

Metrovacesa bidding war ends in victory for chairman

Chairman Joaquin Rivero and ally Juan Batister Soler foiled a power play for control of Metrovacesa when shareholders accepted their offer. **page 5**

Germany's IVG takes control of Oppenheim funds group

Germany's largest listed property firm IVG has raised its stake in Oppenheim Immobilien to 94%, taking almost complete control of the funds group - and also raised its stake in the Sal. Oppenheim bank. **page 7**

Portugal's Sonae Sierra sees profits soar 118% in first half

Portugal's listed retail mall group Sonae Sierra saw 1H06 net profits soar to €87m on new development and surging property valuations. **page 9**

ING launches five new property funds, targeting €4.25bn capital

In its biggest launch ever, ING REIM announced five new property funds, targeted at raising €4.25bn from institutional investors. **page 11**

Petri Olkinuora, Citycon, Finland

The PFE Interview **page 8**

Italian fiscal decree hits RE sector confidence, boosts calls for REITs

The Italian property sector is still suffering a severe loss of confidence resulting from the government's sudden July tabling of a new, disruptive fiscal decree. Despite amendments, it has boosted calls for the clarity of a REITs regime.

The majority of delegates at the Scenari Immobiliari annual forum 10 days ago, which for many marks the start of a new real estate year in the nation, said foreign investors are likely to divert investments from Italy to other nations as a result. While a minority said the current SGR closed funds are an adequate vehicle to channel capital into Italian property, the majority called for the introduction of Real Estate Investment Trusts comparable to other jurisdictions and arbitrated by stock exchange authorities.

Beni Stabili CEO Massimo de Meo said the decree is discriminatory due to its vague VAT rules, and it is uncertain how domestic and international investors will react. The law is self-defeating for the government too because many property institutions that require transparency will cut back on Italy and consider investing elsewhere.

"This is very bad," de Meo said. His company virtually stopped operating while the implications were assessed. "On the day of its announcement, listed company shares lost 10% of their value at the Milan Stock Exchange," he noted.

His colleague Aldo Mazzocco said the law in its original form would have meant bankruptcy for many property firms. "It is urgent that we remove the fear over new fiscal attacks on our sector because otherwise the operators have no idea what to expect."

Giuseppe Roma, from the Censis institute, said the complexity of the new law cut fiscal transparency and could contribute to relegating Italy to a marginal role in the European real estate arena. Valter Mainetti, managing director of Sorgente, said Italian property offered a good opportunity for cross-border capital but REITs should be introduced to ease foreign investment rather than relying on existing Italian real estate funds. pfe

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Heavy on Italy in this issue and, with EPIC coming up in Rome at the end of this week, it looks likely to be the heaviest nation in issue 34 as well! No apologies though; Italian real estate has been a black hole for far too long and needs as much light shined down as it can get. As well, we will try to get to the 7th European Business School congress, across on the Rhine at Oestrich-Winkel on Saturday, and the 14th Annual Les Echos Property Investment Conference in Paris next week (if we can find someone who answers telephone calls by then!). A number of seminars and pressers are in the plans to track events in what seems to be a continually-expanding real estate universe in Europe.

A warm welcome onto the PFE team for Max Kamenshine, who arrives in the Frankfurt office to handle advertising on the European continent. Max may just be on the end of the telephone to you in the next days and weeks, wondering why you are not getting your message out in our pages to institutional property investors. PFE is open for business, reaching 2,500 pairs of eyes per issue, we estimate - and climbing. Most belong to senior decision-makers, eager for the kind of finance and investment info, analysis and ideas that PFE brings.

Global cross-border investment in real estate surges 10pts to 44% of total - JLL

Global cross-border capital flows into real estate soared to 44% of all property investment in the first half of 2006, up a full 10 points from first half 2005. Direct investment surged by 30% to \$290bn so that full year 2006 could be close to \$600bn, according to the latest report from Jones Lang LaSalle's International Capital Group.

Over 85% of total inter-regional purchases were made in five markets: the US (38%), Germany (19%), the UK (14%), France (8%) and Japan (5%). The share of inter-regional investment in the US and Germany has increased significantly since 2005, rising from 25% and 14% of total respectively. Germany has surpassed the UK as a favoured destination (See p2). pfe

**NEXT ISSUE:
MONDAY
9 OCTOBER**

Global cross-border property investment soars 10pts to 44% - JLL

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In a study called Record Volumes, Record Globalisation, Tony Horrell, CEO of Jones Lang LaSalle's International Capital Group commented: "Real estate markets are continuing their strong evolution into a global asset class... Across the world, fund managers are receiving record fund inflows as populations in developed countries approach retirement age."

Many of these funds are attracted by real estate's strong stable returns, he added, and investment portfolios are being significantly re-weighted in favour of property. "With this in mind, we believe that 2006 is on target to be another record year for commercial direct real estate investment and we expect total transactions to reach \$600bn."

Deals involving parties not from the region where the asset is located represented 31% of total volumes in 1H06, up from 24% a year ago. As in 1H05, the largest inter-regional investments were made by global funds, which invested \$22.3bn in Europe, one third of total inter-regional purchases. Global sources of funds purchased over 40% of all German commercial property in first half 2006 and were also significantly more active in the Americas and Asia. US investors are deepening exposure to property in Europe and Asia, and Middle Eastern investors continue to make significant net investments in Europe and the Americas.

Over 85% of total inter-regional purchases were made in five markets: the US (38%), Germany (19%), the UK (14%), France (8%) and Japan (5%). The share of inter-regional investment in the US and Germany has increased significantly since 2005, rising from 25% and 14% of total respectively. Germany has surpassed the UK as a favoured destination.

Direct commercial real estate investment in Europe was \$117bn in the first half, up 30% on 1H05. Cross-border investment represented 68% of total investment up from 57%, and inter-regional investment reached 39% of total, up from 38%. The UK, Germany and France markets accounted for 70% of European activity. As forecast, Germany had a particularly impressive first half, with transaction activity almost reaching the levels attained in full year 2005. Transaction activity was also more than double first half 2005 levels in France, Finland, Ireland and Russia.

"The globalisation of real estate investment has had the greatest impact on developing markets," Horrell said. "In central Europe and some Asian and Latin American markets, inter-regional investors are purchasing the majority of available prime quality stock." Indirect funds, principally REITs valued at almost \$30bn were privatised in the US in the first half. "This is not a trend we are witnessing elsewhere," he said.

Offices accounted for 48% of total inter-regional purchases, down from 52% in first half 2005, while hotel investments increased significantly to 23% in the first half from 20% in 1H05. pfe

Italian real estate expansion to slow in 2007 - Scenari Immobiliari

Total transactions next year in Italian real estate, including

both residential and commercial, are likely to climb by 2.6% to around €123bn, slowing somewhat from growth in the current year of some 3.4% compared to 2005, according to the latest forecasts by the Rome-based research company Scenari Immobiliari.

In its annual forecast, the Italian research company predicted that the strongest growth in 2006 should come through in office transactions, up 4.5%, followed by housing turnover of 3.8% compared to 2005. Housing revenues in the Italian market make up 82% of the entire transactional volume on a yearly basis, well above the other four major European countries: Germany, UK, France and Spain.

The strength in the residential sector will not continue into 2007, Scenari forecasts. It sees a slowdown to just 2.4% growth in transactions next year. Much more sturdy in 2007 should be industrial and logistics property transactions - seen up just over 7%, followed by a growth of around 5.8% in turnover for office and service related assets.

House prices in 2006 are projected to rise by 4% over 2005, around a half point slower than last year. "In cities, prices have remained more or less static at 2005 levels, with the exception of outlying areas and new residential projects, where there have been slight increases," the research group said. "The trend in medium size provincial capitals and smaller towns has been more markedly dynamic."

But next year, interest rate increases that are currently forecast should make themselves felt on housing prices and this will lead to a further slowdown. Housing turnover is likely to grow only by around 2.4% to reach €101bn compared with €98.6bn for 2006 - itself growth of 3.8% over last year. The market for second homes for non-residents is likely to continue to shrink - to below €3bn in 2007, continuing the contraction of around 6% also seen forecast for the current year.

SI projects total real estate turnover in the five major European countries to top €674bn in 2006, up 3% over 2005. "Thanks to the economic recovery, 2007 should witness a 4% increase in revenues in the five leading countries and almost 4.5% in the EU 25", the group said. But the two factors that will determine market conditions in the latter part of 2006 and into 2007 will be the cooling of the residential market, characterised by lower transaction volume and more moderate price increases, and an improvement in deal growth in all commercial sectors such as offices in major retail and warehousing and logistics. "The drivers here are economic recovery and the greater availability of credit," SI said. pfe

New Italian decree will hinder foreign investment - Beni Stabili's de Meo

The law decree announced in July by the Italian government is quite contradictory and punishing due to its vague and discriminating value added tax rules, says Massimo de Meo, CEO of one of Italy's leading listed companies Beni Stabili.

De Meo told participants at a conference 10 days ago that it is uncertain how domestic and international investors will react to the changed law, since they need reliable economic parameters for investment. This law is self-defeating for the government as well, because many property institutions that require transparency will cut back and consider investing elsewhere.

"This is very bad," de Meo told the two-day meeting of Scenari Immobiliari recently. "On the day of its announcement, listed company shares lost about 10% of their value at the Mi-

lan Stock Exchange”.

He called for the government of Prime Minister Romano Prodi to simplify the rules of the decree that aims curbing tax evasion in the sector. The Italian real estate business had a large expansion in the last five years and it has become international thanks to the euro, foreign capital is present on the market through listed companies, banks, real estate funds and retirement funds. The total of investments effected in Italy during 2005 amounts to €4.5bn, 71% of which cross-border, of this 80% direct investments and 20% real estate funds.

De Meo said Italy should introduce a new REITs vehicle similar to the French SIIC, with obligatory listing, fiscal transparency, obligatory dividend distribution. This would bring advantages to the real estate sector, creating new companies, a general growth of the real estate business, more interest by the foreign investors and more transparency. pfe

European property seen on track for slowdown, not major correction

Investors in continental European property expect a market slowdown in coming months but a major correction is unlikely, says Patricia Kelly, head of institutional real estate for Chicago's LaSalle Bank, part of ABN Amro.

Acknowledging that European markets are headed for a slower period, Kelly told PFE on the sidelines of the Global Real Estate Institute conference that, “Europe will still have opportunities over the next few years. There will still be a huge wall of investment funds coming into the region which will keep prices and competition up. The question is where will the money go?”

Kelly, whose customers are pension funds and Real Estate Investment Trusts, said: “I think there will be a natural progression away from real estate to alternative investment areas such as bonds.”

An informal show of hands at a packed discussion on whether a peak has been reached in the European property market indicated that half the participants expect an increase in real estate transactions over the next 12 months and 30% a rise in prices. Despite rising interest rates, participants generally dismissed the risk of a major property-market correction in Europe but agreed that a peak or at least a market plateau is on the near horizon.

“I don't think a peak has been reached. The more relevant question is whether there will be a plateau,” Catalyst Capital managing partner Peter Kasch told PFE. “We are not quite there yet. There is a huge amount of money so over the next two or three years prices will continue to rise, although not at the same pace.”

More worrisome for the long term is that Asia is taking more economic activity from Europe, he said. “The value in real estate is that someone occupies it. As Frankfurt discovered, where there is little economic activity there are empty offices.” pfe

Higher euro interest rates may not mean higher rents – GRI participants

The rise in European interest rates will not necessarily translate into rent increases, participants at the Global Real Estate Institute conference in Paris concluded, and investors are still

looking for signs that office rents, which are slumping in such markets as Paris, will rise.

Most participants expected this to happen in some places in the short term but not as a direct result of a rise in interest rates. “Rental growth is supply based and is healthy in places like Paris but not in Holland or Spain, where people are willing and ready to build,” Erik Moresco, principal of Blackstone Group, told PFE on the GRI sidelines. Talk of rental growth is “almost an academic exercise.

“We are a player that hasn't been able to buy assets in three years. Blackstone has been priced out of the market, which we believe is overpriced, slightly to very, depending on where.”

A further rise in interest rates, therefore, is welcome to some as a means of stabilising prices. But just how high will they go? The European Central Bank is expected to raise its main lending rate above the current 3% soon and its governing council meets Oct. 5 in Paris. ECB has said the rises are aimed at cooling residential price growth in markets such as France.

Erik Sonden, managing director of real estate coverage and advisory at Société Générale Corporate & Investment Banking, told PFE, “Interest rates won't move up massively and this will be stabilising for real estate. Over the next 18 to 24 months I don't believe interest rates will move up beyond 4%.”

What is worrisome for investors however is that entry yield

This print edition of Property Finance Europe will be available on a complimentary basis to participants in the following conferences:

European Property Italian Conference, EPIC
September 28-29, Thursday-Friday
The Westin Excelsior, Rome

European Business School Property Congress
September 30, Saturday
Schloss Reichartshausen, Oestrich-Winkel, Germany

German & Northern European Securitisation Forum
October 4-5, Wednesday-Thursday
Hilton Munich Park, Munich

International Real Estate Economics, IREE
October 5, Thursday
IHK, Stock Exchange, Frankfurt am Main

Europaproperty Central & Eastern European Forum
October 5-6, Thursday-Friday
Grand Hyatt Hotel, New York

RealShare, National Investor Forum
October 10, Tuesday
Roosevelt Hotel, New York

The Future of European REITs
October 11-12, Wednesday-Thursday
Simpsons-in-the-Strand, London

on top-of-the-line prime investment property in markets such as Paris is currently at this level. "The inversion point comes when borrowing is at a higher cost than what investors are getting. This could get scary," said Sonden. pfe

Environment to play stronger role in industry property plans, CoreNet hears

Ecology and environmental considerations are coming more strongly to the fore in development and planning for industrial real estate, the CoreNet Global industry association European Summit heard last week.

Several speeches at the US-based association's conference in Lisbon, Portugal, provided an unintentional but unmistakable ecological theme. Speakers said it is now necessary to bring forward what many in real estate have kept on the backburner for years. Environment is confronting them as a significant factor in the decision-making processes.

World Bank consultant Noreena Hertz, who also advised former Russian President Boris Yeltsin, made clear that managers must now provide tenants with a certified statement of a building's energy efficiency. This is already causing a shake-down of embarrassing objects in portfolios and some serious

rethinking about new construction projects, she noted.

However, the investor adage that building green and obtaining a high yield are mutually exclusive is no longer valid. Some test case buildings are getting high environmental ratings at no extra cost by using traditional design and construction methods. "Investing in European property certainly does not have to carry a 'green premium'," she told the 280 CoreNet Global delegates.

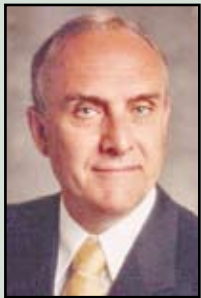
In Europe, industrial property planners and managers now have to take into account European Union energy performance Directive 2002/91/EC. This came into force in January 2003 and demanded complete compliance by January of this year. The new directive has been implemented to varying degrees into national law by EU parliaments, and speakers said the knock-on effects are now starting to be felt by portfolio owners.

Hertz made clear that the implications of environmentally friendly buildings go far beyond just the bricks and mortar for occupiers who need a fit-for-purpose working environment. The social responsibility of corporate integration into the community, and personnel user acceptance, have moved higher on the priority list. "Inaction now could easily have an accelerating negative effect on portfolio value within a few years that will quickly render some properties obsolete and unlettable," she noted. "A value recovery once this happens will be hard."

Kate Medlicott, UK-based analyst from DTZ Consulting &

Of gloomy foreboding in rainy Liguria and sunny optimism in Stockholm

A strange atmosphere in the Italian real estate sector as our front page top in this PFE 32 indicates. As if the community gathered for the Scenari Immobiliari forum in the beautiful Ligurian seaside resort of Santa Margherita was not unnerved enough by the sudden and capricious imposition on US Independence Day of a draconian VAT law, the ladies and gentlemen were sent reeling again on Saturday morning by the overnight resignation of Telecom Italia Chairman Marco Tronchetti Provera - a lynchpin of Italian industry



and also chairman of tyre-maker Pirelli. Which explained the no-show of Pirelli Real Estate's Carlo Puri Negri, reportedly engaged in lengthy and heated telephone calls Friday evening to assess what the resignation meant. The feel of foreboding in Santa Margherita was deepened by Prime Minister Romano Prodi providing, from his business trip in far-off China, what the Germans would call a 'power-word'. In vetoing publicly-controlled assets such as Telecom Italia Mobile (TIM) to be sold off into the private sector, the message, he said, should be clear to Italian industry. Brrrrr: The real estate specialists were busy trying to decide if they were coming or going. But even if the mood is swinging toward REITs, there is no knowing at all - was the message we took away - if this government has any intention of opening Italy up to the outside world. Scenari forecasts that the decree in its original form would have cost the sector around €71bn. Even if amendments announced so far cut this down to a fraction, the uncertainty is deep. Speakers called for more dialogue and coordination with the gov-

ernment to avoid such situations recurring. "In other business sectors there would have been a dialogue between Confindustria and the government but in our sector this decree just happened from one day to the next," one executive said. "Italy is now considered on a level with Guatemala according to my conversations in London. And this is not a nice situation to be in." A degree of optimism crept in toward the close. In electronic scoring no fewer than 74% of the 300 participants predicted that a European REIT would come - even though only 37% forecast this before 2010. The participants in aggregate forecast that Italian real estate prices in 2007 will broadly be stable though with a slight inclination to the downside. Only 8% of those assembled see price growth. In residential, none of the participants sees strong rises; the majority see stability or a decrease to strong decrease next year. In office however, expectations for prices in 2007 are about balanced. Legal counsel Riccardo Delli Santi, who chairs the coordination committee of property federation Assoimmobiliare, said he is not convinced that better coordination will help to resolve government mistrust over non-taxed money laundering and organised crime in the property sector - precisely what Italian European commissioner Franco Frattini is attempting to combat.

Contrast rainy Liguria with sunny Stockholm - Can an anomaly indeed. Johan Zetterstedt's highly successful BusinessArena conference last week attracted no fewer than 2,000 participants, a record for the event. Not normally known for their sunny optimism, the Nordics are forecasting more yield compression, more foreign interest, and happy days are here again. The economy is doing well, said Robin Rich of CB Richard Ellis in Copenhagen. Denmark is adding 45,000 jobs per month- and

demand for working spaces along with them. The story is the same if not stronger in larger neighbour Sweden, or among the blue-eyed Scandinavia oil sheiks in Norway. And E230 p.a. sq.m. for prime Copenhagen office space is not too testing, Rich says. "We think this is going to change going forward. The reason is that demand is there and the supply is not able to keep up." Construction companies' order books are bulging and you can't find anyone to take on any extra development projects. Phew! Eiendoms-Consult's Per Hjorth sees Norway in similar shape. "The booming economy and the interest from domestic and foreign investors alike are the two driving forces," he says. Oslo vacancy rate is at 7% and falling. No capacity left for construction projects there either.

The paradigm, Dear Reader, is changing. When one sees ING Real Estate launching five funds at once, most focused on continental Europe and/or alternative property asset classes and expecting to collect more than €4bn in capital - or reads the numbers brought in by JLL's International Capital Group on cross border interest in Mainland Europe now, the message is clear: structural change in the asset. Property becomes the pension asset of choice for most of the industrialised world, and others besides. Perhaps one main factor that the Italian and the Nordic real estate sector do have in common is perplexity. They share this with the Germans and the French too. Can property yields go lower still? At what level will the demand tail off? What happens if the ECB continues to raise financing costs? Hard crash or soft landing? We think the structural change pre-determines the latter. Let's hope our crystal ball is clear and sunny and not clouded. More Stockholm than Liguria.

Allan Saunderson, editor@pfeurope.eu

Research, told the meeting that most work still has to be done in upgrading Europe's 160m residential and commercial buildings that together are responsible for 41% of Carbon Dioxide emissions. pfe

Spanish property firms looking harder abroad – Madrid RE conference

Soaring domestic property prices and shrinking growth opportunities are causing Spanish real estate companies to look harder at the rest of Europe, especially France.

Some 18.8% of Spanish foreign business investment now goes into real estate, up from 0.7% in 2003, José Manuel Galindo of the Association of Madrid Real Estate Promotors (Asprima) told a professional conference in Madrid last Thursday.

The Spanish property market has ballooned during the past six years, lifting transactions to €19.1bn in 2004 from €4.8bn in 2000. Saturation in Spain has also diverted the quest for big opportunities to outward expansion.

Branching into foreign countries brings tax benefits and allows firms to diversify and lower risk, since they fear that the Spanish real estate boom cannot last forever.

France has become the most popular foreign destination for Spanish real estate investment. In this stable and predictable market, yields are dropping much more slowly than in the rest of Europe, said Andrés Escarpenter, chief executive officer of Jones Lang LaSalle in Madrid.

Paris is the largest office market in Europe and the second-largest in the world behind Tokyo. Rentals and office investment in Paris will reach an estimated €20bn, Escarpenter told the conference, adding that those firms which acquire SIIC (Société d'Investissements Immobiliers Cotée) tax status can reap huge benefits.

Spanish property firms active in France include Metrovacesa, Colonial, Realia, Fadesa and Grupo Lar. The next possible hot spot for Spanish investment may be Germany, Galindo said. It is Europe's largest economy, but residential prices are low – as much as 30% lower in Frankfurt than in Spain.

Other attractive destinations discussed at the conference were Poland, Romania, Portugal, Morocco, Mexico, Panama, Chile, Brazil and Florida. pfe

Italy's Demanio land agency to press for public property valuations

The director of Italy's government agency for public lands and waters says the country must become more competitive by valuing its state-owned real estate through innovative agreements with local authorities.

Elisabetta Spitz, who heads Agenzia del Demanio, told the Scenari Immobiliari annual forum in Santa Margherita Ligure 10 days ago that, "we need to gain new leverage by planning for the European structural funds for the term 2007-2013." Expansion of infrastructure is key. The main requirement of the strategy is the sharing of the ideas, goals and techniques with other government levels. In particular, Agenzia del Demanio will request cooperation with local authorities, going further with decisions and innovative strategies than existing agreements permit. "To operate at best in this direction there must be a strong cohesion of the institutional system" Spitz said. "It

would be extremely difficult acting without a synergy between state and local authorities".

A current and positive example, said Spitz, is the new joint venture Arsenale di Venezia with the municipality of Venice that has already received investments for €350m and has settled within the premises of the historical naval dockyard giving job opportunities to 2000-2500 people.

Spitz also called for development of public-private connecting projects, and noted that five plans are ready to start next year that will involve abandoned hydraulic buildings along the rivers, mountain refuges and disused railway station. The agency will use its Internet site to offer a wide selection of state properties to national and international investors. pfe

LISTED REAL ESTATE

Metrovacesa bidding war ends in victory for chairman, Rivero

The chairman of Spain's largest listed real estate firm Metrovacesa prevailed last week when 21.6% of shareholders chose his bid over a rival offer from board member Ramón Sanahuja, who garnered 14.4%.

Chairman Joaquín Rivero, together with his ally Juan Bautista Soler, now control a combined 33.8%. They had entered their

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Located in Germany*

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*Residential Real Estate
Located in Germany*

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counterbid earlier this year to foil a power play from Sanahuja, whose family remains the company's largest shareholder with a 39% stake.

Last Wednesday had been the final day to pick between two offers: Sanahuja's €78.10 a share bid for 20% of Metrovacesa or the €80 a share bid of Rivero and Soler for 26%.

In last-minute skirmishing, the High Court rejected an appeal from Sanahuja of the stock market regulator's refusal to let him sweeten his bid. And savings banks Bancaja, Caja de Ahorros del Mediterráneo and Caja Castilla-La Mancha reneged on a pledge to sell their 12.9% stake in Metrovacesa to Rivero and Soler.

Encouraged by word of Metrovacesa's 180% jump in first-half profit, the three banks said they would sell only 2.05%. Sanahuja then threatened legal action to force the banks to sell their entire stake, saying their original agreement to sell influenced decision-making on the competing bids.

Dutch pension fund PGGM told Spanish market regulator Comisión Nacional del Mercado de Valores (CNMV) that it would reduce its 8.5% Metrovacesa stake to below 5%. PGGM had been the second-largest shareholder, behind Sanahuja's investment vehicle Cresa.

The Rivero-Soler bid is backed by a €2.1bn guarantee from Royal Bank of Scotland, Natexis Banques Populaires and Banco Pastor. pfe

Spain's Realia group postpones stock market listing until at least next year

Spanish real estate firm Realia has postponed its plan to float as much as 40% of its stock this year, saying it will first seek to boost its corporate value with an unspecified acquisition, company sources told Bolsacincio.

Experts had valued Realia between €1.5bn and €2bn. The company is controlled by construction company Fomento de Construcciones y Contratas (FCC) and savings bank Caja Madrid. Realia bought a French building company in June for €586m, its largest foreign investment to date. Realia's 2005 revenue amounted to €702m. Its portfolio measures about 370,000 sq.m.

So far this year, four real estate companies have gone public in Spain: Renta Corporación, Parquesol, Astroc Mediterráneo and Riofisa.pfe

Cofinimmo to run €1.2bn listed property project for Belgian government

Belgian listed real-estate firm Cofinimmo has been chosen by its government in a public auction to set up a €1.2bn closed-end property investment company that will earn €200m for Brussels when its shares are floated next year.

Cofinimmo said that 30%-33% of the stock of the new company, a SICAFI (société d'investissement à capital fixe immobilière), will be offered to the public next year on Euronext in Brussels. The government will keep 10% and Cofinimmo 57%-60%, increasing its average earnings by €0.20-€0.30 a common share during the next five years.

The SICAFI portfolio will be worth €1.2bn upon listing next year. The average lease length will be 14.7 years and the initial gross rental yield of the portfolio will be 6.4%. Cofinimmo will

pay Brussels €20m of this capital gain in advance before end 2006. It will include 79 office properties and the platform for erection of the World Trade Centre 4 tower in Belgium, which will be let to the state buildings agency for the use of federal ministries or the EU Commission.

Cofinimmo will form the SICAFI by contributing 12 of its properties worth an estimated €525m, and the government will contribute 10% of the capital in cash. In a third step, the still unnamed SICAFI will buy 67 properties from the government for €647m. Part of that will be a €74m financial lease obligation for one of the properties.

Since the acquisition of public properties will be done on credit, Cofinimmo's ratio of consolidated debt to assets is expected to reach 59% this year and return to 51% after the stock flotation. Average lease length will rise to 9.2 years from 7.8. Interest-rate risks will be hedged with a rate swap for a notional amount equal to borrowings to be contracted by the new SICAFI.

Belgium's fiscal planners will benefit this year from €593m as a result of the project. Cofinimmo will provide technical, financial and administrative management for the new company and in the first three years, will make €52m worth of renovations to the state properties. pfe

French hospitality group Accor to accelerate hotel sell-off through 2008

Accor, European leader in hotels, plans to sell 535 hotels for €3.2bn through 2008 and another 550 hotels between 2008 and 2009.

The company has already raised €1.6bn with sales of 261 hotels during the 18 months to the end of this year, Accor said in a statement to analysts about half-year results.

The plan to create value through property sales will also result in a major reshaping of its asset portfolio. By 2009, Accor will own 12% of its high-end hotel properties, compared with 51% in 2004. Accor will own 24% of its mid-value properties compared with 55% in 2004 and 27% of budget hotels, down from 71%.

Accor's announcement of a plan to sell hotels faster came as the group reported a 37% rise in first-half profit before tax to €282m and a 54% rise in net profit to €241m. pfe

Spain's largest builder ACS to sell Urbis stake into Reyal takeover bid

Spain's largest building company Actividades de Construcción y Servicios will sell its 24.7% stake in the takeover target Urbis to rival Spanish property firm Reyal, which has made an offer Urbis for €3.32bn.

Bank Banesto, Urbis's largest shareholder, had already agreed to sell its 50.3% stake to family-owned Reyal, headed by Rafael Santamaría. The Urbis takeover will put Reyal in a league with Metrovacesa, Colonial and Fadesa as one of Spain's largest property companies.

The company netted profit of €120m on revenue of €409m in 2005. Santander Central Hispano, Caja Madrid, Banco Sabadell and Morgan Stanley are financing the takeover. Morgan Stanley and Freshfields Bruckhaus Deringer are advising Reyal. pfe

Metrovacesa makes tax deal with French ministry to float Gecina unit

Spain's Metrovacesa has agreed to pay the French government €35m in taxes for its Gecina subsidiary to secure approval for Gecina's initial public stock offering of its residential assets in France, Metrovacesa Chairman Joaquín Rivero said.

The deal with the French economics ministry clears the way for Gecina to list 49% of the unit's stock on the French exchange the end of this year or the beginning of 2007. A new residential division will be formed for Gecina's 18,000 houses on which the taxes will be paid before the company's listing, Rivero told news agency EFE.

Gecina's IPO will be managed by Goldman Sachs, Morgan Stanley, Calyon, Natexis Banques Populaires and Citibank. Metrovacesa took control of Gecina in March 2005. pfe

Germany's IVG to boost stake in Oppenheim Immobilien to 94%

Listed German property investment firm IVG Immobilien is raising its stake in the market-leading Oppenheim group of institutional property funds to 94% from the current 50.1% the start of next year.

Bonn-based IVG next month will also acquire 25% of Bankhaus Sal. Oppenheim, the Cologne private bank with

which the real-estate funds are associated.

Managed assets of the funds of Oppenheim Immobilien-Kapitalanlagegesellschaft mbH (OIK) are around €10bn, making the merged company the market leader for real-estate special funds in Germany. IVG and OIK together manage at least €17bn in real estate investments for institutional and private investors and for the shareholders of IVG.


The merger "will have a positive impact on the search for suitable investment opportunities and leasing in particular," said Wolfhard Lechnitz, chairman of IVG Immobilien. He said this helps position IVG, which concentrates on office property, as a real-estate investment leader in Europe.

OIK will be integrated into the funds business of IVG, where it will handle all institutional investors. The other businesses of IVG are portfolio management, project development and caverns. pfe


Beni Stabili first half profit slumps after selloff of Zerotre portfolio

The Italian listed real estate company Beni Stabili SpA announced net profits for the first half of 2006 of €28.9m, sharply lower than the €50.3m of 1H05, but said the two half-years are not comparable. During 1H05, the company sold the entire trading portfolio held by Milano Zerotre, the proceeds from which accounted for over 46% of operating profit for the first six months of last year

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The PFE interview: Petri Olkinuora, Citycon, Finland

Finnish retail property group, with backing from Israeli, US investors, sets sights on growth and expansion in Nordics and Baltic markets

It sounds like a far-flung part of the Citigroup empire but it is not. Citycon is the largest retail shopping centre owner and developer in Finland, with market capitalisation of well over €600m and the huge Israeli Gazit-Globe and US funds giant Fidelity as major shareholders. Despite a toughening market in its home country, Sweden and the Baltics, Citycon is being trimmed for expansion.

"We can expand in our market to some extent but we don't want to get into foolish schemes or create oversupply," Petri Olkinuora told PFE in an interview. "The real estate market in our region has become quite hectic and very competitive. A lot of new investors are coming into Finland and the Baltic area so we see that the acquisition market is likely to get tougher still."

Publicly listed on the Helsinki Stock Exchange, Citycon Oyj focuses on acquisition, development and management of shopping centres and commercial properties, mainly those anchored on supermarkets or hypermarkets. Its property portfolio comprises 29 shopping centres plus 127 properties under the supermarkets and shops division at a total market value of €1.14bn. Some 18 retail malls are located in Finland, nine in Sweden, one in Estonia and one in Lithuania.

Founded in 1987, Citycon was floated the following year by institutional investors as a general property firm. In 1998/9, three major new shareholders bought in - the Scandinavian banking group Nordea, Nordic retailer Kesko and the Sampo Life Insurance company. Each put in a number of properties, most of which were retail. As a result, the Citycon strategy shifted entirely toward retail, and the non-related assets were sold off.

Just a year after Olkinuora joined in 2002, the three institutions sold out of their 74% combined stake, and Gazit-Globe and Fidelity gradually moved in, building up 37% and 15% of equity respectively. Gazit-Globe is Israel's largest real estate investment group. Listed on the Tel-Aviv Stock Exchange, it is buying strongly now in Europe. Aside from Citycon Gazit-Globe has majority or significant stakes in US shopping centre REIT Equity One, and First Capital Realty, a retail mall company in Canada and the US.

Citycon's financials have been boosted by the very strong commercial property market in Finland and Nordic neighbours. In the first half of this year, pre-tax profit soared to €95.8m from €17.2m for 1H05, giving earnings per share of €0.47 compared to €0.11. However, says Olkinuora, "even if the main driver is growth and acquisitions, a very substantial part of that comes from capital revaluations." Citycon reported a fair-value increase in investment properties for the first half of €75.3m, around 10 times the revaluation for 1H05. Net rental income grew to €39.0m from €31.2m, while that on like-for-like properties grew by 3.2%.

The share price soared to a high of €4.23 before a rights issue in spring. It was trading last week at around €3.85 - compared to €1.50 in January 2004 - giving a market capitalisation of around €640m.

Olkinuora says interest from foreign investors in Citycon is growing. "There is increasing interest in the company as we get

bigger and more active. They like the fact that we tend to do things rather than just talk about them," he says.

Citycon also has a strong development pipeline. While, measured in gross lettable area per capita, Finland and Sweden are on the EU average, the proportion is somewhat higher in the Baltics where the greenfield developments boomed after the fall of communism and the end of the Soviet occupation. "They had to create practically the whole industry from scratch," Olkinuora says. "We are talking about new developments on greenfield sites, not at all refurbishments of existing properties."

Despite exploding retail floor space development in Russia, Finland's immediate eastern neighbour, Citycon has no current plans to enter that market. "In theory we could of course but we have defined our geographical scope now as Scandinavia and the Baltic countries. Maybe we will be ready for the Russian market some day. One has to be big and brave enough to go there!"



Citycon's Petri Olkinuora: "Demand for retail space is good, so we are quite happy with our situation."

One of the latest projects is the extension and refurbishment of Åkersberga Centrum shopping centre in metropolitan Stockholm for which the board 10 days ago approved investment of €27m. Citycon acquired 75% of Åkersberga in July 2005 from the Österåker municipality, which is a partner in the project. It has also just closed a deal to acquire the entire stock of BHM Centrumfastigheter, which owns 100% of the Jakobsbergs shopping center in the municipality of Järfälla in greater Stockholm. The total debt-free purchase price was €104.5m and the investment provides an initial net yield of 6.0%.

"There is a limited number of shopping centres that match our definition," Olkinuora says. "In Finland there are maybe 50 or 60 while in Sweden, many more, maybe 215. In the Baltics there may be 10 centres per country that meet the criteria. So there is a disparity of assets and the ways to grow are to acquire existing centres or to build new ones. We have chosen both ways." Citycon's repeat customers in its new or refurbished malls include H&M or other Swedish textile chains, and Nordic or other grocery chains.

"There are plenty of opportunities even if the market gets more competitive all the time and yields are compressing downward so that properties tend to get more expensive as well," he says. "Also we have got a lot of competition in Finland lately, while a few years ago we were almost the only player of size in our field. We are not concerned that rental rates will fall; they should remain stable. Neither are we worried that vacancies will increase. Demand for retail space is good, so in general we are quite happy with our situation." pfe

As a result, operating profit fell to €81.6m from €141.9m in the first half of 2005, accompanied by sharp drop in the volume of property sales. The decrease in operating profit is partially compensated by an improvement in net finance costs, which nearly halved to €30.0m in the first six months of 2006. The main improvement was due to restructuring of the securitisation of Imser 60 portfolio, completed in June 2006.

The overall value of the group property portfolio at the half year was €3.2bn, with 90% represented by investment properties and the remaining 10% by trading properties. Net debt has risen to €1.6bn from the €1.4bn at end-December, reducing liquidity somewhat. Group debt-to-equity ratio rose to 1.02 at 30 June from 0.86 at 31 December 2005, while financial leverage increased to 50.5% from 41.9%.

The economic and financial results do not take account of the former Comit Fund portfolio acquired on 13 July of this year. pfe

Risanamento reports sharp dive in 1H06 profit due to disposals last year

Listed Italian property developer and manager Risanamento reported a sharp dive in net profit to €5.5m in the first half of 2006, compared with €143.6m in 1H05, but said the comparison is not significant since last year was distorted by several property disposals.

Operating result was €41.4m, equivalent to 32% of the production value, and in line with the result of 1H05 in percentage terms. Risanamento earned €184.4m in first half 2005. The company reported total market value of its assets as €4.3bn at end-June. This compared with its stock market capitalisation at mid September of €1.6bn, and a book value of €2.2bn.

"It is important to highlight that the comparison with the first half of 2005 is not significant as the qualitative and quantitative contexts were very different and had led to a considerable number of sales in the early months of last year," the company said in a release.

Net financial debt was €1.5bn at the half year, up from €1.2bn at 31 December. This includes the significant property investments made in the period, the most important one being the acquisition of an asset on Boulevard Haussmann in Paris.

"The economic and financial results achieved in the first half of the year are in line with the development programs," the company said. "We are therefore confident that the results for the entire 2006 will show an improvement on those related to the first half of the year."

Risanamento, 70% held by the Zunino Group, is mainly engaged in development and acquisition. Its primary project at present is the construction of Milan Santa Giulia which started last March, and development of the former Falck Area in Milan. pfe

Portugal's Sonae Sierra net profit soars to €87.4m in first half

Portuguese listed shopping centre group Sonae Sierra reported net consolidated profit after minority interests of €87.4m for the first six months of 2006, an increase of 118% compared to the same period of last year.

Sonae Sierra ended the half with consolidated direct profits

of €41.3m, an increase of 51%. EBITDA rose just over 30% to reach €73.9m. As of 30 June, NAV per share of the attributable property portfolio stood at €41.72, up 7.3% over the first six months. The company said its consolidated results were greatly influenced by the inaugurations and acquisitions of new shopping centres and by a rise in value of assets owned as a result of a general decrease in yields in Portugal and Spain.

Activity grew considerably, resulting from the opening in 2005 of Plaza Éboli (Madrid, Spain), LoureShopping (Loures, Portugal), Serra Shopping (Covilhã, Portugal) and Mediterranean Cosmos (Thessaloniki, Greece), plus the recent inauguration of RioSul (Seixal, Portugal). The activity was also influenced by the acquisitions of Valecenter (Marcon, Italy), Airone (Monseice, Italy) and Plaza Sul (Brazil, São Paulo).

Sonae Sierra said it continues to pursue an expansion strategy, developing a significant portfolio of projects, to which new business opportunities may be added in markets where the company is already present, or even in new markets. pfe

Germany's GWB Immobilien public offering subscription ends Friday

The Hamburg-based GWB Immobilien, a shopping centre development specialist, has appointed a placement consortium for its public stock offering. The subscription period for shares opened on Thursday and ends this Friday.

The small firm, which saw revenues rise by 10% to €9.3m last year and quintupled its pre-tax profit to €800,000, is focused on development, operation and management of retail malls and specialist shopping centres. It expects revenues to soar in 2006 to around €44m, mainly due to the sale of two retail malls. EBIT in the first half of 2006 rose to €2.4m, compared with €1.6m for all of 2005.

GWB is making a public offering of up to 2m shares, including greenshoe, comprising around 42% of equity. Price range is €12.50 to €17.50, and first listing is scheduled for 4 October. VEM Aktienbank has been selected to lead the listing consortium, which includes the electronic broker-banks Comdirect, Cortal Consors, Flatex and DAB, the private bank Bankhaus Reuschel & Co., Youmex Capital and BIW Bank.

GWB Immobilien is the latest German real estate flotation which includes, later in autumn, the Fortress-controlled GAG-FAH group. The Cologne-based Corpus Immobilien is also widely reported to be considering a flotation, but a spokeswoman told PFE that no decision has been made. The board has given itself to the end of 2006 to consider the matter. pfe

Portfolio revaluation boosts PSP Swiss Property 1H06 earnings strongly

A strong portfolio revaluation in the first half of 2006 caused a 162% rise in the net income of Switzerland's largest listed real estate group PSP Swiss Property to some CHF118m, the company reported.

PSP said the improved market environment gave confidence for the future. "Apart from the ongoing tasks of reducing vacancies and optimising the existing real estate portfolio, evaluating further strategic growth initiatives will be at the top of the agenda," it said in a release. Consolidated EBITDA excluding gains/losses on real estate investments is expected to reach

CHF200m in 2006. The earlier forecast of CHF207m in connection with the publication of the 2005 year results foresaw lower maintenance and renovation expenses.

In the first half, net income excluding revaluation effects declined to CHF50.5m from CHF60.0m mainly as a result of additional expenses for maintenance and renovation and higher vacancies. At mid-year 2006, the real estate portfolio amounted to CHF4.7bn, up from CHF4.6bn at end-2005.

Rental income amounted to CHF118.9m up 4.5% vs 1H05. "Despite the fact that the environment for renting commercial spaces improved in the first half of 2006, the vacancy rate of PSP's real estate portfolio increased to 15.5% from 12.4%," it said. This deterioration was the result of several terminations of larger areas as well as additional vacancies due to renovations. To lower the vacancy rate, PSP will – in addition to intensifying rental activities – invest additionally in the attractiveness of properties.

PSP CEO Fritz Jörg is stepping down as of 31 March 2007, and will be succeeded by current CFO Luciano Gabriel. pfe

Société de la Tour Eiffel reports big rise in net profit on doubling of portfolio

Société de la Tour Eiffel, a French Real Estate Investment Trust / SIIC, raised first-half net profit to €62.3m from €22.4m the same period last year, mostly on higher volume this year.

First-half turnover of €29.8m matched that for all of 2005. "Following a twofold portfolio increase at the end of last year, STE has forged its investment strategy on rental growth and development opportunities," the company said.

It has invested €145m in offices and nursing homes and sold some non-strategic assets for €39m. The value of the portfolio has risen by 23% to €867m since last December.

The company said it intends to continue its "restrained acquisition policy coupled with portfolio optimisation." This could include selected disposals, upgrading of business parks and development of land reserves.

STE bought nursing homes located outside Paris in the French provinces from Société Ruby Participations SAS this year on the basis of an entry yield of 7.3%. Alain Dinin, president of Nexity, was appointed to the board 14 September. pfe

Doughty Hanson to raise €1bn by listing fund on Amsterdam exchange

London-based private equity firm Doughty Hanson will seek to raise €1bn offering on the Amsterdam stock exchange the shares of a listed investment subsidiary called Doughty Hanson & Co Investments LP Inc.

This publicly traded investment company will then invest primarily in Doughty Hanson's private equity, real estate and technology funds as a limited partner. It will also participate in investments with Doughty Hanson's portfolio and real estate holding companies and make other opportunistic investments as identified by Doughty Hanson.

Doughty Hanson said it will capitalise the investment unit with €40m in cash. The vehicle will start with a partly paid capital structure, possibly 60% paid in at the time of offering and 40% paid after 12 months.

At least 80% of the offering proceeds will be invested in

Doughty Hanson's funds and in co-investments in the portfolio companies and real estate acquisitions. As much as 20% could flow into opportunistic investments, such as minority stakes in mezzanine facilities made available through Doughty Hanson's acquisitions and other opportunistic investments beyond the scope of the existing funds. pfe

Foncière des Murs sells shares to raise €300m for hotel, restaurant buys

Foncière des Murs, a French REIT/SIIC (Société d'Investissements Immobiliers Cotée), is raising €300m with a share issue in order to finance the acquisition of hotels from Accor and restaurants under the Courtepaille brand.

The company will issue about 3.5m new shares at €87 each. The share sale ends 22 September and the new shares will begin trading 10 October on Eurolist.

Foncière des Murs, mostly owned by Foncière des Régions, specialises in hotel, leisure and medical property ownership.

It acquired from Accor a portfolio of 76 hotels in France and Belgium for about €228m and also bought 71 Courtepaille restaurants for €42m. pfe

Germany's Vivacon continues flats' buying spree in major towns

Vivacon, a traded German property services provider and investor in niche property markets, says it has purchased a portfolio of 1,423 apartments, largely in Berlin and Cologne, through a subsidiary. Neither the price nor the name of the seller was disclosed.

At the start of September Vivacon bought two other packages of property, one with 886 apartments and another with 1,243 apartments. Together with the Berlin-Cologne portfolio, this raises the number of apartments owned by the company to 8,600 units.

The portfolio of 1,423 Berlin and Cologne apartments includes around 93,000 sq.m. of space and is 93% rented. pfe

Patrizia promoted to Germany's M-Dax mid-market share index

Patrizia, a listed property company based in Cologne, has been promoted to the M-Dax mid-market index of the German stock exchange, where it will replace drug company Schering.

Deutsche Börse, the exchange operator, made the listing change on 18 Sept. because Schering's freely floating equity has become too small to satisfy M-Dax criteria. Schering is being acquired by Bayer. pfe

Germany's Anterra issues 2006 profit warning after first-half loss

Traded Frankfurt asset manager Anterra Vermögensverwaltungs, controlled by LNR Property Corporation of the United States, has alerted stockholders that it might miss its profitabil

ity target this year.

The company, which manages at least 70 rental and commercial properties, had originally planned for a group result of €3.3m. But the booking before year's end of various "pending transactions" has made this uncertain, the managing board said.

Anterra made a group net loss of €1.5m in the first half of 2006, compared with a loss of €1.7m in the same period of last year. pfe

Macquarie Goodman to invest €650m over the next five years in Italy

The Australian listed company Macquarie Goodman will over the next five years invest €650m in Italy, via its subsidiary Eurinpro, a company active in nine countries and listed on the Sydney Stock Exchange.

According to the Italian daily Milano Finanza, MG will invest €130m in a quinquennial plan. Destinations of the investments are harbours, airports, infrastructures and large cities. The purpose is to create a very efficient infrastructure system for operators, particularly for the foreigners working on the Mediterranean coast.

MG, with a strong focus on logistics in Europe, has already invested in Italy, in the warehouse centre Anagni near Rome.

Gregory Goodman, CEO of the company, said "talking about logistic, Italy has still so much space to offer and calls for growth". He added, "we feel strong enough to walk alone, we have a liquid asset adequate to invest without external support or local partners".

The Macquarie bank initially participated with a share of 7.7% but this share has recently been acquired by Macquarie Goodman. The Goodman family, one of the richest families in Australia is now the partner of the group with a share of 9%. The company has now 12 months to find a new name. pfe

vestment in real estate and away from direct has prompted Italy's Generali Real Estate to set up two new investment funds designed for institutions, each of them aiming for €1bn in assets under management.

Giovanni Paviera, head of Generali Property Investments said the unit in March of this year launched a 3-year plan that envisages investing around another €6bn in new real estate to add to the current €19bn under management at end-2005. The establishment of Generali Property Invest SGR, a property management company, is one result. Its first fund will be named after the musician Scarlatti and is aimed at gross asset value of €1bn. With major institutional investors as target clients, this fund will focus on Italian investment.

A second pan-European fund of the same target size will be established over the next two years, seeking inward investment from institutions in eight European countries but asset exposure in 30 European nations. "It has not actually been proven up until now that larger funds of this size necessarily have a better performance but they do need to be large enough to have the kind of liquidity that is attractive to institutional investors," Paviera told the Scenari Immobiliari conference in Santa Margherita de Figure last week.

Paviera, formerly head of real estate for the listed Italian group Aedes, noted that there is huge cash-flow available for investment in European property currently. In the first half of 2006 total equity available in European property funds rose by no less than 68% compared to first half 2005. Indirect investment – via listed and non-listed vehicles – accounted for two thirds of all transactions. Gross asset value of non-listed real estate vehicles has almost tripled over the last few years to €319bn now.

The proportion allocated to Italian property investment is a very low 3%, and the nation does not belong to the leading group of target investment within Europe. By contrast, he cited the massive influx into Spain that pressed yields on one Madrid landmark office asset down to 3.5% in spring, lower than the return on Spanish 10-year bonds. Private equity funds are also pushing strongly into the real estate sector. They have huge sums under management and also a higher propensity for risk. pfe

ING Real Estate launches five new property funds targeting €4.25bn

In its biggest-ever launch of property funds, ING Real Estate Investment Management is introducing five new vehicles

FUNDS

Italy's Generali sets up two new funds on way to property investment surge

The massive shift currently taking place toward indirect in-



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diary and dates upcoming in 2006

September 25-26, Monday-Tuesday

Euromoney Legal Training - Real Estate Finance Law Forum, London

The forum looks at the key legal and regulatory developments in structuring real estate finance transactions, with special focus on REITs. To be chaired by Slaughter and May's James Featherby; includes key presentations from experts including Merrill Lynch Investment Managers, S J Berwin and HM Revenue & Customs.

More info: www.euromoneytraining.com/legal

September 28-29, Thursday-Friday

European Property Italian Conference, Rome

The first conference of its kind is dedicated to the Italian real estate sector and its relations with international finance. EPIC can be considered an open house, where all industry stakeholders have an opportunity to share ideas, build and consolidate networks, expand their knowledge and develop strategies for new business.

More info: <http://www.epic.it>

September 30, Saturday

7th European Business School Immobilienkongress, Oestrich-Winkel, Germany

Under the title Value Chain of Real Estate Private Equity Institutions, this one-day German language conference focuses on private equity fund involvement in domestic real estate.

More info: www.ebs-immobilienkongress.de

October 3, Tuesday

14th Annual Les Echos Property Investment Conference, Paris

French language conference focusing on the inflow of capital into commercial property. Some 80% of investment is into office and user demand remains strong – 1.1m sq.m. in Ile-de-France this year to end-May. Aim of the 14th conference is to present the strategies of the best performing real estate firms in France and Europe.

More info: <http://conferences.lesechos.fr>

October 4-5, Wednesday-Thursday

8th Annual German & Northern European Securitisation Forum, Munich

The premier securitisation conference in the German & Northern European market, it will include discussions on structural innovations, warehousing structures, the skyrocketing CMBS sector, Mezzanine Funds. Also: new focuses in conduits including multifamily securitisations, latest developments in True Sale International, RMBS, and IT.

More info: www.imn.org

October 5, Thursday

2nd Annual Summit on German Non-Performing loans, Munich
Running concurrently with the German ABS Summit, at-

tendees will share thoughts on transactions, market potential, comparisons with the rest of Europe, international perspectives on NPLs, credit risk management, solutions for smaller portfolios, options for Sparkassen, timeframes, and documentation issues.

More info: www.imn.org

October 5-6, Thursday-Friday

Commercial Real Estate Forum on Central Eastern Europe, Russia & CIS, New York

EuropaProperty's conference on central and east European commercial real estate is the first of its kind to be held in the US, and should attract investors, developers, and agents. Speakers include Emmanuel Blouin-Morgan Stanley, Gareth Jones-Jones Lang Lasalle.

More info: www.europaproperty.com

October 11-12, Wednesday-Thursday

The Future of European REITs, London

This brings together investors, investment bankers, fund specialists, CFOs, investment managers, consultants and lawyers in a unique forum to discuss this fascinating and evolving industry. Build your competitive edge through attending the first event to discuss all the key opportunities and challenges.

More info: www.euromoneyplc.com

October 12, Thursday

Real Estate Share Initiative 2006, Frankfurt

One-day seminar of the main listed German property companies - Deutsche Wohnen, Deutsche EuroShop, IVG Immobilien, TAG Tegernsee Immobilien, Polis, Deutsche Grundstücksauktionen, Deutsche Beamtenvorsorge Immobilienholding, Vivacon, Colonia Real Estate.

More info: www.deutsche-wohnen.de

October 12-14, Thursday-Saturday

FIABCI European Congress & 12th CERAN Conference, Sofia, Bulgaria

FIABCI, CERAN and the Bulgarian National Real Property Associations are inviting to this conference which features a wide variety of sessions on challenges facing real estate markets. It is complemented by an exhibition for companies to showcase advancements in the field.

More info: www.fiabcisofia2006.com or www.cereansofia2006.com

October 13, Friday

European Real Estate Society seminar, Stockholm

This half-day seminar on European market cycles discusses possible convergence in European macroeconomic cycles and property markets, relation of capital and rental cycles, are investors rational - as well as Stockholm's office rental cycle, and Nordic cycles in international comparison.

More info: www.eres.org

aimed at raising a total €4.25bn in capital, to try to meet ongoing demand from institutional investors.

On the funding side, the main sources are not only the UK pension funds and other institutions but also continental European institutional investors. "Real estate as an asset class is becoming increasingly sought after as it can provide a long and growing income stream as well as the ability for the manager to add value via astute and intense management," commented Chief Executive David Blight. ING REIM estimates that in 2005 global capital flows into real estate jumped 25% to \$1tr, from \$800bn in 2004.

"Higher interest rates around the world are helping to slow the momentum of the market and providing a more stable environment for investment managers," Blight said in a release. "Limited speculative building and generally falling vacancy rates, accompanied by solid economic growth, should lead to higher rents underpinning real estate's performance."

The new funds include for the first time an infrastructure offering. They are ING Property Fund Central and Eastern Europe targeted at €1bn, ING Real Estate Nordic property Fund, also €1bn, ING Real Estate French Residential Fund, targeted at €500m, ING Infrastructure Fund, seeking €1bn, and ING Healthcare Property Fund targeting €750m.

Pieter Hendrikse, Chief Executive of ING REIM Europe, said: "Institutional investors are looking for more value-added style funds... Our three new European vehicles and the forthcoming infrastructure and healthcare funds have been tailored to meet this demand."

The new funds target absolute investment returns and in the CEE fund, for example, offer access to markets where quality building stock is in tight supply and specialist local management and acquisition skills are required, Hendrikse added.

In addition to the new fund launches, ING Real Estate Canada recently announced a C\$2.2bn public offer for Summit Real Estate Investment Trust, Canada's largest owner of industrial investment real estate and the fourth largest REIT on the Toronto Stock Exchange.

Separately, ING also announced the formation of ING Real Estate Capital Advisors, a joint initiative between its wholesale banking's corporate finance business and ING Real Estate. RECA will support ING's global property business and offer real estate related banking and advisory services to a growing number of institutional and corporate clients.

ING REIM is one of the world's biggest property investors, with €51.5bn in assets under management at the end of June. pfe

French OPCl open-ended property funds may start in 2007, after delay

France's first open-ended property funds in the new form of OPCl are expected to be launched the beginning of next year following public consultation by the country's market regulators on how they should operate.

The open-ended funds should be launched at the beginning of 2007, Guy Marty, director general of the French think-tank IEIF (Institut de L'Épargne Immobilière et Foncière) told PFE on the sidelines of a conference last week.

The unlisted investment vehicles, called Organisme de Placement Collectif Immobilier (OPCl), were expected earlier this year but wrangling among French regulatory authorities, government and industry representatives delayed their debut.

Initially, OPCIs were supposed to replace the existing SCPIs

(Société Civile de la Promotion Immobilière), closed-end pension vehicles managed externally for French individuals by banks and insurance companies. Under the latest plan the two vehicles will co-exist for an indefinite period. SCPIs have a following in France, attracting yearly investment of about €1bn. They are open only to French investors and can invest only in property in France. At the end of 2005, SCPIs were worth €13.2bn

Market players say the new OPCIs will add significant liquidity to the listed property sector because they will be able to invest in listed property stocks. OPCIs will be similar to German open-ended funds. SPCIs and OPCIs "will be two very different products," said Marty.

The French market regulator has just published a set of rules for OPCIs which will be available for public consultation through 10 November. They envisage two types of OPCIs. Both must place 60% of their funds in property and keep 10% liquidity. The remaining funds can be used to acquire other financial instruments such as bonds. OPCIs will also have strict rules on redistribution of profits and losses, type and location of property assets and debt load. pfe

Aberdeen launches Pan-Nordic fund targeting €1.5bn in new capital

Aberdeen Property Investors has launched a new Pan-Nordic property fund for international institutional investors with a target size of €1.5bn, structured as an open-ended vehicle to actively manage a diversified portfolio of commercial properties.

Aberdeen Property Fund Sicav Pan-Nordic will benefit from Aberdeen's expertise in the Nordic region to target a total return of 10-15% on equity per annum after management fees and fund taxes. The dividend target is set at 5- 6% and the fund will allocate all regular cash flow to annual dividends. The first closing is set for 29 September.

The fund will invest in the Nordic and Baltic countries, with an aggregate risk profile at a value-added level. The portfolio will be diversified with respect to regions, property types, risk characteristics, composition of tenants and length of lease contracts. The Baltic allocation of up to 15% provides opportunities in some very fast growing economies, Aberdeen said. The Baltic states are becoming more integrated in the economies around them and have developed as a strong gateway for Russian international business.

In the Nordic region, Aberdeen is managing property assets of €7bn through institutional mandates and domestic core-plus property funds in Sweden, Norway, Finland and Denmark. The domestic funds are open for new investments on a quarterly basis.

Aberdeen noted that most institutions around Europe, including the UK, still have over 90% of their property allocation in their domestic market, while investment theory indicates that risk-adjusted returns improve significantly if they diversify internationally.

Ubbe Strihagen, API's International Director, commented: "Property is increasingly a crucial component of institutional portfolios. Investor demand is changing from focusing purely on domestic investments to opportunities further afield that offer both diversification and the potential for higher returns... We see this fund as a very interesting alternative for institutional investors who seek international property exposure with good performance." pfe

Net capital disinvestment in German open-end funds continues in August

Investors withdrew another net €136m from Germany's troubled open-ended property funds in August, bringing the net liquidity drain from this investment vehicle to €8.3bn for the first eight months of 2006.

Figures from German asset managers' association BVI showed that among the 34 German open-ended property funds, SEB Immobilien-Investment fared best, gaining net purchasing of €128.8m. This was followed by Degi, the property fund of Allianz insurance, with €70.7m. The big loser in this class was Deka, the property fund of the savings banks. It suffered an outflow of €366m through net selling.

Stock funds lost a net €1.09bn in August. Investment capital flowed into the least risky of vehicles, the money-market funds. They netted new investment of €865m in August. Another €235m was newly invested in that class of mutual funds which now guarantees the value of an investment. pfe

Statuto plans launch of €500m in new real estate funds series in Italy

One of the new entrepreneurs of the Italian real estate sec-

tor, Giuseppe Statuto, is planning to put properties for a value above €500m into new real estate investment funds that he is launching as soon as he has authorisation from Banca d'Italia and Consob, the Stock Exchange watchdog.

Statuto, who already controls Statuto Lux holding, will establish Statuto Immobiliare Sgr, and plans to allocate shares of the funds among institutional investors and private banks.

The funds will be specialised according to asset type - office, residential, commercial, hotels, among them the Danieli in Venice and Four Seasons in Milan. They will be sub-divided according to prime location or general location. The total amount corresponds to roughly one quarter of the total value of the properties in Statuto's portfolio. pfe

Italian decree causes problems for real estate funds, but taxes seen falling

Uncertainty surrounding the administrative decree, announced by the Italian government, has caused listed real estate funds problems in buying and selling properties on the Italian market.

An increasing number of properties in the portfolios remain vacant, casting a worrying shadow on future funds profitability. An analysis based on first six months data elaborated by Norisk on 22 real estate funds shows an increasing amount of liquidity in the funds portfolios. This is due to strains in finding oppor-

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tunity to invest and divest in order to increase the value of the portfolio. It is particularly difficult to find items to be acquired that promise adequate yields.

Problems are showing even in ordinary activity, where many properties remain vacant, or even outstanding rent-contracts are reneged. Time to rent offices becomes longer. Offices represent 60% of funds asset allocation. Furthermore vacant properties become difficult to be sold.

The analysis does not take into account recent modification in the legislation affecting taxes on properties transactions. A glimpse of hope comes from floated government plans to introduce the REITs regime in Italy and to harmonise asset taxation, including property rents, to 20%, that could revitalise the property market. pfe

Aviva's Morley buys first retail assets in Hungary outlets for property fund

Aviva PLC's Morley Fund Management has acquired its first retail asset - Hungary's first factory outlet - for its Aviva Central European Property Fund from Miller Group's Miller Developments unit for €70m. The deal represents a net initial yield of 6%.

The centre is a joint venture between Miller and Raiffeisen Property and has tenants including Nike, Adidas, Puma, Levi's Dockers, Calvin Klein and Morgan. It has two completed phases with a third planned. Fund manager Julian Taylor said Morley is pleased to have acquired such a high quality property, which attracted a number of interested parties. "We believe it will deliver a good return for our investors over the long term."

Morley Fund Management is a wholly-owned UK-based asset management business of Aviva PLC, among the world's largest financial services groups with € (291 pounds)??

ACEPF is a Luxembourg-listed FCP. Aviva Life Fund is a major investor in the fund. pfe

Letterstone launches second Hungarian and Slovakian fund

Guernsey-based investment fund manager Letterstone is launching its second closed-ended investment vehicle targeting commercial property in Hungary and Slovakia, LEEF 2006, on the back of a 78% return on LEEF 2005.

The funds are development vehicles with target gross development value of €325m.

LEEF 2006 has target seed equity of €40m. Letterstone CEO Simon Hill is confident it will hit its equity target. "Our view is that people don't really understand how strong the economic stories of these countries are. Both Slovakia and Hungary have very stable economies and are fully fledged members of the European Union," he said recently. pfe

FINANCING

Fitch puts Aareal's Provide Home 2001-1 on rating watch negative

Fitch has downgraded two tranches in a portfolio of Ger-

man residential mortgage-backed securities originated by Aareal Bank and backed by the Provide Home program of the KfW Group. It has affirmed the remaining three tranches and also 12 tranches of Provide Home 2002-1 plc and Process Home 2003 plc, two others originated by Aareal.

Fitch said it has been monitoring the performance of two tranches of Provide Home 2001-1, a German RMBS portfolio, closely throughout 2006, and has become concerned with the increasing level of reported defaulted reference claims. At the August interest payment date, 7.05% of loans were reported as being defaulted reference claims.

However, Fitch has been unable to determine to what extent this is non-performing, given that all claims defined as defaulted, even if they have subsequently become performing again, remain in this category. The level of credit events in this transaction has remained relatively stable and currently account for 0.62% of the outstanding balance.

According to the latest investor report, 19.48% of the portfolio is secured on multi-family housing and 42.34% is secured on investment properties. The agency will be particularly concentrating on proportions of such features in defaulted reference claims in its analysis, which are expected to be higher than proportions in the portfolio as a whole. pfe

Fitch upgrades 14 Italian RMBS deals, affirms 93 others after negative watch

Fitch Ratings has upgraded 14 and affirmed 93 tranches in a review of the performance of Italian RMBS transactions. It follows a negative rating watch on Italy's foreign and local currency issues imposed in May reflecting the deterioration in public finances and prospects of the debt-to-GDP ratio continuing downward in the medium-term.

"The upgrades follow generally steady performance in the sector and growth in credit enhancement, which results from the predominantly sequential redemption of notes, resulting in increased protection being available to the notes," Fitch said. It undertook a simultaneous review of all deals to allow benchmarking and comparison and discussion in the context of the specific features of the mortgage market in Italy.

Most of the 37 transactions were issued at least 12 months ago, the only exception to this being Sestante Finance 3 Srl, which was issued in December 2005. Specific features of each transaction have been taken into consideration, such as the different definitions of arrears and defaults, the presence or otherwise of a reserve fund or cash collateral account in each transaction and the levels of credit enhancement available to each Class of notes.

All upgraded tranches are from highly seasoned transactions that closed over three years ago. Growth in credit enhancement tends to be slow in Italian RMBS due to the 18 month principal lock-out period and low level of prepayments that characterises the market. Effective comparison between deals is also problematic due to the variety of definitions for delinquent and defaulted loans. Arrears from 10 business days to 12 months past due are variously defined as delinquent in different transactions.

Under Italian law, all RMBS transactions include an 18-month lock-out period, during which no principal repayments are made. Once the lock-out period ends, the redemption of notes using principal accumulated during this period is sequential in most cases. pfe

The real estate associations: Urban Land Institute, Europe

ULI Europe sees Europe as laboratory of best practices, disseminating practical knowledge in multi-disciplinary real estate forum

Founded as a non-profit research and educational organisation during the Great Depression in the United States in 1936, the Urban Land Institute significantly reinforced its presence in Europe two years ago, and is on a mission to promote smart land use.

Although the majority of its 32,000 members are in the US, ULI now organises 14 country councils in Europe, plus events and conferences. William P. Kistler, president of ULI Europe, describes the opening of the London office in 2004 as a milestone in ULI's worldwide presence. "Europe is a laboratory of best practices," he told PFE recently.

Working with local action units, site-specific case studies, research, education and a diverse range of conferences, ULI focuses on identifying and disseminating practical knowledge among real estate professionals. It sees itself as the "think-tank of real estate," and its mission as "providing responsible leadership in the use of land and in creating and sustaining thriving communities worldwide" This places ULI on the front line of neighbourhood regeneration and such issues as sustainable development and affordable housing. Organised into regional district councils, ULI spreads the word on best practices in a copious output of case studies, textbooks and statistics and by bringing successful developers, community planners and other experts together in small groups to swap experiences.

A 17-year ULI veteran with executive career stops at IBM, Chicago's JMB Properties, Disney and Cushman & Wakefield, Kistler also heads ULI's Global Exchange Group, a team of 30 persons in the worldwide headquarters in Washington, D.C. Richard M. Rosan, as ULI president, retains a permanent staff of more than 150 and oversees an annual global budget of \$55m, membership supported.

For the past 10 years, ULI Europe's flagship event has been its annual two-day Finance, Investment and Development Conference is held in early February in Paris. A conference on industry trends is held each spring, with Hamburg chosen as the venue next June. That gathering will showcase the city's highly successful waterfront redevelopment. Topical conferences focus on specific issues of urban land use.

ULI European membership is approaching 2,000, typically professionals well connected in local and national real estate organisations. Membership growth is important, says Kistler, because "you can't have an exchange of ideas without a network." More than 20% of the institute's membership is in the public sector. "They see us as a neutral think-tank in cross-sector and cross-border land use techniques."

The institute cooperates with PriceWaterhouseCoopers on its Emerging Trends report, which now produces US, European and Asia editions. Other corporate partners include Morgan Stanley, Deloitte, Ernst & Young, GE, Hines, Hypo RE, Lehman Brothers, Bank of America and C&W.

Kistler calls regeneration of brown-field sites a "a critical

challenge in our industry and for society". It looms large in ULI's extensive body of case studies and its network in 87 countries. "We launched a centre for urban regeneration and sustainability for Europe last year," he says. "It is about capturing best practices in Europe and sharing them with North America and Asia. We often collaborate with other professional organisations, universities and the public sector."



ULI's Bill Kistler: "Providing responsible leadership in land use, and creating and sustaining thriving communities worldwide."

ULI Europe won accolades from the regional authorities with its local advisory panel on regeneration of the city centre in Duisburg, part of the rust belt in the industrial Ruhr district, where it also provided a study on how to transform the image in the minds of investors. Another case study broke a logjam between the community and developers on the issue of redeveloping the train station of Utrecht, where rail tracks divided the city.

In a June conference called 'Cinderella Cities' in Birmingham, ULI Europe showcased the redevelopment strategies and actions that led to the city's renaissance in the past 10 to 15 years. Chicago, Birmingham's sister city, presented its own Cinderella story.

Kistler says investors have grown more aware of the importance of regeneration and sustainability in successful development projects. "There is only so much land on earth and making good use of it is imperative," he says. The institute's smart growth program embodies the whole challenge of sustainable development.

"Europe has much to offer the rest of the world as a model. We are here to learn as much as to teach. Compared with the United States, where sprawl is a bigger issue, Europe packs a lot more people on less land area. We have something to offer Europe's investors and developers who are looking to connect with major capital, such as funds."

Since ULI's emphasis is on finding practical solutions to development problems at the local level, its response to Katrina, the hurricane that destroyed New Orleans, captures the essence of this trouble-shooting philosophy. Some 50 ULI volunteers, some chief executives of their own property companies, were recruited to study the aftermath, gauge housing, planning and other needs. Specific redevelopment recommendations were made and more than \$1m raised for the study. "The Katrina panel was a great example of ULI reaching out to a community and trying to make the world a better place," says Kistler. pfe

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

RESIDENTIAL

German bank mortgage margins fall to three year lows - Hypoport

Bank margins on mortgage loans extended to private customers in Germany via large distribution firms fell to their lowest levels in three years in June and July, according to a study by the Berlin-based financial services firm Hypoport, parent group of *Property Finance Europe*.

In mortgage lending of 80-100% loan to value, margins declined by around one-third compared to their peaks at the end of 2005, taking bank earnings down to an average 0.47% from 0.72%. The strongest declines however were recorded in lending of 60-80% of value - to 0.36% from a prior 0.6%.

Hypoport, through its electronic Europace platform, provides business-to-business Internet-based processing for many of the larger mortgage distributors in Germany, including MLP, AWD, Bonnfinanz, Dr. Klein, Creditweb, Freie Hypo and Deutscher Ring. Dr. Klein and Freie Hypo are also companies within the Hypoport group.

Hypoport Chairman Thomas Kretschmar estimates that market share of German non-bank mortgage distributors has risen in the last three years to around 25% from 10%. This should grow further. Distributors in the US and Britain have a larger mortgage market share than branch networks. Market leaders in Germany are ING-DiBa and Postbank/DSL Bank.

"The savings banks and branch networks of private banks haven't yet really understood that the distributors are their true competitors," Kretschmar said in a release. "It's not only a matter of the conditions that the distributors can offer, even though many distributors that use our platform price very aggressively. The more important consideration is the customer, his financial situation and finding the best solution for him that the market can offer. Very often this is not the brand being offered by his house bank." pfe

Kungsliden completes Sweden's largest property sale, to Danish Keops

In the largest real estate transaction ever in Sweden, listed property company Kungsliden has completed the sale of 172 commercial properties to Danish property fund Keops for over

€620m equivalent.

The transaction, initially delayed by the acquiror's funding, is being made at some €120m above book value and €150m above acquisition value, Kungsliden said. This latter amount will be included in Kungsliden's profit in the fourth quarter.

Kungsliden's incoming Chief Executive Thomas Erséus hinted that the company will use the profits to extend into other kinds of assets. „We now note good expansion opportunities in the care and schools segments," he said in a release. "Meanwhile, we'll be able to maintain high transaction levels on commercial properties." pfe

Spanish mortgages reach new record in July

The value of outstanding Spanish mortgages soared by 25.3% to nearly €846.5bn in the first seven months of 2006 compared with the year-earlier period, according to the Spanish Mortgage Association.

In July alone, the credit-based property boom resulted in the signing of a record €17.4bn in mortgages, a 2.2% increase from the same month in 2005. Accumulated net growth from January through July was €107.2bn, compared with €93.3bn the year-earlier period.

Rising euro interest rates prompted Bank of Spain to warn potential home owners repeatedly about too much credit exposure in a property market where prices have doubled in the last decade. pfe

RESEARCH

Nordic property investments to outperform Europe average - Aberdeen

Real estate investments in Europe as a whole have provided a better return over the last five years than in the Nordic countries, but this is likely to reverse in the next few years due to the strong economies of the four major nations, forecasts Jon Lekander, Head of Investment Strategy at Aberdeen Property Investors in Stockholm.

While Europe as a whole returned around 8.8% per annum unleveraged over recent years, the fast yield compression means

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this is likely to reduce to around 7% in the next few years. By contrast, the four Scandinavian markets as a whole have returned about 7% on average historically, and should produce some 9.5% p.a. for the next year or so.

The reason is that the economies of the Nordic countries are fundamentally very strong and are picking up pace again to outperform the continental mainland. "We think the region will outpace all of Europe, driven by improvements on the income side," Lekander told a session at the BusinessArena conference in Stockholm last week.

The best performer in the group should be Norway, boosted by the oil and gas income from the North Sea as commodity prices stay high. Finland should also see a further yield compression due to limited supply and steady demand. Denmark should be a market with relatively low volatility, while Sweden is the largest market by far and thus offers more depth to meet the demand of foreign investors. pfe

Swedish office yields to fall still further due to strong demand - Newsec

Despite the very strong performance of commercial property in Sweden over the last three years, specifically in office, demand continues to be so strong so that yields are likely to fall further, predicts Marie Bucht, head of advisory for the Stockholm-based Newsec.

Total commercial property investment in Sweden over the first half reached SEK82bn (€8.2bn) and foreign investor interest remains strong. The deal volumes last year were 46% greater Stockholm, with 39% outside the major cities.

Bucht told a presentation at the BusinessArena conference in Stockholm last week that yields have fallen steadily in prime office assets throughout Sweden since 2003. Stockholm office yields have fallen to around 4.7% from some 6.25% at the end of 2003, accompanied by those in the Danish capital Copenhagen but somewhat faster than in the Norwegian capital Oslo or the Finnish capital city Helsinki. Demand in the other Swedish cities Malmö and Gothenburg has been almost as strong as in Stockholm.

"Our estimate is that we will see rising prices over the next year or two going forward, and so will continue to see a yield decrease," she said. "Even a year ago demand wasn't as strong as today and this will certainly go on into next year."

Rents for prime office space in the three major Swedish cities average some €400 per sq.m. per year. Vacancy rates, which peaked out in June 2000, are now around 12% countrywide, but in Stockholm are 7% and falling, Malmö 14.5% and Gothenburg 12%. Stockholm offers some 14.2m sq.m. in total stock of office space. pfe

Foreign investors press Helsinki CBD vacancy rate down to 5-6% - KTI

Foreign real estate investors accounted for 70% of all property transactions in Finland during the first half of 2006 so that deal volume nationwide should reach over €6bn this year, says Hanna Kaleva, director of research for KTI Property Information.

She told the BusinessArena conference last week that the vacancy rate of office property in the Helsinki central business district has dropped to 5-6% and yields are likely to decline fur-

ther. "Generally speaking the demand for office seems to be increasing, but as in Sweden it is mainly targeted towards the best and the highest quality assets in the CBD," she said. "How low can the yields go? Maybe together with the rising interest rate environment the decline will slow down a little, but investment demand still seems to be very strong."

Rents in prime Helsinki office space have been rising at a steady 2-3% p.a. in recent years, and have reached €25 sq.m. per month. Because of the yield drop following the rapid internationalisation of the Finnish market has taken place since 2003, much as in Sweden, domestic institutions are also increasingly seeking property assets outside the country.

"There's also a constant stream of new players looking for high yielding properties and they are going to have to turn their attention outside the main cities, to the regions now," Kaleva said. pfe

Italian average mortgage size doubles in five years to €200,000

The average size of an Italian mortgage has more than doubled over the last five years to around €200,000, mainly thanks to lower interest rates that have made home borrowing more competitive compared to renting, and the creation of a wider array of products, according to research house Scenari Immobiliari.

In its annual forecast it said the indebtedness of Italian families has grown to 30% of GDP overall in 2005 from 18% in 1995 but noted that these are relatively modest figures compared to the average for the European Union of 56% and for the United States of 90%. Mortgage loans as a percentage of total household debts are low, at only 13% of GDP, one of the lowest levels in Europe - especially considering that the home ownership ratio in Italy is 84.2% of the population.

Total debt for home purchases grew to €184bn in 2005 from just €75bn 10 years earlier. "Above all, this reflects falling interest rates and a broader range of home loan products offered by banks," SI said. The typical loan-to-value ratio of Italian mortgages is 60-70%. However, 100% mortgage products been launched onto the Italian market only recently.

"The level of indebtedness of families is not high in proportion to wealth and income levels", SI said. "In 2005, indebtedness for home purchases represented 14% of gross disposable income, compared with 11.6% in 1995." Mortgage payments represent a little over 10% for high income families and more than 30% for those families on low incomes. pfe

German majority does not oppose housing privatisation - survey

Some 61% of Germans are not opposed to the sale of public housing to private investors, according to an Innofact opinion survey commissioned by Mondura, a firm specialised in housing privatisations.

The poll sampled the opinion of a cross-section of Germans including 1,009 respondents. The question on privatization of public housing was answered neutrally or positively by 61%, Mondura said.

About one of three respondents said they favoured the sale of public housing because private investors will maintain the

properties better over the long haul.

Some 57% said they regarded public housing as an important tool of social policy, but only 4% said they believed that the municipalities were still fully living up to this task. pfe

Slow recovery for German office market – Oppenheim funds

The recovery of the German office rental market is progressing only sluggishly in European comparisons, says property asset manager Oppenheim Immobilien of Cologne.

Despite diminished construction starts, the rise in vacancy rates has not stopped in all locations, it said. While Munich has a falling rate, the rates for Hamburg and Cologne can be expected to rise in the next year and a half. The rates for Berlin and Düsseldorf will mark time in this period and Frankfurt's vacancy rate will not decline until 2007.

Oppenheim also anticipates a rise in peak rents. Even published average rents should rise because they are derived from turnover on sold space, meaning they are influenced by the trend of moving to office space of higher value. The vacancy rate for modern space will sink accordingly, while the weighting of office space that is hard to rent will keep rising. pfe

Rental risk in German office centres is above average – HSH Nordbank

The rental risk in German office markets is higher than in most European and US office locations - even if the rental risk will diminish slightly in Frankfurt by 2009 and considerably in Hamburg and Stuttgart, according to the savings bank HSH Nordbank.

Scoring locations on a scale of 0, highest risk, to 20, lowest risk, the study found German office locations to have an average score of 6.8.

The Dutch cities of Amsterdam and Rotterdam are the only ones in Europe to show a higher risk. The European average score of 8.8 is expected to rise to 11.8 by 2009, meaning that rental risk diminishes notably. According to this forecast, the anticipated declines in the vacancy ratios will go hand in hand with rising rents.

The risk of unrented office space was sharply lower in the United States than in Europe. An average US score of 11.8 was calculated, with a rising tendency. The vacancy rate in US office locations was projected to fall to 11% by 2009 from 14% today. pfe

Spanish shopping centre investment rises 27% in 12 mths - JLL

Investment in new Spanish shopping centres grew by 27% to €1.6bn in the year to 1 September, putting Spain on track for a 2006 record, reports Jones Lang LaSalle.

Some 12% of all retailing property investment in Europe targeted Spain, topped only by Germany's 32% share. Spanish transactions included 22 sales, 15 new shopping centres and the enlargement of four others, with Morgan Stanley and GE Real Estate among the prominent buyers. Spain currently has 521 functioning shopping centres.

JLL projects total investment of €2.5bn in Spanish shopping centres for all of 2006, followed by a possible slowdown in coming years.

Foreign investment, 90% of Spanish transaction volume, has been the primary push behind the shopping centre boom. Newcomers include Ireland's Quinlan Private and Britain's Resolution Property. pfe

Warsaw, Budapest, Prague viewed as western property markets now

Warsaw's real estate market is now in the enviable position of showing the characteristics of a west European market in terms of depth and transparency but benefiting from strong economic growth prospects typical of transition economies.

That view, from Jones Lang LaSalle's Ben Bannatyne told a recent seminar in the Polish capital, comprised part of an overview assessment of the nation's property market. Bannatyne warned that the city will need strong governance and effective strategic planning.

JLL Capital Markets head for CEE & Russia Gareth Jones said Poland, the Czech Republic and Hungary are now also viewed as core European markets. Yield compression has slowed for prime product with a plateau reached in most sectors. The existing weight of money could drive some moderate further compression for the best prime products. Rising interest rates have pushed some of the highly leveraged buyers into markets further East where the yield gap and yield compression prospects are higher.

Separately, companies tied to multinational fund Verity Development have won a number of major tenders for undeveloped land in the town of Wroclaw this year. The fund, in which the Saudi Arabian royal family is a shareholder, mainly invests in Wroclaw and is becoming the largest real estate investor there. The high prices at Wroclaw tenders and involvement of many new financially strong players with foreign capital have confirmed that the capital of Lower Silesia is experiencing an investment boom.

Meanwhile, a Chinese invasion of Polish real estate is in the offing: Chinese-owned Tian Yu plans to invest €500m in a lakeside apartment and hotel complex and yacht port near the northwestern Baltic seaport of Szczecin. Szczecin city authorities and Tian Yu company representatives signed a letter of intent on the project earlier this month. Chinese investment has been trickling into the new CEE members, and in Poland, is put at just over \$50m dollars by foreign investment agency PAIIZ.

As well, shopping centres are a booming segment in Poland, with available space expected to expand by over 60% from 4m sq.m. now by end-2008 as developers invest around €2bn in new facilities. This rapid growth puts Poland among the European leaders. The boom, begun in the late 1990s, continues because Poland still lags way behind west European countries: Its average of around 100 sq.m. per 1,000 Poles is one-third of the level in Sweden and half the French figure. Investors are also beginning to eye smaller cities. pfe

DEALS

US Beacon Capital continues Paris spree with suburban acquisitions

Beacon Capital Partners, a Boston-based real estate investment company, has acquired office buildings in Courbevoie and

a planned office complex in Bois Colombes. Both sites are just outside Paris.

The buildings in Courbevoie, known as "Le Doublon," were bought from Merrill Lynch for €95m and have 30,119 sq.m. of office space, 75% leased to companies including Bouygues, Saupiquet, Dumez and Best Western.

The project in Bois Colombes is for 65,000 sq.m. of office space in five buildings. Beacon acquired the real estate from AXA Reim France's FDV II development fund. Beacon declined to give a price or yield on the acquisition.

Beacon first entered the French market this year with the acquisition of a prime office building in the La Defense business district of Paris.

Jean-Marc Besson, director of development of Beacon's French unit, told PFE the group is actively studying further acquisitions in Paris. "There will be more within one or two months," he said, qualifying the latest purchases as a "buying spree."

Beacon's "IV" fund attracted \$2bn in capital and is targeting property in London and Paris as well as eight US cities. The group has said it currently favours Paris over London because yields are slightly higher.

Beacon plans to launch a fifth fund later this year that will widen the geographic scope of its European investments to other European cities. pfe

Sweden's Fabege to sell 46 properties to Klöver for €430m

Listed Swedish property company Fabege has signed a letter of intent to sell 46 Swedish properties, mainly office space, to the traded Swedish Klöver property company for €430m, including €120m in new Klöver shares.

Fabege said it will earn a profit of €48.2m after tax on the deal, which requires approval by an extraordinary general meeting of Klöver's stockholders before 17 Nov. The profit estimate includes a rental guarantee made by Fabege.

For this transaction Klöver will issue about 46.5m new voting shares, representing 27.9% of the company's equity capital. Fabege said it did not intend to remain a long-term shareholder of Klöver.

The transaction includes 20 properties in Kista, 24 in Täby, one in Järfälla and one in Sigtuna. These properties have a combined rental area of 350,000 sq.m., mainly offices, with a rental value of about €46m.

The sale will trim Fabege's portfolio to 178 properties, including 49 in downtown Stockholm and 31 in Solna. Those two locations will deliver at least 70% of Fabege's total rental value.

„By focusing on a small number of well contained markets we will become even more effective at managing, improving and developing our portfolio and thereby strengthen our market position“, said Erik Paulsson, Fabege's chief executive officer. pfe

Spain's Banif buys €50m Paris office building for new French property fund

Banif, a unit of the Spain's Santander bank, has purchased an office building in Paris' central business district, the first acquisition for its newly launched Inmo Francia n 1 fund.

Banif paid €50m for the building at 7 rue de Madrid in the eighth district for an entry yield of 5.3%, Etienne Brocas, director of property for Banif, told French portal Businessimmo. The fund has €200m to invest in France and will look within Paris but also in the suburbs and French regions where yields are higher.

Banif also seeks to buy a French REIT/ SIIC (Société d'Investissements Immobiliers Cotée) for €200m-€250m as an investment vehicle on the French market.

"France is our neighbour. The property market is liquid and the ratio between yields, rents and prices remains attractive for Spanish investors," Brocas said. "We aren't taking big risks and are taking a long-term view."

Spanish investors have poured into France in recent years, buying up real estate, property companies and REIT/SIICs. Brocas said this will not change anytime soon. "The Spanish are (in France) to stay. They came to acquire property, beautiful buildings that they like," he said. "This long term vision shapes their buying habits. They decide quickly to buy buildings they like, which isn't always the case with other investors, especially Anglo-Saxons." pfe

Commerz Grundbesitz fund buys Swedish shopping centre for €176m

Commerz Grundbesitz, the property funds unit of Germany's Commerzbank, has agreed to buy a planned Malmö shopping centre from Denmark's market-leading developer, TK Development, for €176m.

The Swedish centre, called Entré Malmö, will have 39,000 sq.m. of rental space when completed by Skanska construction company by end 2008. CGG is buying the project for its Hausinvest Global open-ended property fund, which has a 12% German market share. The Malmö property will yield more than 6% during the first 10 years after taxes and charges.

TK Development, which is paying Skanska €80m (SKE800m) to build Entré Malmö, will bear all the construction costs, permit costs and scheduling risks until the project is finished. Entré Malmö will have three connected buildings with floor space of 82,000 sq.m, including new construction of 76,000 sq.m. The existing Värnhemshuset building, rented to the Hemköp retailing chain, is being extensively renovated and integrated into the centre.

Apart from retailing on two levels, the centre will have restaurants, movie theatres, a fitness facility and underground parking for 930 cars when completed in autumn of 2009.

JLL research projects the buying power in this most prosperous Swedish region of 700,000 people to grow by 24% to €4bn by 2011.

Separately, Swedish quoted property firm Skanska has been commissioned by Danish listed company TK Development to construct the city of Malmö's new central shopping and experience centre in a contract worth some €80m. Preparatory work has commenced and Entré Malmö is scheduled for completion in autumn 2008. pfe

DekaBank sells Frankfurt office building to UBS, Shaftsbury for €100m

DekaBank, the property funds unit of the German savings

banks, is selling the Alkmene office building in the Frankfurt banking district to a joint venture of Shaftesbury International hotels und UBS Continental European Property for around €100m.

T-Systems, a unit of Deutsche Telekom, signed a 10-year rental contract on the 20,500 sq.m. building last year.

Deka has been selling assets of its open-ended property fund in order to recover from a liquidity crisis. pfe

DIFA, ECE start work on €300m shopping centre in downtown Essen

Construction began 13 September for a €300m shopping centre called Limbecker Platz being developed by ECE for DIFA property funds in the German city of Essen.

The developers said they have already obtained rental contracts for at least 60% of its 70,000 sq.m. selling space. The first portion of the project is scheduled to open with 105 shops in the spring of 2008. Another 95 shops would be added in a final construction phase that is supposed to end on autumn 2009.

The project partners expect to draw 50,000 visitors a day to what they call an innovative shopping experience. The centre will have parking for 2,000 cars.

DIFA, the property funds manager of the cooperative financial sector's Union funds group, has managed assets of €5.3bn. ECE is a German project manager. pfe

Germany's ECE, Deutsche EuroShop build Polish shopping centre

Listed Deutsche EuroShop and Germany's ECE shopping centre developer announced that they broke ground this month for Galeria Baltycka, Danzig's biggest shopping centre and a project in which the German partners have invested €140m.

With 39,500 sq.m. of space, the shopping centre is supposed to contain 200 stores and create 1,500 new jobs when it opens this time next year. Some 90% of the retailing space has already been leased, much of it to large German retailing chains.

„Our investment will act as a catalyst to growth for the entire region,“ said Claus-Matthias Boege, chief executive officer of Deutsche Euro Shop.

Euro Shop, a middle-tier M-Dax-listed shopping centre specialist, has €2.3bn of such developments in four central European countries. pfe

BNP Paribas acquires Italian property management company Nazca

BNP Paribas Real Estate has acquired the property and facility management company Nazca, based in Milan and Rome, and will establish BNP Paribas Real Estate Property Management Italia to service third party clients.

Nazca, created in 2000 and with 25 staff, operates nationwide in Italy. Its chairman, Giuseppe Rago, will become chairman of BNP Paribas REPM Italia, and the new entity will form part of the European property management business line headed by Henry Gast. Gast is also an executive committee member of BNP Paribas Real Estate which manages over 14m sq.m. of

corporate property in eight European countries.

“The Italian corporate real estate market is extremely dynamic, which is why we decided to establish our European business line there,” Gast said. Nazca customers include Hewlett-Packard, The Walt Disney Co and General Electric.

Rago commented that joining BNP Paribas brings an extraordinary development opportunity. “We want to offer our Italian market expertise to international group customers interested in the country,” he said.

He added that the tie-up should produce tremendous opportunities with the corporate client network of BNP Paribas and Banca Nazionale del Lavoro. BNP Paribas took over BNL earlier this year after a lengthy controversy over foreign financial sector takeovers that ultimately led to the downfall of Bank of Italy Governor Antonio Fazio. pfe

US Carlyle Group to develop German logistics base for H & M

Carlyle Group, a US investment firm, has been picked by Atisreal Germany on the basis of international bidding to develop a large warehouse and distribution centre in Hamburg for its Swedish customer, garment company Hennes & Mauritz (H & M).

Carlyle acquired the 150,000 sq.m. project site in the Allermöhe district from the city of Hamburg, purchasing it through its European property fund Carlyle Europe Real Estate Partners II.

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Construction work at Rungedamm in Hamburg-Allermöhe business park was expected to commence this autumn and finish in the summer of 2008.

Around 1,000 employees will use the site to supply H & M's German and Dutch chain stores. The clothing maker, which has its German headquarters in Hamburg, will also use its warehouse to forward some of its globally sourced goods in transit.

„This is a transaction of historic significance“, said Marcus Zorn, Hamburg regional director of Atisreal GmbH. „With it, H & M has made a decision which will have a long-term influence on Hamburg's importance as a major logistics hub.“ pfe

Warburg–Henderson funds buy retail in Germany, France, Sweden, Italy

German institutional asset manager Warburg–Henderson has paid more than €100m to buy specialty store centres in Germany, France, Sweden and Italy for its special property funds Pan-Europa Fonds Nr. 1 and Pan-Europa Fonds Nr. 3.

The shopping centres are located in Bedburg, near Cologne; Nantes; Bologna, and Löddeköpinge, near Malmö. The Malmö centre was the first Swedish acquisition for Warburg-Henderson.

Warburg-Henderson was formed in 2001 as a joint venture of Hamburg Privatbank M.M. Warburg and English asset manager Henderson Global Investors. It plans further western European purchases this year toward the goal of investing €1bn by year's end. pfe

Spain's Riofisa to invest €335m in Bulgarian commercial centre project

Recently-listed Spanish property firm Riofisa will invest €334.9m in a real estate complex in the Bulgarian capital of Sofia, its second large foreign project after a €150m shopping centre in Romania.

The 210,000 sq.m. complex, served by Sofia's transportation network, will include a shopping centre, a 90m-high tower, offices, a cinema, restaurants and a hotel, the company said.

Riofisa debuted on the Spanish stock market in July. In recent weeks, entrepreneur Rosalía Mera, the ex-wife of Inditex owner Amancio Ortega, has acquired a 5% stake of Riofisa for about €54m, according to current market prices.

Riofisa boosted its first-half revenue fivefold to €308m, largely on its shopping centre business. Net profit was €43.7m, up from €7.9m the first half of last year. pfe

EU clears Metro's €224m acquisition of Geant Polska from Casino

The EU Commission has cleared the €224m acquisition of Geant Polska, a chain of Polish stores belonging to France's Groupe Casino, by the Real unit of Germany's Metro retailing corporation.

Casino had announced last July that it will sell the bulk of its Polish retail and property assets to Metro, Tesco and GE Real Estate for a combined €884m. pfe

UK's Teesland fund buys German logistics centre in Duisburg

Teesland, a UK-listed pan-European asset manager, says it has purchased for its property fund, EHI Fund Germany, a distribution centre in Duisburg that is rented to the logistics company Rhein-Ruhr Collin.

Teesland said the facility located in Duisburg's Hochstraße has four halls and a usable area of at least 17,000 sq.m. DTZ of Düsseldorf assisted with the transaction for which no price was mentioned. pfe

Halverton HBI fund buys industrial parks near Berlin, Frankfurt

Halverton Real Estate Investment Management has purchased a Berlin industrial park and another at Rodenbach, near Frankfurt, for its HBI property fund.

The fully rented Rodenbach park has 2,400 sq.m of office space and 3,400 sq.m. of warehousing space.

The 7,000 sq.m. Berlin facility, located on Saatwinkler Damm at Tegel airport, was purchased from the Richard Anders company. It is more than 90% rented to five tenants.

Halverton did not disclose the transaction prices but said that it planned further acquisitions in Berlin and in the Frankfurt area. pfe

TMW Pramerica buys €85m Geneva office building for property fund

TMW Pramerica Property Investment, a US property fund firm, says it has purchased Geneva's new Centre Azur office building for €85m (SF135m) from the Swiss project developer, A&A Liegenschaften.

TMW said it purchased the building for its open-ended property fund, TMW Immobilien Weltfonds.

Centre Azur at Rue du Grand-Prés 64/66 in Geneva's Servette–Petit Saconnex district has 17,000 sq.m. of usable space and parking for 200 cars. Three-quarters of the space is rented for the long term to the ministerial council of the European Union and to the city of Geneva. pfe

Atisreal handles property and asset management for Arab Investments

London-based investment firm Arab Investments has engaged Atisreal Property Management to take over the management of its German property, assets and further planned investments there.

Arab Investments seeks to amass German assets of €500m, including the €250m already in its property portfolio. The firm owns German office properties, specialty store centres and other retailing property as well as projects under development, which are supposed to be completed next year, says Atisreal, the property investment unit of BNP Paribas. pfe

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Alain Dinin is to join the board of directors of the French **SIIC Société de la Tour Eiffel**, replacing **Renaud Haberkorn**. Dinin is CEO of brokerage company **Nexity**... **Henrik Orrbeck** has joined the global private equity firm **The Carlyle Group** as Senior Associate in Stockholm. He will be focused on real estate acquisitions across the Nordic region, including Denmark, Sweden and Finland. He is the second appointment to the newly formed Nordic real estate team, headed by **Thomas Lindström**, who joined **Carlyle** in June 2006... **Jacques Demol** has been named Paris-based senior director of development and project management for Europe, the Middle East and Africa for **W Hotels**, part of **Starwood Hotels & Resorts**... **PGGM**, the Dutch pension fund for the healthcare sector, has appointed **Heino van Essen** as chairman of its Executive Directors - subject to the approval of owners, the **Nederlandsche Bank (DNB)**. **Danny Peeters** has been appointed by Australian firm **Macquarie Goodman** as new CEO of **Luxembourg-based Eurinpro**, with effect immediately. He succeeds **Bart Verhaeghe**, who has joined the board of **MG**... **Quinlan Private Golub** has appointed **Mariusz Frackiewicz** as Associate Director specialising in investment, acquisitions and property financing based in Poland... **Aberdeen Property Investors** has announced that **Fabrice Rodriguez-Gongora** will join the company in Paris to actively shape group strategy as director of asset management and investment... Independent private equity firm **Doughty Hanson** has opened an office in Madrid and appointed **Francisco Gutierrez Churtchaga** as Principal and Head of Private Equity, and **Juan Barba Silvela** as Principal and Head of Real Estate... **Cyril Blanchet** was named Paris-based director of **DTZ International's** investor department... **Karl Delattre** has been named director of European investment at **BNP Paribas REIM** in Paris. He comes from **Gecina** where he headed the **Locare** unit... **SEB Asset Management** in Germany has boosted its team with the appointment of **Robert Hau** and **Thorsten Schilling**. Their task is to expand the funds business in Germany... Germany's **Vivico** announced that **Michael Monno** is leaving the company and that **Günther Kühnlein** will take over provisionally as head of **Vivico Frankfurt**... **Atisreal France** has named **Arnaud Violette** as director of marketing. He was previously the group's marketing director for Paris region office space... Germany's **Academy of Real Estate Economy (ADI)** has appointed **Jeannette Gawrich** as the director in charge of the Rhine-Main area with immediate effect... **Jones Lang LaSalle** has appointed a specialist team to head up its activities in property derivatives in London. **Alex Kinsman** moves over from **Fimat International Banque** and **Jamie Goss** from **TFS Derivatives**... **PSP Swiss Property** has announced that **Luciano Gabriel** will assume the position of CEO in March of 2007, taking over from **Fritz Jörg**, who is retiring and will join the supervisory board. Gabriel moves over from the CFO position... In Paris, **Frederic Pincon** has been named director of investment and development at **Alpha Real Estate France** while **Fabrice Cervoni** will join the group as director of acquisitions and asset management. **Benoit Jamin** was also named as an asset manager... **France's Meunier Habitat** has named **Rene Metz** as executive president. He will replace **Pierre Duflos**. pfe

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