

German REIT bill cuts housing as NRW readies 95,600 flats for sale

News the German cabinet has passed a draft bill for G-REITs excluding housing coincided last week with announcements of further public sector sales, including North Rhine-Westphalia selling off its giant 95,600-unit LEG housing authority.

It was fortunate indeed that one of the two annual three-week breaks in the issuance rhythm of **Property Finance Europe** fell in the aftermath of ExpoReal this year. We certainly needed a breather. But this has also given us more time to prepare yet another packed issue for you, the reader, covering all the property finance and investment news that we think you need to know if you are doing business – or want to do business soon – on the European continent. Still quite a number of property congresses and conferences on the horizon before we break for Christmas. A big PFE welcome to two more subscription managers, Polly Maberly and Alistair Cope, who are both needed by our London-based Publisher Richard Betts to help him and John O'Connor keep pace with demand for free trials to PFE facts, info and analysis.

Please continue to give us feedback on how we are doing at serving your needs. Check out the ExpoReal interviews from page 3 onward, where a number of major players lay out their business models for the European market – each entirely different. We are scheduled to get to Paris for SIMI at the end of the month, one of the most important French congresses, and then very probably Terrapinn's Alternative Real Estate Opportunities in London at the start of December. Still plenty to do before the year is out!

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“Housing portfolio assets constructed before January 1, 2007, are explicitly excluded from the scope of application,” the draft G-REIT bill says. Rental housing is defined as any property with more than 50% of lettable area in residential use. The Grand Coalition ruled that the reduced exit tax for selling assets into a REIT or an open-end property fund will apply for four years rather than three.

Most property specialists were annoyed but not entirely surprised. Finance Minister Peer Steinbrück has been unable to push the entirety of legislation past left-wing resistance in his Social Democratic Party and instead took the pragmatic route just to get REITs onto statute books from 1 January – probably retroactively enacted.

“Is it not embarrassing for the federal government to commit such nonsense to paper?” wrote sector specialist Rainer Zitelmann. “Some of the details would be funny if it was not so saddening that an opportunity for Germany’s housing real estate industry is being passed up.”

Specialists see NRW’s LEG portfolio worth more than €2.5bn and, due to the success of Fortress’ GAGFAH flotation last month, no shortage of investors.

Meanwhile, the southern Black Forest town of Freiburg yesterday voted on the planned sale of the municipal housing association. This has attracted a highly emotional debate, playing on fears of Anglo-Saxon private equity investors, described by the Left as “locusts.”

One of these, Blackstone, is in the process of selling off the 31,000 apartments that it acquired for €1.4bn from WCM at end-2004. A PriceWaterhouseCoopers study, conducted recently, also found that four out of 10 German cities want to sell their housing portfolios. pfe

French govt., sector continue talks on changes to SIIC rules

Talks between the government and the property sector on the future of French REIT/SIICs rules are expected to wrap up by around 20 November. *page 2*

Germany’s Vivico to seek private sale not IPO in 12-24 mths

German state-owned Vivico Real Estate will be sold over the next 12-24 months in a private sale, not a stock market offering, says its chairman. *page 3*

Spain’s Martinsa launches official €4bn bid for Fadesa

Spain’s Martinsa has now officially launched a takeover of larger listed rival Fadesa, valuing the target at €4.05bn. *page 6*

BlackRock launches Merrill FoF aimed at undervalued Europe

BlackRock has launched a fund of funds for new owner Merrill Lynch, which will invest in undervalued Europe. *page 17*

PSP Swiss Property CFO Luciano Gabriel

The PFE Interview *page 8*

Spain’s Ferrovial plans to divest property wing to focus on infrastructure, BAA

Spanish construction firm Ferrovial has announced that it plans to sell off its real estate unit, worth between €1.4bn and €2bn including debt, to focus on its infrastructure business and reduce its debt load in the aftermath of acquiring UK airport management group BAA, owner of Heathrow.

The Madrid-based financial newspaper *Expansión* reported that Ferrovial has already received three offers from Spanish companies, although formal talks have not yet begun. Ferrovial’s fixed assets of 1.5m sq.m. in Spain and abroad are worth about €1.1bn, analysts estimate. The builder has already shed debt by selling its 27% stake in domestic highway concession firm *Europistas*. It reportedly also plans to sell the 50% stake BAA owns in real estate fund *Airport Property Partnership*. pfe

French government, industry continue talks on changes to REIT/SIIC rules

Talks between the government and the property investment industry on the future of French REIT/SIICs regulations are expected to wrap up by the third week in November but it remains unclear if there will be any dramatic changes to the way the trusts are regulated.

"We are in talks which should reach a conclusion around November 20," Dorian Kelberg, general delegate of the French REITS Federation (FSIF), told PFE. "There should be some kind of decision by then."

Kelberg, along with other private sector market participants, declined to provide any details about how the talks are progressing and whether major changes can be expected to rules governing French SIICs (Sociétés d'Investissements Immobilières Cotées).

Last month Olivier Mesmin, a partner with Baker & McKenzie and advisor to FSIF, said he expected the government to tighten ownership rules so that a single shareholder cannot own more than 60% of share capital. He also declined further comment last week.

Some analysts have long maintained that SIICs are too loosely regulated in terms of debt, commercial activities and shareholders. There is currently no shareholding threshold so that some are totally controlled by one shareholder and have barely any free float. French REIT/SIICs benefit from a reduced capital gain rate of 16.5% which is supposed to end in December 2007. The government also has to decide whether this will be extended.

What has annoyed French tax authorities is what they see as an abusive use by some foreign investors of the SIIC status as tax shelters on capital gains from property investment. The criticism is mainly directed at Spanish investors which have even greater tax advantages thanks to a bilateral trade deal between France and Spain. pfe

GAGFAH shows investor interest in German housing - Corestate's Winter

The flotation of the GAGFAH German residential portfolio has shown the demand for well thought-out concepts offering German housing to private investors, according to Ralph Winter, managing director of the newly-created Corestate Capital, based in Zurich.

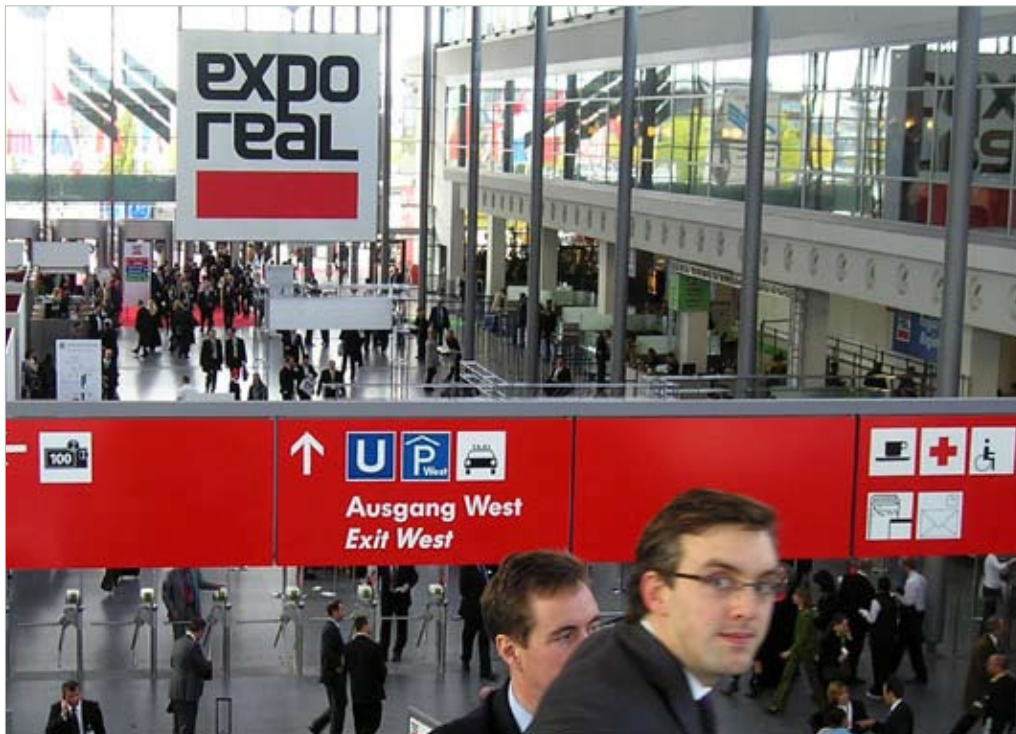
"The demand for feasible concepts for private equity investors in the residential real estate sector is high and the initial public offer of GAGFAH has shown the international interest for stable cash-flows with value-added potentials," Winter said in a release. He stepped down as head of the German unit of the US private equity group Cerberus in spring, taking a team of executives with him to form the core of the new Corestate Capital.

Corestate said that, already in the first three months after foundation, it has acquired residential real estate with a total volume of €150m for its first fund Corestate German Residential. The portfolio has considerable privatisation potential for condominiumisation.

ING Global Real Estate was the first investor, followed by other pension funds and financial investors. The final investment volume of the fund is targeted at €2bn.

The focus of the first transactions has been on off-market deals. "With the target to achieve a rate of return of 9-12% on equity, Corestate does not pay 'political' prices for real estate," Winter commented. The business philosophy is to acquire real estate through 'cherry-picking' and to find portfolios not on main public view.

Corestate has already to a large extent implemented its stringent regional system that focuses on five regional structures spanning from Cuxhaven to Straubing, and this can draw resources from an extensively connected broker and consulting network. Winter said Corestate is already receiving some 60 qualified offers per week, and its evaluation team can generally screen each within three days. pfe



ExpoReal just keeps getting bigger. This year, five exhibition halls rather than last year's four; 21,000 trade visitors from 65 countries, up 20%; 35% more visitors from outside Germany, and 1,638 exhibitors from 40 countries, up 15%. A tiring time was had by all!

Italy to lengthen state property lease contracts

The Italian government is to extend the duration on lease contracts for state-owned property to 50 years from the current maximum of 19 to encourage private investors and local authorities to invest and renovate them.

The alteration, contained in the 2007 Italian budget, should in 2007 generate a total of €500m for state coffers, estimates Italian Finance Minister Tommaso Padoa-Schioppa. The changes also ensures that cadastre duties are passed to local authorities.

The estimate for additional revenues is ambitious, especially since it will take a long time for the new 50-year contracts to become effective, sector specialists say. Local authorities and the state-sector Demanio Agency will prepare the launch of tenders and will have to compare and verify individual

projects. As well, the permissible uses of many properties will have to be changed to make them appealing to the largest number of investors. Deputy President of Nomisma Gualtiero Tamburi said the government must be careful not to control excessively and must be flexible so that private investors have freedom of initiative. pfe

THE EXPOREAL INTERVIEWS

Warburg-Henderson faces challenge of investing €4bn in European property

The Hamburg-based institutional fund manager Warburg-Henderson is undeterred by the challenge of investing the huge institutional capital entrusted to it in European property, and has the research and processes in place to deal with more, says Managing Director Henning Klöppelt.

He told PFE in an interview at ExpoReal last month that the group has already allocated €600m of new investment across Europe this year and should meet its goal of €1bn. However with committed equity of €2bn and leverage of around 50% across all eight funds, plenty of work remains to be done with the current investment capital available.

“Within five years we have raised €2bn of equity and our first priority is to get this money invested,” Klöppelt said. “We are very close.” Over the last four years, the group has made more than 60 property acquisitions.

The joint venture between the UK-based Henderson Global Investors and the Hamburg bank M.M. Warburg was founded in 2001. It has around 50 major institutional clients, and manages €1.4bn in real estate across Europe. Its main vehicle is the German Special Fund but, Klöppelt says, Warburg-Henderson is flexible enough to tailor the investment vehicle to the needs of the client. US investors, for example, may wish to other kinds of vehicles for their investments in Europe.

“The target group is insurance companies and pension funds of course,” he says. “We not only have German clients but also Dutch, and some from Denmark, Austria, and Switzerland. We have close links to the US and the UK, but our Special Fund vehicle is not very well known in these markets so we are ready to adapt. International investors look for the best fit in terms of the vehicle so it might be reasonable for some to use a Luxembourg vehicle or a Guernsey property trust or something else that fits to their tax situation.”

Group research in Germany - through Warburg-Henderson partner HHH - and in London, Paris and Vienna covers more than 80% of the investible property markets in western Europe. “Portfolio management is our core competence,” Klöppelt says. “We create the strategy of the fund, we define the risk-return profile together with the client, and we do the client servicing. Then our asset managers identifies the property, report this to us, and we ask the client if he is happy with it. If so, we invest. The entire process is very transparent.”

Warburg-Henderson targets after-tax return for its client base, and defines specific target yields for each fund. Since benchmarks do not exist in Europe, the base is total return. The group focuses on a minimum 4.5% distribution yield after tax, and total return of at least 6%.

But after the run-up in European property, where is the value now? “Over the past few years in the European market, it was easy because the only task was to buy the market and whatever

property you bought made a profit,” Klöppelt says. “These days you have to differentiate to find the right properties.”

He adds: “In my experience, whatever the market phase there is always a chance to buy properties. You just have to change your view and look for other ways to create value from them. What we do not do is to buy and keep an asset for 10 years and do nothing with it. Our clients can do that themselves. We always try to add the most value we can.” pfe

German state-owned Vivico to seek private sale, not IPO during 2007

The Frankfurt-based Vivico Real Estate, owned by the German state, will be privatised over the next 12-24 months in a private sale, maybe even to a foreign buyer, and is unlikely to be offered in a public stock market initial public offering, says its

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

II. German Real Estate Forum
November 13-17, Monday-Friday
Congress Center Messe, Frankfurt, Germany

RealShare Orange County
November 15th, Wednesday
Hyatt Regency Irvine, Irvine CA, USA

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

IIR Immobilienstandort Köln 2006
November 21-22, Tuesday-Wednesday
Hotel Im Wasserturm, Köln

New Europe GRI 2006,
November 27-28, Monday-Tuesday
InterContinental, Budapest

Legal Aspects of Real Estate Investments
November 29, Wednesday
Café Royal, London

CEFI – Corporations, Funds & Investors Summit
November 29-30, Wednesday-Thursday
Le Méridien Etoile, Paris

SIMI – Salon de l’Immobilier d’Entreprise
November 29 – December 1, Wednesday-Thursday
Palais des Congrès de Paris, Paris

chairman Bernhard Hansen.

He told PFE in an interview at ExpoReal last month: "Privatisation plans are not a long way down the road and this is something we are looking at over the next 18-24 months so we are preparing ourselves right now. In fact I would say we are ready for privatisation in less than 12 months from a management point of view."

He added: "We are not thinking about going public in terms of going to the stock market. The owner has decided that it will be an advertisement process to selloff the company - a bidding process that the owner will initiate."

Vivico was spun off in 1996 as a unit of the state-owned Deutsche Bahn railway system, with the aim of bundling and more efficiently managing a sizable portfolio of its property, mostly adjacent to rail lines. It became a separate arms-length legal entity in 2001, 95% owned by the railway and 5% directly held by the federal government. With around 220 properties, its objective was to maximise value for the owners.

Hansen puts the value of Vivico assets at some €800m, comprising around 8.2m sq.m. of land surface. It is looking to add about another €200m to bring total assets under management to around €1bn next year. "We will buy portfolios and either merge these assets into other portfolios for management or further development, or simply trade them out again if that is where we see the value," Hansen says.

In the interim, Vivico has developed many into mixed use -

mainly retail, office and residential - and sold off others. Today it owns around 177 properties, its disposal program is almost ended, and it is beginning to look for new assets to exploit the company's core skills.

"We have set up the company now in three business lines: portfolio management, real estate development, and a sector we decided to build up this summer - trading," he says. "In the past we basically concentrated on selling properties that didn't fit our long term expectations and were not necessarily located in the major cities. Now we have said that the knowledge we have in selling could be used also for acquiring."

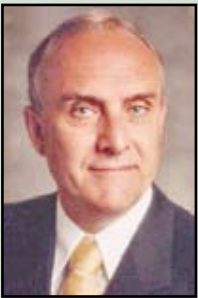
With an equity ratio across the portfolio of 70%, and the experience gained over the early part of this decade, the group will be looking to pick up properties that produce a steady income stream. Vivico is concentrating on Berlin, Munich, Rhine-Ruhr and the Frankfurt area. It is also looking at a major development in Basel, Switzerland, the company's first outside the German borders.

Vivico does not release profit figures but, "we should end up with a decent profit this year," Hansen told PFE.

Even if the official decision on the Vivico privatisation has not been finally made, evaluations have already been made. "I would say we are 90% on the side of a private sale of the company," he says. "Going public would be very difficult because of the expense attached. On the other hand, the chances of someone buying the company outright from outside is extremely

Noisy, exhausting ExpoReal shows need to keep your eyes on the money!

Immense. Astounding. Noisy. Packed. Exhausting. These adjectives spring immediately to mind to describe ExpoReal 2006 three weeks ago in the halls of the Munich exhibition ground. Given immense interest from the global property community in continental Europe, the mood among any attendees with anything to sell was one of euphoria, almost hysteria. Business cards changed hands faster than a riverboat poker player's deal. The numbers tell the tale: Five exhibition halls (52,000 sq.m.) rather than last year's



four; 21,000 trade visitors from 65 countries, up 20%; a leap of 35% in visitors from outside Germany. Top 10 countries of visitor origin after Germany: UK, Austria, Netherlands, Switzerland, Czech Republic, France, US, Poland, Spain and Italy; total 1,638 exhibitors from 40 countries, up 15%; 35% increase in foreign firms exhibiting. And my personal thanks to the panelists on our session on Securitising Real Estate loans on the Tuesday. Between the three of them, Hypo Real Estate Bank Intl. Board Member Robert Grassinger, LandAmerica (Europe) Director Jean-Bernard Wurm, and BayernLB Board Member Edgar Zoller talked a lot of sense in two languages about the opportunities in new capital market financing techniques for

property assets and portfolios. Call them to find out more. Me, I was battling the onset of bronchitis, but we made it.

Just as in the 1970s movie All the President's Men where the two journalists investigating the Watergate break-ins were advised to 'keep your eye on the money', the wiser heads in Germany always keep their eyes on the Deutsche Bank. DB is always ahead of the pack. It collectively thinks ahead, well, not exactly like the boy scouts, but you get the picture. Where the German banking establishment slides into paroxysms of soul-searching and feverish consultation when confronted with major changes, the collective intellect of DB has usually already set the direction and quietly taken the institution a-hop, skip and a-jump over any yawning financial market manhole. So it was with a silent hurrah that we learned from Financial Times Deutschland that DB is, without great fanfare and prior to this year end, selling off all, yes ALL its German property assets in its grundbesitz-invest open-end fund. This, nota bene, is pretty much the whole thing. Net asset value E2.74bn. A couple of bills certainly in Germany, probably more. "We are not denying it; we are not confirming it; we are not commenting on this," said a helpful DB spokesman. Not. Communications not a DB strong point. Almost certainly true, in other words. Dear Reader, DB is GETTING OUT of the open-end fund business, at least in German assets. I rest my case. Is this not

a firm confirmation that the coming of the G-REIT, albeit imperfect and impaired, has struck a plangent peel of bells that, to DB ears and to mine, sounds exactly like the melody of a death knell for the domestic mutual property fund? It would be churlish to suggest that even if DB obtains a 30% premium on market price over book for the assets it sells, that retail investors will for unexplained reasons see a 2006 return of only 3-5% on their certificates. Let us wait and see. In this I will be pleased to be proven wrong.

Indian firms buying German assets! What-ever next? Mitco Retail, a private Indian real estate investor operating from Luxembourg and Jersey, has purchased 30 German retail properties in the last three months. Uh huh! No prices were released but the purchases add up to 43,000 sq.m. of rental space with annual net rental income of about E5.6m. Mitco Estate Sarl. is a holding company for private investments from India, East Africa and the UK. Uh huh. Well, well. The first instance we have heard of heavy Indian interest in Europe. But after the almost complete takeover of the European steel industry by Mittal and Tata in the last few months, it is clear that good old Europe must brace itself for the Empire Striking Back in real estate soon! The yield, by the way, implies a total price tag of about E100m at prevailing yield levels. This is not a tiny transaction.

Allan Saunderson, editor@pfeurope.eu

high. The discussions we are having show that the Anglo-Saxon market is still looking for companies that they would like to buy to put their feet into Germany. Buying a company that has a structure there is likely to be a very attractive proposition." pfe

Madison unblocks illiquid real estate after run-up in Europe, US prices

Madison International Realty is turning the rapid run-up in European and US real estate prices to an unusual advantage - by providing equity to institutional owners of commercial property who want to take profits or diversify, but are stuck in illiquid situations.

"Madison's core business is providing equity and acquiring illiquid or indirect ownership interests in existing commercial real estate ownership structures," Madison President Ronald Dickerman told PFE at ExpoReal late last month. "We buy closed-end funds, joint venture interests and other indirect property holdings from investors on a worldwide basis where the underlying property is located in the US, the UK and western Europe."

This year, the New York-based group is on target to invest about \$150m. However, the market reception in Munich was so strong, Dickerman says, that the firm is ready to ramp up for 2007 to \$200m-\$250m, focused on middle managers and sponsors of funds.

"We believe there are hundreds of billions of dollars of equity that underlie commercial real estate ownership and is illiquid, held by joint or fractional owners, be they small pension funds, other types of institutions, individual investors, family offices and so on," he says. "As real estate becomes more global there is a need for those investors to redeploy this capital and to change their portfolio allocation within the asset class. Real estate is increasingly becoming a global marketplace and yet it is an illiquid asset - and those two facts don't go together."

Michael Siefert, who heads Madison's expanding European business out of Frankfurt, adds that many small and mid-sized insurance companies and pension funds face this kind of illiquidity and for this reason are moving toward indirect investment. Dutch pension funds in particular were strong direct property investors in the past and many have now discovered that investing via indirect vehicles would give more flexibility.

In addition, Siefert says, "These kinds of institutions are significantly increasing their share in real estate right now, from 8% or 9% of assets that they might have had historically - into 13% or even 15%, and this is driving the industry. They recognise that if you have an active primary market, it's a natural that there will be a liquidity need in the secondary market. And we stand ready to provide that liquidity."

On pricing, Dickerman says Madison works on the basis of a forward rate of return potential. "We don't so much care if we are paying a premium for the shares or a discount," he says. "What we are looking to do is earn somewhere around a mid-teens total return over the life of the investment based on the current dividend yield, the capital appreciation, and the amortisation of the debt over our holding period."

"There is no bid for these indirect interests because there is no marketplace. So we have to create a price that works for the buyer and the seller for there to be a transaction. In some ways what we really do is create financial alternatives for the holder of the interest because at this moment their interest is illiquid, and they have no financial alternative. Most funds are not set up to buy these interests back or to create liquidity with any efficiency so we effectively create that market for them." pfe

CEE's largest private investor sees more opportunities in the region

With his two related Vienna-based companies IMMOFINANZ and IMMOEAST comprising by far the largest single private investment group in central and eastern Europe, one could be forgiven for thinking that Chairman Karl Petrikovics is single-handedly attempting to re-establish the Austro-Hungarian empire.

After all, the gigantic capital increase in summer of €2.75bn for IMMOEAST and, almost simultaneously, another for €923m for its parent IMMOFINANZ adds to the impression that Petrikovics is in a hurry to exploit the opportunities he sees in the region.

However, he told PFE in an interview at ExpoReal in Munich, "The capital increases were really just a response to assets that we already had lined up so that the extra capital was in reality already earmarked for allocation." IMMOFINANZ had investments of around €3.9bn it wanted to finance with the funds. With leverage, this was easily achieved.

The market took the cash calls well. Institutional investors bought in, and shares in both companies are trading well above the levels at which the call was made. IMMOFINANZ stock was trading around €9.40 on Friday, up about 5% from the cash call; IMMOEAST shares were just under €10, a rise of over 11% in the last 13 weeks.

In the first quarter of the group's 2006/07 fiscal year, to end-July, the holding company for Petrikovics group, IMMOFINANZ, doubled operating profit (EBIT) to €145m compared

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to the same 2005/2006 period. Earnings before tax increased 77.4% to €119m on revenues up 43.8% to €118m. Real estate assets reached a fair value of €8.02bn, an increase of 60.2% compared to the prior year.

Its 51%-held subsidiary IMMOEAST Immobilien Anlagen saw EBIT more than triple in the same fiscal quarter, rising by 233% to €68m on revenues up by 210% to €36m. Equity grew by 190% y/y to €4.36bn, above all reflecting the huge capital increase in June. The fair value of its property portfolio, entirely focused on the CEE region, rose by 214% to €2.86bn.

In the west, IMMOFINANZ has some assets in Germany - mainly residential - and significant exposure to his native Austria. In the latter, he says, apartment assets have been acquired at around €500 sq.m., around half the prices that capital market investors are paying for German residential property tied up in the recently floated GAGFAH group.

"In the west we are profiting from the fact that we have invested on the German market anti-cyclically and that our real estate portfolio in Germany shows considerable appreciation in value," he says. But Petrikovics is most clear about the opportunities in eastern Europe. "In central and eastern Europe we are profiting from the resounding success of IMMOEAST."

He adds: "It's time for long-term-oriented and risk-averse investors to move in. The CEE has become hugely important for the European real estate sector. In contrast to the mature western markets, there is an enormous mid- and long-term need for retail, office, logistics and residential space. The market is extremely promising and risks are at a minimum. As a global investor, few markets are as attractive as CEE right now; possibly China but not many others." pfe

Halverton's European activities expand rapidly beyond multi-let industrial

Last year when Alexander Hoff took over as managing director Germany for the UK-based asset manager Halverton, he was expecting to manage a closed-end fund targeting multi-let industrial estates and an asset volume of up to €1bn, based on Australian capital. But the huge momentum of capital inflow into the group has, by now, added another four funds to his responsibilities, and he is rapidly seeking asset managers to handle the new business.

"These ideas somehow just develop out of Halverton's day-to-day business," Hoff told PFE at the ExpoReal late last month. "We are continually seeing new opportunities, and the question we always ask is 'can we build a pipeline of assets to service this concept.' We always go to the investors with a pipeline, not with a black box that is just a vague idea."

With the original HB1 multi-let industrial vehicle now around 75% invested in Germany, the Netherlands, France and Denmark, Halverton over the last 12 months has added EB8, a pan-European distribution warehouse vehicle targeting €500m-€1bn in assets, a European office vehicle named H20 that targets properties with an initial yield of 7% in northern continental Europe outside the main CBD, a European retail fund called ER2 that seeks multi-let properties yielding in excess of 6% in continental Europe, and a German office sector-specific vehicle called GO in conjunction with Jones Lang LaSalle that is focused on up to €130m in multi-let regional office assets having yields of 7%-plus.

Not surprisingly, Hoff is busy expanding the German presence, opening offices and adding managers. He now has 14

staff, and expects to extend this to 18 by year end, and probably to around 25 by the end of 2007. "The hard part is finding the staff," he says. "The concepts that we have evolved are very exciting so the work itself is very rewarding - even if it gets incredibly hectic at times."

The Halverton Real Estate Investment Management Group has to date around €1bn of the funds so far invested, with the lion's share in Germany, Netherlands, France and Scandinavia. This comprises 1.4m sq.m. of floor space and the group has an average net initial yield across the portfolio of around 8.4%. pfe

LISTED REAL ESTATE

Spain's Martinsa makes €4bn takeover bid for Fadesa now official

Spanish real estate company Martinsa has now officially launched a full takeover of larger listed rival Fadesa worth €35.70 a share, valuing the target at €4.05bn. The deal was previously announced without financial details.

The price means a 21% premium over Fadesa's share price at offer announcement, but only 2.2% over the price when Martinsa filed the offer with stock market regulator CNMV.

Martinsa head Fernando Martín has already obtained support for the takeover in an agreement with Fadesa's largest shareholder, the Jove family, which controls 54.6%.

Fadesa deals mostly with Spanish residential property, hotels and golf courses but has expanded into Portugal, Mexico, France, Morocco and eastern Europe. It also recently bought the stake of the Madrid regional government in the Madrid Warner Bros. amusement park.

Fadesa posted third-quarter net profit of €133.2m, up 9% from the year-earlier quarter. Sales rose by 31% in the first nine months to €790m.

Martinsa earned a net profit of €145m in 2005. Since the beginning of that year it has invested €1.2bn in land purchases, mostly in Madrid. pfe

Gecina boosts net income 75% on asset revaluation, higher rental income

Gecina, a French REIT/SIIC owned by Spain's Metrovacesa, reported a 75% rise in net income to €925m during the first nine months of this year, mainly due to a portfolio revaluation of €609m taking it to €10.6bn at the end of September.

The group, France's largest private listed rental property company, also said it continues to study the possibility of putting all residential holdings into a dedicated real estate company during the first half of 2007. It gave no further details in a release.

Group rental income in the first three quarters rose 7% to €410.6m with new assets contributing €31m. The average occupancy rate improved to 97.1% compared to 96.5% in September 2005. Investments totalled €1.4bn in office, healthcare and logistics real estate. Gecina sold €418.7m worth of property, mostly office space.

Gecina said its financial position is very healthy, with €4bn in net financial debt and a loan to value ratio of 40%. "The outlook for Gecina is bright for the remainder of the year and

for 2007 taking into account the favourable environment of the real estate market as well as the expected contribution from the investments realised this year," the release said.

Assets acquired this year include 87,000 sq.m. of office in Paris, and logistics and healthcare portfolios estimated to generate annual rental income of nearly €80m per annum in the future. Acquisitions in the pipeline in 2007 include two office buildings outside Paris. pfe

Rutley European Property to list £200m equity aimed at office assets

Rutley European Property, a European commercial real estate investment company managed by the Rutley Capital Partners unit of Knight Frank, is seeking exchange listings in London and the Channel Islands to finance a business model of investing in European office, industrial and retailing properties aimed at a geared internal rate of return of at least 12%.

The public share issue is offered at 100p per share to raise up to £200m.

The gross blended yield of its existing £108m portfolio of 12 properties in Germany and Poland is 6.84%. Additional assets worth another £167m are being acquired in Poland, Czech Republic and Belgium. The further investment focus is on those countries plus Hungary, Switzerland and the Netherlands.

Rutley Capital Partners' Nick Burnell commented: "Properties will be selected and acquired through a 'bottom up' research-based approach that seeks to understand the value of properties, as opposed to their market prices, so as to exploit

property market imperfections."

RCP earlier announced it had bought €104.75m of property, with a further €58m notarised and €31m under offer. This was financed by €114m of equity privately placed with institutional, hedge fund and private client investors last February.

REP targets core-plus commercial property assets in central and eastern Europe with a target leveraged IRR in excess of 12%. It seeks assets that offer prospects of rental growth and yield compression, enhanced through programmes of active management.

Already in the portfolio are: Buma Square, a 28,835 sq.m. office and retail complex in Crakow; bought at net initial yield of 7.11%; Mosse Zentrum, a 14,186 sq.m. Berlin complex, procured at net initial yield of 6.54%; Prima Court, a 3,480 sq.m. Warsaw office building, bought for net initial yield of 7.05%, and two prime retailing warehouses in Wiesbaden, procured at net initial yield of 7.12%.

Burnell said "the transparency and ease of access that we take for granted in the UK simply does not exist, even in old European countries, such as Germany. The direct consequence of this is an uneven perception of value, which, in effect, creates an arbitrage opportunity for the intelligent investor." pfe

Spanish securities regulator CNMV clears Reyal bid for Urbis

Spanish stock market regulator CNMV has approved Reyal's €3.32bn takeover offer for rival Urbis. The deal should proceed smoothly because Spanish bank Banesto and construction firm Actividades de Construcción y), which control a combined

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The PFE Interview: Luciano Gabriel, PSP Swiss Property

Switzerland's largest listed property company to remain pure national 'play', but more opportunistic when CFO Gabriel takes helm in New Year

When Luciano Gabriel next April takes the helm at PSP Swiss Property, Switzerland's largest listed real estate company, he is not expecting to make any major change in strategy. Any thoughts of looking outside the group's traditional domestic office base for assets are being closely discussed and coordinated with current Chief Executive Officer Fritz Jörg.

"The main idea is to provide investors with a pure play, a simple story," Gabriel told PFE in an interview from his Zurich office. "The strategy from the beginning has been to invest in Switzerland only in the main centres, and mainly in office buildings. We have some retail but it is more related to the central office buildings we own."

Through and beyond 1 April 2007 when he takes over as CEO, the strategy will however become somewhat more opportunistic: "We are evaluating potential investment outside the core strategy," he says. "But before we take these steps we want to make sure it's in line with the basic philosophy of PSP - long-term property investments with a limited risk profile."

You'd expect it of a blue-chip Swiss real estate firm. PSP was born in March 2000 when a property portfolio of CHF1bn was spun out of the Zurich Financial Services group, together with a smaller package of CHF300m from the PubliGroupe - and floated in an IPO on the Swiss Stock Exchange. One year later PSP picked up another CHF1.25bn of assets, part of it in a JV with Lehman Brothers. It took over the smaller Swiss REG Real Estate Group in 2004 and, together with acquisitions last year, now controls a portfolio valued at CHF4.6bn.

Gabriel, from Italian-speaking Switzerland, was Head of Corporate Financial Treasury with Zurich, and was persuaded to take over as CFO at PSP in 2002.

He calculates the group's current net asset value at CHF2.5bn, which compares favourably to the CHF3bn market capitalisation at the recent share price around CHF65 - a 20% premium. Foreign institutions, mainly Dutch, British or US, have picked up around 30% of capital in recent years, taking the share price up by around 18% this year.

The single largest shareholder - and the only investor above 5% - is the Tel Aviv-listed Alony Hetz, which holds 8%. The Israeli property company started building its stake only at the start of this year.

"We certainly are seeing increased interest from outside Switzerland," Gabriel says. However, even if PSP is the most liquid real estate stock on the domestic exchange, the 70% held by Swiss institutions tends to be held very passively, and rarely comes onto the market.

In 2005, PSP had rental income of CHF227m, giving an average net yield of just 4.7%. This becomes 4.5% when development projects are taken into account, Gabriel says. As well, PSP is helped by its low cost of funding in the traditionally low-interest currency of the Swiss franc, which

he puts at 2.8%, including hedging costs. Despite this the group has a very conservative leverage policy; financial debt is just 40% of total assets.

PSP moved into development with the acquisition of REG, which started life as the brewing group Feldschlösschen, was merged with several other breweries in the late 1990s, and the brand and beer production sold off to Denmark's Carlsberg.

PSP is developing several of the legacy brewery buildings while others are being sold off. "It is not part of our strategy to increase our development activities for the simple reason that we don't think the economics are reasonable in Switzerland," Gabriel says. "It's much better to invest in existing property, even if you have to optimise the use levels or do what is necessary to bring vacancy rates down."

The latter has not proven easy in Switzerland's so-so economic climate of recent years. The hectic pace of construction in the years 2003-2005 produced an oversupply, and this is not coming down fast in the cities where PSP owns most assets - Zurich, Basel, Bern, Lausanne and Geneva. The PSP average vacancy rate of 15.5% at the half year is up from 12.4% in 2005, but Gabriel says the company is making efforts to cut this.

"There is always a time lag in these things," Gabriel says. "Yields in Switzerland have compressed but not as much as in other countries. Demand for office space was a little bit weak in past years, and with the oversupply in Zurich as well, we have been hit by our strong exposure to the Swiss market overall."

"With hindsight, we probably underestimated the length of the economic weakness in the last three or four years and the impact of oversupply. In such a market you need to be more aggressive in your letting activity than we probably have been. The negotiations we are having now refers to office space lets in a year or year and half, so you don't see the impact in the very short term." pfe



PSP Swiss Property's Luciano Gabriel prepares to take over as chairman in April: "Basic philosophy of long-term investments with limited risk profile will remain."

74.8% of Urbis, have already agreed to sell to Reyal.

Reyal is financing the takeover with a credit from Morgan Stanley, Santander Central Hispano, Caja Madrid and Banco Sabadell.

Urbis posted net third-quarter profit of €150.4m, up 32.1% from the same period last year. Sales grew by 14% to €744.6m, the company said in a statement to CNMV (Comisión Nacional del Mercado de Valores). It benefited from €537m in revenue from residential projects; revenue from the rental market was about €33m. The company bought €492m of property measuring 692,000 sq.m. Debt rose by 18% to €1.5bn and return on equity grew to 16% from 13.9%. Urbis projects 30% higher net profit of about €192m this year. pfe

France's Foncière Inea plans listing by year-end as REIT/SIIC

French property investment company Foncière Inea has filed documents with the market regulatory authorities AMF to list on the Euronext stock exchange before the end of the year with the status of a Real Estate Investment Trust (SIIC).

The group was created by three entrepreneurs Alain Juliard, Philippe Rosio and Arline Gaujal-Kempler. In a statement to the French bourse, Inea reported projected net revenue of €1.63m in 2007 and rental income of €7.4m.

At the end of June, Foncière Inea's portfolio included 50 new office and logistics buildings located in the provinces with a total surface area of 82,729 sq.m. and worth an estimated €99.6m.

It plans to invest a further €100m within 18 months while keeping a total loan to value ratio of between 60% and 70%

and targeting entry yields of between 7% and 9%. The group also has in the pipeline development of a further 40,000 sq.m. commercial site worth about €30m. pfe

AIM's Deutsche Land takes 11.9% stake in German GWB Immobilien

Deutsche Land, a property investment firm listed on London's Alternative Investment Market, became the second foreign investor to take a significant stake in Hamburg shopping centre developer GWB Immobilien after the latter floated 1.41m shares on the stock market.

Chartered on Isle of Man to invest in German commercial property, Deutsche Land last month bought 11.9% of GWB's €4.9m nominal share capital. GWB had announced in late October that Belgium's Fortis Investment also acquired a stake of 9.03% in its capital. Deutsche Land listed on AIM last April with an initial plan to amass a €500m portfolio of acquisitions. It has current market capitalisation of €106m.

GWB, located in Siek, near Hamburg, develops, builds, rents, markets and manages shopping centres and large speciality retailing stores in mid-sized cities and on the fringes of large cities. It has completed 40 projects since its founding in 1992.

In October GWB raised its share capital to €4.9m with an issue of 1.41m new shares that grossed for the company nearly €17.63m. GWB raised its sales to €38.3m in the first nine months of this year from the year-earlier €9.5m. Before tax and interest, it earned €3.3m, five times as much as its €600,000 earnings the comparable period last year. pfe

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Sweden's Hufvudstaden lifts profit, pleases customers in first nine months

Traded Swedish property management corporation Hufvudstaden says it raised its net profit for the first nine months of 2006 to SEK 785.3m (€85.91m) from SEK716.2m (€78.36m) the year-earlier period.

Gross profit from property management increased by 4.9% to SEK637.4m (€69.74m) from SEK607.7m (€66.49m), with holdings unchanged. Group net sales for the period amounted to SEK995.4m (€108.9m), little changed from the year-earlier SEK997.8m (€109.2m).

The rental vacancy level on 30 September was 7.6%, up from 7.1% at the start of the year. Profit per share was SEK3.81 (€0.42) up from the year-earlier SEK3.47 (€0.38). pfe

Asset boost brings Dutch Wereldhave profit up 15% at 9-mth mark

The Dutch-based listed property development and leasing company Wereldhave has reported an increase of more than 15% in net profit during the first nine months of 2006 to to €185.4m, a rise of €24.5m over the same period in 2005.

The direct result, reflecting rental income less costs, slipped slightly to €84.5m in the first nine 2006 months from €86.8m in the first three quarters of 2005. However the indirect result, reflecting the asset base, rose to €100.9m from €74.1m. pfe

Colonia Real Estate boosts 2006 net guidance to €32-34m from prior €25m

Cologne-based listed property company Colonia Real Estate has made another increase in its earnings guidance for full-year 2006, boosting net profit expectations to €32-34m from target earlier this year of €25m. Colonia earned €6.8m after tax in 2005.

It said the main driving factors of this positive development are higher than expected returns from the property portfolio, and strong growth in the fund and asset management divisions. Reduced vacancy rates and increased demand for properties and third-party asset management services are boosting group profit in what it believes is a sustainable manner.

The increasing importance of recurring earnings in asset management for third parties is already contributing to higher than expected profit this year. The department has shown dynamic growth and reached its targeted €2bn in assets under management already three years earlier than its planned 2009. Colonia releases third quarter results on Wednesday. pfe

Fortis keeps buy recommendation on Cofinimmo after first nine months

Belgian traded real estate company Cofinimmo posted nine-month net earnings of €8.91 a share, compared with €6.40 a year earlier, earning a maintained "buy" recommendation from Fortis analysts.

Cofinimmo now projects net earnings of €8.46 a share for the whole year, allowing a gross dividend of €7.40 a share.

Nine-month net rose to €86.6m from €62.2m, while operating profit eased to €89.1m from €91.2m and rental income fell to €101.8m from €109.8m.

Despite a morose office rental market, Cofinimmo called its performance stable, compared with the first nine months of 2005, thanks to occupancy rates approaching 95% and the beneficial impact of acquired properties rented for the long term. Tight control of costs has kept the operating margin well above 80%. Interest rate hedges have suppressed overall borrowing costs. The company continues to diversify into the retirement-home sector, having recently acquired eight homes for €78m toward a targeted 5% of the portfolio by year's end.

Analysing the results, Fortis retained its buy recommendation and forecast a 7% upside for Cofinimmo's total return on the share. Although the operating result slightly disappointed, the total valuation result exceeded expectation.

Gross theoretical yield on the portfolio now stands at 7.34%, which still seems quite conservative, the bank said, adding that it still expects Cofinimmo to be selected for the Belgian state Sicafi before year's end. pfe.

CWI places 86% of new shares with Hanseatische Immobilien

German residential property trader CWI Real Estate has placed €3.4m in new shares, 86% of it with new majority stockholder Hanseatische Immobilien Invest of Hamburg, as part of its late October listing on the Frankfurt Stock Exchange.

CWI offered 358,400 in new shares at a fixed price of €9.50 from a capital hike. The subsequent exchange listing on 24 October was handled by WestLB. The company's first attempt to go public six weeks earlier was cancelled for lack of interest.

CWI Chairman Albrecht Spindler seeks more rapid growth through buying and selling in cooperation with HII, which belongs to Hamburg private bank M.M. Warburg. pfe

Germany's Patrizia to double profit on housing privatisation – HSBC Trinkaus

Patrizia, a listed German specialist in housing privatisation, should double its net profit by 2008, according to a stock analysis made by investment bank HSBC Trinkaus. It set a notional target share price of €21.6, including the anticipated growth.

The bank initiated its coverage of the share at "neutral," with a fair-value range of €19.0 to €24.3.

Cologne-based Patrizia earned €25m before tax and financial items in the first half of 2006 on revenue of €128m. HSBC Trinkaus forecast corresponding profit of €126m on estimated revenue of €519m for the 2008 financial year, with roughly two-thirds of the profit coming from German apartment privatisations. pfe

Finland's Sponda purchases Kapiteeli for €950m to form new Nordic giant

Listed Finish property company Sponda has acquired all the share capital of Kapiteeli real estate corporation for €950m, forming a Nordic property giant with a real estate portfolio

worth €2.6bn. Included in the takeover was Kapiteeli property worth about €1.3bn.

Separately, Sponda signed an agreement with the pension fund of the Finnish Broadcasting company to develop jointly a new office building in Helsinki.

Sponda also purchased a €10m office building in Ruoholahti from Realinvest and also sold seven logistics properties worth €37m to the fund it established in June. Other investors in the fund sold their assets to the fund.

In mid-October Sponda agreed with the city of Helsinki on development of a €100m logistics area in the new Vuosaari harbour area. pfe

Icade property arm sells three office buildings to SIIC de Paris for €300m

Icade Foncière des Pimonts, the office property arm of French property group Icade, has sold three Paris buildings to SIIC de Paris, the French REIT/SIIC 73%-owned by Spain's Realia, for a total price of €300m.

The buildings are located in the 1st, 2nd and 15th districts of Paris and have a total surface of 35,500 sq.m. They are 99% leased including to the Ministry of Justice, nuclear regulatory agency and France's national space agency.

"The sale is part of Icade Foncière des Pimonts' arbitrage policy to seek capital gains," the company said in a statement. The firm owns 13 office buildings in Paris and La Défense as well as in two nearby suburbs for a total area of 120,384 sq.m.

Icade operates in the housing and commercial property sec-

tors in addition to the public and healthcare markets. The Caisse des Dépôts holds 72% of the group, which has traded on Euronext since April as a French REIT/SIIC.

Realia, controlled by construction company Fomento de Construcciones y Contratas and savings bank Caja Madrid, began aggressive acquisitions in France last summer, starting with the purchase of French builder SICC for a €586m, its largest foreign investment to date. It now controls 35 properties in Paris totalling about 135,000 sq. m. Realia has invested about €1.04bn in France in the past five months. pfe

PFE COMMENT: Realia recently postponed its planned initial public offering until next year. Estimated to be worth between E1.5bn and E2bn, it had planned to float as much as 40% on the market, but the company is most likely to first complete targeted acquisitions to boost its value. It is entirely possible that this latest purchase will be the last major deal outside of Spain before the stock listing. Paris has been an attractive target for Spanish real estate firms this year because of higher than average yields and the advantageous SIIC tax status. Besides Realia, Metrovacesa, Inmocaral, Fadesa and Grupo Lar operate in France.

Klepiérre plans IPO of Klemurs unit with retail, restaurant portfolio

French listed retail property REIT/SIIC Klepiérre plans an initial public offering on the Euronext stock exchange of its subsidiary Klemurs, which owns and manages commercial real estate

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diary and dates upcoming in 2006

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

November 21, Tuesday

Cologne as a Real Estate Location, Cologne Germany

Run by IIR, this German language one-day seminar runs under the title, "Promotion into the First League". Speakers include commercial operators, intermediaries and legislators. More info: www.iir.de/koeln

November 22, Wednesday

Investing on the Italian Market, Frankfurt, Germany

A forum in Italian and German organised by the research house Scenari Immobiliari on cross border investment opportunities. Various major city rejuvenation projects will be presented. More info: www.scenari.de

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/

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

November 27-28, Monday-Tuesday

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. GRI format is to have no speeches or panels but discussions in collegial groups to ensure everyone talks freely to benefit all viewpoints. More info: www.globalrealestate.org

November 29/30-December 1, Wednesday-Friday

SIMI, Salon de L'Immobilier d'Entreprise- Commercial Real Estate Congress, Paris

This is the 5th congress for professionals in the French

commercial property sector, and is focused this year on property users. Expecting 300 exhibitors, it plans discussions, round tables, and around 9,500 visitors. More info: www.salonsimi.com

December 6-7, Wednesday-Thursday

Terrapinn - Alternative Real Estate Opportunities 2006

AREO is a two-day conference assembling global expertise for those looking to avoid the yield compression brought about by an abundance of funds in real estate. In the search for yield, uncompromising investment strategies are thinking well 'outside of the box'. This event looks at alternative asset classes, deal structures, locations. More info: www.terrapinn.com

December 7-8, Thursday-Friday

Financing Real Estate, London

The C5 group is organising a two-day program to provide in-depth understanding of how to use latest instruments and structures to maximise LTV, minimise tax consequences and provide the greatest possible flexibility and protection for property investments. More info: www.C5-Online.com

January 18-21, Thursday-Sunday

The GRI Chairmen's Retreat, St. Moritz, Switzerland

This is an exclusive and collegial 3 days of interactive discussions on strategy and industry developments, reserved for the top 100 real estate investors, financiers, owners and developers from across the world, active in Greater Europe. By invitation only, it is limited to the Chief Real Estate Executive within any organization or the immediate second-in-command. More info: www.globalrealestate.org

January 31-February 1, Wednesday-Thursday

CIMMIT 2007, Frankfurt am Main

IIR presents the 17th CIMMIT in German language to bring together leading industry players. Panels will discuss REITs and the outlook for property AGs, how long Germany will continue to be European favourite for real estate inward investment, and how property as an asset class stands in comparison to others. More info: www.cimmit.de

February 6-8, Wednesday-Thursday

European Investor Forum / ProplInvest Europe 2007, Barcelona, Spain

The 3rd Annual Euromoney ProplInvest Europe is a real estate investment industry conference featuring over 40 of the industry's most respected and renowned speakers in a two-day programme of keynote sessions, panel discussions and case studies.

More info: www.euromoneyseminars.com/

in Paris and Rouan and will soon also control a restaurant chain.

Klemurs has three retail property assets, two in Paris leased to the BHV department store and Truffault garden retail center and a group of stores in the nearby city of Rouan in France's Normandy region.

Klepi re said it would also make Klemurs the buyer of 129 Buffalo Grill restaurants, an acquisition expected to be complete by the end of the year.

Documents for the IPO have been lodged with French market regulator AMF (Autorit  des March s Financiers).

Klepi re is a listed property group which owns, manages and develops retail centres in 10 European countries. At the end of June, Klepi re's portfolio was worth  7.9bn of which  900m is Parisian office properties and the rest shopping centres. pfe

Acqua Marcia scheduled to be re-floated on Italian Stock exchange

Italy's Acqua Marcia, a real estate company controlled almost entirely by Francesco Bellavista Caltagirone, is to be re-floated shortly in an IPO on the Milan Stock exchange. The group had an asset value of more than  550m at the end of 2005 before being de-listed last spring after the accomplishment of a public purchase offer.

Bellavista Caltagirone has re-organised the Acqua Marcia group, bringing the holding back to Italy from Luxemburg and incorporating the controlled companies Finged and Five Star, Soparimm, Tecno-costruzioni and Italgestioni edilizie.

Bellavista Caltagirone is currently engaged in investment in the tourist sector, ranging from harbours management in Imperia and Civitavecchia and airports services in Milan and Catania. pfe

Aedes, Operae join forces in  380m Bologna development

Italian listed real estate companies Aedes and Operae have signed an agreement to buy two land properties located next to Bologna's exhibition grounds for  90m and develop them with a total investment value of  380m.

Aedes and Operae CEOs Luca Castelli and Vittorio Casale agreed to form three shareholdings to start the re-development project on the newly acquired properties, according to the daily newspaper Il Sole 24 Ore. The plan is to create a 300,000 sq.m. development, with 150,000 sq.m. of buildings, including residential, tertiary and commercial use.

Aedes has in recent months shifted its portfolio strategy toward assets for development. "We soon hope to invest 25-30% of our assets in development projects," Castelli told the newspaper. "I want to create real estate developments with high-quality, eco-friendly architecture, as in the US." pfe

Spain's Metrovacesa, Renta ride market boom into third quarter

The Spanish real estate boom has lifted the industry's profits this year, with the largest group Metrovacesa almost tripling its nine-month net profit to  861m compared with the same period of 2005. Metrovacesa aims to reach  1.1bn for all of 2006, a 75% increase over last year. Nine-month sales grew by 64% to  1.5bn.

Metrovacesa has invested about  1.7bn this year, mostly in



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Spain and France. Debt rose by about 12% to €9.3bn. In a statement filed with stock market regulator CNMV, Metrovacesa attributed its results to higher revenue from renting, the residential market and a rise in the value of its assets. Previously the company had estimated nine-month earnings at €690m.

Renta Corporación has also ridden the market boom, netting 292% higher profit of €30.9m for the first nine months. Sales more than tripled to €411.7m, and the company expects to close the year with net profit of €45m and with €75m in 2008. Through September Renta Corporación invested about €576m, 38% of it for projects outside Spain. pfe

Corio agrees on €200m price to Barletta Group for Naples shopping centre

The Netherlands-based listed shopping centre acquiror and developer Corio has reached a final settlement to pay the Barletta Group a total acquisition price of around €200m for completion and delivery of the shopping centre Campania in Maritanise, about 20 km north of Naples.

The project, for which the two companies entered into a turnkey acquisition agreement in April 2003, consists of a shopping centre with a gross lettable area of 52,400 sq.m., excluding a Carrefour hypermarket of 19,300 sq.m. The Barletta Group will complete the centre in December 2006, and expectations are that it will open in March 2007.

The Campania Shopping Centre is located adjacent to the the Naples–Rome–Milan Autostrada A1 motorway, and will be the dominant regional shopping centre in its catchment area of 1.2m inhabitants living within 30 minutes driving time.

On basis of retailer interest, Corio said it expects the centre will be practically completely leased when it opens. Corio manages over 1m sq.m. of lettable area in shopping centres in Europe and has some 3,500 contracts with retailers. pfe

Spain's Inmocaral to bid for remaining stake in French unit SFL

Spanish property firm Inmocaral says it will offer €490m for the 20.64% of French unit Société Foncière Lyonnaise (SFL) that it does not already own.

Inmocaral recently took control of SFL when it bought Spanish real estate giant Colonial in early autumn. The company's board decided on the offer for SFL last week to comply with French takeover law which says that an acquisition that results in a change in control requires a full takeover.

Inmocaral's prospectus for the Colonial deal estimated the outstanding SFL stake to be worth about €400m. pfe

REAL ESTATE PRIVATE EQUITY

US private equity firm JER Partners makes further Berlin buy for €53m

The US private equity group JER Partners and its German operating partner European Commercial Assets have bought a further 16 residential, commercial and mixed-use properties in

Berlin for some €53m in the last of a series of acquisitions.

Over the past two years, JER and ECA have acquired in Germany's capital city 88 properties from 41 owners, containing over 3,700 flats and over 400 commercial units in a number of separate portfolio transactions. They said all assets are in good locations and are generally undermanaged. The plan is to increase the capital value through active asset management mainly through rental growth as a result of refurbishment and modernisation for which a substantial capex program has been put in place. Some assets are earmarked for condominium sale.

LER and ECA have been working closely over the past two years to identify off-market opportunities with strong capital growth potential, mainly in Berlin housing.

JER Partners, active in Europe since 1995, is the private equity investment arm of the US-based real estate investment management group J.E. Robert Companies. Headed by Malcolm Le May, JER Partners has invested in the UK, France, Germany, Italy, Sweden and Finland. pfe

Blackstone buys Trianon Palace hotel in Versailles from Japan's LeoPalace

Blackstone Group, the US private equity firm, has acquired from Japan's LeoPalace 21 Corporation the Trianon Palace hotel in Versailles, the royal city of Louis XIV south of Paris. The cost of the acquisition was not disclosed.

The hotel, currently operated as a Westin Hotel under the name Trianon Palace & Spa, is located in the heart of Versailles not far from the city's chateau. It has undergone extensive renovations including construction of a modern wing which brought the total number of rooms to 192.

France is the number one tourist destination in the world, with Paris and surroundings the most popular destination within the country. The French National Tourist Organisation says some 2.8m people visited the Chateau de Versailles last year making it the seventh most popular site in the country. pfe

PROPERTY FUNDS

Aberdeen's Swedish property fund acquires €77m portfolio

Aberdeen Property Fund Sweden has acquired a portfolio of nine properties with a combined real estate value of approximately €77m. The properties were sold by Diös & Kuylenstierna and the deal was configured as a corporate transaction.

The properties, located in and around Stockholm, are recently renovated or newly built and consist largely of office facilities, but also include retail and residential properties. Six are located in Södertälje and two in Uppsala. The transaction also includes an office property in the former Filmstaden facility in Solna, near Stockholm, where the tenants include the film distributor, Svensk Film. The properties cover 34,500 sq.m. and the initial vacancy rate is 7.5%, which complies with the fund's risk strategy.

The fund also recently acquired a logistics property in Gothenburg representing over 3,400 sq.m., bringing the total investment over the past months to €81m. Since inception in spring, it has invested more than €100m among 14 properties.

Aberdeen Property Fund Sweden is aimed at institutional in-

vestors seeking exposure to Swedish real estate, and the objective is to generate a stable return and long-term value growth by building a well diversified and actively managed property portfolio. The fund has a volume target of approximately €550m in total capital, including gearing. pfe

DIFA sells German office properties to Tishman Speyer, IVG for €860m

German asset manager DIFA Deutsche Immobilien Fonds of Hamburg has sold its Nautilus portfolio of German office properties to Tishman Speyer Properties of the US and German property giant IVG for €860.5m, an amount exceeding expert valuation

Tishman Speyer Properties is paying €670m for 10 properties of DIFA Fonds Nr. 1, while four properties owned by the open-ended DIFA Grund fund were sold to listed IVG Immobilien of Bonn for about €190m.

Frank Billand, a DIFA managing board director, said the transaction took advantage of favourable market conditions to "optimise our portfolio structures, which were overweight in the office sector - particularly in the Rhine-Main area." The properties are located in Berlin, Düsseldorf, Hamburg, Frankfurt, Stuttgart and Munich.

DIFA now aims to expand the portfolio of DIFA-Fonds Nr. 1 with targeted investment in Germany and other European countries. And DIFA-Grund, which has invested €200m so far this year, plans further acquisitions in Europe and overseas.

IVG acquired properties in Düsseldorf, Munich and Stuttgart

with a total rental space of 66,000 sq.m. that is 88% leased for the long term. Reduction of the 12% vacancy rate is its priority for capital appreciation. IVG Chairman Wolfhard Lechnitz said the German office markets still offer significant upward potential in rents and property prices.

Tishman Speyer is putting its acquired office buildings into its European Value-add-Fonds TSEV VI. "It will cost more in the future to build anew in these locations than to buy now," TSP boss Jerry Speyer told Immobilien Zeitung. pfe

Britain's Matrix purchases landmark Vienna Tower for €247m from Doughty


UK-based real estate group Matrix Property Fund Management late last month announced the purchase of the landmark IZD Tower in Vienna from Doughty Hanson for €247m. The property is the largest office space in Austria at 63,323 sq.m.

Matrix, known for its syndicated commercial property investment vehicles, has been purchasing European property since January 2005. In June it launched a European commercial property fund, Matrix European Real Estate Investment Trust which it intends to grow to over €3bn.

Chairman Rob Randall commented: "The IZD Tower is an excellent asset that as a stand-alone property would deliver high quality core-plus returns. As a diversifier with our rapidly expanding pan-European MEREIT portfolio it represents the next step forward".


Matrix sees Vienna as an attractive business location due to its political and economic stability, flexible workforce and low crime rate.

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The real estate associations: The Madrid Real Estate Promoters Association

Property association ASPRIMA promotes expansion abroad for Spanish companies facing pinnacle of a real estate boom at home

Following a massive boom in both residential and commercial property over the last five years, Spanish real estate companies have converted the sector into a major player in global markets. Now boasting a formidable size, several firms are branching out into other countries – and the 30-year-old Madrid Real Estate Promoters Association (Asprima) is pushing them to expand even more.

Asprima (La Asociación de Promotores Inmobiliarios de Madrid) was founded in 1976 and is one of the largest property associations in Spain with about 260 members. It represents about 70% of the companies operating in the region around Spain's capital city, and its goals are to "represent the real estate sector, defend the interests of the sector, and provide services such as information and education to our members."

Asprima members include Metrovacesa, Fadesa, Acciona Real Estate, Jones Lang LaSalle, CB Richard Ellis, Grupo Lar, Parquesol, Martinsa, Urbis, Knight Frank, Realia and Renta Corporación. But the association aims to do more than simply push firms to invest in other countries. Its services include consulting, education and documentation. It publishes a quarterly magazine, sector reports, and bulletins on specific topics such as property laws and taxes. It also supplies information on urban development, obtaining licenses, contacts with creditors, statistics, public bids and auctions, tax processes and labour contracts.

The Asprima board consists of key executives in the property sector, and the current president is Rafael Santamaría, head of real estate firm Reyal. Secretary General José Manuel Galindo however is an 11-year veteran of the association and is not linked to any property firm. Santamaría and Galindo also head up the organising committee of the annual Salon Inmobiliario de Madrid (SIMA).

The rise in Spanish property investment abroad has been dramatic over the past few years. In 2003, Spanish companies invested €193m outside the country, but this surged to €3bn already by the following year. Right now the real estate sector ranks third in investment abroad behind telecommunications with €4bn and banking with €20bn. An Asprima report cites record low interest rates and a record high gross domestic product per capita as a reason for the move outside Spain's borders. It says the cycle has reached the point where firms have acquired such a size that they must look beyond Spanish borders for profitable projects.

"Companies have grown to such a size that to maintain their market shares they need to diversify into new markets and sectors," Galindo told PFE recently. "And now the government and we are pushing for more investment abroad. Even though we rank third as a sector, it's a drop in the bucket compared to the investment within Spain."

Galindo forecasts a gradual deceleration from the frenetic price growth that has characterised the market over past years - boosting house prices about 170% since 1997: "In 2005 prices rose about 10%, but over the next two years or so the rises are likely to slow to follow the increase in the consumer price

index. Likewise the growth in construction will adjust to demand in about four or five years, dropping to about 500,000-600,000 new houses per year instead of the 800,000 that we have now.

He added: "I think we are at the peak of the cycle, but that doesn't mean that prices are going to fall. We're now in a different climate where prices will rise but at a much slower rate."

Nonetheless, Asprima's forecast in last year's annual report turned out to be too conservative. It foresaw a decline in new

homes for 2006, while new building actually rose to record levels. According to Galindo, the forecast didn't take into account the market's momentum. "This sector is a long-term thinking market," he says. "It's not very elastic so companies cannot stop their plans on a dime. They have to adjust them little by little."

In their international plans, Spanish firms are now focusing on mature markets with advantageous tax policies such as France and Germany, and on developing markets such as the new members to the European Union, plus Portugal, Brazil, Mexico and Morocco. France has been an especially attractive market for Spanish firms this year due to higher than average yields and the advantageous REIT/SIIC tax status. Metrovacesa, Inmocaral, Fadesa, Realia and Grupo Lar

all currently operate in France.

As a result, Asprima has created an "Internationalisation Commission" to help its members enter foreign markets. Its reports and courses include how these different markets function, and list the risks/opportunities in areas such as taxes and local laws.

One of its latest projects is the Asprima Foundation, which focuses on boosting the property sector's contribution to society. "We started the foundation about three years ago to increase social awareness and develop projects that go beyond the traditional aspects of sector which are not necessarily linked to business," Galindo says. For example, in a partnership between the Asprima Foundation and the Vicente Ferrer Foundation, a non-governmental organisation which aids the Indian region of Anantapur, Asprima has helped to build 500 homes in India and aims to construct another 500 by the end of this year.

Closer to home, the association has developed the Sello Asprima, a seal of approval that guarantees contracts for purchasing homes conform to the law. Right now 6,100 homes bear this seal. pfe



ASPRIMA Secretary-General José Manuel Galindo: "Spanish companies have grown so large they need to diversify into new markets and sectors."

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

Business and investment has been encouraged by a cut in the Austrian corporate tax rate to 25% from 34% in 2005. Completed in 2001, the 38-storey IZD office property is let to around 30 tenants. pfe

Aberdeen's European fund buys office building in Vantaa, Finland

Aberdeen European Balanced Property Fund, managed by UK-Swedish Aberdeen Property Investor, says it bought a new Finnish office building from Finnish construction company YIT.

The 5,000 sq.m. property, rented mostly to CPS Color Group, is located in Vantaa, Tikkurila, said API's Finland unit. pfe

BlackRock launches Merrill Fund of Funds aimed at undervalued Europe

BlackRock's real estate team has launched the Merrill Lynch European Property Fund of Funds, which will invest in unlisted and diversified property vehicles across Europe.

The Fund of Funds will be an open ended euro-denominated vehicle with an initial investment focus on those markets that BlackRock regards as relatively undervalued and having good growth prospects. The new FoF will be managed by Matthew Ryall, and is intended to complement the successful UK Property Fund of Funds which was launched in 2004. ML bought out the US-based BlackRock private equity group in September.

Ryall identifies the main target countries as the Nordic countries, provincial France, western Germany and parts of southern Europe. "We will be limiting our exposure to many parts of central and eastern Europe, where we believe that current pricing levels are not supported by growth prospects," he said in a release.

Direct access to the European property market can be difficult given its size and fragmented nature," he added. "In response to growing investor demand, the indirect market in Europe has seen a significant increase in the number of unlisted real estate funds, and the momentum and scale of growth creates numerous investment opportunities. Furthermore, within the individual countries across Europe, real estate markets can perform quite differently at any one point in time, thus increasing the diversification benefits." pfe

CGI sells €526m German portfolio to Morgan Stanley Real Estate Fund

Commerz Grundbesitz-Investmentgesellschaft, the retail property funds unit of Germany's Commerzbank, sold a portfolio of aging German housing with high vacancies to Morgan Stanley Real Estate Fund (MSREF) for €526m.

The sale by CGI's residential property fund, Haus-Invest Europa, is supposed to improve the open-ended fund's rental ratio and cull old housing from the fund's assets. The 29 residential objects covered by the transaction had been held by the fund for an average of 20 years and showed a collective vacancy rate of 34%.

"The extra cash flushed into the fund by the sales will be



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available for new acquisitions, and will in turn boost our activity toward new investments," said Frank Pörschke, chairman of Commerz Grundbesitz, which includes CGI. The real estate group as a whole is planning real estate acquisitions with a volume of more than €2bn worldwide.

The fund changed its strategy to concentrate "on larger objects in the central business districts of European metropolises" and the old housing no longer fits, said Pörschke.

Commerz Grundbesitz Group currently manages a volume of more than €13bn property worldwide. Haus Invest Europa leads the retail market in the open-end property funds with a volume of at least €8bn. pfe

Germany's MPC Capital sells 99 Dutch properties to Breevast for €979m

German financial investment broker and closed fund manager MPC Capital has sold at auction a package of 99 properties from 27 Dutch closed funds to Dutch developer and property manager Breevast of Amsterdam for €979m.

The selling price gives MPC a premium of 5% over the €928m property value determined by assessors, and will add €56m to the group financial result for the year.

This transaction gives the 17,000 investors of the MPC Holland funds average annual growth of about 8% a year on their stakes. The average life of the funds is 6.7 years.

When the transaction is completed the end of this year, the property portfolio of the remaining MPC funds will be worth about €2bn. A dividend of €5 a share, up from €4 for 2005, is envisaged by the managing board. The seller, who prevailed over several dozen competing bids, takes possession of more than 500,000 sq.m. of office space. pfe

AXA REIM's German fund buys 49% of Polish office portfolio

Axa REIM's German open-end Immoselect Fund is buying 49% of the Polish office portfolio in Warsaw held by Austrian fund manager Europolis in its E1 fund for €145m.

Axa is buying the 35% stake held by the European Bank for Reconstruction and Development (EBRD) in the five Warsaw properties (P1), and another 14% from Austrian bank Investkredit, the majority partner in Europolis alongside EBRD, with Investkredit effectively trading 51% to itself as ownership of the portfolio will also be restructured.

The deal is said to represent a yield just above 6%, though Saskia Point (€29m), Saslo Crescent (€54m), Sienna Center (€87m), Warsaw Towers (€72.5m) and Bitwy Warszawskiej (€73.5m) - around 85,000 sq.m. fully-let offices in Warsaw centre - were valued separately, the magazine Cij reported.

The elimination of EBRD is significant for the region: Following a similar transfer of interests in E1's Czech and Hungar-

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ian assets to Germany fund manager Difa in January 2005, it means EBRD has sold its final stake in Europolis' CE portfolio. ERBD says it shows that its mission in promoting the CEE transition to open and democratic market economies has been successful, and it is time to step aside.

Immoselect has now invested around €850m or 10% of total volume in central Europe, and aims to double that figure. It already owned Doryta Udvar in Budapest and the Microsoft office building in Warsaw, and recently acquired the Daylight logistics and office portfolio in Slovakia. It is also said to be on the point of acquiring a €600m Polish shopping centre portfolio. Europolis retains ownership of the other Polish asset in E1, logistics park ALC in Blonie, scheduled for a 200,000 sq.m. expansion tripling its size. pfe

London & Capital buys German Provinzial portfolio for €165m

UK fund manager London & Capital has purchased a German portfolio of six commercial properties for €164.5m from Provinzial, a state-owned German insurance company. The acquisition - for its German Real Estate Fund - yields an initial 6.25%, which the purchaser called an attractive arbitrage above euro borrowing rates.

This and other pending transactions will give the UK firm a property portfolio worth more than \$400m by the end of the year. The properties all new, well located, have excellent transport links, offer outstanding growth potential, and are let to quality tenants, the firm said. Five are let for more than 10 years.

The Provinzial portfolio includes logistics properties in Werl, Frechen, Gimbsheim and Recklinghausen; a retailing warehouse in Schwetzingen and an office building in Wolfsburg. London & Capital's investments for four property funds and private clients exceed \$1.3bn with the new acquisitions. The firm caters to high net worth investors. pfe

SEB launches third property fund for high net worth individuals

SEB Asset Management has launched its third open-ended property funds, which will be sold exclusively to high net worth customers of UBS Sauerborn based in Bad Homburg, Germany. SEB Global Property Fund targets an annual yield of 6%, which earns for SEB a 15% commission on any amount that exceeds the target.

The fund's first investment was the purchase for €44.2m of a clinic, Centrum für innovative Medizin, in Hamburg-Eppendorf from Euroland Projektierungen. Further acquisitions are planned in Germany and the Netherlands. SAM is a unit of Scandinavian bank SEB. pfe

GE Real Estate Italia, Aareal invest in central Rome shopping centre

GE Real Estate Italia and Aareal Italy Fund, a closed-end real estate investment trust of Germany's Aareal Asset Management, have signed a \$60m contract to acquire the 'Primavera' shopping centre located in the heart of Rome.

GE announced that operation of the centre that hosts 45 shops over two floors will remain in the hands of Espansione Commerciale. The acquisition is GE's second of its kind in Italy, after Sicily's Melilli centre. It now owns properties worth €430m in the country.

Aareal Asset Management is owned by Aareal Bank, based in Amsterdam, Wiesbaden and Milan. It manages and develops real estate trusts for institutional investors. pfe

RREEF closes \$1.6bn real estate fund aimed at CEE, Asia

RREEF has closed its Real Estate Opportunities Fund II at \$1.6bn that will focus on large portfolio disposals by governments and corporates, hospitality and resort/leisure acquisitions, redevelopment opportunities, residential and retail projects in central and eastern Europe and developing Asian markets.

The fund will also focus on indirect real estate acquisition through operating company acquisitions in more developed markets. REO Fund II is a closed fund for opportunistic investment. Investors include public pension plans, ERISA plans, endowments, family offices and high net worth individuals.

The fund has recently entered into joint ventures to develop residential projects in Bulgaria, Romania, the Czech Republic and Russia. In France, it is acquiring French department store Printemps while in the UK, it acquired the "Little Britain" Central London office redevelopment. The fund has been actively acquiring since first closing in December. pfe

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CEE fund of UK's Pradera makes first Czech acquisition

UK institutional real estate manager Pradera has made its first acquisition in the Czech Republic by purchasing Hana retail warehouse park in Olomouc, northern Moravia for its Pradera Central & Eastern Fund for €44m from Czech developer Gemo Olomouc.

The yield was around 7%, various media reported. Tenants of the retail park, completed June 2006, include electronics and furniture retailers Electro World and Asko-Nabytek and sports store Giga Sport. Pradera specialises in out-of-town retail properties, shopping centres and retail parks with scope for improvement, for example by adding retail space or change of tenants.

Pradera has €140m in equity to invest this year, and Pradera Central & Eastern Fund expects to close another transaction in Poland by the year-end. The fund, with a 10-year lifetime, targets existing schemes as well as forward-purchase deals.

Pradera recently opened an office in Prague along with its first Czech acquisition, and has plans to expand into Hungary, Poland, Romania and Turkey. pfe

ASSET MANAGEMENT/ADVISORY

New York-based Carlton completes €31m recapitalisation for Berlin asset

The New York-based Carlton Advisory Services has completed the equity recapitalisation of a €31m multi-family and retail portfolio in Berlin on behalf of a major international pension fund investing in commercial and residential assets.

Carlton Director Neil Bane told PFE that the client is looking to acquire €300m of residential properties in Berlin and other major German cities in 2006/2007.

The latest portfolio consists of multiple-use properties comprising 14 buildings, 444 residential units and 42 commercial units, and of medium to high-quality properties in solid residential markets. Some 96% is occupied, with good upside income potential.

Carlton said the portfolio should benefit from the removal of rent controls from subsidised agreements over the medium to long term. The equity partner will invest in the portfolio based on a 90/10% equity split, with varying promotes up to a 50/50% split.

Bane told PFE: "We have been working to identify all types of high net worth family investors, private foundations, hedge funds, opportunity funds and pension funds interested in investing in the US, west and eastern Europe, the Baltics and other emerging markets. I believe that over the next 5-10 years mid-eastern investors will become much more active on the global real estate investment scene as they look to develop more sustainable and re-plenishable long-term income streams." pfe

Deutsche's RREEF, Italy's Borletti acquire France Printemps retail chain

Deutsche Asset Management's RREEF and Italy's Borletti Group have acquired control of the France Printemps retail

chain from PPR, controlled by billionaire businessman Francois Pinault. The French luxury goods and retail group is best known for its flagship store in central Paris, a landmark building with an Art Deco stained-glass dome.

RREEF will own 70% of France Printemps, which has 17 department stores, affiliates and three specialist subsidiaries. The family-run Borletti Group will hold the remaining 30%. PPR said the two groups have taken control of 51% of France Printemps in a first step. The rest of the sale is scheduled to go through in first half 2007.

Natexis Banques Populaires arranged a €923m financing facility for the acquisition, based on a valuation PPR of €1.075bn. France Printemps' turnover in 2005 was €752m. The premium price paid for the chain is due in part to the historic central Parisian property.

RREEF and Borletti intend to carry out major renovations to the stores as they have already done to Italy's La Rinascente group acquired at the beginning of 2005 for €880m. RREEF and Borletti said they "intend to undertake a similar strategy for the Printemps chain: large-scale shop renovations, repositioning in the luxury market, with a notable redefinition of its portfolio of products and brands and improved service to clients... The objective is to become one of the best European retail shopping destinations."

Through its retail division, PPR also controls the Fnac and Conforama retail chains, while the group's luxury brands include Gucci, Yves Saint Laurent, Stella McCartney and Alexander McQueen. pfe

Merrill, Pirelli RE said stalking Italy's Jolly Hotel chain for possible bid

Merrill Lynch and Pirelli Real Estate are reported to have a strong interest in acquiring the Milan-listed Jolly Hotel chain, whose properties are estimated at a book value of €246m with however a potential market value up to some €580m.

Market participants say the two companies' joint venture, Pirelli RE Opportunities, may be interested in taking over Jolly, selling most hotel buildings and keeping the operating management. It would thus reap the huge difference between market and book value. The JV between Merrill (65%) and Pirelli Re (35%) was established last June to manage real estate hedge funds.

At the beginning of November Jolly's stock jumped 20% in few days, and since July the price has risen by 60% to a current value, above €23. Jolly's owners, led by Canova Partecipazioni which is run by Dario Segre and Chairman Antonio Favrin, deny they are planning any sale and that market movements could be caused by the thin market and little available stock. pfe

DEBT FINANCE

HRE finances New Star with €450m for Amsterdam tower acquisition

Hypo Real Estate Bank International, a listed German property financing bank, says it extended a seven-year credit of €450m to New Star Asset Management of the UK to finance commercial acquisitions planned by its Global Property Fund in Europe and Asia.

Global Property Fund then paid €150m for two Amsterdam

Share price performance of major European listed property companies

Index Constituents	Local Price 31-Oct	Free Float Mkt Cap €m 31-Oct	Free Float Global Wght% 31-Oct	Free Float Europe Wght% 31-Oct	Dividend Yld% 31-Oct	Total Rtn% - 5 Yrs	Total Rtn% - 3 Yrs	Total Rtn% - 1 Yr	Total Rtn% QTD	Total Rtn% Oct-06	Total Rtn% YTD
Immofinanz	9,50	4.251	0,65	3,16	0,00	13,16	15,61	17,72	0,00	0,00	17,14
Immoeast Immobilien Anlage	9,84	2.735	0,42	2,03	0,00	-NA-	-NA-	20,00	2,61	2,61	18,27
CA Immobilien Anlage	21,80	1.268	0,19	0,94	0,00	5,48	4,91	3,22	0,60	0,60	3,56
Conwert Immobilien	16,42	964	0,15	0,72	0,00	-NA-	12,41	16,45	3,27	3,27	12,85
Sparkassen Immo Invest	102,75	231	0,04	0,17	4,24	8,46	10,23	12,51	1,13	1,13	12,51
Austria Total		9.449	1,45	7,01	0,11						
Cofinimmo *	148,50	1.117	0,17	0,83	4,95	14,55	16,71	19,06	-0,67	-0,67	16,57
Befimmo *	92,00	901	0,14	0,67	5,22	12,38	12,94	16,42	2,22	2,22	18,56
Warehouses De Pauw *	47,00	278	0,04	0,21	6,38	19,80	20,54	28,20	1,08	1,08	13,64
Intervest Offices *	28,50	198	0,03	0,15	6,67	10,73	12,90	16,07	4,05	4,05	7,04
Leasinvest Real Estate *	74,90	183	0,03	0,14	5,01	14,03	17,26	20,44	7,74	7,74	18,81
Belgium Total		2.677	0,41	1,99	5,32						
TK Development	77,50	292	0,04	0,22	0,00	-12,93	72,77	40,40	9,93	9,93	33,01
Nordicom	839,00	176	0,03	0,13	1,43	44,76	68,56	50,89	6,07	6,07	-6,99
Keops	23,00	160	0,02	0,12	0,65	-NA-	100,29	23,80	29,21	29,21	-21,79
Denmark Total		628	0,10	0,47	0,57						
Sponda	9,77	580	0,09	0,43	5,12	25,49	22,51	27,58	9,78	9,78	29,18
Citycon OYJ	4,15	514	0,08	0,38	3,18	37,63	44,02	34,06	0,00	0,00	37,94
Technopolis	6,60	252	0,04	0,19	1,97	35,49	42,17	52,26	5,60	5,60	34,60
Finland Total		1.345	0,21	1,00	3,79						
Unibail *	170,60	7.823	1,20	5,81	2,37	32,19	49,84	57,44	3,56	3,56	54,36
Klepierre *	118,20	2.728	0,42	2,02	2,28	30,18	40,03	54,60	0,08	0,08	52,46
Silic *	108,80	1.415	0,22	1,05	3,22	25,83	34,46	45,28	1,68	1,68	43,88
Gecina *	111,20	1.333	0,20	0,99	3,51	24,42	31,35	24,84	5,70	5,70	18,66
Icade	46,51	1.244	0,19	0,92	0,00	-NA-	-NA-	-NA-	17,90	17,90	-NA-
Mercialys*	27,49	802	0,12	0,60	1,60	-NA-	-NA-	-NA-	4,86	4,86	-NA-
Societe de la Tour Eiffel	121,00	614	0,09	0,46	3,72	-NA-	-NA-	-NA-	-3,20	-3,20	-NA-
Fonciere Des Regions *	125,70	435	0,07	0,32	3,18	48,94	63,32	54,14	7,54	7,54	46,35
Affine*	122,50	164	0,03	0,12	3,31	-NA-	-NA-	-NA-	0,00	0,00	-NA-
Acanthe Developpement *	3,64	145	0,02	0,11	3,57	6,29	-0,87	-13,56	10,64	10,64	-10,37
France Total		16.703	2,57	12,40	2,40						
IVG Immobilien	28,23	2.453	0,38	1,82	1,35	19,22	46,39	77,81	-1,09	-1,09	61,55
Gagfah	22,74	1.023	0,16	0,76	0,00	-NA-	-NA-	-NA-	19,68	19,68	-NA-
Deutsche Euroshop	54,00	928	0,14	0,69	3,70	12,73	22,01	27,30	-1,23	-1,23	18,02
Deutsche Wohnen	46,31	872	0,13	0,65	3,78	25,19	36,23	43,39	-3,12	-3,12	40,96
Colonia Real Estate	29,37	457	0,07	0,34	0,00	-NA-	-NA-	-NA-	-1,28	-1,28	-NA-
Germany Total		5.734	0,88	4,26	1,75						
Babis Vovos	20,90	532	0,08	0,39	1,91	7,30	8,81	56,16	1,46	1,46	53,24
Lamda Development	8,90	117	0,02	0,09	0,00	6,87	31,06	70,50	14,40	14,40	54,51
Greece Total		649	0,10	0,48	1,57						
Beni Stabili	0,89	1.136	0,17	0,84	2,70	16,69	26,99	14,25	1,14	1,14	12,22
Risanamento	6,25	686	0,11	0,51	1,65	19,66	68,91	64,59	4,17	4,17	67,63
Aedes	5,52	414	0,06	0,31	3,26	14,41	22,36	3,07	7,39	7,39	3,73
IGD	3,00	339	0,05	0,25	0,73	-NA-	-NA-	54,97	5,91	5,91	48,50
Italy Total		2.574	0,40	1,91	2,25						
Rodamco Europe *	90,65	6.094	0,94	4,52	3,91	21,89	31,68	41,85	0,19	0,19	33,98
Corio *	56,90	3.827	0,59	2,84	4,31	23,55	30,70	25,26	-0,96	-0,96	29,30
Wereldhave *	89,85	1.867	0,29	1,39	5,06	16,33	24,08	16,98	4,36	4,36	18,52
Eurocommercial Props *	38,95	1.374	0,21	1,02	3,98	20,73	26,22	31,20	4,56	4,56	34,22
Vastned Retail *	68,35	1.145	0,18	0,85	5,22	17,98	24,91	38,84	5,64	5,64	33,80
ProLogis European Properties	14,80	838	0,13	0,62	0,00	-NA-	-NA-	-NA-	0,68	0,68	-NA-
Nieuwe Steen Inv *	22,15	792	0,12	0,59	6,14	13,75	22,93	16,10	6,90	6,90	13,13
Vastned Offices Ind *	29,33	557	0,09	0,41	7,57	10,67	21,24	45,06	5,13	5,13	39,60
Netherlands Total		16.494	2,54	12,24	4,26						
Norgani Hotels	58,00	274,90	0,04	0,20	-	-NA-	-NA-	-NA-	-4,92	-4,92	-NA-
Norway Total		274,90	0,04	0,20	-						
Fabege	168,50	1.839	0,28	1,36	4,45	29,68	38,70	30,86	4,01	4,01	16,17
Castellum	86,50	1.614	0,25	1,20	3,03	28,82	34,04	29,17	4,85	4,85	24,65
Kungsleden	91,25	1.351	0,21	1,00	4,02	44,89	54,57	36,57	9,28	9,28	23,80
Hufvudstaden A	66,00	581	0,09	0,43	2,20	24,28	29,11	34,90	6,45	6,45	29,71
Wihlborgs Fastigheter	128,00	534	0,08	0,40	2,73	-NA-	-NA-	53,80	-3,03	-3,03	36,98
Klovern AB	26,20	257	0,04	0,19	3,82	-NA-	24,62	27,10	13,91	13,91	11,02
Sweden Total		6.176	0,95	4,58	3,60						
Globe Trade Centre	33,40	934	0,14	0,69	0,00	-NA-	-NA-	138,57	11,33	11,33	93,06
Poland Total		934	0,14	0,69	0,00						
PSP Swiss Property	65,10	1.923	0,30	1,43	0,00	14,95	21,46	23,87	2,52	2,52	21,91
Swiss Prime Site	64,25	779	0,12	0,58	4,36	7,37	15,44	12,42	-0,70	-0,70	6,20
Allreal	128,70	395	0,06	0,29	3,73	13,14	19,58	18,98	-1,00	-1,00	15,09
Zueblin Immobilien Holding	10,65	209	0,03	0,15	0,00	5,99	11,52	8,25	1,91	1,91	7,21
Switzerland Total		3.306	0,51	2,45	1,47						

Source: European Public Real Estate Association, EPRA

buildings, Queens Towers and ABN-Amro's De Parade, by acquiring all share capital of Q-Bol Holdings. The properties, to be managed by CB Richard Ellis, yield a gross initial 6.24%.

"These are high-quality properties with good yields and tenants with strong covenants," said Robin Carr, New Star's European property acquisition manager. "We have been able to secure such attractive properties due to our ability to efficiently execute what has been a complicated transaction from a tax point of view." pfe

Fitch downgrades Italian securitisation deals after nation's negative re-rating

Fitch Ratings has downgraded some Italian securitisation deals following the agency's negative re-rating of the Italian Republic's creditworthiness due to the national fiscal and debt outlook. Fitch last month downgraded Italian Republic's foreign and local currency Issuer Default to AA minus from AA.

Fitch said it downgraded the FIP Funding S.r.l. notes due 2023, but simultaneously removed them from negative watch. The transaction, which closed in July 2005, is a securitisation of a €2bn commercial loan granted to FIP Fondo Immobili Pubblici, an Italian closed-ended real estate investment fund by Banca IMI, Barclays Bank-Milan, Cassa Depositi e Prestiti and The Royal Bank of Scotland-Milan. The Ministry of Economy and Finance promoted the creation of the fund, and contributed and transferred to it 396 properties.

The proceeds to service interest and principal repayments in the deal are primarily based on collections received by the Agenzia del Demanio, an Italian public entity incorporated to manage state-owned real estate. Since Demanio is able to draw on the central Treasury account of the Republic of Italy to meet its obligations under the lease agreement, any change in the sovereign rating alters the ratings of the notes.

Fitch also downgraded the Patrimonio Uno CMBS S.r.l.'s floating-rate notes due 2021 and also removed them from negative rating watch. This is a securitisation of a €398m commercial loan granted to Italian closed-ended real estate investment fund Patrimonio Uno by Banca Intesa, Banca Nazionale del Lavoro and Morgan Stanley.

Fitch said it considered the timely payment of rents from the Agenzia del Demanio, the stressed disposal value of the properties, as well as amounts available to the issuer under the liquidity facility to cover interest shortfall on the notes due to loss of rents. pfe

REAL ESTATE BANKING

AHBR launches CorealCredit as specialist commercial property financier

Germany's Allgemeine HypothekenBank Rheinboden is launching a product and service platform under its new core brand CorealCredit, which is designed to be a specialist in providing commercial real estate financing in Germany.

"We will offer an integrated, capital market-focused range of products and services for professional real estate investors," new AHBR Chairman Claus Nolting said in a release. Already, a number of clients have expressed a keen interest in the new business model since it was unveiled around three months ago.

CorealCredit will provide financing solutions for existing properties and those in development. These solutions mainly have maturities up to 10 years and are generally for investment amounts of €10m or more.

Products and services can be tailored to clients' individual requirements, and with its strong capital market focus and use of different refinancing channels, CorealCredit can offer optimised financing even for complex projects, with possibilities including equity/debt hybrids.

Alongside financing, CorealCredit gives clients the opportunity to optimise their financing structures with capital market products. It will also offer advisory services such as valuations and feasibility studies or developing cashflow scenarios. pfe

Crown acquires Germany's Westfalenbank as mortgage servicing platform

After several months of negotiations, Crown NorthCorp late last month announced that it has concluded the acquisition of Westfalenbank from HypoVereinsbank. The platform is designed to expand Crown's capabilities in Europe. The sale price was not disclosed.

"The acquisition provides Crown with the platform we have been seeking to expand our business and claim the position as a truly pan-European servicer," Crown NorthCorp CEO Ronald Roark said in a release. "It provides a good platform, with many highly skilled people for consolidating our existing operations and will allow us to grow mortgage servicing and origination in niche markets in Germany and in other European countries."

Crown now intends to put Westfalenbank at the heart of its activities in Europe and to build on the bank's expertise and its



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history in the German market.

Crown has operated businesses in Europe within the mortgage and property industry for more than 10 years. UK-based Crown Mortgage Management was the first European mortgage servicer to be accredited by all three major rating agencies. European activities now cover Benelux, the Nordic region, Germany and the UK. Total volumes under management correspond to some €13bn.

The deal sets a final point on the restructuring of Westfalenbank after the sale of its asset management and private banking businesses in 2005, and integration of its corporate customer business into HVB in June 2006. Crown and Westfalenbank have already been closely cooperating in servicing distressed loans for investors without servicing capacities in Germany. pfe

Eurohypo boosts German lending, severs business with private clients

Eurohypo, Germany's biggest property financier, is turning over its sales and support operation for private customers to the parent Commerzbank in order to focus on commercial property and public lending.

Chairman Bernd Knobloch announced the change when presenting the bank's third-quarter figures. He forecast a record result this year. New property financing in the first nine months of 2006 came to €24.2bn, matching the figure the same period last year. Strong growth was recorded in Germany and continental Europe. pfe

Risanamento's Zunino joins Coppola in taking stake in Mediobanca

Luigi Zunino, chairman and principal equity owner of the Milan-based listed property group Risanamento, has announced he now controls 3% of the capital of investment bank Mediobanca, the traditional 'holy grail' of Italian capitalism. The investment has a market value of €440m.

Zunino is known in Italy as a representative of the new breed of Italian real estate moguls, along with close business colleague Danilo Coppola. The latter, who heads his own company and recently acquired the daily newspaper Finanza & Mercati by acquiring Ipi Spa from Risanamento, earlier acquired a 4.6% stake of the Milan investment bank.

The two real estate moguls are now, together, the third largest shareholders in Mediobanca. pfe

Bank of Italy to sell off around 75 branch offices, refocus on core

The Bank of Italy central bank has announced it is to sell a number of properties over the next few years and cut regional branches across the country to around 25 from the current 99.

The re-structuring, which will be coordinated closely with trade unions, will lead to the sale of unused properties. No details were provided on how this will be done.

The bank will increase the authority of branches in the main regional centres, which will be aided by specialised branches to manage revenues.

Also the foreign branches will downsize and the Italian Exchange Office (Ufficio Italiano Cambi) will be merged together with the bank. Currently there are six foreign branches. The bank wants to close the European ones and replace them with a functionary based in the embassies. The non-European branches in New York and Tokyo may however be strengthened. pfe

Spain's Banco Sabadell sells Landscape property to rival Astroc

Spanish bank Sabadell says it sold its property unit Landscape to rival Astroc Mediterráneo for €990m, cashing in capital gains of about €624m.

Astroc will pay a further €89.7m plus interest to pay down Landscape's borrowings and will assume the real estate firm's debt of about €1.4bn.

Astroc projected net sales of the combined company to reach about €446.8m, doubling Astroc's current figure. Combined net profit is estimated at €127.5m, up 32% from last year's profit.

Landscape closed 2005 with 30% higher net profit of €37m. Its property assets at the time had market value of €1.9bn. Landscape said last July that it will invest €570m until 2010 on home promotions throughout Europe, focusing on France, Portugal, Britain, Germany, Italy and Poland. pfe

RESIDENTIAL PROPERTY

French house prices decelerate as demand for new homes drops

The French house market is showing further signs of cooling, with demand for new housing slowing and prices decelerat-



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ing, albeit still rising at a fast clip.

Statistics from government agency Insee show demand for new housing dropped 18% in October compared to a year earlier, a sharper decline than the 12% fall recorded in September. Even if prices for new housing increased by 28% y/y in October, this compared to a 38% y/y rise in September.

In the third quarter, new-home building in France rose 4.1% over 2Q06 but most of the growth was in the public housing sector and even this has slowed dramatically.

Statistics published by the public sector website Patrimoine.com showed also that construction of new public housing rose 6.6% in the third quarter compared to the same period last year and compared to 23% y/y growth in the second quarter. The number of new homes being built rose just 1.5% in 3Q06 compared to 3Q05, far slower than the 5.3% in the second quarter, according. pfe

German monthly house price index shows decline in early autumn

The seasonal downturn in German house prices has started earlier this year and October data indicate that no improvement is likely in the short term, the Hypoport German House Price Index (HPX) shows. Residential property prices turned lower across the board so that by end-September they were 3.2% below a year ago.

During the summer months, late-cycle effects from the abolition of the German owned-home premium at the end of 2005 brought a marked softening of demand and a decline in residential prices overall. This had brought a rush of building applications in fourth quarter 2005, which kept mortgage business brisk through most of the first half of 2006.

The impact of this special factor ran out in summer, contrasting with interim price peaks last year in September and October. By end-September 2006, existing house prices were down 5.4% y/y. This was despite a 14% y/y pick-up in unit volume transacted over Hypoport's EUROPACE platform.

In August, German house prices had fallen by 0.5% compared to July, and were 0.9% lower than in August 2005, according to the HPX. "This is roughly the development we have been expecting, given the rush of mortgage applications at the end of last year, which overflowed into the first half," commented Hypoport Chairman Thomas Kretschmar.

Hypoport is the parent company of *Property Finance Europe*. pfe

Spanish families spend 42% of annual income on owned property

Spanish families are spending 42% of their gross annual incomes to buy residential property, the highest percentage since 1996. Last year around this time the number was 36%.

According to figures from the Bank of Spain, the 170% rise in real estate prices since 1997 has made it more difficult for families to purchase houses, despite a slowing price increase this year. In September the rise in prices was less than 10% for the first time since 2001.

Mortgages rocketed by last July to nearly €846.5bn, said the Spanish Mortgage Association, a 25.3% rise from the first seven months last year. The average housing mortgage signed in August was €143,604, up 10.5% from the same month in 2005,

said the National Statistics Institute. About 98% of the mortgages were variable rate credits.

CB Richard Ellis projected property prices to rise by 9.8% this year, before falling in line with inflation next year. Price growth by 2008 would mirror the rise in gross domestic product.

A slowdown in the real estate boom is taking place, CBRE's José Antonio León told a press conference, but it should be smooth. Nevertheless, the consultancy foresees commercial property investment reaching a record of €6.5bn- €7bn, a 40% rise from last year. Investment in shopping centres should reach €2.7bn in 2006, 85% coming from investors abroad. pfe

STUDIES/REPORTS

European office yields, vacancies fall in 3Q06 - IVG-Cushman barometer

The two-year-old upswing on major European office markets continues for rental turnover and prices, but vacancy rates and yields are no longer declining as steeply, says the real estate barometer for the third quarter from Bonn-based IVG and realtor Cushman & Wakefield.

"For the first time, the top yield in a major European city is under 4%; in Madrid investors for top properties have to accept 3.75%," said Bernd Kottmann, IVG board member.

The average annualised yield of 18 western European cities declined by 0.6 percentage point, that of the four largest eastern European cities by two points. But in the last quarter the decline slowed to only 0.05 and 0.2 percentage point respectively.

Yield of 5.75% in Düsseldorf is now higher than Prague's 5.5% and Warsaw's 5.7%. Other German cities also posted results well above average western European yield of 4.75%. Prepared with participation of Cushman & Wakefield, the quarterly IVG office market report would not rule out further big yield declines, although this is considered unlikely.

Almost 2.7m sq.m. were rented in 22 main European cities, up 5.3% from the comparable period last year. The city with the highest vacancy rate, 18%, remained Amsterdam. Frankfurt held second spot at 16.8%, and Stockholm almost 15% but recorded the steepest decline.

Rental turnover in four central and eastern European cities gained 19.4%, but was up only 2.3% in western Europe. But turnover declined by 84.5% in Rome, by 45.6% in Lisbon and by 32.3% in Milan. Rental volume doubled in Stockholm, and Frankfurt posted the second-highest increase in percentage terms. The highest average rent rises were €82.70 in London, €58.30 in Paris and €46.70. The lowest rents for prime office space were €18 paid in Warsaw, €18.50 in Budapest and Prague and €19 in Vienna. pfe

Italy's Lazio region makes strong push for inward real estate investment

The Italian region of Lazio is making a major push for inward investment into its real estate assets, and its development agency, presenting for the first time at ExpoReal in Munich last month, is laying heavy emphasis on bringing capital into tourism, logistics and industrial park assets - as well as new high tech industries such as aerospace and bioscience.

Stefano Cortini, Foreign Investment Manager for the agency Sviluppo Lazio, told a news conference the region, which is centred on the Italian capital city Rome, has proven to be Italy's most attractive region for investment in recent years. Its GDP is up 3.8% in 2006, much higher than the national average, while per capital income is €20,722 p.a., significantly stronger than the nation's average €17,995.

"One thing I can assure you; If you invest in the Italian region of Lazio, we will make sure that you get all the help you need, and that you will be able to figure out the logistics of the investment with the assistances of the Sviluppo Lazio agency," he told the news conference.

Cortini points at 20 projects in Lazio that offer particular interest to international investors. These are: the new Tiburtino Technopole Center, eight projects involving infrastructure, six specific plans for developing the tourism sector, plus proposals for industrial development areas in five potential locations.

With a gross regional product of €105bn, Lazio has a population of 5.2m, in the provinces of Rome, Viterbo, Frosinone, Rieti, and Latina. In March of this year, the region won the FdI award as European Region of the Future 2006/07. pfe

Paris office rents expected to stagnate for two more years – Credit Foncier

Office rents in and around Paris are likely to remain flat for at least two more years, especially for older and non-renovated office space, says French bank Credit Foncier. Any rise will be "limited and isolated", mainly due to pressure on companies to contain spending.

Take-up in property so far this year has been healthy. Some 1.5m sq.m. of office space was rented during the first eight months, about an 8.4% increase from the same period in 2005. But this improvement is due mostly to corporate reorganisation, mergers and acquisitions and not to an increase in office jobs.

This has already begun to create a problem on the Parisian market where every 8 sq.m. of office stock taken up leads to a reduction in total stock of just 1 sq.m. Over the next few years, this stock will be increasingly made up of older and non-renovated office property which will be more difficult to rent.

Despite stagnant rental rates, the Paris office market continues to attract record levels of investment. Investors are now accepting yields of around 4.3% in the central business district and 4.5%-5.5% for top quality office space in nearby suburbs and La Défense.

On the negative side, Credit Foncier, part of the Caisse d'Épargne group, noted the shortage of office property for sale, a fact that could begin the hurt market growth. "There is no objective reason for entry yields to rise quickly but it is also difficult to imagine yields falling further both in the office and retail sectors," the bank concluded. pfe

German office cycle heading into upturn in 2007 - Eurohypo

The overhang of office space in Germany is likely to decline considerably during 2007, implying that the cycle in the nation has now reached its lowpoint and should begin to rise in the near future, according to a report by Germany's Eurohypo real estate bank.

This improvement will be underpinned, above all, by an economic upturn next year. "Aside from other factors, the supply side should

help a market consolidation via a further fall in new construction," commented Eurohypo Head of Research Marcus Cieleback. He also sees the upturn continuing over the next few years.

Eurohypo is forecasting, for example, a 2.6% rise in prime rents in the Frankfurt central banking district over the next years, compared with the average €33 sq.m. of the first half 2006. Strongest climbs - of around 3.3% p.a. - should be seen in Munich, taking prime rents up from the current €28.50.

Demand for office space in the top and near-top locations has notably firmed up in recent months and the supply is lower than currently indicated by still-high vacancy rates. By contrast, modern and top quality space is increasingly hard to come by. By contrast, Eurohypo sees the weakness in retail property continuing undermined by soft private consumption and a hard competitive environment. In its Market Report 2006, the bank was cautious in its assessment of residential property prospects. "The below average rise in capital values together with the low home-ownership ratio is interpreted as a favourable opportunity to invest," the bank noted. But price developments are more or less sideways, as are rents for houses and apartments. pfe

European property market investment soars 42% in first half - CBRE

Investment in the European property market in first half 2006 exceeded expectations, and soared 42% over the same period last year to total €89.7bn, according to CB Richard Ellis research. One of the key trends has been growth in activity

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outside the office, retail and industrial sectors.

The 1H06 investment volume represented also a 7% increase on the second half of 2005. Cross-border activity increased in significance, representing almost half of all deals by value. Overall, cross-border investment in Europe increased to €42.9bn, 49% of total. As in 2005, turnover was very much dominated by US, UK, Irish and German investors. Property companies were again very active in the first half, both as purchasers and sellers.

Investment in non-office commercial property totalled €16.9bn in 1H06, compared with around €31bn in 2005. The investment market in hotels was particularly active, reaching €4bn. Mixed-use property attracted considerable investor interest.

The strong demand had a direct impact on yields with the steepest falls again recorded in central and eastern Europe. However, in the first six months of 2006 euro interest rates rose by 75 basis points, CBRE noted. By shrinking the margin between property yields and borrowing costs this will limit the investment potential over the medium term.

Notable among sellers in 1H06 were German open-ended funds, for the first time net sellers outside their home market. In 1H06 this group disposed of property worth €7.3bn, of which the lion's share was in central London (€2.3bn), Paris (€2.0bn) and Germany (€2.1bn).

Investors continued to focus primarily on offices, with €43.2bn of turnover. Retail proved to be weaker than in 2005, largely due to lower investment activity in UK shopping centres. Total shopping centre transactions across Europe accounted for only €7.5bn. Investment turnover in the industrial sector remained robust at €5.4bn. pfe

Rome's Di Tanno brings English handbook on Bersani-Visco tax changes

The Rome-based legal practice Di Tanno & Associates has produced a handbook in English for property investors, outlining in detail the tax implications encompassed in Law Decree 223/2006, also known as the Bersani-Visco Decree.

The decree caused huge confusion in the Italian real estate sector when first published by the incoming Romano Prodi government on 4 July, and was subsequently revised. In the form now enacted, the decree has widely renewed the indirect tax regime of transfers and leasing of real estate, particularly affecting commercial buildings owned by entrepreneurs.

Di Tanno Senior Associate Stefano Petrecca told PFE that the most relevant change is the redefinition of the value-added tax exemption of deals concerning all types of buildings. The legislator has essentially introduced an elective regime for the sale and lease back of commercial buildings, under which transactions that are normally VAT exempt can be subject to VAT if the selling party expressly elects for its application in the sale contract.

Another fundamental aspect introduces significant derogations to the Italian tax law principle that provides that VAT and indirect registration taxes are alternative. This means sales of commercial buildings are, under the new rules, subject to mortgage tax and cadastral tax at a rate totalling 4% of the transaction price even when the sale is subject to VAT.

If the transfer is VAT-exempt, the above mentioned 4% will be the only relevant taxation levied, considering that, as a further modification, the registration tax will be due at the fixed amount of €168. The last important change introduces the 1%

proportional registration tax applicable to lease contracts of commercial buildings even if VAT subject. pfe

Slovakian activity slows after shopping spree by global investors

The Slovakian commercial property market has slowed following a construction boom spurred by increasing corporate demand for offices, logistics and industrial facilities, the Slovakia Investment Property newsletter reports. A booming economy, EU membership and relatively high returns have been the main attraction for international developers, most recently in the residential sector.

Austrian developers, often in partnership with local companies, have led the foreign investor pack, including the Soravia Group in commercial development and Austro-Slovak BZ Group in residential. Hungarian-Canadian TriGranit is one of the largest retail-administrative developers, with Skanska in several segments including residential. Czech developers Skeyra Group Geosan and Finep are among newcomers this year, the largest being Irish developer Ballymore Properties

Foreign investors and property funds have bought up everything available, in transactions totalling nearly €750m. In a market with little investment-grade product, institutional investors have been focusing on development projects.

This year's record transactions include TriGranit's €200m sale of the polus City Center to Immobilienanlagen AG and Axa Group's €250m purchase of a portfolio of logistics parks in Trnava, Nitra, Dubnica and Bratislava and Westland park offices.

The ensuing pause is put down to the lack of anything left to buy but with several large business centres in Bratislava, logistics parks and shopping centres elsewhere to be built over the next five years, more record sales are predicted in the near future. Forward transactions are seen becoming more common. pfe

Worldwide property transactions set for record \$600bn – Allianz's DEGI

The worldwide volume of property transactions should reach a record of more than \$600bn this year, says DEGI, the real estate investment manager of the Allianz insurance group.

DEGI (Deutsche Gesellschaft für Immobilienfonds) attributes the upswing to strong economic data, historically low interest rates, high liquidity among globally operating investors and increasing transparency on property markets because of falling entry barriers.

Despite declining returns, the trend of internationalisation of property investments should continue thanks to global expansion of the investment spectrum, counter-cyclical market approaches, disparate investment strategies, international differences in interest rates and differences in transparency and regulation on national property markets.

These developments are driving up prices and compressing yields because rentals are stable or only modestly increasing. DEGI analysts believe this trend will reverse in late 2007.

Property's global rise to an autonomous asset class in addition to equities and bonds constitutes an important, lasting determinant for property supply and demand, and thus exerts a crucial influence on return developments on the international property markets. pfe

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Gerard Aubert will resign as president of **CB Richard Ellis** in Paris at the end of the year, to be replaced by **Maurice Gauchot**... **Simon Orr** was named a director at **Savillis France** where he has been working since 2001... **Luis Portillo Munoz** will become president of **Société Foncière Lyonnaise** following the first board meeting since **Inmocaral** took control of **Colonial**, controlling shareholder of **Société Foncière Lyonnaise**. **Yves Mansion** was re-appointed director general while **Alec Emmott** will also remain deputy director general in the French company. **Inmocaral** also named new **SFL** board members **María Jesús Valero**, **Luis Nozaleda**, **Francisco Molina**, **Mariano Miguel** and **Diego Prado**... **André Martinez** was named head of international hotel operations at **Morgan Stanley Real Estate** in Paris. He was formerly a director at **Accor** where he was also involved in hotel management... **Nicolas Wallach** has been named director of development of the hotel division of **Vinci Immobilier**. He was previously at **Bouygues Construction**... **Jean-Louis Bazy** was named director general of property lending for companies and investors, based in Paris... The eminence grise behind the creation of **Unibail**, **Leon Bressler**, has joined **Perella Weinberg Partners** as an associate in charge of strategic investments. He was previously president of **Unibail**... **Christophe Lebrun** was named head of major accounts at **Axa Reim France**... **Meka Brunel** was named director general of Paris-based **Eurosic**, a unit of **Banque Palatine** which specialises in commercial real estate. She was previously with **Gecina**. **Ulrich Weber** has taken office on 1 November as chief investment officer of newly listed **Gagfah**, with responsibility for acquisitions. **Weber** had been managing partner of real estate developer **Apellas**. **Torsten Tragl** has also taken over direction of **Gagfah's** corporate communication in Essen... **Hans Kahlen**, designer of Aachen's new **Kaiserplatz Galerie**, has won the 2006 German real estate industry prize of **Berlin's Institut für Standortmarketing**. The professor was honoured for successful urban architecture... **Norwegian Property** has recruited **Mona Ingebrigtsen** as its new chief operating officer. The appointment completes **Norwegian Property's** new management group... **Bernd Knobloch** has congratulated the entire staff of German real estate bank **Eurohypo** for winning the **EuroMoney 2006 Real Estate Award** as best commercial bank. **Eurohypo** was, as in 2005, ranked first again in both Germany and western Europe and also in CEE for the first time... **Dietmar Frank** has been appointed head of capital markets for **Jones Lang LaSalle** with effect 1. January. He moves over from **HVB Immobilien**. **Peter Eder** takes on the additional task of **Client Manager**, major clients... **Günther Kühnlein** has been named head of the Frankfurt office of **Vivico**, with senior responsibility for **Europaviertel in Frankfurt** and the **Erlenmatt** project in Basel... **Guido Dollhausen** has been appointed to the executive board of **FranconoWest** ahead of the expected **IPO** in 2007... **Ian Hally**, formerly head of research with **Scottish Widows Investment Partnership**, has been named the Investment Director responsible for a growing global real estate securities business. **SWIP** has currently three dedicated funds - a **Pan European**, a dedicated **UK** and a **Global Multi-Manager Fund**... **Joachim Paulus** and **Christian von Villiez**, who accomplished the restructuring of **Westfalenbank** on behalf of **HVB**, will leave **HVB** to stay as board members of **Westfalenbank** after the sale to **Crown NorthCorp** is completed... pfe

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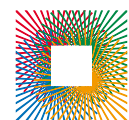
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