprietary facilities.

Hamburg led the five major centres with turnover of around 170,000 sq.m., three times the volume of the first quarter of last year. Turnover of 580,000 sq.m. outside the major centres was also strong.

Koepke said 2006 could be another record year with warehousing space of as much as 3m sq.m., two-thirds of it in outlying areas. pfe

Warsaw opens 2006 with record office rentals - Colliers

A record volume of new office space was offered for rent in Warsaw the first quarter of this year, helping to meet the heavy demand that has arisen from a steady decline in the supply of new properties since the turn of the century, says realtor Colliers International.

Some 67,718 sq.m. of the unprecedented amount of new office space delivered during the first quarter was already occupied by 31 March. If this pace of completions is maintained through December, the rebound will bring demand and supply into equilibrium at historically high levels a year from now, it said in a report.

This increased developer activity will not lead to a glut of office space in the short term at least. Rentals are expected to match the strong level of 2004.

The most prominent new building completed recently in downtown Warsaw is Rondo 1, with 59,000 sq.m. and 39 floors. Pańska 73, with 2,700 sq.m., was completed in the first quarter, followed in the second quarter by the Wolf Immobilien's Nulla building 6, with 1,674 sq.m. This central business district captured 48% of the market in the first quarter and offered 41% of the city's modern stock of office space.

Some 40,000 sq.m. of new office space came on line in the suburbs. Some 60% of the more than 200,000 sq.m. of new offices slated for completion before the end of this year will be in Warsaw's suburbs. pfe

European Office Property Clock index shows rebound in rental values – JLL

Jones Lang La Salle's Office Clock property index shows the beginning of economic recovery in Europe, with strong demand and decreasing vacancies lifting growth in prime rental values.

The JLL index, which illustrates short-term trends in prime rental values within 24 European city markets, rose by 5.5% in 2005 and by 1.5% in the first quarter of 2006, compared with the year-earlier period.

All 24 cities registered either positive or stable rental growth in the first quarter, led by London's increase of 10%. Moscow gained 7.1%, followed by 4.6% for Madrid, 1.8% for Munich and Brussels and 1.0% in Barcelona.

Actual rental growth was up by 17.9% in London last year. That topped 17.2% for Moscow, 13.1% for Dublin, 11.1% in Milan and 7.7% in Paris. Declines of 5.0% and 3.0% were registered in 2005 for Prague and Frankfurt respectively.

In leased space terms, JLL reported a 32% higher combined uptake of 2.9m sq.m. in the 24 indexed cities in the first quarter of 2005, topping the 2.8m uptake in the first quarter of booming 2000. First-quarter uptake in Paris was a record 780,000 sq.m. up 103%. Dublin notched 215%, Luxembourg 183%, Lyon 122%, Prague 115%, Barcelona 82% and Madrid at 78%.

The average European vacancy rate fell in the quarter to 8.9% from 9.2% in the fourth quarter of 2005 and from 9.8% in the first quarter of 2005. The steepest declines were in Prague, Dublin and Madrid. The highest vacancy rates were 17.5% in Amsterdam and Frankfurt, 16.7% in Stockholm, 14.0% in Dublin and 13.1% in Düsseldorf. The lowest were 2.5% in Moscow, 5.2% in Madrid, 5.3% in Paris and 5.4% in Luxembourg. pfe

Hypo Real Estate boosts first-quarter pre-tax profit by 31%

Hypo Real Estate Group, the second largest German property financing bank, reported a rise in consolidated net income in the first quarter of 2006 by 31% before tax to €134m, while

boosting operating earnings.

It financed new property business of €5.2bn in the reporting quarter, €3.8bn of it abroad and €1.4bn in Germany. pfe

German WL-Bank raises 2005 property financing by 63%

German cooperative lending bank Westfälische Landschaft Bodenkreditbank (WL-Bank), boosted property financing last year by 63% to €1.2bn, helping to lift its new lending volume by 33.5% to a record of €8.4bn, according to the Immobilien Zeitung newspaper.

The Münster bank, which belongs to the WGZ Bank group that serves the regional cooperative system, said its new lending volume was up by 33.5% from 2004, making 2005 the most successful year in its 128-year history.

It attributed the upsurge of business to rising referrals from the Volksbanken and Raiffeisenbanken, the affiliated network of local full-service credit cooperatives, and to more intense cooperation with institutional housing authorities.

Outstanding property financing assets rose last year to €7.1bn. The bank, which is changing its name at mid-year to WL Bank AG Westfälische Landschaft Bodenkreditbank, recorded a 14% higher disposable profit of 14.7m for 2005. pfe

Hamburg auctioning a second package of city properties

The city of Hamburg expects proceeds of several hundred million euros from the sale of a second package of municipal properties it has offered for sale internationally, reports the Immobilien Zeitung newspaper.

The 60 properties with combined space of around 200,000 sq.m. are scattered around the port city, including some in the city centre. The city is renting back some of the properties under long leases, while others are rented to third parties. Negotiations with prospective buyers will take place after the summer break.

An initial package of 39 prime-value properties attracted unexpectedly great interest. It was sold for €815.5m to Ixis Capital Partners Ltd., an investor that belongs to the association of French savings banks. The price-tag was 19.7 times yearly net rent. pfe

Hamburg's Redos buys retail and wholesale properties for €88m

Hamburg asset manager and private property investor Redos Real Estate has purchased German discount and specialty stores worth €88m for its new Apollo Redos Retail Fund and has secured exclusive rights to acquire similar properties for €38m, reports the property magazine Immobilien Wirtschaft.

The new fund, capitalised jointly with Redos' large US strategic partner Apollo Real Estate Advisors, has investment equity of €250m. The financing was handled in partnership with ABN Amro Bank. Redos Managing Director Gisbert Beckers told the magazine, "We are also looking at quite a number of other offers for specialty and discount stores, which we will acquire in coming weeks."

Redos, which runs three institutional funds, is a private equity investor in specialised German retailing properties and a strategic partner of foreign institutional investors. It has also worked with Apollo in the Spanish market to set up the 3C Capital Centro Commercial Development firm. pfe

SocGen renews phased equity financing for Orco to invest in central Europe

Orco, a listed French property firm that invests exclusively in central Europe, says it has obtained a second, phased equity financing facility from Société Générale to build its regional portfolio of hotels and diversified properties.

The facility called PACEO (Programme d'Augmentation de Capital par Exercices d'Options) is a step-up equity-financing product, and functions like a capital increase. It can be tapped as needed through a confirmed credit line, with the bank temporarily purchasing new Orco shares as a market intermediary.

This new PACEO covers 11.82% of Orco's capital after the facility is exercised in equity tranches limited to €25m each. It will allow Orco to issue a maximum of 1m new shares, with SocGen acting as the purchasing intermediary during the 24-month duration.

The operation is covered by Orco's renewal of authorised capital. The amount of capital raised will depend upon Orco's financing needs during the facility's lifetime and will reflect the share's market performance and volumes exchanged.

All subscriptions for shares by SocGen will be at an issue price of at least 96% of the quoted market share price at the time of execution. Orco has been quoted on the Prague Stock Exchange since February 2005 and on Eurolist Paris since December 2000.

Orco has done business in central Europe since 1991, renting and managing diversified offices, residential properties, luxury hotels and hotel apartments in prestigious locations. It has become a major developer, investor and asset manager in the region's property and hotel markets.

SocGen, which has already arranged and conducted several such step-up equity financing operations in France, Spain and Italy since it began offering PACEO in 2002, does not intend to remain a long-term shareholder of Orco and will dispose of the shares on the market. pfe

San Francisco's AMB acquires further Paris industrial portfolio for €84m

The San Francisco-based AMB Property Corporation has increased its operating platform in Paris by 76,000 sq.m. with the acquisition of 15 industrial properties for a price of €84m.

The properties, located in business parks directly serving Charles de Gaulle International Airport and the Paris metropolitan area, were developed by AMB's alliance partner SIRIUS and are 97% leased to local and multinational distribution customers including DHL, Hitachi, Newell Rubbermaid, Yusen Global Logistics, and Gate Gourmet.

AMB has also committed to acquiring three future development projects from SIRIUS, for a total expected investment of a further €15m.

AMB is one of the largest owners of airport-adjacent distribution properties in Paris and currently owns more than 226,000

sq.m. of space. It is a leading global developer and owner of industrial real estate, focused on hub and gateway distribution in North America, Europe and Asia. As of 31 March AMB owned or had investments in properties and projects of around 11m sq.m. comprising 1,070 buildings in 11 countries. pfe

Dutch Wereldhave sells Clichy office building to Docks Lyonnais for €107.5m

Dutch property company Wereldhave has sold an office building in the northern Parisian suburb of Clichy to Docks Lyonnais for €107.5m and realised a substantial capital of €26m more than its end-March book value.

Docks Lyonnais used a €100m financing facility through Hypo Real Estate Bank to acquire the site. Taken over last year by the German Artemis Beteiligung, Docks Lyonnais is a French REIT/SIIC with most property holdings in and around the French city of Lyon.

The Cap West building of 23,564 sq.m. of office and light industrial space and 350 parking spaces, which is almost fully let, is located on the banks of the Seine. The group bought the site in 1999 and developed the office complex, which was completed in 2002. pfe

Warsaw's Renaissance Building sold at record low yield of 5.49%

The Renaissance building, a well located A-class office building in the centre of Warsaw, has been sold to a Spanish Investor at one of the lowest yields recorded in central and eastern Europe of 5.49%, Yareal International announced.

The transaction price was some €25m. The purchaser was not identified.

Located on Plac Zbawiciela at the junction of Marszałkowska and Mokotowska Streets, the Renaissance Building was reconstructed in November 2004 behind the original historical facade. It comprises 5,197 sq.m. of gross rentable space.

CB Richard Ellis were the real estate consultants together with Gide Loyrette Nouel law firm acted as exclusive advisors during the transaction process. pfe

Rome shops' 'goodwill' payments top €6m, Via Condotti most expensive

Rome's fashionable shopping street, the Via Condotti, tops the list of the most expensive retail locations with an average €6m 'goodwill' payment levied by the seller as a kind of retirement allowance or bonus, the Italian Federation of Business Agents (FIMAA) said.

Rome leads the list for 'goodwill' in general, followed by Milan where in the modish Via Montenapoleone, the bonus is €5.5m - then Florence at €3m on average.

On ground rents, FIMAA (Federazione Italiana Mediatori Agenti d'Affari) reported that a 100 sq.m. property in the fashion district in Milan currently leases out at up to €21,500 sq.m. per month. The equivalent in Via Condotti for a similar size store is at least €25,000, and in the contiguous street Via del

Corso is around €11,000. In the very centre of Florence (Via Tornabuoni) the rents swing around €14,000 sq.m. pfe

Padoa-Schioppa nominated as new Italian finance minister, focus seen on tax evasion

Real estate investors will focus this week on Italian politics to understand the consequences on future property profitability of the new government of Romano Prodi.

Former European Central Bank board member Tommaso Padoa-Schioppa is the new minister for economics and finance, and his first priority will be to bring Italian public finances back under control. Most private research centres have shown concern over a hidden slippage of the deficit towards 5% of GDP in 2005.

A special competence for fiscal matters will be delegated to vice-minister, Vincenzo Visco, former Finance minister. The ticket will concentrate on tax evasion, and this may have implications on the real estate market. The new government

is also expected to reintroduce taxation on death duty and to complete the revision of the cadastre (the state official file of all Italian properties) for fiscal purposes. First real indications are expected in the second half of next month. pfe

Italy's state utility Enel to divest €200m in properties from subsidiary

Italy's state-owned utility Enel is said to be interested in divesting a portfolio of 491 properties from one of its closely held subsidiaries the company Dalmazia Trieste and worth around €200m.

The properties, located throughout Italy, comprise 50% residential use and 50% commercial and mixed uses. Many of the real estate units are empty, and this could attract groups such as Pirelli Real Estate, Gabetti and The Carlyle Group.

The timing of the operation is still to be decided, but officials are considering starting the sale operations by the end of May and realising the divestiture by the end of July. pfe

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Marco Leone has been named CEO of Italy's **Aedes BPM Real Estate SGR**, and **Marco Beccati** the new general manager of the **Aedes Project**. **Leone** in 2002 was responsible for real estate funds and finance at **Sai Investimenti** belonging to **Fondiarria Group-Sai**. His previous position was as project and fund manager in **BNL Fondi Immobiliari**... The UK based funds company **Henderson Global Investors** appointed **Ulrich Heintl** and **Frank Eckervogt** as Senior Portfolio Managers, coming from the **Commerzbank** funds subsidiary **CGI**... Chairman of the board of directors of **French SIIC Unibail Léon Bressler** announced he will step down and resign as board member. His successor as of 30 June will be **Guillaume Poitral**... Global property adviser **DTZ** has appointed **Matthäus Jiszda** as new managing director of **DTZ Austria**... **CoreNet Global** has announced that **Prentice Knight** has been named Chief Executive Officer and **Mark Golan** elected as Chairman of the Board of Directors for the 7,500-member global association... Managing Director **Udo Scheffel** is to leave the **Bayerische Bau und Immobilien** subsidiary of the **Schörghuber Group** at the end of this month. Group Chairman **Stefan Schörghuber** will take over until a permanent replacement is found... **France's Dolmea**, a joint venture created by **Axa** and **Nexity**, has named **Nathalie Palladitcheff** as director general. She comes to the company from **Société Foncière Lyonnaise**, and will be succeeded there by **Nicolas Reynaud**... **Andreas Güttler** and **Daniel Velte** are leaving the **Hamburg fund manager Hamburg (FHH) GmbH** at their own wish. Until the positions are filled, **Klaus Wolff** and **Angelika Kunath** will take over their responsibilities... **Andreas Quint** has taken over as Germany chief and Managing Director at the realtor **Catella Deutschland**. He succeeds **Reinhard Fleurkens**, who has led **Catella** since 1998. Quint comes from Corporate Finance with **Ernst & Young Real Estate**. **Torsten Hollstein** and **Claudius Meyer** have also taken up positions with **Catella**... **Michael Bretting** has been appointed as head of the leasing team at the Munich office of **Savills**. Prior to this, he was with **Atisreal** for 15 years, most recently in Munich. **Friedrich Heilmann**, a partner in the Frankfurt office of

Freshfields Bruckhaus Deringer has been appointed as head of the German real estate practice... **Willi Weis** has been appointed to head up industrial and logistic assets at realtor **DTZ** in Frankfurt. He succeeds **Kai Quardon** who left in December to join **Harder & Partner**. Weis was with **Atisreal** for five years in Frankfurt. **Philippe Aube-Martin** and **Lahlou Khelifi** have been appointed to head the newly-created **Lazard Real Estate**, the property arm of **Lazard Freres** bank... **Denis Courtot** was named associate director general for **Nexity's** cities and projects division... **Marie-Flore Bachelier** was named finance director of **Mercialys**... **Guy Deforge** becomes director of asset management at **Vectrane**... **Thierry Bonniol** will become head of **Atisreal Auguste-Thouard's** commercial department for the Ile de France region... **Helene Genere** was named head of finance at **Slough Estate Development France**... **Thierry Leleu** was made general counsel for **GE Real Estate Europe** in Paris... **Vivacon** German Properties has hired **Peter Brock** to run the new German subsidiary acquiring residential deals. Brock joins from the UK-based private equity group **Terra Firma**... **Mark Inch** and **Robert Waterland**, founders of the **Awon Group** - together with their partner **Soros Real Estate** (Grove Partners) - confirmed the sale of **Awon Asset Management** to **Société de la Tour Eiffel** and the takeover of its asset management. **Waterland** remains at the head of **Awon** and **Frédéric Maman** is director in charge of asset management and investments. **Jérôme Descamps**, joint managing director of **STE** will be **CFO** for both entities... **Brian Niles** and **James Lapushner** will join **Morgan Stanley Real Estate**, **Lapushner** as executive director and Head of Acquisitions for Germany, and **Niles** as executive director and Chief Financial Officer for Special Situations Fund III and COO for **Morgan Stanley Real Estate Investing in Europe**. Both appointments are effective mid June 2006. **Lapushner** will report to **Glenn Aaronson**, head of MS real estate in Germany. **Niles** will report to **Tim Morris** of SSIII and **John Kessler** of MSREI. As COO of MSREI in Europe, he will also report jointly to **Sonny Kalsi**, CIO of MSREI, and **Struan Robertson**, Head of **MS Real Estate** in Europe. pfe

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<p>£581,883,000 United Kingdom</p> <p>Morpheus (European Loan Conduit No. 19) plc</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer and Special Servicer</p> <p>August 2004</p>	<p>€419,350,450 France</p> <p>Leto (European Loan Conduit No. 18) FCC</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer</p> <p>July 2004</p>	<p>€302,900,300 Pan-European</p> <p>Khronos (European Loan Conduit No. 17) S.A.</p> <p>Commercial Mortgage Backed Notes</p> <p>Collateral Manager and Special Collateral Manager</p> <p>December 2003</p>	<p>£394,198,330 United Kingdom</p> <p>Iolaus (European Loan Conduit No. 15) plc</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer and Special Servicer</p> <p>September 2003</p>	<p>£813,320,000 United Kingdom</p> <p>Juturna (European Loan Conduit No. 16) plc</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer</p> <p>July 2003</p>
<p>€458,030,000 France</p> <p>Dionysus (European Loan Conduit No. 9) FCC</p> <p>Commercial Mortgage Backed Units</p> <p>Servicer</p> <p>June 2002</p>	<p>£547,581,650 United Kingdom</p> <p>Coronis (European Loan Conduit No. 8) plc</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer and Special Servicer</p> <p>November 2001</p>	<p>£524,909,600 United Kingdom</p> <p>European Loan Conduit No. 5 plc</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer and Special Servicer</p> <p>April 2001</p>	<p>£462,175,000 United Kingdom</p> <p>European Loan Conduit No. 4 plc</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer and Special Servicer</p> <p>September 2000</p>	<p>£359,440,000 United Kingdom</p> <p>European Loan Conduit No. 2 B.V.</p> <p>Commercial Mortgage Backed Notes</p> <p>Servicer and Special Servicer</p> <p>December 1999</p>

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