

## Property yields, product, REITs in focus as ExpoReal 2006 kicks off

Can European property yields fall further? Who will follow UK and Spain into negative? Where is product to meet the 'wave of capital'? What happens when UK/German REITs arrive? As ExpoReal 2006 starts today, these are the major questions.

Welcome to the new look **Property Finance Europe!** And a particularly warm welcome to ExpoReal 2006 visitors that may not have seen us before. We have freshened up the title page and the logo; a change you will see increasingly in our products and that, we hope, brings the message across still more clearly whether you are reading this onscreen, or in print. This 35th PFE packs in a mass of crucial information and analysis on mainland Europe real estate finance and investment, crafted in a way that US and international investors – not entirely conversant with the many languages and jurisdictions – will understand. It is aimed to be value added for institutional and other investors in property, plus asset managers and the myriad intermediaries avid for information on non-English speaking Europe. In case you didn't know, PFE appears on the second and fourth Monday of every month. Twenty-two issues per year. If you are a property company in Europe, or a seller of assets, perhaps a region - or anyone wanting to speak to PFE worldwide readership over our platform, we are eager to receive your message at [news@pfeurope.eu](mailto:news@pfeurope.eu). If you are in Munich this week, drop by and say hello. We are in Hall B1, Stand 030 with our friends Immobilien Wirtschaft on the South Baden stand. Join us for a glass of their excellent wine!

**NEXT ISSUE:  
MONDAY  
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"We are seeing three dollars of capital chasing every one dollar of product," says Robert Orr of the International Capital Group at realtor Jones Lang LaSalle. He sees other national yields aside from UK and Spanish turning negative in anticipation of rent rises.

Robert Behringer, who has just brought REITs manager Behringer Harvard of Dallas into a \$1.3bn (€1.0bn) European joint venture with Hamburg's HCI Capital, says: "This is very timely given recently proposed REIT legislation changes in the United States, and the movement toward REIT structures for commercial real estate ownership in western Europe."

Robert Waterland, chief executive of French REIT/SIIC Société de la Tour Eiffel told PFE the French leasing market is in a recovery: "Five years ago, warehouses sold for 12%, provincial offices for 9%, secondary offices around Paris 7-1/2% to 8% and prime offices 6-1/2%. Now you can apply the 6-1/2% to warehouses in the provinces and work downwards!"

Stefan Rind, chairman of Germany's Colonia, shrugs off comments that interest in European property is waning. His sale of a portfolio of 1500 German apartments a month ago attracted 65 bidders, of which 63 were foreign. The Irish Treasury, Swedish insurance companies and Canadian pension funds were among them. Colonia pocketed a 50% profit.

And REITs? Well, tiny Bulgaria introduced them in 2004 alongside France, well behind the Netherlands and Belgium but well before the UK and Germany next year. At €133m, sector market cap is tiny but growing. A new European real estate world beckons indeed. pfe

### Spain's Inmocaral to launch offer for France's SFL

Spanish property firm Inmocaral will make a public offer for the 20.4% of Société Foncière Lyonnaise that it does not already own. *page 3*

### Italy to put €4bn of unused military barracks up for sale

The Italian government is to put up for sale €4bn of property comprising unused military barracks in four equal portfolios of €1bn each.. *page 5*

### IMMOEAST makes first investments in former Yugoslavia, Slovenia

The unit of Austria's largest property company Immofinanz has launched an investment program in former Yugoslavia, and in nearby Slovenia. *page 6*

### France's Foncière to triple market cap, buy German housing

A unit of Foncière des Régions will triple market capitalisation and widen its asset base by acquiring two German housing portfolios. *page 10*

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## Fortress' GAGFAH share flotation closes early in Frankfurt due to strong demand

GAGFAH, the German residential property holding company belonging to the US private equity firm Fortress Investment, debuted on the Frankfurt Stock Exchange Thursday after closing its €800m initial public offering early due to strong demand.

The opening came two days ahead of schedule for GAGFAH's 45m shares. Subscriptions began on 10 October in a range of €17-€19. Closing and first listing prices will be watched closely, not only in the commercial but also the government sector.

The upper end of the range would give a premium to net asset value estimated as high as €4.7bn for 2007. GAGFAH said a valuation of €4bn would provide a dividend yield to investors of around 4% , compared with a European listed property company average 3%. GAGFAH is a property holding company for 151,000 German apartments (See p3). pfe

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## Spain's Inmocaral obliged to launch takeover offer for France's SFL

Spanish property firm Inmocaral will make a public offer at the end of October for the 20.4% of French real estate company Société Foncière Lyonnaise that it does not already own.

Inmocaral acquired the controlling stake in SFL last month when it bought Colonial, Spain's second-largest listed property company, for €3.7bn. French takeover law requires that it must bid for the remainder.

According to the Colonial deal prospectus, the SFL stake will cost about €400m. It will not have a drastic effect on Inmocaral's debt situation, the company said. It plans to sell SFL shares so that the French company's free float moves back to around 20%. The Colonial takeover was financed with a €2.7bn capital increase and has a €2.2bn guarantee from Goldman Sachs, Royal Bank of Scotland and Eurohypo España, which is backed by Colonial shares.

Inmocaral shareholder and entrepreneur Alicia Koplowitz has increased her stake to about 9.75% from 6.5% last July, data from stock market regulator CNMV show. The holding is worth about €534m, making Koplowitz the second-largest Inmocaral shareholder behind Chairman Luis Portillo, with 38.4%. Media reports suggest she will increase her stake to as much as 12%.

French authorities are contemplating a new law to limit the stake held by a single company in a French REIT/SIIC. The cap could be set around 60%. This move would clamp down on use of the SIIC status as a shelter from taxes on property gains, especially for Spanish companies enjoying further tax savings under a bilateral agreement between the two countries.

SFL, which has about €3.2bn in assets, specialises in office property in Paris' central business district. It recently sold to Fructipierre, part of Natexis Asset Management, a building near the Beaubourg cultural centre in central Paris as well as buying two buildings, one in the seventh district of Paris and the other in Issy les Moulineaux just outside the city. pfe

**PFE COMMENT:** This is a deal that has been exercising the minds in Paris at least as much it has at Inmocaral Madrid. Portillo did not particularly want to do this, and neither does SFL want its shareholder base upset once again as owners, seemingly, come and go at random. However, all overtures to the AMF stock market authorities seems to have been to no avail, and Inmocaral is going to be required to stick to the letter of the law. How this offer precisely will be structured - in light of the following re-floatation of 20% - remains to be seen. It is also complicated by the intention of French authorities to limit SIIC holdings, and attempt to prevent what many in Paris see as misuse of the bilateral tax advantage by the Spanish.

## Fortress' GAGFAH IPO closes early in Frankfurt due to strong demand

GAGFAH, the German residential property holding company of US private equity firm Fortress Investment, debuted on the Frankfurt Stock Exchange last Thursday after closing its €800m initial public offering early due to strong demand.

The opening came two days ahead of schedule for GAGFAH's 45m shares, after the surge of demand. Subscriptions had begun on 10 October in a wide offering range between €17 and €19, and amid signs that offers were skewed to the upper end.

The upper-range figure implies a considerable premium to net asset value, estimated by analysts as high as €4.7bn for 2007, said the portal REITs in Germany. GAGFAH said a valuation

of €4bn would yield around 4% to investors, compared with the European average of around 3%.

GAGFAH said its seller and the book runners decided to open share trading early "because of great investor interest and signs of high demand." The subscription period was supposed to have lasted until last Friday, with trading starting today. The IPO thus ended at midday last Thursday for retail investors.

Exchange trading on Frankfurt's official prime standard segment began at the start of business Friday and the offer price of the share was determined by the placement consortium and the sellers last Thursday, after PFE deadline for this issue.

GAGFAH, headquartered in Luxembourg, is a property holding company for 151,000 German apartments, mainly condominiums, acquired in a number of portfolios by Fortress over the last three years. The holding company is controlled by Fortress Investments, the US private equity firm.

The placement was reported by the book-runner consortium Deutsche, Dresdner Kleinwort, Goldman Sachs and Morgan Stanley to have attracted strong interest from large foreign institutions, including US pension funds, as well as from German private investors. Fortress' big acquisitions included a portfolio of €1.5bn bought last year from state bank Nord LB and the more recent €1.7bn acquisition of the Woba city housing company of Dresden. The GAGFAH placement will gross €855m if subscriptions turned out to have been taken at the top of the offering range at €19 a share. pfe

**PFE COMMENT:** Ah, German housing floats out on the stormy seas of the stock market, into the arms of waiting capitalistic hordes! This is an extremely closely watched event, not only in the commercial but also in the government sector. The appetite of the market for this share should give a good indication whether a broader shareholder community buys into the story of steady yields and high returns from the depressed German housing sector. The alternative is to be influenced the vast majority of German analysts and institutions who feel, basically, that residential property prices will not rise to any great extent any time soon, and that the German population will not be converted to home ownership in any major proportions. Remains to be seen. We come out of the Anglo-Saxon culture too; we think that they will.

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

**EXPO REAL,**  
October 23-25, Monday-Wednesday  
Messe Munich, Germany

**10th RINFOR**  
October 31-November 3, Tuesday- Friday  
Sheraton Sofia, Sofia, Bulgaria

**Property Investment Prospects – PIP 2006**  
November 9-10, Thursday-Friday  
Spa Hotel Rantasipi Aulanko, Hameenlinna, Finland

**Expo Alpe Adria Immobiliare, EXAAI**  
November 16-18, Thursday-Saturday  
Trieste Fieri, Italy

## Behringer Harvard and German HCI Capital to invest \$1.3bn jointly

Behringer Harvard, a US manager of REITs, and HCI Capital, a listed German manager of closed funds, plan to acquire jointly as much as \$1.3bn (€1.0bn) in European property, especially in Germany, the Netherlands and England.

The strategic alliance will focus on short and mid-term investments with development potential or on properties or portfolios in need of significant improvements. HCI will be responsible for local operations and managing acquired properties, which will be held from three to six years.

HCI Managing Director Oliver Georg said the strategic alliance expands HCI's institutional funds business and its strategy of offering expertise in European real estate markets to institutional investors. HCI and Behringer Harvard entered into their first joint venture last March with the acquisition of the five-story UPC building near Amsterdam's Schiphol airport.

Robert Behringer, chairman of Behringer Harvard of Dallas, said the European joint venture will let his company diversify in the global economy. "This is very timely given recently proposed REIT legislation changes in the United States, and the movement toward REIT structures for commercial real estate ownership in western Europe."

Behringer Harvard offers strategic real estate funds for retail investors and domestic and foreign institutions through its real

estate investment trusts, partnerships, joint ventures and proprietary programs.

HCI Capital, traded in Germany's SDAX index, offers closed-end ship, real estate, and private equity umbrella funds plus real estate project development funds, capital accumulation funds and secondary life insurance funds. Since its inception in 1985, it has invested €4.16bn equity in 419 funds with total investment volume of €11bn, making HCI one of Germany's leading investment syndicators. It has 80,000 customers. pfe

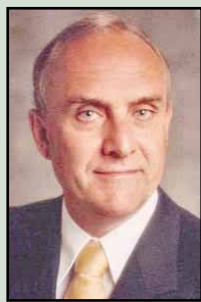
## Colonia had 65 bidders for 1500-unit residential portfolio Grasmus - Rind

There is no sign of a let up in the interest of foreign investors in German property market and the strength of this long-term demand was one of the factors behind Colonia Real Estate co-investing in the Hercules portfolio from DekaBank alongside US private equity group Oaktree, according to Chairman Stefan Rind.

He told the Real Estate Share Initiative Conference in Frankfurt 10 days ago that the sale of the Grasmus portfolio transacted by Colonia in September attracted no fewer than 65 bidding institutions, of which 63 were foreign. The portfolio's 1,500 apartments cost Colonia €41m originally. The company

## Ground rumbles again under German open funds, La Poste on Saturday

Nothing we have heard over the last couple of weeks has caused us to change our view that coming REITs legislation in Germany will shake the earth under open-end mutual real estate funds.



These are to be given the same legal rights as coming G-REITs on the exit tax side; they too will be able to benefit from a halved capital gains rate on the differential between book and market price of property assets sold to them by, for example, large corporations or the

public sector. Around 22% will be the eventual number. But it may turn out to be a poisoned chalice – certainly for the tradition of open-end funds declaring minute-to-invisible annual dividend payments for their retail investors. As Lorenz Reibling of Taurus described very graphically in PFE 34, these tiny returns exhibit no strong relation to that which can be achieved with intelligent and creative entrepreneurial management of property assets. Judicial use of leverage is one facet; Playing, for example, into the huge appetite of foreign institutions for anything that has the words Germany and real estate remotely connected to it is another. The days, therefore, of German open-end funds returning yields fractionally above inflation are numbered, we think. Not only will they be publicly pressured to show higher returns if they stand to

benefit from favourable fiscal regulation, but the paltry revaluations or even depreciations in their asset values from the past will contrast glaringly with what is bound to be a very lively and active listed property sector in the new REITs environment.

There, NAV is highly likely to lie well below the value the capital market puts on the more successful companies. Active investment management and asset trading should bring profits. Why, in other words, are the funds for small investors not able to achieve the returns that REITs would be transparently trumpeting to the world's capital markets and international institutional investors? It will be hard – not to say, impossible – to keep small investors enthusiastic about real estate mutual funds anywhere, let alone Germany, given the competition that REITs are on the verge of imposing. But once the funds achieve the halved exit tax status, others want it to. German Association of Closed-End Funds (VGF) Chairman Joachim Seeler has criticised the unequal treatment and said it should apply to its membership too. We will see.

In France, meanwhile, the authorities are on their way to a showdown with Spanish investors who have ridden in from the south to pick up a Paris REIT or two for their portfolio – and then ride out into the southern sunset with a tax free way to invest their money. Does it remind of a grainy Mexican cowboy movie? Well, only a bit! Will Paris limit SIIC shareholdings to

60%? Which means of course it will have to drop the rule that takeovers of parent companies – such as Inmocaral's successful bid for Colonial – will require a full bid for the SIIC subsidiary. A can of worms indeed to be sorted out. There are those well beyond the public sector who see the Spanish leverage of their EU freedom of capital movement in this case as a misuse of fiscal rights. And can we ask another question, please? When is the French government going to get around to selling off its unwanted real estate? The budget sorely needs it, and Paris could do worse than to follow the example of Rome with its high hopes for revenues from public sector land and property. But those items being sold at the moment by Budget Minister Jean-Francois Copé, we are told, are mostly in Paris or in central provincial locations and directly or indirectly connected to the Ministry of Finance. He is having a desperately hard time to get anybody to shift any real estate from state control. Defence, Foreign Affairs, Interior Ministry all insist that the real estate is all sorely needed and/or sale of it would pose national security risk. Right. What about the French Post Office? Is that a security risk too? Only if you want to buy a stamp on a Saturday in a provincial town. It has around E5bn in Paris property alone, locked up in office assets it no longer genuinely needs. But La Poste has staff and housing and social issues. It has now set up a special company to run the assets. Maybe one day they will sell.

Allan Saunderson, editor@pfeurope.eu

reduced the vacancy rate to 6.7% from 14% and subsequently sold it for €62m to a British investor, whose identity has not been disclosed.

“We have not seen this kind of interest in German real estate for at least the last 40 years,” Rind told the conference. “Contrary to the voices I hear sometimes saying interest is tailing off, I think it is as strong as ever and, if anything, accelerating.” Classic long-term institutional holders were among the bidders for Grasmus, including the Irish Treasury, Swedish insurance companies, and Canadian pension funds – institutions that in many cases had until now no exposure to the German market. All are also looking for local partners.

Rind also criticised the slowness of the decision-making process in Germany for Real Estate Investment Trusts, noting that jurisdictions such as France, UK and even Dubai drafted legislation within a six months’ period. He declined to comment on whether Colonia will convert to REITs status now that the G-REIT proposal is gradually moving ahead, but noted that if the legislation for some reason is not enacted, Colonia, like other German companies, has plenty of options for creating a REIT-type structure in Luxembourg or the Channel Islands, for example. “We will look for the best REITs option for our company and if this is not Germany in the near future, then we have other options open to us”, Rind said.

Colonia co-invested in the DekaBank €1bn Hercules portfolio and the Colonia subsidiary Resolution was lead advisor and is exclusive asset manager for the portfolio and its majority owner Oaktree, a US based private equity group.

The portfolio was bought through a special purpose vehicle registered in Luxembourg and financed with non-recourse funding – in other words, secured only against the portfolio and without guarantee from the owners. Rind said that Resolution will manage the assets over the next five years and sell off the portfolio either in parts or as a REIT, whichever option proves to be most economic. Hercules comprises 49 commercial properties, mostly office, with 520,000 sq. m. of rentable space and an average 22% vacancy rate. pfe

## Oaktree confirms it is main buyer of Hercules portfolio from DekaBank

The Los Angeles-based private equity firm Oaktree Capital Management has acknowledged that it is the principal buyer of the Hercules portfolio of German commercial property sold by Deka Immobilien Investment, the property funds manager of the German savings banks central investment institution DekaBank.

The portfolio was initially bought from Deka by Germany’s exchange-listed Colonia Real Estate, which was a co-investor. The parties to the two-step transaction agreed not to discuss the stakeholdings or the price, estimated to be around €1.1bn.

Colonia’s asset management subsidiary, Resolution, which made the transaction for Colonia, will own a stake in the portfolio and will manage the Hercules assets for Oaktree.

The Hercules portfolio includes 49 commercial properties around Germany. Resolution plans to enhance the portfolio’s value with refurbishment and a lowering of the vacancy rate.

Colonia is not disclosing the extent of its participation, but spokesman Christoph Kauter was quoted by the REITs in Germany portal as saying that the firm as a co-investor prefers portfolios ranging in value from €10m to €150m. This suggests that the Colonia stake in the Hercules deal might be around €100m, or some 10%. The deal more than doubles Resolution’s managed property assets to almost €2bn, its original target for 2009.

The exact stakes taken by Oaktree, Colonia and Resolution will be determined at the closing of the transaction at the beginning of December. Colonia requires no capital increase to finance its part. pfe

**PFE COMMENT:** This is an impressive deal. One immediately wonders why the portfolio at sale by Deka is 22% vacant and, as always, marvels at the discrepancies in asset valuations between German domestic institutions and those based on foreign, notably US capital providers. The answer, as always of course, is that the weight of capital in the Anglo-Saxon countries is simply greater than that in Germany. This capital has to be deployed in yield-bringing assets somewhere around the world in order to support pensions for the ‘baby-boomer’ cohort in particular. German old-age care provision is primarily provided either by the state or by private insurance companies. Neither of these is particularly efficient in managing capital, and transparency is the last element at the bottom of a long list of political or commercial priorities – so that Germans don’t really know how their pension assets are being managed. The positioning of insurance capital within Germany’s disintermediating real estate sector, especially the coming REITs environment, is crucial.

## Italy to put €4bn of unused military barracks up for public sale

The Italian government is to put up for sale €4bn of unused military barracks in four equal portfolios of €1bn each.

## A unique insight into the German Property Finance Market

The “Facts and Figures 2006” edition of “Real Estate Banking – Committed to professionalism” aims to increase both the transparency of the German real estate market and the transparency of Germany’s Pfandbrief Banks’ real estate business inside and outside of Germany. Articles cover subjects as diverse as the relevance of the fixed interest rate system to the stability of real estate markets, German REITs, PPPs, mortgage insurance and the valuation of properties in real estate finance (with special attention to the new Mortgage Lending Value directive). Contact the Association of German Pfandbrief Banks for your complimentary copy of this new Fact Book: [info@pfandbrief.de](mailto:info@pfandbrief.de). Or look into the order center of its website at [www.pfandbrief.org](http://www.pfandbrief.org) and download the pdf file.



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The project, part of the Italian budget law for 2007, foresees Defence Minister Arturo Parisi preparing the portfolios to hand to Agenzia Demanio, the public lands agency of the Interior Ministry, for sale. The budget plan stipulates that each must include resources no longer used any more that can increase the value of the assets. Demanio is rapidly organising marketing, and plans an international road show for Italian state sector assets soon. The project has deadlines at end July and December 2007, and in 2008. The first list of assets must be officially presented by the end of February 2007.

Vincenzo Visco, deputy minister of economics, says the government expects a good return from this project. Military barracks are often located in the centre of cities and are situated on large plots of land that may well be of high interest for retail and office development.

The sale attracted some criticism however. Mario Breglia, president of Scenari Immobiliari, an independent research Institute, told the *Il Sole 24 Ore* newspaper, "The barracks have a cost not a value. The military areas certainly have a good and central position in the heart of the cities, as Visco says, but they have peculiar structures that have to be reconverted and they are in very poor condition to be attractive to the market. The main headquarters, located in prestigious palaces in the city centres of Milan or Rome, would no problems to be sold, however they are not included in the list of the assets to be put on sale." pfe

**PFE COMMENT:** Major investors looking at continental Europe should be keeping a close eye on the website of Agenzia Demanio. This is a relatively new initiative to provide information on Italian state-owned real estate. The site is good but will be developed further. Demanio is at pains to produce everything in good, clear English, as well as Italian, and they have the full political backing of the Prodi government which sees the state-owned real estate as one asset that should be exploited to help reduce the immense Italian government debt.

## LISTED REAL ESTATE

### IMMOEAST makes first investments in former Yugoslavia, Slovenia

IMMOEAST Immobilien Anlagen, a subsidiary of Austria's largest property company IMMOFINANZ Immobilien An-

lagen, has launched an extensive investment program in the successor states of former Yugoslavia just a few days after its first acquisition in nearby Slovenia. The latter purchase, of two shopping centres, meant that it is now active in all European Union member countries of central Europe.

IMMOEAST will carry out the 'Francuska' residential project in Belgrade, taking an 80% stake in a joint venture with an international real estate developer. It is the company's first investment in the biggest of Yugoslavia's successor states, Serbia. Construction will begin in the first quarter of 2007, and take 1-1/2 years. No investment details were released.

The residential real estate market has become attractive in Serbia, particularly as a result of the immigration of ethnic Serbs from other parts of former Yugoslavia, IMMOEAST said. The nationwide recovery is most obvious in Belgrade, with an appreciable rise in price and development activity.

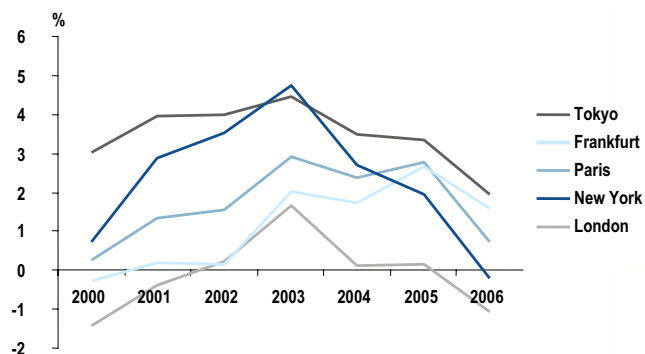
IMMOEAST Chief Executive Karl Petrikovics said former Yugoslavia is an important market of the future. "Political conditions have stabilised, economists anticipate high growth rates and a lot of money is flowing back into the countries of origin from people working in central and western Europe. Now is the precisely right time to become active in this vigorously growing market." IMMOEAST is by far the largest single commercial investor in central and eastern Europe. It plans a total volume of more than €5bn in investments in the region this year, of which €2.6bn was already realised in the first fiscal quarter to end-July.

The company's parent IMMOFINANZ boosted equity by 110% this year to €5.67bn after massive capital increases in spring. It raised €923m in May and June 2006 as well as another of €2.75bn for the subsidiary IMMOEAST in summer. The company noted however that the IMMOEAST share price rose by 16.24% to end-September compared to the subscription price of the capital increase in June.

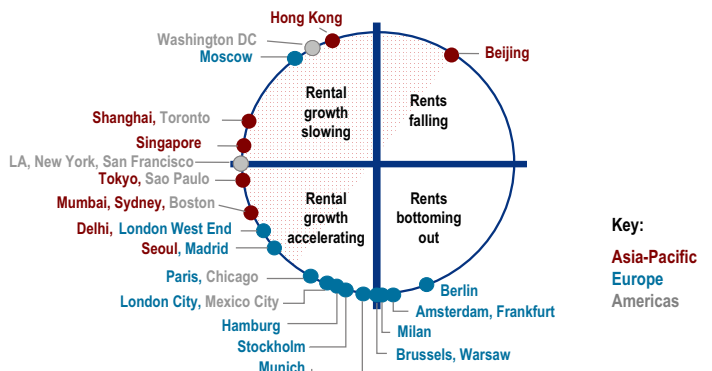
IMMOFINANZ doubled operating profit in its first fiscal quarter of 2006/07 to end-July, reporting EBIT of €145m, up 98.8% compared to the year earlier period. Pre-tax earnings rose 77.4% to €119m, with revenues up by 43.8% at €82m. Total group real estate assets reached a fair value of €8.02bn, an increase of 60.2% on the year earlier. pfe

**PFE COMMENT:** We have suggested that IMMOFINANZ is single-handedly trying to re-establish the Austro-Hungarian empire, and no one denied it! Considering the immense size of the capital raising venture in summer, they have good reason to be proud of the fact that the share is up 16% to end September. This certainly shows the appetite for participating in the opportunities in central and eastern Europe.

#### Office Yield Spreads, Selected Global Locations



#### Global Office Clock



## Germany's Franconofurt on track for one IPO per year - CFO Sen says

The recently-listed German real estate company Franconofurt is on track to achieve its original business strategy of making one initial public offering each year since its flotation in 2005, says CFO Metehan Sen.

Founded six years ago, Franconofurt was floated as a holding company in June 2005 and now has a market value of around €85m. Its free float is around 55% with the two founding principals owning 21% and 23% respectively. The two have three years hard-lock up, i.e. are not allowed to sell their shares over this period.

The business model is as a platform for multi-tenant family home portfolios, to construct these over a period of around nine months from individual or small-portfolio purchases, and float one annually on the stock exchange. Instead of competing in auctions for housing portfolios, Franconofurt prefers buying privately through brokers.

"The brokers know very well that we always make a good price for individual houses, that we move very fast and we buy regularly from them on the market," Sen told a conference in Frankfurt recently. "They make sure the buyer also knows that we can do the transaction quickly; this enormous helps our leverage in the market."

Franconofurt last month launched an IPO on a Frankfurt area housing portfolio named FranconoRheinMain (FRM). Initiated in April 2006, FRM in the first four months leading up to the IPO reached an invested volume of €40m, comprising 36 buildings housing around 650 apartments. FRM aims to have over 100 buildings with around 2,000 apartments and offer a diversified cash-flow pool for paying dividends to shareholders,

Sen said.

The additional proceeds of the FRM IPO of around €22m will be leveraged into about €100m to invest in more multi-tenant family homes in the Rhine-Main region. This will give FRM a gross investment volume of around €200m as of 2007, and make it the largest listed residential company focused on the Frankfurt region.

In 2007, Franconofurt aims to float FranconoWest, its second residential portfolio focusing on properties to the west of Frankfurt and targeting a minimum gross rental yield of 8%. Sen said Franconofurt will hold a minimum 50% in the companies it floats as a signal of its commitment to run ventures in the interest of all shareholders. It plans to expand nationally in the next 2-3 years and achieve a total portfolio volume of at least €1bn. pfe

## Start-up Norwegian Property to seek Oslo stock exchange listing soon

A new Norwegian real estate company, Norwegian Property, plans to list on the Oslo stock exchange (Børs) by the end of this quarter, offering private and institutional investors access to a large, liquid, broadly diversified and attractively valued investment alternative with exposure to domestic commercial real estate.

The company was established in April and has so far invested or agreed to invest a total of NOK14.4bn (€1.7bn) in 41 properties, focused on office and shop premises in Oslo and Stavanger. They cover a total of 590,000 sq.m. available space, and 99% of this is leased with an average remaining term of almost eight years.

Based on the issue price of NOK 50 per share, the mar-

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€22.9 MILLION

163 Non-Performing Residential Loans  
Located in Germany

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€28.2 MILLION

100 Non-Performing Residential Loans  
Located in Germany

Bid Date: November 30, 2006

€39.7 MILLION

56 Non-Performing CRE Loans  
Located in Germany

Bid Date: November 15, 2006

REO PORTFOLIO

9 Multifamily Properties; 229 Units  
Located in Germany

Bid Date: December 14, 2006

### FOR MORE DETAILS CONTACT:

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## The PFE Interview: Mark Inch, Robert Waterland, Société de la Tour Eiffel

# Company that built Eiffel Tower, became first new French SIIC, now gets facelift from private equity know-how

Apart from having built the Eiffel Tower 117 years ago, Société de la Tour Eiffel is a stand-out company even in the modern world: the first new French Real Estate Investment Trust (REIT/SIIC) to be created, in July 2004. It also happens to be run by two Britons, whose backgrounds are not the staid world of French land-holding firms but the fast, capitalistic world of private equity, in partnership with George Soros.

Mark Inch and Robert Waterland are doing just fine so far. The STE chairman and chief executive, respectively, are running a company with an asset base of €870m, average unleveraged yield of around 8%, cost of debt of 3.89%, a 7-8 year visibility of income, a share price soaring ever higher above net asset value, and a recently boosted management stake of over 10% – significant “skin in the game”, in real estate parlance.

“Basically, Robert buys real estate and I transform it into a dividend - so he does the shopping and I’m the cook!” Inch told PFE in an interview. “We were the first new SIIC, in the sense of a company that wasn’t in the property world, building from scratch... The old foncières (land companies) converted, while we changed religions.”

Waterland adds: “Mark with his banking background handles the financial and corporate side while I draw on 25 years of property consultancy with Jones Lang Wootton. Eleven years ago we got together to do private equity business. We did a number of ventures with AIG, Merrill Lynch and Soros, and our final equity venture was a SIIC in 2003 with Mark at the forefront. He was the first to realise the potential in this market.”

STE was launched as a SIIC (Société d’Investissements Immobiliers Cotée) when their AWON Group bought into the listed shell STE and, alongside Soros Real Estate Investors, kick-started it with a capital injection of €123m. By end-2004, assets under management stood at €266m. One year later, the Soros interests had exited their 35% stake, and assets had doubled in size with the purchase of Locafimo, a €285m portfolio acquired from Orion Capital Management. By the end of first-half 2006, the STE portfolio had reached €867m, of which €671m was up and let, and the remainder under development or refurbishment.

“Robert and I developed a following in the world of private equity which served us well when we started up STE,” Inch says. “We had a fairly full-fledged service business, with AWON Gestion doing property management, AWON Conseil doing advisory, notably for the German funds, and AWON Asset Management not only servicing the business we were doing with Soros but others as well, such as Rodamco and Merrill.”

At first they considered taking over a larger property firm, either Sophia or Société Financière Lyonnaise, “before the

Spanish took advantage of the favourable tax treaty to acquire SIICs on a massive scale,” Inch says. SFL was eventually taken over by the Madrid-based Colonial, which itself was successfully bought last month by Spanish peer Inmocaral.

STE focuses on active management of assets. These currently comprise 60% offices, 17% parc clubs – business parks in regional centres – 10% light industrial, 9% warehouses and

a small amount of senior care housing. Because yields are tight, it is looking more toward development projects. “I am convinced that the market cycle is in a strong rental recovery phase, and my experience tells me that in those circumstances people basically want new buildings for the price of old,” Waterland says.

However, prime bond rates have historically oscillated between 4% and 5%, and exceptionally high rates of the post-war have held up property yields artificially. “One shouldn’t forget that five years ago, warehouses sold for 12%, provincial offices for 9%, secondary offices in and

around Paris 7-1/2% to 8% and prime offices 6-1/2%. Now you can apply the 6-1/2% to the warehouses in the provinces and work downwards!”

Yield compression, Inch adds, should also be viewed in light of the gradual but undeniable upturn in leasing markets. “Rents have been falling since 9/11 and in fact remain below 1990 levels. It should be born in mind that we still don’t have prime rents above €600-700 sq.m., while they were at €760 equivalent in 1990.” Because of this, he says the STE net asset value at end-June is ‘absurd’ and does not do justice to the portfolio. As an example, he cites a recent 11,000 sq.m. office development the firm recently acquired at the Pont des Lilas on the borders of Paris for around €50m. “When rented, the market will value the property at a yield of 5% or 5-1/2%, which will give a value hike of 50% on the deal,” he says.

Adds Waterland, “We have never acquired an asset at less than 7%; our average going-in yield being in excess of 8% even today.” Plenty of deals are in the pipeline, including a number of pre-leased projects guaranteed to translate into the bottom line in the months ahead. Inch says: “I think we are at a 25% premium to NAV as expressed in the traditional manner. Our next year’s dividend, which should be €6, is equivalent to a 5% yield at the current share price. That is two or three times some of the other SIICs. Not a single other property firm can match it.” pfe



STE’s Robert Waterland (left) and Mark Inch are bringing private equity expertise to French REITs/SIICs. “Basically, Robert does the shopping and I’m the cook,” Inch says.

ket value of Norwegian Property is now about NOK 3.5bn (€414m). The company completed a private placement worth NOK 300m (€35m) in July, with an offering directed to new investors as well as existing shareholders the Anders Wilhelmsen group, investor Torstein Tvenge and the principals. It boosted share capital by around 10%, and the stock was acquired by a broad range of institutional investors in the US, the UK and Norway.

The Norwegian Property business model is to offer investors a liquid investment option exposed to commercial property in Norway, investing in large, centrally-located commercial properties in the main towns. The long-term aim is to become the biggest and most liquid investment option in Norway's commercial property market. Norwegian Property Chairman Knut Brundtland also announced the appointment of Svein Hov Skjelle as Chief Financial Officer, alongside new Chief Executive Petter Jansen. Skjelle moves over from the post of president at TeleComputing Norway. pfe

**PFE COMMENT:** Interesting start up. About time some initiatives were taken in tiny Norway to bolster and develop the property sector. The transparency of the listed sector is always welcome.

## Hedge fund manager raises stake in Germany's TAG above 5%, chairman says

The hedge fund asset manager Florian Homm has raised his stake in the German listed real estate group TAG Tegersee to over 5% and is a welcome and supportive investor in the Hamburg-based company, says Chairman Lutz Ristow.

He told the Real Estate Share Initiative conference 10 days ago, "We have talked frequently with Mr. Homm and he is a very welcome investor, completely supportive of the strategy and objectives of what we are trying to do at TAG."

Through his Majorca and Zurich-based Absolute Capital Management, Homm first came to prominence last year by taking a stake in the Borussia-Dortmund football club, then close to bankruptcy. Homm's method is similar to private equity; he

identifies undervalued assets and invests proactively, sometimes demanding changes in management.

Ristow said he is pleased to have professional investors in the TAG capital structure. The company, has a buy, build, hold and service strategy mainly in residential assets, and focuses on identifying properties that can be improved by capital investment to achieve significant increases in rental cash flows.

TAG aims to invest around €800m in 2006 and 2007 in new acquisitions or development projects mainly focused on residential property but expanding now into commercial, Ristow said. Its objective is to boost pre-tax earnings to around €34m in 2007, a nearly six-fold increase, on turnover rising by only 56% against an estimated €121m this year.

The group reported a rise in EBITDA (earnings before interest, taxes, depreciation and amortisation) in first half 2006 of nearly 38% to €4.4m on revenues which rose by 26% to around €45m. It turned round a loss in first half of 2005 into a pre-tax profit of €3.8m. TAG has 32.6m shares in issue and a share price in recent trading above €8, giving market cap in the region of €270m. It has free float of 94%, of which around 55% are institutional investors from the UK and the US. Some 19% is controlled by the chairman's family holdings. pfe

## German Hahn property manager/funds group schedules public offering

The German real estate asset management and closed-funds group Hahn has scheduled an initial public offering on the stock exchange for the end of this month to raise between €45m and €56m.

Chairman Bernhard Schoofs anticipates a price range of €13 to €16 in the offering which arises from a capital increase of €3.5m, taking total capital to €13.5m - 3.5m units of common stock, the Handelsblatt reported. Book runners Concord Effekten are considering fair value for the share of €14 in the IPO.

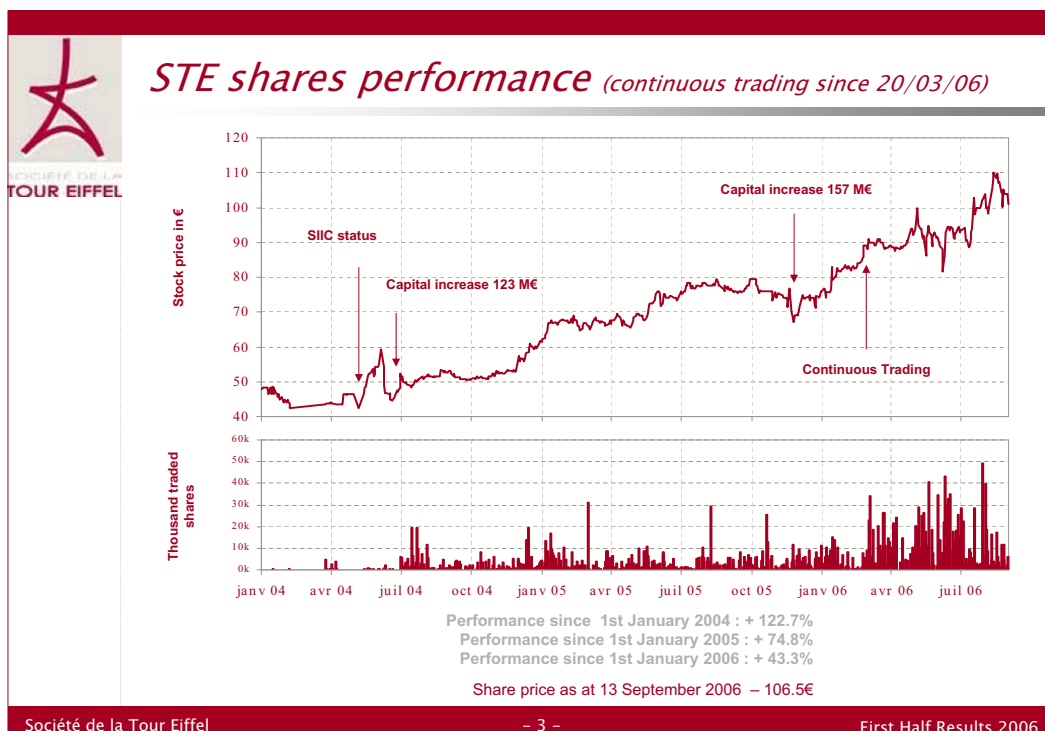
Based in Bergisch Gladbach, Unternehmensgruppe Hahn manages property assets of around €2bn in value, of which €1.5bn encompass around 150 closed real estate funds. The company intends to use flotation proceeds to expand its investments with partners.

In 2005 UG Hahn reported pretax profits of €10m on turnover of 263m. "We take great pains to be viewed as real estate company and not simply as a funds company," Schoofs told the newspaper recently. pfe

## Del Vecchio to take full stake in €476m Beni Stabili bond

The largest shareholder in Italian listed company Beni Stabili, Delfin, controlled by industrialist Leonardo del Vecchio, will subscribe to its full share in the €476m convertible bond the company is launching.

Controlling a 34.8% stake in Beni Stabili, the Del Vecchio family announced they are going to



make full use of their share rights and buy €166m of the bonds. After the Italian stock exchange commission Consob approves the information package, distribution will start immediately and terminate mid-November when the bond will be listed.

The bonds are being issued just a few months after Beni Stabili finished its Comit portfolio purchase. CEO Aldo Mazzocco told the *Il Sole 24 Ore* newspaper, "The bonds will provide our group with financial resources that allow it to make the most of future opportunities in order to continue growing... This new issue was not needed to balance accounts because the acquisition of Comit assets optimised leverage." The step was taken simply to provide the firm with financial back-up.

Co-CEO Massimo De Meo said that, "this five year bond with 2.5% interest rates allows us to collect resources at a very interesting price. The decision to offer the bond as an option to shareholders is also very unusual. Normally this does not happen because it lengthens time-frames and makes the deal much more complicated."

De Meo added, "This new issue is both a bond and an equity. To be successful the company needs to be trusted by international investors." This new deal follows a strategy started five years ago in which the group has doubled its real estate portfolio to €4bn." pfe

## Spanish Fadesa chairman to keep Fenosa stake - media report

Manuel Jove, chairman of listed real estate firm Fadesa, has reportedly rejected an offer to sell his 5% stake in Unión Fenosa, Spain's third-largest electricity company, to construction leader Actividades de Construcción y Servicios (ACS).

Internet newspaper *El Confidencial* cited unnamed sources as saying that Jove, who recently agreed to sell his 54.6% stake in Fadesa to unlisted property firm Martinsa, was approached by ACS Chairman Florentino Pérez. Last month ACS bought 10% of electricity company Iberdrola, sparking speculation of a possible merger between Iberdrola and Fenosa. pfe

## France's FDL to triple market capitalisation, buy German housing

Foncière Development Logements, a unit of French property group Foncière des Régions, will triple market capitalisation and widen its asset base by acquiring two German residential portfolios and 11 residential buildings in the Paris region.

The two deals will give FDL assets of more than €3bn and market capitalisation of about €1bn. Foncière des Régions will have consolidated property assets of about €10bn.

In a German transaction FDL will acquire Immeo Wohnen, the owner of 40,000 apartments in the Dusseldorf area, in partnership with Morgan Stanley Real Estate Funds (MSREF). Immeo also has a property management company with 300 employees.

This firm is worth about €2.1bn, providing a net entry yield of about 6.7%. MSREF will help finance this transaction by buying €130m of FDL shares in a capital increase amounting to €620m. FDL will borrow the rest.

In a related deal, FDL will buy from Foncière des Régions another portfolio of 5,500 residential properties in the same German region for €300m. Foncière des Régions acquired this property at the end of 2005. Under the second agreement, FDL will acquire in partnership with Cardif Assurance Vie, a unit of BNP Paribas Assurance, 11 residential buildings in the Paris

area for €104m at an average net entry yield of 5%. To finance the deal, Cardif will buy €50m worth of shares in FDL with the rest coming from loans.

FDL's share capital will rise to €760m with the issue of new shares at €83.4 apiece. FDL's shareholders will then include Foncière des Régions, the insurance arms of Crédit Agricole, Crédit Mutuel, Generali, Azur GMF and BNP Paribas as well as Banque Populaire de Lorraine Champagne and MSREF.

The larger market capitalisation will allow FDL to take advantage of "new opportunities both in the French and German markets," FDL said.

Foncière des Régions will remain the major shareholder of FDL with about one third of share capital. FDL plans to let about 10% of capital trade freely. "These operations will improve profitability and increase assets while .. maintaining debt load at less than 60% of asset value," FDL said. pfe

## Berlin's Estavis cancels German public share offering

Estavis, a Berlin firm owned by its chairman, Rainer Schnorr, became the second real estate company to cancel its initial public stock offering in recent weeks, saying it saw only a limited chance of obtaining an appropriate placement price for its shares.

The company had aimed to put 35% of its stock on the exchange on 17 October as free float but the reception from potential buyers proved too weak. The planned issue had been valued at €100m.

Estavis, with a staff of 25, assembles real estate in northern Germany for foreign investors. It posted turnover of about €12m last year but boosted sales to €44m in the first six months of this year. Estavis has targeted an average net operating margin of 10% a year. pfe

## AIM's Bulgarian Property spends €31m on venture with Fairplay

Bulgarian Property Developments (BPD), a developer listed on London's AIM segment, says it has spent €30.82m on joint venture for four Bulgarian property purchases.

One purchase was Varna Logistics AD, a 130,000-sq.m. commercial site in Varna, in a 50/50 joint venture with Fairplay International, a Bulgarian builder and developer. BPD's share of the purchase price was €6.41m.

The second purchase was a 22,000-sq.m. site in Plovdiv, Bulgaria's second largest city, in a 50/50 joint venture with Fairplay for €4.5m. BPD's share of the purchase price was €2.25m.

Contracts have also been exchanged for the purchase of a commercial site of 87,000 sq.m. in Sofia for €21.54m. And a 36,500-sq.m. site in Pleven, northern Bulgaria, was bought as part of a consortium consisting of BPD, Fairplay and Sofia Estates. BPD's share of the purchase price was €620,000. pfe

## One-third of new German new issue volume is property – Deutsche

About one-third of the volume of new shares issued in Germany this year has been in the property sector, Martin Praum, real estate analyst for Deutsche Bank, told the sixth annual conference on property shares in Frankfurt this month. He an-

icipates a continuing parade of residential property share flotations in Europe, including Germany.

“Only 17 of 96 issues in the property stock index, EPRA, manage more than 10% of their assets in residential real estate,” he said. He added that a big problem at the moment is ‘valuation chaos’ in Europe because of clashing methods of calculation and accounting that complicate comparisons of the performance of the companies. “There is a need to take action here,” he said. pfe

## REITS

### German government housing covered in provisional REIT bill - Zitelmann

The draft bill for the creation of German Real Estate Investment Trusts contains a proposal to deal with integrating government-subsidised housing associations into a REIT, and also explicitly permits sale-and-lease-back constructs - both in contrast to prior structures.

The Berlin-based Zitelmann consultancy noted that the bill, forwarded in late September to other government departments, federal states, and interest groups for input, explicitly allows residential real estate REITs, despite the vociferous protest by the Social Democrat Left and the German Tenants Association.

State-funded housing associations have been given tax breaks in the past, building up residential portfolios under so-called EK 02 rules. If these assets are now allowed to be brought into REITs, the new bill provides the option to redeem the retroactive taxation of the EK 02 through payment of a discount. A 25% share of the EK 02 portfolio may be taxed at 30%, regardless of the usage of the respective property. The remainder of the portfolio is not affected, nor will it trigger a further increase

in the corporate income tax.

In regard to the exit tax, the draft bill text states that the taxation of corporate real estate sold to a REIT is proposed at „half of the value increase in business assets and of the income from sales of property that has been part of the asset portfolio of the tax subject’s domestic business assets for more than 10 years.”

The condition imposed is that these must be sold to a public REIT, a preliminary REIT construct or to a domestic open-end property fund after December 31, 2006, and prior to January 1, 2011. The tax exemption will be revoked retroactively if the buyer sells property within four years after the conclusion of the contract, or if the preliminary REIT construct has not been entered as public REIT company into the commercial register by that time. pfe

### G-REIT exit tax too high, 10yr holding pre-condition too long, says lawyer

One of Germany’s leading real estate lawyers, Hans Volkert Volckens of the legal practice Beiten Burkhardt, has criticised the proposed G-REITs legislation, saying that the exit tax is too high and the 10-year minimum for assets qualifying to be brought into a REIT is too long.

Volckens told the Die Welt newspaper that even the halved tax rate proposed for property assets being brought into a REIT - and now, also an open-end fund - structure is too high in comparison with other European countries. It is expected to be around 22%, compared to, for example, the French rate of 16.5% of book-to-market revaluation, and the UK regime of 2% of gross asset value. “By international standards, the taxation is still astronomically high,” he told the newspaper, noting that the UK REIT legislation, at drafting, defined a tax rate lower than the German property transfer tax.

The German draft bill passed in September to other ministries and states for input, makes the following stipulations: At least 75% of the assets must be real estate; at least 75% of gross

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## diary and dates upcoming in 2006

### October 23-25, Monday-Wednesday

*Expo Real 2006, Munich*

The 9th International Commercial Real Estate Exposition presents the entire value-added chain and functions as a 'working fair'. One of the two most important property trade fairs of the European year, it had 17,000 visitors in 2005. Project presentations, exhibitor forums and an extensive accompanying program review latest trends and innovations in commercial real estate. Since 1998, Expo Real has developed into one of the leading trade fairs in Europe.

More info: [www.exporeal.net](http://www.exporeal.net)

### October 27, Friday

*Forums on Innovations in Real Estate, Berlin*

The Role of Real Estate in the Family Office Portfolio brings together academic and industry experts in a seminar organised by the MIT Centre for Real Estate. Led by MIT's Tony Ciochetti, it features David Brown of Deloitte, Thomas Brown of Deutsche Bank, Gerard de Gunzburg of Macquarie Capital, Jürgen Schäfer of Feri and Rolf Tilmes of the European Business School.

More info: <http://web.mit.edu/cre>

### October 31-November 3, Tuesday-Friday

*Real Estate & Investment Forum, RINFOR, Sofia, Bulgaria*

The 10th semi-annual RINFOR, which takes place under the motto Real Projects, Real Players, Real Opportunities, is a three day large conference focused on real estate and tourism in Bulgaria and Romania. It is the only regular B2B networking event on the Balkans attended each time by more than 500 delegates – key executives from local and international firms.

More info: [www.rinfor.com](http://www.rinfor.com)

### November 2-3, Thursday-Friday

*7th European Real Estate Opportunity and Private Fund Investing Forum, London*

Information Management Network is coordinating the 7th Annual European Real Estate Opportunity and Private Fund Investing Forum in London, UK.

More info: [www.imn.org](http://www.imn.org)

### November 7, Tuesday

*OPCI - SIIC: New opportunities in French fund and REIT legislation, Paris*

French language conference for analysing the impact and the challenges of the new regulations, and the fiscal implications. It is designed for various agents in the real estate sector including asset management companies, deposit banks, and assessors.

More info: [www.comundi.fr](http://www.comundi.fr)

### November 7-9, Tuesday-Thursday

*The International Symposium of Barcelona Meeting Point, Barcelona, Spain*

This event bills itself as the best international real estate symposium in Europe, with 104 world-class speakers. The International Symposium has won the collaboration of the European Property Federation, the Global Real Estate Insti-

tute, the Royal Institute of Chartered Surveyors, the Urban Land Institute, and the business schools ESADE and IESE.

More info: [www.bmpsa.com](http://www.bmpsa.com)

### November 8-10, Wednesday-Friday

*CMSA Europe Conference, Rome*

The second annual conference of the European chapter of the Commercial Mortgage-Backed Securitisation Association, aims to encourage innovation and build clarity in the CMBS industry as it grows in Europe. The conference begins with educational seminars and brings together industry experts.

More info: [www.cmbs.org](http://www.cmbs.org)

### November 9-10, Wednesday-Thursday

*Property Investment Prospects – PIP 2006, Helsinki, Finland*

Seminar run by the Real Estate Education and Training Institute, this covers the Northern Dimension of the European property market - Finland, Sweden and St. Petersburg, of which the first two are in the top 10 markets. This regional market of over 20m consumers is worth investigation to find specific prospects and to analyse the risk factors.

More info: [www.kiinko.net/propertyinvest/](http://www.kiinko.net/propertyinvest/)

### November 16-18, Thursday-Friday

*Expo Alpe Adria Immobiliare, EXAAI, Trieste, Italy*

The meeting point for real estate operators interested in investing in the Alpe Adria region, which extends from Lombardy to western Hungary, and from Bavaria to Croatia. Three days of meetings, conferences and networking opportunities.

More info: [www.exaai.it](http://www.exaai.it)

### November 22-23, Wednesday-Thursday

*REIT World UK 2006, London*

In January 2007 investors will be able to invest in UK REITs. Terrapinn presents its third two-day networking and content-based event, and business development opportunity. Be the first to anticipate market movements, and meet those looking to convert, investors and deal advisors.

More info: [www.terrapinn.com/2006/reituk/](http://www.terrapinn.com/2006/reituk/)

### November 22-23, Wednesday-Thursday

*European Mortgage Federation Conference 2006, Brussels*

Bringing together industry representatives, investors, market makers, mortgage providers, government officials and European Union officials, the second EMF annual conference presents: 'Hear the voice of the mortgage industry'.

More info: [www.hypo.org](http://www.hypo.org)

### November 27-28, Wednesday-Thursday

*The New Europe GRI, Budapest, Hungary*

The Global Real Estate Institute conference brings together leading local and international real estate players in an enlarged Europe. The GRI format is to have no speeches or panels, but discussions in small collegial groups. Discussion chairs ensure everyone talks freely for the benefit of all viewpoints.

More info: [www.globalrealestate.org](http://www.globalrealestate.org)

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income must be earned through lettings, leaseholds and sales; a minimum 90% of profits must be distributed; the free float must be at least 25% at time of IPO; debt capital may not exceed 60% of total (vs open-end property funds' 50%); no single shareholder may hold more than 10% of equity directly though it may hold above this threshold via indirect participation; only half of a G-REITs' property portfolio may be sold within any five-year period.

In order to protect open-end funds, the legislation also stipulates that REITs must be quoted on stock exchanges. This has been heavily criticised by the insurance industry and others, for which the volatility in capital markets causes collateral weighting problems. pfe

## Belgian government suspends public-private partnership - Cofinimmo

Traded Belgian real estate firm Cofinimmo says the Belgian government suspended its 15 September decision to appoint Cofinimmo as the real estate partner for a new closed-end real estate investment company, or sicafi (société d'investissement a capital fixe immobilier).

"The state council motivates its opinion by a formal flaw in the administrative procedure followed but does neither address the content of Cofinimmo's offer nor the process of negotiations conducted by Cofinimmo," the company said.

"Cofinimmo has taken note of this judicial decision and is now awaiting decisions of the government in relation to the administrative procedure," it said. On the basis of the government partnership Cofinimmo had initially announced its expectation for average earnings per share to increase by between €0.20 and €0.30 an ordinary share in the next five years. pfe

## German insurers pressing for rule changes for REITs' investment

German insurance companies, represented by their lobby association, are pressing hard to have any future exposure to German Real Estate Investment Trusts treated as investments in property and not as exposure to equities.

The Association of German Insurers (GDV) has been in intense discussions with the federal Finance Ministry to press for a change in regulations governing assets allowed to be held as security against insurance policies. The portal REITs in Germany reported that insurances are likely to be important investors in REITs once legislation allowing them is introduced.

The branch lobby association (Gesamtverband der Deutschen Versicherungswirtschaft, GDV), which represents 455 private insurance companies, wants to ensure that investments in them are classed as property exposure - which attract a risk weighting based on annual volatility of only 8% - compared to equities, which are risk weighted at 30% volatility.

To do this, the so called Order on Investments in Collateral Assets of Insurance Companies (AN1V) will have to be changed in point 14 Article 1.

While an August provisional concept paper for G-REITs contained just this change, the latest discussion paper passed to ministries and states last month omitted it. However, a GDV spokesman told REITs in Germany, "as soon as the law gets closer to enactment, the regulations on investment will also be changed and this will be referred to in any legislation." pfe

## FUNDS

### Italian real estate fund assets rose above €20bn after first half inflow

Net capital inflows into Italian real estate funds (SGRs) reached nearly 11% in the first half of 2006 compared to end-2005, to a total of €909m and nine new funds launched, according to the Assogestioni fund association.

The increase compared to first half 2005 was 57%. The assets are split evenly between mutual funds and those reserved for institutional investment. Total assets under management have risen above €20bn, with a growth of 12% compared to the previous period, thanks to a rise to the financial leverage which has reached 60%.

The main investment sector is residential (84%) while funds have reduced to 11% the presence of liquidity and financial assets following the creation of open-end funds. Main asset classes held are office (57%), then other mixed assets, which includes military installations and other public structures, and then retail/shopping assets. North-west and central Italy are the most requested areas for investment, followed by southern Italy and islands (12%). Italian funds are still highly domestic oriented, with only 2.6% invested abroad. pfe

### Cordea Savills makes second buy for Italian Opportunities fund

European property fund manager Cordea Savills has completed the acquisition of a 27 asset portfolio across 13 of Italy's 20 regions for Italian Opportunities No.1, its Luxembourg SOPARFI for institutional investors. The portfolio, which totals 25,763 sq.m., has been purchased from listed company Beni Stabili for €105.6m, and comprises four buildings in Rome and Milan and a mixture of retail and offices located in provincial centres.

It is diversified across Italy but with a concentration of assets in Lombardia (47%), Lazio (26%) and Liguria (13%). The latest purchase follows the seed asset acquisition of a block of 61 apartments in Porto Rotondo on Sardinia's exclusive Costa Smeralda for €21.5m from an Italian private investor. Two-thirds of the apartments were sold within two months of the acquisition.

Cordea Savills' Italian Managing Director Gerardo Solaro del Borgo commented: "There is great potential for generating returns from this portfolio, which we intend to realise through a combination of re-gearing leases, breaking up and selling assets, redevelopment and repositioning of properties."

Italian Opportunities No.1 is a master close-ended Luxembourg SOPARFI (Société de Participation Financière) with tax efficient feeder vehicles. The structure has been chosen to provide flexibility for investors to establish the most tax efficient route into the venture depending on their jurisdiction. It has an investment life of five years, with two options to extend for two additional one-year periods. pfe

### Invesco closes fund targeting €637m in EU hotel investments

Invesco Real Estate has raised €255m of equity from institutional investors at the first closing of its European Hotel Real

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## The real estate associations: National Real Property Association, Bulgaria

# REITS blossom in Bulgaria, nurtured by national property association to boost transparency, foreign investments ahead of EU entry

With Germany and UK still struggling with the introduction of Real Estate Investment Trusts, down in the southeast corner of 'new Europe', the Black Sea-coast Slavic nation of Bulgaria has had REIT legislation since 2004 - not a little, thanks to the efforts of its 14-year-old National Real Property Association (NRPA).

Like neighboring Romania to the west, Bulgaria is a less developed market than the core central and eastern European trio of Poland, Hungary and the Czech Republic, but both are now poised for European Union accession in January. NRPA vice-president Lachezar Iskrov says the initial success of REITs reflects the strong performance of property values, partly as a result of this and a robust economic expansion. Real GDP has grown by 4.5-5.5% annually since 1998, and accelerated to an annualised 6.6% in the 2006 second quarter.

NRPA was founded in 1992 to unite the main participants in the undeveloped market, establish broker standards, and ensure a transparent and safe real estate market. It is a founding member of the Central European Real Estate Networks Association (CEREAN), and in 1996 signed a bilateral agreement with the US National Association of Realtors. It also maintains close contacts with the International Real Property Foundation, European Council of Real Estate Professionals and Confédération Européenne de l'Immobilier. With active NRPA involvement, the Bulgarian capital earlier this month hosted the International Real Estate Federation (FIABCI) Congress, run jointly with the 12th annual CEREAN conference.

Property investment, along with tourism, technology and industrial investment, have been the main drivers of economic growth, Iskrov says. Recreational property linked to tourism is still a key segment. The vacation tradition dates back to the Communist era, thanks to Black Sea resorts in the south, and ski resorts centred around Bansko in the Pirin mountains.

In 2005, foreign direct investment into Bulgaria reached €876m, the highest level in eastern Europe measured on a population basis. In the first quarter of this year, it hit €775m. Of this, investments in real estate reached €259m, with the largest-volume foreign investors coming from the UK and Scandinavia.

Despite 12 years of sometimes exuberant rises, residential property prices remain relatively low. House or apartment prices in Sofia average €650 sq.m., some 10% or more below Prague, for example. Iskrov says: "The rapid growth in property prices is over its peak, after a run-up on psychological expectations from EU accession, for example the situation at end-2003 when we saw increases of 200% or even more. You saw this as well in other countries such as Poland."

"After entry, I expect there will first be stabilisation, and later prices will grow again at an average annual rate of 10-12%," he adds. "But it will be very diversified, with luxury prices for luxury products - upscale properties will see more price growth due to limited supply."

Commercial property is coming on strongly now. Three mall-type shopping centres are opening in Sofia this year, and

five more are under construction. Big-box retail/retail warehousing has attracted investment since 2000, and demand currently exceeds supply. Iskrov predicts the new focus will be on warehouses, industrial areas and logistic centres. As well as Sofia, favourable geographic location means strong logistics prospects for Varna, Burgas, Polovdiv and the Danube ports.

The adoption of REITs was sparked by the initiative of several young members of the Bulgarian parliament. NRPA took an active part in the drafting to help promote liquidity and transparency, diversify the market, attract and protect a growing investor base, and bring more property investments under professional management.

Bulgarian REITs legislation is more analogous to the US and Japanese models than the European, although, unlike the other jurisdictions, the framework also encompasses firms investing in receivables. Already, 33 firms have registered for the status, of which 28 are property focused. Of these, 18 are now listed, compared with 10 a year earlier. Sector market capitalisation is small but growing - €133m or 2.45% of total, up from 1% a year ago.

Most Bulgarian REITs invest in a mix of offices and retail assets, warehouses, residential and vacation property. Agricultural REITs are growing faster, with invested funds now 19% of sector

total. But a real estate motive lies behind this. "Agricultural land prices are still relatively low," Iskrov says. "Many plots are bought as agricultural land with the objective of subsequently lodging development applications."

The main initial investors in REITs were local pension funds, banks and mutual funds, as well as individuals. But Iskrov says substantial inflows have increasingly come from foreign financial investors, and the latter now own an average 36% of REITs capitalisation, rising to over 50% in some companies.

Among early foreign investors was Austria's IMMOEAST, which took a large minority stake in Prime Property, a joint venture between Kardan of Israel's CEE financial group TBI and Bulgarian investment banking firm Balkan Advisory Company. Hansa Bank of Estonia and Denmark's Danske Bank were early investors in the second-largest REIT.

Iskrov cautions that the main challenge for the property market after accession will be to maintain its growth. Improvements in the level and quality of administrative services, coordination with European standards, strict application of laws, the struggle against corruption and crime and modernisation of infrastructure will be vital. pfe



*Bulgarian National Property Ass. President Lachezar Iskrov sees housing prices growing again at 10-12% p.a. after EU entry.*

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

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**PROPERTY  
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Estate Fund, a Luxemburg-based SICAV which invests solely in hotels in the European Union.

The projected return from the fund, which will leverage the equity with borrowed capital in order to invest €637m, is 7.5% a year. Invesco says the investment target could rise to €700m. Two of Europe's biggest insurers are among the initial six investors. The group includes mostly German insurers and pension funds.

The fund will acquire a portfolio of mid-market hotels in the €20m-€80m range and mostly in the Eurozone. The targeted hotels are operated by national or international hotel operators with recognised brands.

"As property assets, hotels offer attractive yields and an opportunity to participate in this growth potential," says Jochen Schaefer-Suren, Invesco Real Estate's hotel expert. "Looking ahead, this fund – one of the very first in Europe dedicated to hotels – also provides us with an excellent platform to build Invesco Real Estate's hotel real estate investment management in Europe and other parts of the world."

As an investment, hotels benefit from a global tourism sector growing with world trade and from increased time for leisure. pfe

## Dutch SNS Reaal buys ABN Amro property manager Bouwfonds for €810m

SNS Reaal Groep, an Amsterdam-listed retail banking, insurance and financial services provider, says it will buy Bouwfonds Property Finance from ABN Amro for €810m, rather than the €840m initially agreed upon at end-July.

In a related transaction, Rabobank is buying Bouwfonds Property Development, Bouwfonds Asset Management, Bouwfonds Fondsenbeheer, Rijnlandse Bank and Bouwfonds Holding for €845m. Both transactions are expected to close before the end of the year, subject to regulatory approval. ABN Amro still expects a net gain of at least €350m on both transactions after risk provisioning and costs.

The acquisition of BPF is expected to improve SNS Reaal's group return on equity and earnings per share immediately, lifting the efficiency ratio of SNS Bank. BPF netted profit of €87m in 2005 and €46m in the first half of 2006.

BPF gives SNS Reaal a leading position in the property financing market in the Netherlands, where it has been active for several years. Rebranded as SNS Property Finance, BPF will continue to expand selectively abroad. pfe

## Carlyle Group fund to acquire, develop Linden Park in Hanover

The US-based Carlyle Group says it has acquired Linden Park, a mixed residential, office and retailing centre in Hanover-Linden, from the Engel group of Bavarian Tutzang.

Carlyle made the investment from its second European real estate fund, Carlyle Europe Real Estate Partners II, a €760m fund which closed in September 2005 and now has 18 European investments with 450,000 sq.m. of space. Financial details were not disclosed.

Located on the Blumenauer Straße and Spinnereistraße, Linden-Park has more than 200,000 sq.m. of offices, retail units, apartments and parking spaces. Built in 1970, the complex was called Ihme-Zentrum and is now being renamed Linden Park.

UGE began refurbishing and revitalising the site six years ago, a project Carlyle will continue and hopes to complete by

the end 2007 or the beginning 2008.

"This is an exciting opportunity to transform a 70's style complex into a modern and lively centre involving office space, retail and residential," said Wulf Meinel, Carlyle's managing director. "Herr Engel at UGE has achieved a long-awaited breakthrough on this project, and we are delighted that his long-term employee, Matthias Hess will act as an adviser for us on this project." pfe

## ING property fund will invest €1bn in six eastern European countries

ING Real Estate, property funds unit of the Dutch insurance and banking giant, has launched for institutional investors a fund that will invest €1bn in eastern European commercial property for an internal return (IRR) of at least 10% a year.

The new ING Property Fund Central and Eastern Europe will cater especially to institutional investors from the fund's six targeted countries of investment: Austria, Poland, Romania, Slovakia, Czech Republic and Hungary.

The fund will be managed from Prague by ING Reim Central Europe and will buy office space and warehouses as well as commercial premises. Some €400m is supposed to be invested by the end of 2007. pfe

## Fortress buys two east German retail properties from ILG closed funds

Munich-based asset manager ILG has sold two retailing properties in eastern Germany to an institutional investment fund of the US Fortress private equity firm.

The properties located in the cities of Stendal and Köthen were assets of ILG funds No. 21 and 22, which were dissolved after 14 years. During that time the investment brought an average yield after tax of at least 8% for investors in the top tax bracket. There was also a total return of 177% on the initial stake in the funds.

The Köthen property had space of 12,200 sq.m., that of Stendal 24,800 sq.m. pfe

## Warburg-Henderson wins €600m mandate from German VHV insurance

Warburg-Henderson has won a €600m mandate to acquire pan-European assets for an institutional property investment fund it will manage for the German VHV insurance company.

As its first acquisition Warburg-Henderson bought a 4-year-old office building in downtown Berlin. The seven-story structure has 7,000 sq.m. of rental space and is part of the office complex Am Markgrafentpark in Berlin Mitte, near Friedrichstraße and Checkpoint Charlie.

Warburg-Henderson KfI (Kapitalanlagegesellschaft für Immobilien) is an asset-management venture of Hamburg's M.M. Warburg & Co. investment bank and the huge London asset manager, Henderson Global Investors. It was established five years ago as a specialist for institutional funds, of which it has established six.

The property mandate for the Warburg-Henderson VHV Fonds was one of the biggest. German properties will be the

initial focus, followed by pan-European investments.

"In the course of a detailed selection process the Warburg-Henderson KAG stood out as a specialist for pan-European property investment management," said Claus Blänkner, directors of capital investments for VHV insurance.

VHV specialises in insurance for the building industry as well as car insurance and indemnity insurance. With Hannoverische Lebensversicherung and VHV Lebensversicherung it is also active in life insurance and retirement insurance.

Bfinance Deutschland GmbH of Munich conducted the tender process for awarding the VHV mandate. HIH Hamburgische Immobilien Handlung, a German asset manager, advised the fund on the transaction. pfe

## Crédit Suisse fund buys German Mainz shopping mall for €60m

German developer Mainzer Aufbaugesellschaft (MAG) has sold its Römerpassage downtown shopping centre in Mainz to a property fund managed by Crédit Suisse for a price well in excess of €60m.

This transaction was reported by Allgemeine Zeitung (AZ), which also said that MAG has struck a deal with Corpus Wohnen for the sale of its Winterhafen property in Mainz. Corpus, a residential property unit of the German savings banks, wants to build housing there. Römerpassage has 10,000 sq.m. of retailing space with 40 shops as well as 2,500 sq.m. of living space and 5,000 sq.m. of offices. pfe

## IVG launches €250m Italian office fund for non-profit foundations

IVG, Germany's biggest listed property company, is preparing a mutual investment fund for non-profit foundations and other institutions with €250m of assets in Italian office property mainly in Milan.

IVG Italy Office Fund, conceived to make tax-free payouts possible, has a portfolio of 10 office properties that are rented and of high quality. The investment vehicle is an Italian mutual property fund with the new legal form of Società di Gestione

del Risparmio (SGR), which is exempt from Italian corporation tax. The fund will run for seven years with running disbursements from a program of disposals.

The portfolio has rental space of 71,000 sq.m. concentrated in Milan. The space is currently 93% rented. IVG Italy Office Fund holds an exclusive tranche of 20% of the fund's equity capital of €100m. IVG asset management division manages €17bn in property assets, particularly office buildings in large European cities. pfe

## Danish Sparinvest fund of funds commits €170m to US RREEF fund

Sparinvest Property Fund, a Danish global property fund of funds with €415m of capital from 11 Danish institutional investors, has boosted its total fund commitments to €170m with an new investment in a US property fund.

The latest investment, the second in the US, was made in the US diversified fund RREEF America REIT II. "Over the coming two years we expect to make commitments to another three to four funds in the US, which will be more sector and/or region specific," said SPF Managing Partner Bo W. Jensen.

In Europe, SPF recently committed to UBS Euro Value Added Real Estate Fund for office investments in the euro zone. It is also in UK shopping centre fund the Mall, and three or four more European funds will be added in the coming two years. A couple of funds will also be added in Asia for diversification. SPF hopes to raise about €500m from its institutional investors before its final closing in December. pfe

### PROPERTY FINANCE

## Several international banks, including Lehman, target Italian grand hotels

Italian banks and real estate companies that have earned good profits through trading operations are now looking for new outlets and hotel and hospitality assets is attracting ever increasing numbers.

### Latest European mortgage backed securities, covered bond transactions

2006, September

Asset Class	Asset Type	Country	Currency	close	Deal Name	Originator	Arranger
CMBS	Commercial	EU	EUR	Sep. 06	FORNAX (ECLIPSE 2006-2) B.V.	Barclays Bank	
RMBS	Master Trust	UK	EUR	Sep. 06	Granite Master Issuer - Granite 2006-3	Northern Rock	
CMBS	Commercial	GE	EUR	Sep. 06	Opera Germany (No. 1) GmbH	Eurohypo AG	Eurohypo
RMBS	Residential	ES	EUR	Sep. 06	IM Cajamar 4, FTA	Caja Rural Intermediterránea	
RMBS	Residential	PT	EUR	Sep. 06	Douro Mortgages No. 2	Banco BPI	ABN Amro
RMBS	Residential	UK	GBP	Sep. 06	RMAC Securities No.1 : Series 2006-NS3	GMAC RFC	
RMBS	Residential	IT	EUR	Sep. 06	Vela Home S.r.l. - Series 4	Banca Nazionale del Lavoro	Banca Nazionale del Lavoro
CMBS	Commercial	GE	EUR	Okt. 06	Fleet Street Finance Two	Goldman Sachs Credit Partners	Goldman Sachs International
RMBS	Res. I loans	FR	EUR	Sep. 06	French Residential Asset 2006-1	Crédit Logement	Calyon
RMBS	Res. I loans	GE	EUR	Sep. 06	PB Domicile 2006-1	Deutsche Postbank	BNP Paribas, Deutsche Postbank
CMBS	Com. I loans	UK	GBP	Sep. 06	Epic (Industrious)	Royal Bank of Scotland	
RMBS	Residential	PT	EUR	Sep. 06	Lusitano Mortgages No. 5	Banco Espírito Santo	Espírito Santo, Calyon, HSBC, Lehman
CMBS	Commercial	IT	EUR	Okt. 06	Infinity 2006-1 "Classico"	IXIS Corporate & Investment	IXIS Corporate & Investment Bank
RMBS	Commercial	UK	GBP	Okt. 06	Eurosail 2006-2BL	Preferred Mortgages	Lehman Brothers International
CMBS	Commercial	UK	GBP	Sep. 06	The Mall Funding -tap issue-		Credit Suisse Securities
CMBS	Residential	UK	GBP	Okt. 06	Victoria Funding (EMC-V)	Citibank N.A.	Citibank N.A.
RMBS	Residential	BE	EUR	Okt. 06	B-Arena N.V./S.A., Compartment No. 1	Delta Lloyd	ABN Amro

Source: Europace for Investors

**EUROPACE**  
FOR INVESTORS

The Milano Finanza daily newspaper reported that despite the traditional Italian practice of big hotel chains or wealthy families traditionally buying into five-star hotels in Italy, a new wave of purchasers is arriving - real estate companies and banks. The US investment bank Lehman Brothers is investing in this sector and is now the owner, together with Starwood as operator, of the luxury hotel Gallia in Milan. The UK-based Golden Tulip is also looking for such investment assets.

On the Italian side, Danilo Coppola, head of his own company and new owner of the daily newspaper Finanza & Mercati through the takeover of Ipi Spa - formerly part of Gruppo Zunino's Risanamento Group - has inherited Lingotto, a Turin company in which Le Meridien Lingotto and the Art+Tech Hotel will converge.

Gianni Chiri, of the Imi-SanPaolo group, told the newspaper that Italy was in first place in hotels during the 1970s. "Now it is in fifth or sixth place, following country such as Spain," he said. "In Italy hotel chains represent only 4-5% of total accommodation facilities, while in the rest of Europe this is 20-25% and in the US the figure reaches 60%." pfe

## Bear Stearns boosts European lending in commercial, hires Capmark's Williams

The US-based investment bank Bear Stearns is boosting its continental European commercial real estate lending business, announcing the hiring of Steve Williams, formerly head of commercial lending at Capmark, previously GMAC Commercial Mortgage.

Williams will become co-head of the firm's expanding European commercial real estate lending alongside Stephen Haskin, an 11-year Bear Stearns veteran, who arrives in London from New York where he was a senior member of the firm's real estate investment banking team.

As senior managing directors, the two will be responsible for expanding both securitised and non-securitised lending as well as other principal activities related to commercial real estate in Europe, the bank said. They intend to make additional hires as the business grows. They will have dual reporting lines to Randy Reiff and Christopher Hoeffel, co-heads of the global Commercial Mortgage Backed Securities department, and Yves Leyesen and John Moore, co-heads of Fixed Income in Europe.

Leyesen said the appointments demonstrate Bear Stearns' commitment to grow its real estate lending business in Europe and are, "an important step towards our goal of becoming a leading provider of capital to the European commercial property market."

Williams has over 20 years' experience in commercial real estate finance in the US, Europe and Asia. Haskin has transacted public debt and equity offerings, commercial mortgage financings, and mergers and acquisitions on behalf of US public REITs, private real estate companies and real estate private equity funds. pfe

## Germany's Allianz insurance forms new real estate investment unit

Allianz, Germany's market-leading insurer, is setting up a new subsidiary that will concentrate on more efficient investment of underwriting income in real estate, leaving the management of the insurer's extensive property to outsourcing with other companies.

The new property investment company, Allianz Immobilien, will be headed by Dirk Grosse-Woerdemann. "Real estate will take on a stronger role in our investment portfolio," he told Die Welt newspaper. It will invest money earned through insurance premiums into lucrative properties, specialising more in long-term rentals rather than sales.

Allianz wants to raise its property investment ratio to as high as 6% from the current 4%. And more capital is also supposed to be channeled in indirect vehicles outside of Germany. Another aspect of this core asset management business is the development of funds products tailored to the needs of investors from the insurance concern. Management of property will be turned over to other companies.

Allianz owns at least €15.3bn in properties, 85% of the buildings located in Germany. Two-thirds of the properties are commercial; 10%-12% are residential apartments. pfe

## Aareal sells German urban property development to Hamburg's HSH bank

Aareal, a listed German property bank in Wiesbaden, sold its urban development subsidiary, Bau Grund Stadtentwicklung of Bonn, to HSH N Real Estate, a property unit of state wholesale bank HSH Nordbank of Hamburg. Buyer and seller agreed not to disclose the price.

With the purchase of Bau Grund, HSH RE seeks market leadership in urban development projects for public authorities, says Chairman Marc Weinstock of HSH N Real Estate. In the same branch segment, HSH RE already owns 45% of BIG Städtebau of Kronshagen and the DSK development firm of



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“With this sale we are continuing to implement our policy of dispensing with non-strategic participations and continuing to strengthen our medium-sized corporate structure. Thus, we can focus on our core competency, international property finance,” said Wolf Schumacher, chairman of Aareal Bank.

Separately, Aareal's asset management unit bought a portfolio of 1,400 apartments and about 60 commercial objects from various divisions of Allianz insurance. The residential properties were purchased for Aareal German Residential Fund and placed under the management of Bau Grund. The properties are located in Hamburg, Hanover, the Rhineland and the Frankfurt region. pfe

## Pirelli RE's Spazio closes €300m AIM listing, Grove mostly exits

Spazio, the Italian closed-end real estate fund managed by Pirelli Real Estate, has ended its Initial Public Offering on London's Alternative Investment Market, achieving placement of €300m at a price around 10% discount to net asset value. The IPO price was €12.5 per share.

The company said the offer was oversubscribed. More than 95% of the subscriptions derived from international institutional investors, mainly US and UK based.

Spazio is structured as a Dutch investment NV, which owns

100% of Spazio Industriale, a closed-end real estate fund for qualified investors managed by Pirelli Real Estate SGR. The offer was structured as a €256m capital increase, equal to 85% of total, and €44m - or 15% of total - deriving from the sale of existing shares by Cypress Grove.

The market capitalisation of Spazio following admission and commencement of trading last Wednesday was around €380m. The offer cuts Grove's holding to 10% from previously 65%, and Pirelli RE's to 12% from 35%. The remaining 78% will be held in free float. The capital increase will be used to complete already committed acquisitions of about €200m, to refinance the portfolio at a 60% loan-to-value, and for future acquisitions so as to reach the target of €1bn of assets. pfe

Spazio was designed by Pirelli RE as the first accumulation platform investing in the light industrial and logistic sector. It intends to promote also in other real estate segments the shift of funds from a liquidation to an accumulation structure, which is appreciated by the market. Pirelli RE Group, controlling Pirelli RE SGR and Pirelli RE Opportunities SGR, is leader in Italy in the management of real estate funds with total assets of €6.6bn as at 30 June. pfe

## MSREF-controlled JV Multi Turkmall opens shopping mall in Izmir, Turkey

Multi Turkmall, a joint venture of Turkish shopping centre developer Turkmall and Morgan Stanley's Dutch Multi Devel-

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opment firm, has opened its Forum Bornova, a €120m shopping centre in Izmir on the Turkish Aegean coast.

The new mall is jointly owned by Multi Turkmall and Commerz Grundbesitz-Investmentgesellschaft, the property funds unit of Germany's Commerzbank.

Forum Bornova has 45,000 sq.m. of space in 130 shops, 17 restaurants, leisure and cultural facilities on the edge of a university campus. Combining shopping and entertainment, the Multi Turkmall shopping centre development is expected to attract 10m visitors and year, providing 1,500 jobs.

The mall's tenant base is anchored by IKEA, has a Tesco Kipa market and includes such tenants as Douglas, Friis & Company, EP Center, Zara Home, Oysho, Stradivarius, Pull&Bear, Bershka, Massimo Dutti, Next, Tike and Conbipel.

Multi Turkmall's Turkish project portfolio includes Forum malls in Ankara, Mersin, Trabzon, Istanbul, Antalya, Denizli and other cities. With Morgan Stanley Real Estate Fund as its new financial partner, Multi Corporation of Gouda, Netherlands, has several functional units. Multi Development has projects in 18 European countries. pfe

## Fitch confirms ratings on €5.5bn German Viterra portfolio refinancing

Fitch Ratings has confirmed a range of 'AAA' to 'BBB' ratings on seven 10-year note classes issued last August in the €5.5bn asset-backed refinancing stemming mostly from the Viterra portfolio, Germany's largest residential property transaction.

Fitch also assigned the same range of ratings to a second current tap issue of five note classes worth €399m, backed by

additional property collateral from Deutsche Annington, which took over Viterra in 2005. The issuer of the tap notes is an Irish financing vehicle called German Residential Asset Note Distributor.

In confirming the ratings of the August issue that falls due in July 2016, Fitch assigned corresponding high marks to the new second issue as well.

The original transaction was the securitisation of the largest German residential portfolio: Viterra's 164,365 apartments, 1,037 commercial units and 38,060 garage and parking units. The proposed €399m tap issuance adds additional collateral of 15,919 apartments, 75 commercial units and 1,882 garage and parking units. pfe

## RESIDENTIAL

## Swiss apartment vacancy tops 1% for first time in four years

The apartment vacancy rate in Switzerland climbed to 1.06% on 1 June, when 39,752 apartments stood empty, says Switzerland's Federal Statistics Office (BFS). This was the first time in four years that the rate has exceeded 1%.

Before this year's 8% rise in the number of unrented apartments, an increase of 2,950, the vacancy rate had been about 0.99% last year. But the brisk building activity in recent years gradually outran demand, causing the rise in the empty rate.

The rental market eased in 21 cantons and tightened in five, with Glarus showing the highest rate, 2.50%. Rates of slightly more than 2% were also seen in the cantons Jura and Appenzell Ausserrhoden. Tight rates ranged from 0.64% to 0.40% in Waadt, Basel-Landschaft, Schwyz and Zug.

The rate in Geneva was 0.16%, but in Zürich 824 additional apartments lacked renters, the biggest gain in rate. The most unoccupied flats, namely 5,332, were in Bern.

The number of empty one-family houses rose by nearly 6% to 4,378 houses in the reporting period. The number of new unrented flats rose by more than 4% to 4,095. pfe

## Paris housing market begins soft landing as price rise slows

The Paris housing market has begun a soft landing as the rate of increase in residential property prices slows, the region's notaries said in their latest report.

"We could be heading towards single-digit price rises this year and, in the longer term, price rises more compatible with the increase in household income," said the organisation of notaries for the Greater Paris region, called the Notaires d'Ile-de-France.

The study found a 2.2% rise in residential property prices in the second calendar quarter, compared with 2.8% in the first. The slowdown was more pronounced in the suburbs where prices rose by 1.6% in the second quarter after 4% in the first.

Prices of residential property gained 12.5% in 12 months in Paris and as much as 18.5% in the Hauts-de-Seine area west of the city. "The rise in prices is far from dropping as certain observers forecast," said the notaries. They called the Paris housing shortage critical, saying it helps keep prices buoyant. Some 60,000 housing units would have to be built annually for years to come to meet the demand.

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- REIT financing & funding structures – learn how to minimise risk and maximize benefit
- Strategies for restructuring – evaluate how to meet, manage, and satisfy the requirements of REIT status
- REITs and derivatives as an investment strategy – gain insight into the impact REITs will have on property investment
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One sign of slowing is in the number of property transactions, down by 6.6% in Paris during the April-June period, compared to the same quarter last year. The figure remained nearly steady in the city's close suburbs.

France's National Federation of Real Estate Agents (FNAIM) had also found a slowing of the increase of residential prices. FNAIM called this an indication of "more moderation in the future. Everything leads us to believe that the economic situation will have a smooth landing and will bounce back rapidly, even beyond expectations," it said. pfe

## US skid may hammer European housing prices but not Germany's – Deutsche

The big plunge of residential real estate valuation in the US could soon undercut housing prices in Europe's major housing markets, particularly Spain and Ireland. But those invested in Germany's flat market have the least to fear.

This conclusion was drawn by a new study called "US house prices declining: Is Europe next?" from Deutsche Bank Research. House prices in Germany have been static since the mid-1990s. But DB Research found that, "almost all other European countries face substantial contagion risks, not only stemming from the US, but also from European neighbours."

Housing markets move in synchrony on either side of the Atlantic, yielding a strong correlation in price trends. Therefore DB Research says a US retrenchment poses not only poses "severe risks to the US economy" but also to major European housing markets.

Now falling, US housing prices had doubled in the past 10 years. In Europe housing prices had increase during that period by 150% in Spain, by 200% in England and by as much as 300% in Ireland. Worsening affordability has sharpened the price risk in Europe, except for Germany where housing is as affordable today as it was 20 years ago.

A risk model used by DB Research shows that Spain and Ireland are most vulnerable to a price correction while Germany has the lowest risk of eight major European markets. pfe

## Italian housing price outlook flat for next six months - FIAIP

The price outlook of the residential real estate market for the next six months in Italy is for zero growth, says the Italian real estate agents federation (FIAIP). However, while the forecast for the near future is not optimistic, the risk of a fall back of

prices is low.

Prices moved barely at all in the first half, growth of 1-3% in the city centres and a slightly higher increase in the suburban areas thanks to the long wave effect.

Franco Arosio, FIAIP president, said, "I believe Italy never had any reason to fear the burst of the property bubble since this bubble has affected speculative assets such as the service industry and not residential housing."

Nevertheless, the worst forecast concerns Rome, where an average price decline of about 3% is foreseen. On residential rentals, Milan must face a difficult time after a descent of 10% during 2005/2006. FIAIP sees no improvement in the near future. pfe

## Foreigners buying housing in Paris' upmarket neighbourhoods

Foreign buyers are snapping up Parisian residential real estate in greater numbers than a decade ago, especially in the city's chic neighbourhoods. Within the Paris city limits, about 8% of residential property sold in the year to last April went to foreigners, about one-third more than 10 years ago, says a new study by the Paris Chamber of Notaries.

Italians bought nearly one-fifth of the property acquired by foreigners, Americans bought 11% and British investors 10%. The average foreigner buys 50 sq.m. in Paris, just under the 53 sq.m. acquired on average by a French buyer.

Foreigners are attracted mostly to the city's more expensive neighbourhoods such as the fourth district, where nearly one-quarter of all acquisitions were by non-French and one-third of these by Italians. Another highly desirable neighbourhood is the sixth district, or the Latin Quarter, where 18% of residential properties were sold to foreigners and one-third of these to Americans. pfe

## Corpus buys 1,010 apartments from Signal Iduna insurance

Corpus Immobilien of Düsseldorf, a property asset manager owned by the German savings banks, has purchased 1,010 apartments from an agent of the German life and health insurance concern, Signal-Iduna, on the basis of structured bidding.

The acquisition raises to 10,500 the number of apartments now owned by Corpus. Michael Albertz, business manager of Corpus Immobilien, said his company is shopping for more German housing.



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The Signal-Iduna property is managed Hanseatische Investment (Hansainvest), the seller. It includes 67,000 sq.m. of mostly rented living space and 3,000 sq.m. of commercial space. Eighty percent of the apartments are in Berlin, the rest in Dresden, Hanover and Leipzig.

Signal-Iduna owns life insurer Iduna Vereinigte Lebensversicherung and health insurer Signal Krankenversicherung. Hansainvest was helped with the transaction by Pestlin & Co. and Latham & Watkins, both of Hamburg. Corpus Immobilien manages property assets of €15bn. Hansainvest is the asset manager of Signal Iduna, managing at least 25 mutual funds und 15 institutional funds with assets of €8bn. pfe

## East Germany's Schwerin may sell its municipal housing

The eastern German city of Schwerin is taking preliminary tenders on sale of its municipal housing, comprising some 14,500 apartments. The sale is being conducted by HSH Nordbank.

Starting mid-September potential investors were invited to cite a price they would pay for all of WGS and for that portion of its portfolio covering only 5,000 apartments. The municipal government reserves the right to decide on the sale after the offers are collected.

Mayor Norbert Claussen says Schwerin started discussing a public housing sale after Dresden privatised all its municipal housing.

"In view of the financial situation and the general situation of the city," he said, it would be unreasonable if Schwerin did not consider a similar step. The city housing company is managed by Wohnungsgesellschaft Schwerin. pfe

## German mortgage volume seen growing by 7.3%

The volume of German housing mortgage transactions will rise by 7.3% this year to €136.5bn, projects GEWOS, a German cooperative property consultant.

Residential property would make up €98.7bn of that 2006 total, Germany's Immobilien Zeitung property newspaper reported.

The market for multi-family houses alone was expected to grow by 10.5% to €16.9bn, partly because of a high number of block transactions. pfe


## Spanish ministry to boost housing aid by 167% next year

Spain's housing ministry will increase state aid to renters by 167% in 2007 to as much as €46m if individual assistance remains the same. The move would help young people and immigrants cope with rising rents during the current property boom.


Landlords would receive an additional 12% to about €17m, the ministry said. Priorities would include new rental housing projects and rural housing needing renovation.

The announcement was made in a parliamentary committee session on next year's budget. The housing ministry seeks a 14% budget increase to about €1.1bn. The ministry has earmarked about €196m to buy land and property for public housing. pfe

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## STUDIES/REPORTS

### Three dollars of capital chasing every one dollar of real estate - JLL's Orr

With London and New York office market yields now below financing costs, other markets that anticipate steady rent rises are also likely to move into negative yield soon, says Robert Orr of the International Capital Group at realtor Jones Lang LaSalle.

Orr told a conference organised by Oppenheim Immobilien in Wiesbaden 10 days ago that there is no sign of any let-up in the 'wall of capital' seeking to invest in global real estate. This has led his group to predict an increase in global property investment in 2006 to around \$600bn, more than 30% above 2005.

"We are seeing three dollars of capital chasing every one dollar of product," Orr said.

"This international investment capital will force transparency in real estate to increase and to accelerate, and thus have a strong impact on market structures in many countries," Orr said. "The traditional borders that have dictated our real estate structures, have just tumbled and we are seeing capital flowing across these borders in a way we have never had before."

The yield compression to below financing rates may not have the slowing effect on the market predicted by some specialists, he said. The massive amount of capital seeking ever dwindling available real estate assets is bringing more pure equity investors into the real estate markets of the industrialised countries.

"On yield compression the big question is, where will rental growth come through," Orr told the conference. "But if you see this kind of strength of demand in place, then you have to assume that negative yield differentials are coming in other countries."

Even if highly-leveraged hedge funds will be curtailed as interest rates rise, an adequate gap remains between total returns and financing costs. Petro-dollars are also boosting capital entering property assets worldwide. Mid-East capital is no longer so strongly focused on 'trophy' real estate assets, as in the 1980s or the early 1990s, it is looking at more core and regional property. Emerging markets are also seeing a boom in incoming capital.

As examples of global inter-regional investment, he cited the instance of two Irish brothers buying into a waterfront development in Cape Town for around \$700m, and the Kuwait Investment Authority rumoured to be interested in acquiring a shopping centre in Istanbul for \$750m – a country exposure that the institution has never before taken on. pfe

### German commercial property investment soars 135% in first 9mths - Atisreal

Investment in commercial property in Germany, including individual transactions and portfolio deals, soared by 135% in the first three quarters of 2006 to €29.65bn from the year-ago period, according to realtor Atisreal. If residential portfolios and non-performing loans are included, the total climbs to €41.23bn.

Commercial real estate portfolio sales accounted for €17.57bn (59 % of total) and single deals for €12.08bn. Retail properties produced the most traded volume, contributing €13.84bn (47 %) to total turnover, with the sale of the Karstadt portfolio at the beginning of the year playing a substantial role. This was followed by office buildings with €10.21bn (34%) though the latter asset class was strongest in the third quarter. In the nine-

month period, logistics properties accounted for almost 6 % of volume, around €1.73bn.

Some €6.37bn was invested in residential properties and about €5.22bn in non-performing loans in the nine-month period.

In individual transactions, retail properties and office buildings finished virtually neck-and-neck: retail properties accounted for €4.6bn, followed very closely by offices with about €4.5bn and logistics properties with a share of almost €1.07bn, Atisreal said.

In the six key cities Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich, investment in the first three quarters of the year totalled about €12.27bn – 138% more than in the equivalent period of 2005. Munich was well in the lead, with a transaction volume of €3.3bn (up 628%). With total turnover of €2.34bn (plus 22%), Frankfurt ended just in front of Hamburg with €2.23bn (plus 132%) and Berlin with €2.2bn (plus 179%). Investment in Düsseldorf rose some 158% to €1.36bn. pfe

### Higher office rents, property investment coming in Germany – RICS

Germany will be no exception to the prevailing worldwide trend of rising rents and a growing volume of investment in office property, says the current Global Property Survey from Royal Institution of Chartered Surveyors (RICS).

RICS sees the biggest growth in investment volumes coming in India and China. But it also projects robust markets, rising rents and growing investment interest in Japan and western Europe. Investors in eastern Europe are shifting their attention to smaller cities now that yields in the capital cities have fallen to the western European level. The study sees the biggest market risks coming from political uncertainty, such as that seen lately in Thailand and Hungary. pfe

### German office supply set to shrink further this year, Atisreal says

German office supply is set to go on shrinking during the rest of the year and the speed of the downturn will pick up somewhat in 2007, forecasts the realtor Atisreal. Rents should remain largely steady, but initial rises in prime rental prices indicate that 2007 could bring increases on a broader front.

The available supply of office space across Germany fell a fractional 1% in the third quarter to 9.47m sq.m. due to a 7% reduction in space under construction and also a 1% fall in the overall vacancy level. With the exception of Cologne, where supply of office space in the third quarter rose again – by over 3% – all major cities registered slight falls in supply.

In the first nine months, take-up in the eight key office locations was virtually unchanged from the period last year, totalling some 1.93m sq.m.

By far the biggest take-up was generated in Munich (478,000 sq.m.), so that the Bavarian capital exceeded last year's already very good performance by nearly 6%. Particularly strong growth was registered in Düsseldorf, up almost 22%, Essen, with a rise of almost 53% and Leipzig, with an upturn of over 15%. Slight declines were reported by Hamburg and Frankfurt. Berlin recorded a substantial 26% downturn, suffering from a sharp cut-back in public-sector demand.

On rents, existing inquiries and lease contracts currently being negotiated indicate that demand in the current fourth quarter will also be lively. In the third quarter, prime rents either remained stable – as in Berlin, Cologne, Düsseldorf, Hamburg

and Leipzig - or rose somewhat, as in Essen (up 4%), Frankfurt (up 3%) and Munich (up 2%). pfe

## Commercial property market booms in Sweden, says DTZ Nordic overview

Transactions in Sweden's real estate market hit a record €15.4bn last year, €3bn more than in 2004, says global real estate adviser DTZ's Nordic Market Overview Report 2005.

Transaction volume during the first six months of 2006 increased by 35% from the same period last year, with Swedish investors becoming more aggressive. They initiated six of 10 transactions, up from half in 2005.

"We can expect that 2006 will be another record year," said Ola Jacobsson, a DTZ analyst in Sweden, adding that properties outside the large cities are now starting to attract domestic and foreign investors.

"We are presently seeing powerful growth in the trend to acquire retail parks, or Big Boxes, as they are called in the USA," Jacobsson said. "For example, UK-based Boulton Land PLC purchased among others St Per in Uppsala and Multicenter in Västerås. Last summer, the German real estate fund Oppenheim purchased a portfolio of retail parks for €2.7m."

Interest in Swedish logistics and warehouse properties is also rising, according to DTZ's annual Motorways of the Sea logistic report. An EU-estimated 38% increase in freight and 21% increase in passenger transport within the EU-25 by 2010 will help such port cities as Gothenburg and Stockholm. But the rental market is anticipated to remain stable with marginal improvements in prime rents. pfe

## Colliers partners see slow price rise for German office continuing

Peak office rents rose in Berlin, Frankfurt, Hamburg and Munich in the third quarter of 2006 when compared with the year-earlier quarter, says the realty partnership Colliers Property Partners.

The sharpest 12-month rise recorded for September 2006 was in Munich, where the price increased by €2.30 a square meter to €29.80.

There was also an increase in average rents in Berlin, Düsseldorf, Frankfurt and Munich. The average square-meter rent in Frankfurt rose by €1.90 during the reporting year to €15.40.

In turnover of rental space, however, there was little growth. Deutsche Immobilien Partner, a network of property brokers,

found gains only in Munich and Düsseldorf. In Frankfurt and Berlin the turnover for the 12 months was down.

Nevertheless, net absorption in the five largest German office rental markets improved to at least 500,000 sq.m. from 200,000 sq.m. the previous year, says DIP partner Aengevelt. pfe

## More offices rented in small western German cities – Deutsche Immobilien

Turnover in German office space in the first three calendar quarters of 2006 was often brisker in the small cities than in the largest urban markets, where turnover could be described at best as stable, says the realtor network Deutsche Immobilien Partner (DIP).

A DIP survey on office rentals in the first nine months showed increases of 55% in Bremen, 56% in Essen, 22% in Hanover and 23% in Leipzig, compared with the year-earlier period. In the eight centres observed by DIP around 333,000 sq.m. of office space found a new tenant, 17% more than in the same period of 2005.

In the mid-sized cities turnover was down by 33% in Dresden, by 35% in Magdeburg and by 24% in Mannheim. The rental volume in Rostock matched the level of the previous year. pfe

## Paris commercial real estate deal volume rises 28% in first nine months

The volume of office property transactions in Paris rose by 28% during the first nine months of this year compared with the same period last year, while total investment in commercial property doubled, new statistics show.

The transactions, measured as the volume of property rented or sold in the Paris region, totalled 2,025,800 sq.m. through 30 September, compared with 1,462,000 sq.m. during the first nine months of 2005. Total investment in Paris regional commercial real estate, which includes office and retail space as well as warehouses, was an estimated €15.1bn during the first nine months compared with €7.3bn the same period in 2005.

Despite rising interest rates, industry data compiled by Immostat indicate that the commercial property market in Paris does not appear to be cooling. The volume of transactions rose to 572,900 sq.m. in the third quarter of 2006, up 24% from 461,800 sq.m. in the same period in 2005.

At the end of September, 2,506,000 sq.m. of office space was immediately available in the Paris region, Ile de France, nearly unchanged from the end of the June. Office rents firmed slight-

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ly to average €286/sq.m. in the region the end of September, compared with €277/sq.m. the end of June and €261/sq.m. the end of September last year.

Immostat was formed by realty consultants Atisreal, CBRE, DTZ and Jones Lang Lasalle to compile French statistics on the commercial property market. The data are closely-watched by market participants. Analysts are expecting a record year for investment in commercial property in France. Many have said they see no signs of the market slowing, partly because of sustained inflows of capital to the property market. pfe

## Spanish retailing sector to double investment this year - CBRE

Real estate investment in offices, shopping centres and industrial centres in Spain will reach about €9.5bn this year, more than doubling the figure from 2005, says a report from property consulting firm CB Richard Ellis.

During the first half of 2006 investment was about €3.9bn, or 86% of what was invested during all of last year. By 2008, Spain will rise from ninth place in Europe to fourth in the number of square meters for shopping centres per 1,000 inhabitants. Total surface area for shopping centres will be about 3.7m sq. m. in 2008.

Led by the UK, Germany and France, European investment in this sector by July reached about €90bn. pfe

### DEALS

## Pirelli RE pays Germany's B&L, HSH Nordbank €462m for DGAG purchase

Pirelli Real Estate is taking over the German DGAG housing and commercial property management concern of Hamburg and Kiel from property holding company B&L Immobilien and state wholesale bank HSH Nordbank for a preliminary price of €462m.

When assumed liabilities are included the transaction comes to around €1.5bn. DGAG's residential and retailing property will be included in Pirelli's separate joint ventures with Morgan Stanley Real Estate Funds (MSREF), and RREEF, a property fund of Deutsche Bank.

DGAG, which has a staff of 400, will be renamed Pirelli RE Deutschland, taking over the function or managing the Italian company's German operation. The German business is supposed to be expanded to include management of overdue loans. "Our business turnover in German should double in the next two or three years," said DGAG Chairman Wolfgang Weinschrod. pfe

## Canada's Ivanhoe buys Madrid's Xanadú megacentre shopping mall

Canadian property developer Ivanhoe Cambridge has bought Madrid shopping centre Xanadú and the 50% of centres Vaughan Mills in Ontario and St. Enoch Centre in Glasgow it did not already own for \$988m from The Mills Corporation.

Xanadú is one of Spain's premiere retail centres, covering

about 134,000 sq. m. and including 220 stores, restaurants, a cinema and an indoor ski facility.

The acquisition "is in line with Ivanhoe Cambridge's strategy to further enhance the quality of our portfolio of properties under management, and diversify geographically by expanding our international activities, investments and networks," said Ivanhoe Chairman Rene Tremblay.

The Madrid deal is pending the resolution of a London court case filed by Mills' former partner in Xanadú, Parcelatoria Gonzalo Chacón (PGC), run by Iraqi businessman Al Jalabi Jaafar. Filed in 2005, the lawsuit seeks additional compensation for Mills' buyout of PGC's holding in 2004. pfe

## Italy's listed firms Gabetti, La Gaiana merge into full-service property group

One of the oldest brokerage and real estate management companies in Italy, Gabetti, and La Gaiana, a property holding owned by the Giordano family, are to merge to become a full service property company. Both companies are listed on the Milan stock exchange.

The new company, Gabetti Property Solution, will have an estimated capitalisation ranging around €250m. The two have been cooperating since 2003 but wanted to combine forces to have a securer shelter from third companies looking for such takeovers, specially Pirelli RE, according to sector specialists.

The main shareholders of the new company will be the Acosta holding of the Giordano family at 29.7%, the Marcegaglia firm active in the iron and steel industry at 13.1%, Barclays Bank at 12.8%, Giovanni Gabetti at 10.3%, and Elio Gabetti at 6.7%. pfe

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Sustained high prices and intense competition for U.S. properties are increasingly pushing investors to seek real estate opportunities on foreign soil. And while many European markets are already well trodden, upcoming favorable legislation and stabilization are creating better possibilities in a growing number of emerging markets. China certainly is on many minds, with India a close second. Foreign investment, however, comes with its own challenges—from basics like learning country-specific laws, culture and language to acceptance of political, currency and other risks in emerging markets—requiring an appetite for risk and ingenuity to overcome it. CPN's International Capital Markets Summit is designed to offer both investment and development executives the tools they need to succeed in foreign markets, providing insight into new opportunities in both mature and emerging markets, information on the best ways to finance deals and manage risk and methods for success despite sometimes onerous laws and regulations. The summit will also examine third-party investment trends and the pros and cons of acquisition versus development, with a special session on emerging opportunities in China.

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## €216m new investment earmarked for new shipping terminal in Naples

Private and public sector capital of over €216m is to be invested in a new shipping terminal planned to be built upon government approval of a 50-year lease in the southern Italian port city of Naples.

The 'Nuovo Terminal di Levante' project has been granted to Conateco, a joint venture between the Mediterranean Shipping Company and the Chinese company Cosco. According to Intership, about 250 people will be employed in the new centre. It will include cruise-ship activities in the famous Maritime Station, for which re-development permission has been approved.

Several shops, restaurants, bars, information points and a fitness centre, will be built on the first floor, while the passengers facilities, ticket offices and waiting rooms will be located at the ground floor of the historical building. pfe

## Warburg Pincus acquires stake in Spanish property firm, Pinar group

US private equity firm Warburg Pincus has bought an 18% stake in Spanish property firm Pinar during the latter's recent capital increase. Pinar is controlled by the family of Chairman Fernando Sánchez, which owns 55% of the company.

According to a Bolsacincinco news report, the other shareholders include savings banks Caja de Avila and Caja de Segovia, with 10% each, and the Caja del Círculo Católico de Burgos, with 6.9%.

Pinar's business centres on residential and tourist homes. Last year it posted a net income of €21.6m on sales of €236m. Pinar hired Alex Urquijo and Fortist Bank as financial advisers on the deal, while Irea counselled Warburg Pincus. pfe

## Doughty Hanson sells Vienna building to UK asset manager Matrix for €247m

UK funds manager Doughty Hanson & Co Real Estate has sold the 38-story IZD Tower in Vienna to UK asset manager Matrix Property Fund Management for €247m.

The sale generates 3.9 times the return on the cash investment, returns \$105m to investors and represents a gross IRR of 26%.

Adjacent to the United Nations complex, IZD Tower has 63,400 sq.m. of office space and 1,250 underground parking spaces. Doughty Hanson bought IZD Tower when it was built in December 2000 for €30m. Tenants include the US mission to the United Nations, Ernst & Young, Oracle, Baxter and OBB.

Doughty Hanson & Co European Real Estate Fund II closed in July 2006 with €560m of equity, providing the capacity to acquire or develop real estate with a value in excess of €2bn. pfe

## Bilfinger Berger 'preferred bidder' on €130m PPP projects in east Germany

Bilfinger Berger says it has been chosen "preferred bidder" to build two public-private partnership projects in Germany worth €130m. One project, the Burg prison in the state of Saxony-Anhalt, is supposed to be completed in 2009 to house 650 inmates.

The other is the design, financing, construction and subsequent operation of the Chemnitz municipal court and the dis-

trict attorney's offices in Saxony.

Bilfinger did not say how much each of the contracts was worth separately. The Burg prison would be the first project in which a private company was entrusted with the entire life-cycle of a German prison. pfe

## DIFA to pay €108m for 75% of Amsterdam Rembrandt tower - magazine

The German property fund DIFA is set to pay €108m for a majority stake in Amsterdam's tallest tower, the Rembrandt tower, from insurance company Winterthur, the UK real estate magazine EuroProperty reported.

The German fund manager, part of the Union Investment Group and the cooperative Volksbanken Raiffeisenbanken alliance, was expected last week to complete on the purchase of a 75%-stake in the tower, valuing it at around €145m, EuroProperty said, quoting unnamed sources. The Dijkhuis family will remain holders of the remainder.

The 35-storey high Rembrandt tower, named after one of the country's most famous painters, was completed in 1994 and is the tallest tower in Amsterdam. It was briefly in the news in March 2002 when 18 people were held hostage by a gunman, who protested against widescreen televisions. The gunman was seemingly unaware that Dutch electronics maker Philips had moved out of the Rembrandt tower a few months previously.

DIFA has €13.2bn under management in five open-ended real estate funds. pfe

## UK automotive real estate specialist Gilbran expands into Germany

Gilbran, Europe's only dedicated automotive real estate company, has opened a German office, its first outside the UK, to meet demand from carmakers and their dealerships for better retailing and service networks.

The new office in Frankfurt will provide German car sellers with Gilbran's full range of property finance, design, building and management products that have succeeded in the UK since the company's founding in 1996.

Gilbran finds and buys sites for new showrooms and service centres in partnership with dealers and carmakers, who set the requirements and brand guidelines. The Frankfurt opening leads a European expansion, and is to be followed by new offices in France.

"There is significant business to be done in Germany as more motor manufacturers and their partners look for new ways to finance and build retail showrooms and after-sales centres, in an attempt to boost margins and deliver greater financial flexibility," said Gilbran Managing Director Nigel Smith. pfe

## Australian Toga buys Frankfurt office from Axa for Adina apartment hotels

Australia's Toga Group, owner of the Adina hotel chain, has agreed to buy a Frankfurt office building from French insurer Axa to convert the downtown building into an Adina apartment hotel with 130 beds. No price was given by the companies.

The building is located near the main station. pfe

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**Jean-Christophe Bretxa** was named director general of **Redevco** in Paris, replacing **Charles-Andre Roche** who will become an advisor to the president of **Redevco Europe**. **Bretxa** comes from **Axa Reim France... Bear Stearns International** has appointed **Stephen Haskin** and **Steve Williams** to co-head its expanding European commercial real estate lending business. **Williams** joins **Bear Stearns** from **Capmark Financial**, formerly **GMAC Commercial Mortgage**, where he was executive vice president and president of European operations. **Haskin** is an 11-year veteran of **Bear Stearns's** New York real estate investment banking team. Both men have dual reporting lines to **Randy Reiff** and **Christopher Hoeffel**, and to **Yves Leysen** and **John Moore**... **Raymond Genre-Grandpierre** will become associate director general of **Keops**, a property unit of banking group **Caisse d'Epargne** in Paris where he will oversee large accounts. He was previously head of large retail surfaces at **Bourdais** and office property at **Knight Frank France**... **Jan G. Haars** will serve **Corio** as interim chief financial officer, a post resigned by **John Kuik** over policy differences. **Corio's** general shareholders meeting will be asked to make **Haars'** appointment permanent next 23 April, subject to approval by the **Netherlands Authority for the Financial Markets (AFM)**... **Patrick Caillaud** was made partner at **Knight Frank** charged with developing office space business in Paris. He comes from **Sari Conseil**, part of the **Nexity group**... **Svein Hov Skjelle** has been appointed chief financial officer of **Norwegian Property** under new CEO **Petter Jansen**. **Skjelle** comes from the post of president of **TeleComputing Norway** for two years... **JM Group** has appointed **Marko Heino** chief executive officer of its new **JM Suomi Oy subsidiary** in Finland. **Heino** has led **SRV West-erlund** for the past two years. Previously he was an executive of **YIT**... **UK** property investment company **Arlington Securities** has appointed **James Smith** as European Transaction Manager in its London office. **Smith** will concentrate on the new **Arlington European Logistics Fund**, identifying and executing potential European acquisitions for investment clients and **Macquarie Goodman**... **Oliver Strumpf** has founded his own property business, **Saleus Marketing of Eppstein/Taunus**, Germany. **Strumpf** had been marketing director for **Commerz Grundbesitz'** institutional funds in Wiesbaden. **Saleus** will support companies in placing products and perfecting their image in the property industry... **Philippe Zivkovic** is the new director and president of **BNL Fondi Immobiliari** in Milan **Zickovic** was previously the president of **BNP Paribas Real Estate** and of **Atisreal**... **Florence Habib Deloncle** joins **Nexity Investissement** as director of financial engineering. She was director of investment at Unibail... **Pascal Gousset** will become director general of **Meunier Habitat** where he was previously head of operations in Marseille. He comes from **Bouygues Immobilier** where he was a director... **Xavier Fecamp** was named head of asset management for continental **Europe at Grosvenor** in Paris. He will replace **Marc Reijnen** who is leaving the group to oversee an investment fund at **ING Real Estate France**... **Thierry Dufour** was named a director of finance at **Credit Foncier**, Paris, where he was previously head of a unit of the bank... **Philippe Calmon** was named president and chief executive of Paris-based **Nexity Saggel Property Management**, which specialises in property development for institutional investors... **Jean-Dominique Casalta** will become an associate in charge of property department at law firm **Allen & Overy** in Paris. He was previously a counsel at the London office of **Freshfields Bruckhaus Deringer**... **Marco Salvini** is the new chief executive officer of real estate firm **Aig/Lincoln Italia**. **Salvini** has spent the last 20 years in **Jones La-salle, McDonalds Italia, Babcock & Brown**. pfe

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ISSN 1748-8281 (print) ISSN 1748-829X (online)

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**TESCO**

**JV between affiliates of Tesco and Consensus**

**GBP325 million**

Facilities to finance Sale and Leaseback of 14 Tesco properties spread throughout the UK

Sole Arranger and Underwriter  
March 2005

**LONDON & REGIONAL PROPERTIES**

**London & Regional Properties**

**EUR672 million**

Acquisition financing of 273 ATU assets across Germany for London and Regional Properties

Sole Arranger and Underwriter  
August 2005

**D Hilco UK Limited**

**Dawney Day and Hilco**

**EUR320 million**

Acquisition financing of the Karstadt Kompakt retail company consisting of 67 retail assets across Germany

Sole Arranger and Underwriter  
September 2005

**GAGFAH**

**GAGFAH**

**EUR2.6 billion**

Refinancing of initial EUR1.628bn for Fortress Investment Group

Sole Arranger and Co-Bookrunner  
October 2005

**Le MERIDIEN**

**Le Meridien**

**EUR650 million**

Recapitalisation of 10 Le Meridien Hotels by a JV between Lehman Brothers and Starwood Capital

Joint Underwriter and Arranger  
November 2005

**Deutsche Bank**

**Deutsche Bank**

**GBP555 million**

DECO 6 – UK Large Loan 2 plc Secured Floating Rate Notes

Lead Manager and Sole Bookrunner  
December 2005

**Deutsche Bank**

**Deutsche Bank**

**EUR1,556 million**

DECO 7 – Pan Europe 2 plc Secured Floating Rate Notes

Lead Manager and Bookrunner  
March 2006

**Deutsche Bank**

**Deutsche Bank**

**GBP630 million**

DECO 8 – UK Conduit 2 plc Secured Floating Rate Notes

Lead Manager and Bookrunner  
May 2006

**Deutsche Bank**

**Deutsche Bank**

**EUR1,154 million**

DECO 9 – Pan Europe 3 plc Secured Floating Rate Notes

Joint Manager and Sole Bookrunner  
July 2006

**HOST**

**Host European JV (GP)**

**EUR345 million**

Acquisition facility for 6 European hotels

Sole Arranger and Joint Underwriter  
July 2006

A Passion to Perform.

**Deutsche Bank**

