

Real estate to perform well despite sub-prime, potential inflation return

Even if US sub-prime is having a strong impact, and potentially inflationary pressures are in the wind, real estate as an asset class should hold up well over the next few years, sector specialists say - though concerns over the credit crunch continue.

Only a few weeks before year-end, and Property Finance Europe remains on full stretch, reaching out to RICS members and others who are taking advantage of our discount subscription special offer, open until 15 December. In addition, we have updated our schedule of conferences through into 2008 as far as the eye can see, so that advertisers can plan promotional campaigns in PFE to hit particular investor groups attending particular trade fairs or meetings around Europe or North America. Download the media kit from our website for more details.

A number of staff changes has given PFE more reach in all departments. On the editorial side, Patricia Brett joins as new Editor-France, supported by long-term experience of business in the French capital. Emily Backus joins as new Editor-Italy, based in Milan, entrusted with the not always easy task of separating facts from rumour in the tricky Italian property segment. In London, Angela Wilson joins the subscriptions management team alongside John O'Connor and Alistair Cope - under the able guidance of Publisher Richard Betts. All are working hard to make sure PFE fully meets your needs!

The consensus, expressed by senior investors at recent meetings, is that prices should do well going forward. Even if cap rates on commercial property widen by 100-150 basis points there will be no panic sell-off as a result of a US downturn or the return of inflation, or both. Further, property, just as gold and other commodities, is an inflation hedge. It has outperformed in the disinflationary environment because of the availability of cheap money pounced on by private equity and others exploiting huge leverage - plus a secular change in institutions' attitude to the asset class.

The views were expressed most recently by specialists at the NAREIT annual conference in Las Vegas. They mirrored comments at the IMN's Opportunity Fund conference in London at the start of November.

James Corl from Cohen & Steers told a NAREIT panel: "Real estate makes more sense today than it's made since the late '70s - since inflation was a serious concern." An overlay of the gold chart over the REIT multiple chart shows that property is a very effective inflation hedge. Morgan Stanley's Matthew Ostrower sees the downturn as a correction amid a secular uptrend. DRA Advisors Paul McEvoy, and Mark Decker from Robert W. Baird both see commercial property prices having moved ahead of themselves in the liquidity flood of recent years, but no severe downturn. (see p5)

Colony Capital's Sébastien Bazin told PFE (see p8) he expects a stock market collapse now. However unidentified property value exists on corporate balance sheets, and sovereign money is ready to buy into distressed values. LaSalle Investment Management CEO Jeff Jacobsen told the IMN meeting that even if creating value will be more of a challenge, he sees a huge increase in global real estate securities funds. (see p3-4) pfe

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Spain's Astroc loses another CEO, posts nine-month loss as Rayet bids for control

Just five months after taking the reins at troubled Valencia-based property group Astroc Mediterráneo, CEO Juan Antonio Alcaraz has stepped down amid yet another shake-up, and following a dive into loss in the first three quarters.

Astroc reported a nine-month Ebitda loss of €14.9m compared with a €77.8m profit in the first three 2006 quarters. It reported financial costs of €67m to repay loans, plus provisions of €82.9m for depreciation of land and property. Sales rose 140%, however, to €349.3m. The catalyst for Alcaraz's resignation - which follows the departure of controversial founder and chairman Enrique Banuelos in July - was moves by developer Rayet to boost its stake to over 30% and become the centre of an upcoming three-way merger with Astroc and its Landscape unit. Alcaraz is reported to be staying at the company as a board member. (See p8) pfe

Dutch police in raids across country in real estate corruption investigation

Dutch tax police have raided 54 locations and arrested 15 people as part of an investigation into alleged corruption and bribery in the real estate sector. The public prosecutor's office said the investigation is targeted at employees and former employees of three real estate investment businesses in a case that allegedly involves tens of millions of euros.

The prosecutor's office said the companies involved are not under suspicion and will therefore not be publicly identified. Dutch bank Fortis said one of the raids took place at its premises in relation to a real estate acquisition in 2006 that judicial authorities are now investigating, newspaper *Het Financieel Dagblad* reported.

The newspaper added that police also visited the offices of Philips pension fund. Neither Fortis nor the Philips pension fund are under suspicion, but are possibly the victim of the alleged fraud with the focus of inquiries targeting intermediary transactions.

Those arrested include a former board member of both the Philips pension fund and Bouwfonds, a unit of Dutch cooperative bank Rabobank, newspaper *NRC Handelsblad* reported. The former Philips pension fund board member was, until last year, the director of Philips Real Estate Investment Management, which manages the property portfolio of Philips pension fund, according to the report. pfe

Italian local governments said to offer €1bn-€2bn property opportunities

Italian local governments have sold off public properties at a rate of about €1bn per year from 2000 to 2006 and are poised to increase that rate by €1bn-€2bn per year, according to research presented at a *Scenari Immobiliari* conference in Milan.

Momentum for the sale of public properties is building due mainly to debt limits imposed by the European Internal Stability Pact, and the need by local entities to find new ways of financing public works. Local governments are increasingly ceding public property to real estate funds to seek outside investors and increase the liquidity of their assets.

The richest regions for public properties are Valle D'Aosta in the northeast (€1.8bn), Lombardy in the centre north (€1.6bn), Sicily (€1.4bn), and Sardinia (€1.3bn). Local governments can give immediate market access to 5%-10% of their total property assets, or about €20bn-€40bn worth, the study found. The study was commissioned by CDP SpA. The Italian lender is currently assisting the City of Milan to cede 76 properties worth €240m to a real estate fund, reports newspaper *Il Sole 24 Ore*. pfe

Opportunistic investment seen needing professionalisation, benchmarks

The opportunistic end of the real estate market needs to become more professional and transparent, and badly needs performance benchmarks as it moves simultaneously toward indirect investment strategies and international investment, particularly from the UK, according to sector specialists recently.

The growth of capital coming into opportunistic property investment is likely to draw in more talent, even while more

private fund managers look toward allocating capital to fund of funds – actively seeking out management talent. “This industry is in need of professionalisation, which in turn will attract more capital,” Erwin Stouthamer, managing director of hedge fund Composition Capital Partners, told the Real Estate Opportunity & Private Fund conference in London earlier this month.

Ian Gleeson, of the UK's Morley Fund Management, noted that larger managers are building global platforms to provide flexibility of investment location and access developing markets such as China. In the more developed markets, they are building specialised teams and also looking more to large cap listed property stocks, rather than simply splitting allocation strategy up between industrial equities, fixed income and real estate.

“The world of the three asset classes has changed,” Gleeson said. “People are looking at things in a different way.” Direct investment is being replaced by indirect strategies while, in the UK, capital is looking much more toward international investment.

The panel predicted that fund of funds will be used more by hedge and private fund capital aggregators, but this is hampered by the absence of performance benchmarks. While the European non-listed fund association INREV is trying to develop benchmark indexes, “the level of managers willing to contribute data is abysmal,” Gleeson added, and is only around 35% of all managers. “Until managers see the advantage of contributing to this kind of exercise, we are going to struggle to get there. The problem currently is lack of transparency.”

Peter Pereira Gray, deputy CIO of The Wellcome Trust, said that the competition for talent in the property investment industry has also become fierce. Morgan Stanley's Paul Vosper agreed. “The biggest challenge in the long run is transparency and depth of talent,” he told the conference.

As well, because investment property prices in the developed world have risen so fast, managers on opportunistic funds will now have to target returns in the range of 13%-15% p.a., rather than the 20%-plus aimed for in the past, Vosper said. Value-added funds will have to be content with below-8%, while returns on core allocations have dropped below 5% in some cases. pfe

Top managers see short-term price risks, performance diversity in Europe

Opportunistic and private fund managers see the fallout from the US sub-prime crisis as placing considerable risk over real estate prices over the short term, and say that although plenty of capital is available for investment, the market will take some time to clear.

Top managers, given a notional \$500m to invest in real estate now, generally see London and Spanish markets as suffering most from the debt market problems, with the Nordics somewhat overpriced but Germany, France likely to hold more steady. But the mood is cautious.

LaSalle Investment Management CEO Jeff Jacobsen told IMN's Opportunistic and Private Fund conference the challenge will be to create value. Over the past few years, he said, “you could have bought the IPD index, leveraged it at 80% and had an opportunistic level return. Now you must create value because hitting a return of 20% per annum in this asset class with consistency is going to be doing very, very well.”

Jacobsen also sees a huge increase in global real estate securities funds, not only with high net worth and also small investor capital now being attracted into these vehicles, but institutions

investing for the longer term. The US will become attractive in the long term as the dollar fall reduces effective pricing but the problem to predict when this will stop. He also sees Japan offering value because of continuing low financing rates in yen.

"There are not a lot of forced sales going on out there," he said. "It takes a while for the market to clear." The prior wall of money coming into real estate can crumble quite quickly, and is dependent on emotions, confidence and pricing levels.

Scott O'Donnell of Harbert Capital Management, said the debt markets will keep uncertainty over real estate pricing for some time yet, but international capital moving around the globe means additional liquidity should provide some support. "We need to temper expectations going forward," he said. "The days of achieving returns north of 25% are gone." pfe

UK's Pensus, Australia's Orchard JV to enter Europe

UK-based real estate investment adviser Pensus has formed a joint venture with Australia's Orchard Funds Management to provide Orchard with entry into the continental European property market.

Orchard is one of Australia's leading real estate fund managers with over AUS\$3.7bn in funds under management, representing over 40 unlisted funds. The joint venture with Pensus marks the first time it has invested in markets outside Australia. Orchard CEO David Hinde said: "With property yields continuing to tighten in the Australian market, the time is right for Orchard to look at additional investment opportunities."

Pensus will develop a property funds management business, sourcing Australian and international equity to establish and grow a European Diversified Property Fund targeting assets across all sectors; including office, industrial and retail. Initial strategy will focus on western Europe with a view to building a diversified portfolio of around €2.5bn over the next five years. pfe

Sovereign funds said huge new property capital source

The short-term outlook for investment real estate may be poor and full of risk but new sources of capital such as sovereign funds are targeting the market and, because of their size and constant inflow of new money and independence from credit markets will change the market for the longer term, according to a number of top opportunistic and private fund

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property investors.

Speaking at a panel at IMN's Opportunistic and Private Fund conference in London earlier this month, the investment managers concluded that the size of sovereign funds and their newfound enthusiasm for allocations to real estate will change the market significantly. Morgan Stanley estimates sovereign funds' current assets at \$2.5tr, with the majority held by seven countries - United Arab Emirates, Singapore, Norway, Saudi Arabia, Kuwait, China and Russia. By 2015, the bank sees total investment capital of all sovereign funds at \$12tr.

Sebastien Bazin, managing director Europe for the Los Angeles-based private equity fund Colony Capital, said he is already seeing a lot of new money of this kind coming into Europe. Most top-end, prestige assets in London and Paris are

owned by petrodollar-sourced sovereign capital at zero cost – with a small or no credit component. This means prices will remain steady. “Until or unless this goes away you will have low yields on Prime A office and residential assets in prime locations,” he told the conference. “It will be in the secondary locations where yields are going to go up in the near term.” US family trusts are also beginning to invest internationally, which is a new phenomenon.

Harbert Management Corporation's Scott O'Donnell said sovereign funds are the new source of investment capital. They are becoming more imaginative, with real estate at the top of their shopping list. But with yields rising, managers will have to look harder to find profitable exits from any new real estate investments made in the short term.

Map and compass needed at NAREIT; specialists seek future real estate market routes

Of course Las Vegas is ridiculous. Where else do they hand you a map with the room key when you check into the hotel? Actually a compass would be handy but that's much too low-tech. And that's not to mention the tourists snapping Granma and Pop in front of the World's Biggest Chocolate Fountain by the French patisserie.

But the talk at NAREIT's annual conference 10 days ago was anything but frivolous - as you can see from our front page, and the various comments from it and other meetings. The heavy-hitters discussing the route of the market were able to cast a good degree of light – even if the view from US REITs is only one corner of the worldwide property sector. Recent annual conferences, with commercial real estate prices worldwide

going nowhere but up, had not been so tense. Now, prices teeter. Or is it totter? Probably both. In this packed PFE 59, you can read what a number of experts think of the near term future for the market. Colony Capital's highly-respected Sébastien Bazin gives us his views on how to make money in tricky markets of the past and future. Colony in Europe has sold into the cyclical upturn of recent years, he says. But one simply has to recognise nuggets of value that may be obscured by being caught in undervalued structures. For Bazin that has most recently meant stock market companies with property on books under-assessed by equity investors. Richard Campo, CEO of the US REIT Camden Property Trust, made a similar point to the NAREIT convention but comes from a different corner: Wall Street, he said, for the longest time was

paying more for real estate than Main Street. But at the moment the reverse is true. Thus, his strategy is to sell off property assets out of his balance sheet at cap rates in the low 6%'s, and buy back his own equity which offers a rate on funds from operations above 7% and a potential rate of return much higher than this over the medium term.



Allan Saunderson
PFE Managing Editor

All is not well in the Kingdom of Denmark. Well, Spain, actually. Moody's – like all rating agencies at the moment – is taking the pressure firmly on the chin. It grapples with the emerging difficulties of Spanish residential securitisation. The agency has quietly announced that it is main assumptions of the Moody's Real Estate Development Model (MoRE) which attempts to provide

a loan-by-loan expected loss assessment of Spanish real estate developer credits in regard to their suitability in securitisations. MoRE is, well, less – ie suspended – until the process is concluded. We do wonder if the model worked better when the Spanish market was going gang-busters, in other words in those heady days of yesteryear when there was not a cloud in the Spanish skies. And if this was not enough, Moody's esteemed New York-based real estate head John Kriz has, after long years of service, left the company. Whither, we know not. Yet. However as said, Moody's is not alone in feeling the heat. More than a few investors see all rating agencies' inability to see sub-prime coming as presenting a potential legal liability. It is difficult to see – in particular when rating

agencies have such a central role to play in Basel II starting in January – that the sector can escape some sort of supervision of the nature the Europeans are requesting. In the wake of sub-prime, any US insistence to relinquish all and any supervision will sound, methinks, just a little hollow.

Thanks go to the indomitable Piet Eichholtz for sending over a print copy of the voluminous study that he and Nils Kok, both of Maastricht University, have prepared to support the new lobby grouping of associations pressing for an EU REIT (see report in PFE 58). All 70 pages look to me like very serious reading. Policy Options: Zero Is Not An Option, reads one section. Oh dear. The Preferred Structure For The EU REIT reads another. Unfortunately, I did not have the opportunity to quiz the present and former EPRA chiefs, both of whom were present at NAREIT, on their reaction to the new lobby group - considering that it conflicts squarely with the EPRA position. New CEO Philip Charls was too quick for me, buzzing between meetings and deep in conversations with NAREIT head Steve Wechlser and others whenever I was ready to pounce. Ex-CEO Nick van Ommen seemed constantly in conversation with AFIRE CEO Jim Fettgatter, cooking up God knows what clever campaigns for unsuspecting international real estate. You had to be fairly fleet of foot anyway along the endlessly hallways of Hotel Bellagio just to reach your room – particularly after the odd vodka-martini that, hotel policy, contained no vermouth whatsoever. Uhhhh? That's when I really needed my map and compass.

Allan Saunderson, editor@pfeurope.eu

Greg Hartch, managing director of GE Asset Management noted however that the yield rise may be capped by cuts in official interest rates worldwide, however a return of inflation is the major risk that could upset this. "The obvious trend in our industry is toward investing globally," he said. Most managers in the UK and US will raise the 10% internationally allocated at present.

Jeff Jacobsen, CEO of LaSalle Investment Management, told the conference that sovereign funds, such as the Government of Singapore Investment Corporation, are very sophisticated investors, more structured and less emotional than other investors. Because many domestic markets are overpriced, these and other capital allocators all over the world are moving out to find cross-border opportunities. "The globalisation of capital allocation is definitely happening, and it is seeking to identify and exploit mispricing opportunities," he said.

Van Stults of Orion Capital Managers commented: "I pick that in the next 10 years going forward our industry is going to grow dramatically. Money is coming in from China, Norway, the mid-East. The only question is will the (industrial) equities' allocation come off. I am surprised that it has not fallen off yet." pfe

THE PROPERTY CONFERENCES

NAREIT Annual Conference

Real estate to perform well despite sub-prime, potential inflation, experts say

Even if the US sub-prime credit crunch is having a strong impact, and potentially inflationary pressures are in the wind, real estate as an asset class should continue to hold up very well over the next few years. That was the general consensus at the annual conference of the US National Association of Real Estate Investments Trusts earlier this month.

The conclusion of specialists in the US property sector - many with extensive foreign experience and/or exposure - was not far off their largely British colleagues at IMN's Opportunity Fund conference in London at the start of the month, and was as follows: Real estate prices should do well going forward; even if cap rates on commercial property widen by 100-150 basis points there will be no panic sell-off as a result of either a US economic downturn due to sub-prime problems, or the return of inflation, or both.

Furthermore: real estate, like gold and other commodities, is an inflation hedge; it has outperformed in the disinflationary environment of the last decade only because of huge monetary liquidity and the availability of cheap money pounced on by private equity groups and others exploiting huge leverage - plus a secular change in institutional investors' attitude to the asset class.

One panel in particular at NAREIT covered the prickly problem of the way forward especially well. Moderated by Goodwin Procter's Gilbert Menna, it grouped James Corl from Cohen & Steers, Mark Decker from Robert W. Baird, Paul McEvoy from DRA Advisors, and Matthew Ostrower from Morgan Stanley.

Corl is very positive. "Real estate makes more sense today than it's made since the late '70s - since inflation was a serious concern," he said. An overlay of the gold chart over the REIT multiple chart gives a close correlation, showing that property is a very effective inflation hedge. It also makes more sense than fixed income, and has outperformed virtually every other asset class over a longer-term view.

Ostrower comes at it from another angle: "I believe in the inflation hedging idea over a long time period and see it as a good reason to invest. That being said, we can be in the middle of a secular trend upward in real estate values, and still have a very significant correction. We are calling for a correction and not a crash to real estate values." He sees current problems driven by market panic over US residential. While CMBS markets have shut down due to single-family market problems, this is likely to spill over to commercial and interrupt a long-term positive trend of valuations and returns.

McEvoy noted that the cap rate trend chart shows 275-300bp of compression from 2004 onward. "There have been tremendous flows driven principally by the availability of debt," he said. "The thing that was disturbing at the bricks and sticks level is that cap rates have declined incredibly relative to financing rates as well." Purchases that were being made at 250bp-300bp over credit rates, were down in 2006 to 100bp, and in 2007 was neutral to negative. "So the market has been significantly getting ahead of itself and has not been pricing in risk," he said. "We are vulnerable to a price correction in private real estate, the degree of which will be determined by how bad is credit phenomenon plays out."

Decker told the conference that a secular change has occurred to real estate assets within the cycle. This has caused some odd phenomena such as the fact that in May, when REITs stock prices were high, cap rates were so low that the listed vehicles still could not effectively fund purchases even by raising equity. Now, virtually every US REIT is trading at 5-20% below net asset value, and cap rates have moved only very slightly higher.

Ostrower noted though that even if the short-term risk is on the upside for commercial yields, a tremendous flow of new equity is expected. "In the private real estate world in the last couple of years there's been about \$80bn-\$90bn raised in the value-added and opportunistic world, and that money is waiting for deployment," he said. "We have inst investors that, almost shockingly, have not had real estate as a major investment. Some big pension funds are only now getting going - so we are going to have healthy equity cash flows even if, over the next couple of years, we are probably going to get some negative surprises."

Corl commented: "The real question is if the 7% total return is attractive... Although the levered players are backing away, more equity is coming back in and you have petrodollar buyers, less-levered buyers, a lot more foreign buyers and so on. For me, 7%-8% total return looks attractive for pension funds, compared to stocks, bonds, cash." He told the conference: "Real estate has been mispriced for most of our careers, and now its back to being correctly priced. The total return is appropriate for growth, with the cap rate you are receiving." pfe

Canadian pension capital to flow to Europe but REITs hampered - REALpac

More Canadian capital, specifically from pension funds, is likely to invest in European real estate as the trend toward international diversification broadens, but the nation's Real Estate Investment Trusts are constrained for now by legislation limiting overseas assets to 75%, says the Executive Director of the Real Property Association of Canada (REALpac).

Michael Brooks told PFE in an interview that the international diversification of property allocation generally began over the last three years. "For many of the Canadian pension funds it's only in the last three years that they have hired a manager of

foreign investments or someone with global real estate experience and have started to sell down Canadian assets and acquire elsewhere," he said. "In the case of pension funds particularly, there's an effort to diversify globally - not only to Europe but also into China, India, Brazil. Europe has always been of interest to Canadian developers, for example."

The first stop has always been US and then UK, with companies such as commercial office REIT Brookfield Properties invested in Canary Wharf, and Ivanhoe Cambridge, a subsidiary of pension fund Caisse de dépôt et placement de Quebec, active in France and Spain. A number of pension funds are invested in Germany, with many seeing bargains in the office sector, while still others have retail holdings, for instance, in Sweden and Finland.

"We don't have that deep a market in Canada," Brooks said, speaking on the sidelines of the US NAREIT Annual Conference in Las Vegas recently. "Many of the pension funds, specifically some of the larger ones new to real estate such as Canada Pension Plan Investment Board, Public Service Pension Plan, have an arbitrary allocation of 10% but you can't get there quick enough in Canada. Portfolios aren't big enough, and you simply can't get the money out quickly enough."

The UK has been primarily attractive because of the language barrier and lack of transparency in other European markets. However, currency exposure to Europe is considered a positive element in comparison to emerging markets. "Unlike the developing world, there is a perception that you are pretty safe in the euro," Brooks says.

The constraint for the Canadian REIT community, numbering some 28 companies with combined market capitalisation around C\$30bn, is the result of legislation passed by the Ottawa Parliament in June that will require 75% of REIT income to derive from real property located in Canada. REALpac is on course to change this, Brooks says, and he hopes to do so within about six months. "The game plan is to convince our Ministry of Finance that no other major REIT legislation in the world contains any restriction on global investment, and in fact at the end of the day it brings tax dollars into the country," he said.

With the Canadian dollar having risen fast against its US counterpart in recent months, passing parity in early autumn, American real estate is again becoming comparatively attractive again. "It's a two edged sword," Brooks says. "Yes, we have done well investing in other currencies over the past several years, but I can also say that the subject of cocktail discussion is whether it's time to look at the US again and ride the wave the other way... The point is diversification and making sure that you are exposed to world economies that have significant growth ahead of them." pfe

No return of 70s-style inflation; US REITs coming to Europe - NAREIT's Case

Despite some fears on real estate markets about surging commodities and energy prices, 1970s-style inflation is highly unlikely to return, says Bradford Case, head of research for the US-based National Association of Real Estate Investments Trusts. And, although recent fast moves in dollar/euro may have changed the background, the first tentative moves by US REITs into Europe should herald stronger involvement later as more US firms seek foreign diversification.

Case told PFE in an interview on the sidelines of the NAREIT annual conference recently that the US monetary authority is un-

likely to use easy money in a way that fosters inflation or, despite the sub-prime credit tightness, to bail out poor real estate bank lending practices. "The Federal Reserve is very sensitive about inflation; they don't want to get into a high inflation environment again," he told PFE in an interview. "At the end of the '70s the Fed sent us into recession in order to get us out of inflation and they are not going to want to go through that again."

"They are also sensitive to the concern that they don't want to be bailing out people who have made bad investments - so it's not as if they have a predilection to bail us out of the credit crunch. They are paying attention to the economy, not to the people who lost money."

Case said that US real estate and industrial companies are now moving fast to institute energy efficiency, and cut America's dependence on oil. Irrespective, real estate as an asset class should do well if inflation rises at all. Expected inflation is either indexed into lease contracts or, in the case of multi-family or hotel investments, effectively hedged via the short length of leases. Or, in the case of retail property, leases are based on gross sales volumes that, themselves, will keep pace with rates of consumer price inflation.

In Europe, US REITs see real opportunities. "But the question is whether the timing is right from the currency point of view. Right now many of them might be looking at other currency exposures where the move up has not been quite so substantial," he says. "US REITs are entering foreign real estate markets in a small way to form relationships, get the understanding of the way business is done in that market, the regulatory environment and so on so that they can test if that's an environment they want to move into. It's small-scale at the moment, building up the capability so that when conditions are right they can go into it much more heavily."

As well, companies such as Prologis or AMB Property Corporation have been moving into markets where they customers are becoming active. However, more obvious for US REITs in generally is a move into Latin America, effectively America's backyard, Case says. They see great opportunities with the build-up of new middle classes in those markets, and that this will translate into disposable income and then consumer spending. Sam Zell is deploying some of the capital gained from selling out of Equity Office Property to private equity group Blackstone earlier this year. And the largest US strip-mall REIT Kimco Realty is also moving into the region heavily. pfe

EUROPEAN REITS

Nine months earnings rise 7% for French REIT/SIIC Icade

Consolidated earnings rose 7% to €1bn in the nine months to end-September for listed French property investment developer Icade. Revenues in the firm's core business, property development, grew by 17% in the nine-month period to €637m from €527m a year earlier.

Investment revenue increased to €263m from €239m in the same period while income from services remained stable at €175m compared to €171m in 2006. Icade said it plans to expand its business to include property investment. It has an investment capacity of €3bn, including its loan to value ratio which was set at 19.6% at end September.

It will consolidate its partnership with French DYI firm Mr

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Bricolage Group, Icade said in a statement, by taking control of 95% of the capital of the group's real estate division as of January 1, 2008. The takeover will consist of redeeming 32% of bonds redeemable as shares (BRS) and 63% through the acquisition of additional shares from the Mr Bricolage Group. The deal concerns 40 shops, valued at €90m, operated by Mr Bricolage. The company confirmed its 2007 earnings growth target of 8% to 10%. pfe

Italy's Beni Stabili sees profits rise 70% in third quarter of the year

Italy's listed real estate investment company Beni Stabili posted a 70% rise in net third quarter profit to €62.4m as of September 30, compared to €36.6m the year before. Operating margin also grew to €201.7m, up from €135.4m.

The company's total asset portfolio remained nearly flat. At the end of the third quarter, it stood at €4.39bn, whereas at the same time in 2006 it was €4.36bn.

On September 30, Beni Stabili's net financial position was negative €2.17bn compared to negative €2.15bn as of June 30. The debt to equity ratio also remained stable despite market turmoil, shifting to 1.06 by the end of September compared to 1.05 at the end of June.

Beni Stabili has undertaken a number of changes to its ownership structure since Foncière des Régions bought an agreed 68% stake in July. Beni Stabili is absorbing three subsidiaries to meet new REIT/SIIQ requirements by January 2008. In October, it also approved an 18-month buyback plan to purchase up

to 10% of its listed stock over 18 months. Beni Stabili shares are down about 30% over six months ago. pfe

Rental revenue soars 220% in first 9mths for Foncière Paris France

Gross rental revenue for French listed REIT/SIIC Foncière Paris France rocketed 220% to €15.6m in the first nine months of 2007 compared to the year-earlier period. The company's portfolio totals 32 properties for a value of €390m, excluding transfer costs, with a gross rental yield of 6.9%.

Consolidated debt stood at €165m at end-September - less than 33% of total funding. Cash and cash equivalent stand at over €80m. The company's average rate on borrowings is currently 4.8%.

A specialist in commercial real estate, Foncière Paris France signed new leases for 14,000 sq.m. in the nine-month period. Because of market conditions, it is revising downward its investment target for 2007 to €160m from €200m. pfe

UK's Segro buys €160m for 26 French logistics properties

European business space provider Segro, a UK REIT formerly known as Slough Estates, has bought a €159.8m portfolio composed of 26 logistics buildings in locations spread out

The PFE Interview: Sébastien Bazin, Colony Capital

Spotting value and avoiding momentum investing in cycles in a different approach; identifying real estate opportunities off market

As the European head of one of the world's largest private equity groups, Colony Capital's Sébastien Bazin takes a different approach to real estate investment, spotting value and staying away from momentum investing in cycles. His focus ranges from luxury hotels in joint ventures with the high-profile Saudi investor Prince Al-Walid, to persuading French supermarket chain Carrefour to free up about €5bn in unrealised property value from the balance sheet.

"It's not a question of being countercyclical but of approaching real estate in a different way, which for me means going into only niche situations," the Paris-based Bazin told PFE in an recent interview. "Never be a momentum player, so never invest into cycles alone. It's fine when a cycle goes your way because you then obviously overachieve your return and can even be looking at 50%. But if the cycle goes against you, you have to at least have done some value-added transformation in your projects so that you end up with 12% and never at 4% or 5%. You have to control your destiny."

Precisely because of his proven ability to spot value, Bazin's words are weighed closely in European real estate. He runs about 30% of the \$32bn in assets that Colony manages globally, and reports average returns of over 30% p.a. during the 10 years of his stewardship in Europe. This even outstrips the healthy 23% that the opportunistic group has returned to investors annually over the 17 years since foundation. Colony, headed by legendary founder Tom Barrack, is by definition almost solely involved in opportunistic strategies. Its capital is spread across 8-10 funds and is split between \$12bn in equity, and \$20bn in debt. In Europe, its most high-profile holding is the upmarket resort of Costa Smeralda in Sardinia, which Barrack often makes his base.

The difficulty with opportunistic investment, Bazin says, lies in identifying them, and acquiring off-market. "The minute you buy in an auction process you pay market, and if you pay market and the cycle goes against you, you are going to feel sorry on the exit," he says. Of the 34 transactions Colony has done in Europe, 32 have been done away from auction.

Two of Bazin's current involvements are the French supermarket chain Carrefour and the hotel group Accor. Together with LVMH Chairman Bernard Arnault, Colony this year took a large minority stake in Carrefour, the largest retailer in Europe and the second-largest worldwide after Wal-Mart. Bazin took a seat on the supervisory board and began a strategy to persuade the retailer to list European real estate assets - a move Carrefour announced in late August. Around 540 assets in Italy, Spain and France should alone be worth around €16bn on the market, he says. Carrefour owns an additional €6bn-€7bn, making a potential of up to €24bn in property that could be spun off in total - versus group market capitalisation of some €34bn. The move into Accor came in 2005. Colony holds around 11% of equity.

Bazin told PFE: "At the time we assessed that the price at which you can buy the companies is extremely different and

much cheaper than adding up the sum of the parts between the real estate they own and the multiple on free operating cash-flow. If you have any discrepancy between the two, and if you are able to attract sufficient influence and a big enough position to be a board member, then by working mainly on the real estate side of the business and not interfering with the operations, you can extract additional value to the benefit of all the equity investors, of which Colony is one. The big caveat is that the strategy has to be done hand in hand with management because it cannot be perceived as being detrimental to the business."

The major difference between Carrefour and Accor is that the first is operating in a deflationary food retailing market that cannot sustain higher rents. "What you have to do is minimum yield with minimum rental expense so operators can actually operate for the next 100 years without materially impacting operating margins," he says. Investors have to understand the growth story around two aspects: sustainable yield from rental income, and exclusivity on Carrefour real estate development in, "whatever segment or category of businesses in all the geography of Europe, going from the Atlantic to Russia, they get involved in".

Bazin sees good value in Germany in the recent past but says Colony missed the market. It does however have some projects there now. "We bought some

property portfolios from closed-end funds because a lot are in financial disarray needing liquidity, and this is one thing we can do - provide liquidity and equity tranches," he says. "Today, there are still some plays on existing platforms in the hands of governmental bodies like railway, energy, and the telecom sectors. We are contemplating stepping in."

He sees more comprehensive prospects in Italy, in particular in leisure and gaming, a sector where Colony has almost one-third of total group assets invested. "And we are looking at the retail segment there, and the resort 5-Star luxury hotels on the coast of Italy," he adds. Croatia is also being examined. Colony could always introduce one of its two luxury brands. It owns the Raffles brand and Fairmont hotels in conjunction with Prince Al-Walid, one of the world's richest men, who recently made headlines buying the first Airbus A-380 for private use.

Bazin expects the stock market to collapse further in the next few weeks, and will be looking for real estate opportunities as a distressed buyer if opportunities come up. "For the next two years we will have to behave and think out of the box, but first we remain very disciplined in our underwritings." pfe



Colony Capital's Sébastien Bazin: "Never be a momentum player... You have to control your destiny."

across France. The deal is expected to provide a total annual income of €11.2m through sale and leaseback with DHL, for a net initial yield of 7.0%.

Most of the portfolio is concentrated in key regions earmarked for expansion by the firm, including Paris, Lyons, Marseilles and Lille. Segro will acquire a total of 210,000 sq.m. of built area housing the distribution and logistic centres of the DHL supply chain as well as cross-dock facilities also used by the firm. pfe

Spain's Realia lowers stake in French SIIC de Paris, ready for SIIC 4

Spanish listed property group Realia recently sold part of its stake in French unit SIIC de Paris as part of a mandatory reduction to reap French tax benefits. Realia sold 5% of SIIC de Paris to the Fradera family – which has ties to the cement sector – for €36m.

Realia, which now holds around 84% of SdP, must lower its stake to below 60% by December 2008 to be eligible to take advantage of France's tax efficient SIIC status, per the updated French law known as SIIC 4. The firm sold another 5% stake this past summer.

Realia operates mainly in the Madrid and Paris office sectors. In September it increased its office portfolio with the purchase of the office building housing French utility Electricité de France (EDF) for €118m. Since buying SIIC de Paris in May 2006, Realia has invested around €570m into French property. pfe

Intesa Sanpaolo becomes first Italian bank to launch a REIT/SIIQ

The management board of Italy's second largest bank, Intesa Sanpaolo, has approved plans to launch a REIT in the nation. It thus becomes the first Italian bank to take advantage of legislation for the new tax-favoured investment vehicle, which came into effect this year.

Some €1bn worth of non-strategic properties will be placed in the REIT (Società di Investimento Immobiliare Quotata, SIIQ). This will mainly consist of offices and bank branches turned into rental assets thanks to the merger between Banca Intesa and Sanpaolo Imi last winter, including bank branches ceded to other banks to meet demands of Italy's antitrust authority, and other properties vacated due the consolidation of the two banks' business activities.

Intesa Sanpaolo will offer 51% of the SIIQ on the MTA

section of the Italian stock exchange by April 30, 2008, the deadline the quotation must meet to reap tax benefits related to increases on net asset values. pfe

Dutch VastNed Retail responds to bid by throwing open books

Dutch property group and REIT VastNed Retail said potential bidders can do due diligence on the company after it rejected a €1.15bn bid from a group led by IEF Capital earlier this month. VastNed Retail said in a statement it expected interested parties to conclude due diligence in the first quarter of 2008, which could result in one or more bids for the company.

VastNed Retail rejected the IEF-led group's offer of €70 per share earlier this month, saying it was too low. IEF Capital is a joint venture between Rabobank's Bouwfonds Asset Management and Inflation Exchange Fund.

A statement said: "In view of the recent interest of market parties in making a public offer for all the shares in VastNed Retail, the board of management and the supervisory board of VastNed Retail have resolved to give potential bidders the opportunity to perform a due diligence investigation. The board of management and the supervisory board feel that the interests of all the shareholders to realise the highest offer possible is best served by this course of action." pfe

Turkey's Kiler Holding, Torunlar plan REIT listings next year - Reuters

Two real estate investment trusts owned by fast-growing Turkish firms Kiler Holding and Torunlar, have mandated advisers for stock-market listings next year. Reuters reported.

Kiler, a food retailer, has appointed Goldman Sachs, and its Biskon REIT will list in the first half of next year. One source said it could be worth up to €600m.

Kiler declined to comment, but Chairman Nahit Kiler said they were thinking of listing the REIT in 2008. Kiler said in October it will invest \$750m in the real estate sector in the next two years. It is building Turkey's highest building, an environmentally friendly 260-metre skyscraper in Istanbul's business district.

The index of Istanbul-listed REITs has risen 17 % this year, compared to a 43 % rise on the main index as high interest rates - hiked sharply last year amid rising inflation and a market sell-off - make the sector less attractive. pfe

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OECD source for global REIT dividends
 The Paris-based OECD, responsible for international tax guidelines, will recommend German Real Estate Share Initiative ps 6-10

The Property Conferences:

LISTED REAL ESTATE

Spain's Astroc loses another CEO, declares nine-month loss of €96m

Just five months after taking the reins at troubled Spanish property group Astroc Mediterráneo, CEO Juan Antonio Alcaraz has stepped down amid another shake-up at the listed, Valencia-based firm.

Separately, Astroc reported a nine-month loss of €96.3m compared with a €42.3m profit a year earlier due to rising financial costs and the falling land prices. Astroc reported financial costs of €67m to repay loans and provisions of €82.9m for the depreciation of land and property values across its three units. Sales rose 140% to €349.3m while Ebitda showed a loss of €14.9m compared with a €77.8m profit a year earlier.

The catalyst for Alcaraz's resignation was the announcement that unlisted developer Rayet aims to boost its stake in Astroc to over 30% and press its case to be the focus of an upcoming three-way merger between Astroc, its Landscape unit, and Rayet. Previously, the merged entity was planned to centre on Landscape and move headquarters to Barcelona. Now it appears Madrid-based Rayet wants to be the centre of attention in the Spanish capital.

Alcaraz is reported to be staying at the company as a board member. This past May Alcaraz took over at Astroc after chairman Enrique Bañuelos resigned a few months later after the company lost nearly €7bn of market capitalisation between February and May and shareholders began to question several of Bañuelos' decisions.

Astroc holds around 56% of Rayet, which in turn owns about 10% of Astroc. Last December, Astroc bought Landscape from Banco Sabadell for €990m. Following the latter deal, Astroc sold about 40% of Landscape's assets to General Electric Real Estate for €650m. pfe

Find value in small property equity markets in 2008 - Henderson's Sumner

Finding value in smaller markets could be the order of the day in 2008 after a number of factors contributed to the underperformance of property equities in 2007 despite strong fundamentals, Henderson Global Investors' Head of Property Equities Patrick Sumner says.

Sumner wrote in the company's latest equity markets update: "To put it mildly, 2007 has been a turbulent year for property equities... Investors choosing to take profits, some unexpected inflation in the UK, a fall in the prices of Spanish residential property, plus an assumption that rising interest rates will seriously damage returns have all combined to convince the general investor, who accounts for the majority of the liquidity and pricing in the property equities sector, that now is the time to move on to new pastures."

He believes it will take years for the UK REIT market to mature so that long-term dedicated investors can dictate pricing, and sees short-term volatility. In the weak market, there is a strong case for overweighting European shopping centre specialists on the basis that rental income in this sector is more stable.

Small-cap, specialist operators which can add value in challenging markets are Henderson's favourites. "We have built up

our exposure to the emerging markets of central Europe and the former CIS countries. Our strategy has been to invest in developers rather than investors and to spread our exposure over a number of holdings in smaller companies rather than to invest in the majors." pfe

Oslo's Norwegian Property cashes in on ballooning Nordic hotel market

The one-year-old listed Norwegian Property has returned profit before tax of NOK52.1m (€6.1m) in the third quarter of 2007, a quarter that closed with the group seizing control of a large chunk of the country's hotel market.

At the end of the quarter the market value of the group's properties was NOK31.4bn (€3.9bn). Return on equity year to date is 25.2%, corresponding to an annual return on equity of 33.6%. NPRO said the value of its portfolio of office properties rose NOK68.9m (€8.5m) in 3Q07.

Norwegian Property owned 17.5% of Oslo Properties, which took control of 98% of the shares in Norgani Hotels, the largest Nordic hotel investor, after a protracted battle. Norwegian Property has an agreement to take control of more than 90% of the shares in Oslo Properties AS.

NPRO said the Nordic hotel market was developing strongly, with revenue per available room growing at 9-13% in the Nordic countries so far this year. "Both the Norwegian office market and the Nordic hotel market are impacted by strong demand growth and supply that is growing at a slower pace. As a result the rents are increasing rapidly both in the office and the hotel markets. Norwegian Property is well positioned to benefit from these favourable market conditions," said CEO Petter Jansen. pfe

Austria's Immoeast buys €100m Budapest office in forward purchase

Vienna-listed property group Immoeast, a unit of Austria's Immofinanz, has bought the Atrium Park office development project in of Budapest in a forward purchase from Wallis Real Estate, for a total investment of some €100m.

Atrium Park is a prime development project near the main office location in the Hungarian capital. Total floor space is around 56,000 sq.m. The project will be completed in the first quarter of 2008. About half the building has been pre-let. Immoeast's Hungarian portfolio is now worth €1.3bn, including the Euro Business Park logistics centre (68,000 sq.m.), Haller Garden office project (34,000 sq.m.) and Globe 13 (22,000 sq.m.).

Wallis is the property development and investment arm of privately-held Hungarian conglomerate Wallis Group and focuses on office, industrial and commercial property. pfe

Sweden's Kungsleden inches closer to final Orkla deal

Swedish listed property company Kungsleden has signed a purchase agreement with Orkla Finans in Norway and DnB NOR Markets on the sale of commercial premises in Sweden for about SEK5bn (€540m).

Following the completion of due diligence, some changes have occurred in the structure of the property portfolio. The selling price exceeds the book value by €40m and the acquisition value by €80m.

In a change to the original agreement, the deal now involves the sale of two sub-portfolios. Portfolio 1 comprises 30 properties with a lettable floor-space of 280,000 sq.m. for SEK1.65bn (€178m). Portfolio 2 comprises 55 properties with a lettable floor-space of 520,000 sq.m. at a value of SEK3.35bn (€362m). The sale is conditional on the financing of each sub-portfolio being agreed. pfe

Spain's Martinsa-Fadesa boosts sales in 3Q07, but profit dips

Martinsa-Fadesa, one of Spain's largest listed property groups, said its third-quarter net profit was €130.8m, a 1.8% drop from the same period last year. Sales over the course of the year fell 7.1% to €733.4m, due to fewer housing starts this year.

About 75% of its residential revenue came from its operations outside of Spain.

Fadesa's main business areas are residential property, hotels and shopping centres, managing around €4.8bn in assets. It plans to triple revenue from residential projects abroad by the end of this year compared to 2006.

Fadesa's hotels generated sales of €45.5m in the third quarter, a 19% increase year-on-year. The company also recently announced the sale of six hotels in Spain for €55m.

Earlier this year, unlisted Spanish real estate firm Martinsa

acquired about 86.5% of Fadesa as part of its €4.05bn takeover offer. pfe

Record profit rise for Spain's Sacyr, awaits offer for Eiffage

Spanish construction and real estate group Sacyr-Vallehermoso, one of the country's largest listed property companies, posted a net profit of €735.3m in the third quarter, almost tripling the figure from the same period last year. Sales came in at €3.9bn.

The Madrid-based firm is expecting offers soon for its 33% stake in French builder Eiffage. Sacyr Vallehermoso had planned to boost its stake in Eiffage, but French shareholders blocked the voting rights to any foreign-owned shareholder.

A French court upheld the French vote after several Spanish shareholders complained to market authorities. pfe

German Colonia lifts 2007 target on 186% nine-month profit leap

Colonia Real Estate, a listed German property investor, lifted net profit estimate for 2007 to €67m-€70m after consolidated net profit grew by 186% in the first nine months to a net €54.4m, thanks to growing residential rental income and strong asset management.

The asset and fund management division improved its third-

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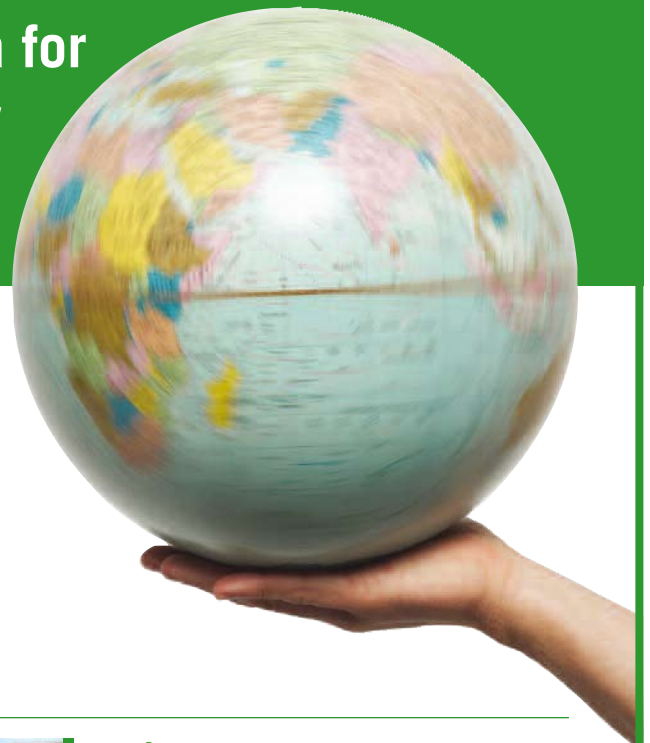
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Join leading local and international real estate players in the New Europe of 2007 for two days of discussions in the GRI format of diverse, individually-chaired sessions.

More info: www.globarealestate.org

November 27-29, Tuesday-Thursday

The Real Estate Forum, Toronto

Over the past 15 years, this has become Canada's largest annual national conference on real estate investment and management issues. The principal sponsoring association is the Real Property Association of Canada.

More info: www.realestateforums.com

November 27-29, Tuesday-Thursday

Real Estate Investment World Nordic, Stockholm

This annual conference analyses real estate investment opportunities in Denmark, Finland, Iceland, Norway, Sweden and the region. Take advantage of this opportunity to hear from leading companies and network in an informal setting.

More info: www.terrapinn.com/2007/reiws

November 28-30, Wednesday-Friday

MIPIM, Asia, Hong Kong

More info: www.mipimasia.com

November 28-30, Wednesday-Friday

SIMI, Salon de L'Immobilier d'Entreprise, Paris

The 6th Commercial Real Estate Congress for professionals in French commercial property is a trade fair/conference series focusing on users. Expecting 300 exhibitors, it offers discussions, roundtables, and anticipates around 9,500 visitors.

More info: www.salonsimi.com

December 4-6, Tuesday-Thursday

3rd annual REIT World Germany 2007, Frankfurt

The 3rd annual REIT World Germany analyses the latest developments in German REITs and real estate. The German property market is a sleeping giant. After years of poor performance, investors across the world are seeing huge potential and value.

More info: www.terrapinn.com/2007/reiteu/

2008

January 30-31, Wednesday-Thursday

CIMMIT 2008, Frankfurt, Germany

Since the end of 2000 investors have been buying into

the German real estate market on a large scale. Will German real estate still be on the shopping list of investors in the future or will the caravan move on? First property event in Germany of the year kicks off with the current themes occupying minds.

More info: www.cimmit.de

February 6, Wednesday

12th Annual ULI European conference, Paris

From the 'macro to the micro' this year's conference will deliver insights on the challenges and opportunities that will define real estate in Europe in 2008. Speakers include philosopher Bernard-Henri Levy.

More info: www.uli.org/AM

February 7-8, Thursday-Friday

4th Annual PropInvest: Real Estate Finance & Investment Conference, Barcelona

Euromoney Seminars' 4th Annual PropInvest: Real Estate Finance and Investment Congress will bring together real estate financiers, developers and investors to discuss the financing structures and investment climate within the real estate market.

More info: www.euromoneyseminars.com

February 12-14, Tuesday-Thursday

Quo Vadis, Berlin

Over the past few years, Europe has seen a revolutionary shift in the real estate marketplace. Worldwide capital streams flowing into the continent are gaining momentum. Investors are seeing a broader variety of investment options. Quo Vadis 2008 offers economic, investment, development and finance outlooks on opportunities in Europe and Germany.

More info: <http://en.heuer-dialog.de/quovadis>

February 18-19, Thursday-Friday

4th Annual European CMBS Conference, London

With the global credit crunch, what is to be expected for CMBS transactions in Europe in 2008? With so many unanswered questions, this event will delve into the answers to these macro questions as well as the specifics of CMBS transactions.

More info: www.imn.org

February 20, Wednesday

RealCapital, Toronto, Canada

The RealCapital conference brings together the leading providers and users of public and private equity investment and debt financing in the Canadian real estate market.

More info: www.realestateforums.com

quarter net profit by at least €7m without any additional IAS40 revaluation profits of the current residential portfolio. The strong result includes an unrealised loss of €8m on the stake taken in Deutsche Wohnen at the end of September.

The company had already reached its original full-year earnings target of €62m-€65m after the third quarter without that adjustment. Total income rose in the first nine months to €107.3m from €90.9m. Earnings before interest and tax jumped by 132% to €69.4m; gross rental income increased to €34.7m from €9m.

Total revenue from asset and fund management was €10.4m, compared with €900,000 in the year earlier period. Preliminary results were published to reassure investors that earnings growth was intact despite the falling share price. "The current share price is not at all reflecting the solid fundamental development of the company," said Chairman Stephan Rind. pfe

Spain's Colonial posts first post-merger net profit

Spanish real estate group Colonial earned €356.8m in the third quarter, the company's first profit following its merger with buyer Inmocaral. The listed company did not make comparisons with last year's figures because they did not include the revenues from Inmocaral nor from listed group Riofisa, with which it is now merging.

Sales generated during 3Q07 reached €629.4m, spurred by revenue in the rental market. Over the first nine months of the year, Colonial invested €765m, of which €486m went toward buying properties and developing them. The Madrid-based company values its assets to be worth €12.9bn, a 31% increase compared to the beginning of the year. Nearly 80% of its assets pertain to the rental market. The acquisition of Riofisa allows it to dedicate more resources to shopping centres and fewer to office buildings.

Meanwhile, Colonial chairman Luis Portillo again raised his stake in the company. After several transactions in recent months, he now controls 40.72% in a stake valued at around €2.2bn, according to market prices. pfe

Germany's DIC Asset grows nine-month profit to €24m, EPS up 113%

Frankfurt-based DIC Asset, a traded German commercial property investor, raised its nine-month consolidated net profit by 275% to €24m, from €17.6m the same period of 2006.

The firm attributed the result mostly to gains from property sales and stable rental income from a much bigger real estate portfolio than in the previous year. Earnings jumped by 113% to €0.83 a share from €0.39 the same period last year.

"We have successfully diversified the sources of income, adequately positioning the business to deal with the current reticence in the real estate sector, in good time," said DIC Chairman Ulrich Höller.

Separately, DIC Asset raised €62m for new acquisitions with a 10% capital increase. Some 2.85m new shares were issued for €21.90 apiece. Around 1.13m shares were subscribed by major stockholders Deutsche Immobilien Chancen und Morgan Stanley Real Estate Funds.

DIC Asset's nine-month revenue came to €167.4m, almost

six times the €28.5m recorded the first three quarters of 2006. Rental income grew by 213% to €64.4m on mainly the marked expansion in the real estate portfolio, which has floor space of 1.2m sq.m. in 334 properties. The company's portfolio is concentrated 97% on commercial real estate and total assets under management amount to €3.3bn.

DIC Asset had aggregate real estate investment, including co-investments, of €1.4bn during the first nine months, having sold properties worth €91.2m for a gain of €13.4m. With aggregate floor space exceeding 1m sq.m. the portfolio was valued at €1.8bn at end-3Q07. pfe

FranconoWest IPO priced at €1.80 per share at first listing in Frankfurt

FranconoWest, a German real estate investment company specialising in residential property in North Rhine-Westphalia, has placed 5m shares in an initial public listing on Frankfurt's prime-standard segment. The issue price was €1.80 a share.

Since 3m of the shares come from a capital increase, the placement generated gross cash inflow of €5.4m for the Franconofurt subsidiary. Some 2m of the floated shares were made available by the company's majority shareholder, Franconofurt, and the placement leaves Franconofurt with 85% ownership of FranconoWest. The capital increase raised the nominal share capital of FranconoWest to €33m.

FranconoWest is a real estate portfolio management company that acquires residential properties such as multi-family houses and residential facilities in the state of North Rhine-Westphalia. pfe

Warsaw's GTC plans five-fold boost for office, retail portfolio

Warsaw-listed Polish developer Globe Trade Centre is aiming to expand its volume of cash-producing office and retail space by over 500% in the next two years. CEO Eli Alroy told a third-quarter results presentation that by end-2009, "we plan to have five times more cash-producing assets than now," AFX News reported.

The company currently operates 185,000 sq.m. of rental space in the two segments and is targeting 1m. sq.m. across its eastern European property portfolio by end-2009. Pipeline projects under development include malls in Poland, the Czech Republic, Romania, Bulgaria and Serbia. On completion of already secured projects, GTC's retail portfolio is expected to reach 360,000 sq.m.

GTC posted a record third-quarter profit of nearly €113m, while profit attributable to equity holders was €106m, largely reflecting revaluation of assets. In the first nine months, profit attributable to equity holders was down 9% at €174m. The total portfolio of pipeline projects under development exceeds 1.7m sq.m. of net building rights. pfe

ORCO Germany switches listing to Frankfurt's prime standard

Orco Germany, a German commercial property subsidi-

ary of the Orco Property group, has switched the listing of its share on the Frankfurt Stock Exchange to the regulated prime-standard segment, from over-the-counter trading.

“As an international company focused on Germany, Orco Germany believes the best segment for itself is Prime Standard,” said Chairman Rainer Bormann.

The company's share first went on Frankfurt's open-market segment last year. This was the first opportunity to switch. Orco, which is registered in Luxembourg, is also listed in Prague and Warsaw. pfe

Fortress' Eurocastle raises net by 80% in third quarter

Eurocastle, the commercial property unit of US private equity group Fortress Investments, reported an 80% increase in net profit for the third quarter of 2007 to €49m compared with the year-earlier period.

Net profit for the first nine months of the year came to around €340m, up from €134m the year earlier period. Net asset value of the Eurocastle share has risen by more than €3 since the start of 2007 to €27.95 in mid-November for a gain of 13%. Eurocastle has now assembled a commercial property portfolio worth €2.3bn. pfe

TAG Tegernsee boost nine-month profit, prepares office G-REIT

Hamburg property company TAG Tegernsee quadrupled consolidated net profit to €7m in the first nine months of 2007 from the year-earlier period. It also announced that it is preparing to list a new German Real Estate Investment Trust with office property.

New subsidiary TAG Gewerbeimmobilien has been registered as a pre-REIT with a portfolio of office property showing stable cash-flow. Listing will be scheduled whenever a fair valuation by the capital market permits, said Chairman Andreas Ibel.

The strong nine-month result came from an increase in rental and managing income as well as portfolio expansion. Sales rose to €58.3m from the previous period's €57.6m, rental and management income jumped by 91% to €45.5m. Management confirmed its 2007 forecast of pre-tax earnings of €31m, saying that the sub-prime crisis and credit tightening has had no effect on running operations and negotiations.

Earnings before taxes tripled to €15.8m in the first three quarters of 2007. The company's “buy, build and hold” strategy delivered new valuation gains of €23.2m, up from the previous €9.2m. pfe

Munich's Fair Value lists on Frankfurt's prime standard

Shares in Fair Value Immobilien, a Munich commercial property company, were initially quoted at €11 upon its first listing on the prime-standard segment of the Frankfurt Stock Exchange earlier this month.

Fair Value offered for trading 9,406,882 bearer shares with no par value. Each share has a proportionate interest in the share capital of €5 and carries full dividend rights retroactive to

1 January 2007. West LB handled the initial public issue. Before going public the company placed 480,000 new bearer shares. Registered as a German pre-REIT, Fair Value buys, rents, manages and sells German commercial property, primarily offices, logistics and retailing properties in regional German cities. Apart from direct investment in real estate, Fair Value also acquires interests in closed-end real estate funds. Last summer it acquired interests in 14 of these funds, allowing at least 2,000 investors to convert their interests into Fair Value shares.

The company participates in a diversified portfolio of 52 properties with a total rental area of more than 450,000 sq.m. and a market value of around €600m. In addition, Fair Value has secured a portfolio of 33 commercial properties with a rental area of more than 45,400 sq.m. and an office building to be constructed at Düsseldorf Airport. pfe

German Hahn group forecasts 2007 net of €7m-€8m

Germany's Hahn group, a property company based in the southern German town of Bergisch Gladbach, confirmed its 2007 profit forecast of a net €7m-€8m, predicting another substantial rise in 2008 when it will seek listing on the Prime Standard segment of German exchange.

The company said it acquired real estate worth €224m in the first 10 months of its financial year and bought back stakes in private funds including properties held for sale. Net initial yield of the acquired objects exceeded on average 6.5%.

Since the start of the year Hahn has invested around €203m in properties. Some €75m were placed with private customers and €80m as co-investments with institutions. Another €48m of property went into Hahn investment portfolio as sole owner.

A higher volume of properties held for sale will raise short-term rental income significantly, an effect that will be largely offset by higher interest charges, Hahn said. The group called its business performance positive and in line with plan. pfe

Fortress' Gagfah raises nine-month net at least fivefold

Gagfah, the listed German residential property subsidiary of US private equity group Fortress Investment, raised net profit for the first nine months of 2007 to €638m from €147m in the same period of 2006.

Gagfah, which is registered in Luxembourg reported net earnings at €3.03 a share up from €0.65 in the corresponding period last year. Pre-tax earnings of €763.1m in the first nine months compared with €182.1m the year-earlier period. The quarterly dividend for the third quarter was €0.20 a share.

“All our key operational areas have performed in line or above expectations,” said Gagfah CEO Burkhard Drescher. “We are now seeing the results of a firming housing market in Germany translate into organic growth.”

Funds from operations grew by 20% to €140.7m, or €0.62 a share in the first nine months, from €117.2m, or €0.52, the first nine months of 2006. Net asset value came to €14.30 a share, gross asset value to €854 sq.m. by the third quarter.

Gagfah owns a portfolio totalling 169,000 German apartments, and was floated on Frankfurt's prime-standard trading segment about a year ago. pfe

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Austrian convert convertible bonds issue raised €196.4m

Vienna-listed property company convert Immobilien has raised €196.4m with a convertible bonds that it reported as twice oversubscribed.

Around €40m of the proceeds were earmarked for convert's purchase of 25 property management and service firms. Another €100m will pay for property acquisitions already in the works. The rest refinances long-term some of convert's short term debt on which interest has risen.

The company placed its convertible bonds exclusively with foreign institutional investors. Eighty percent of the bonds were placed with real estate investors. Buyers were predominantly US, British, French, German and Swiss.

The seven-year bonds, with an initial conversion premium of 30%, yield 3.00%. With a coupon of 1.50%, the effective conversion premium upon maturity works out to around 45% at an effective conversion price of €17.10.

"The success of the issue is proof that the capital market approves of our new strategy," said convert Chairman Johann Kowar, calling the financing conditions for more expansion attractive. pfe

Austria's ECO Business lifts nine-month EBIT by 98% to €41m

Austrian property firm ECO Business-Immobilien, which trades on Vienna's prime-standard market, reported a 98% rise in earnings before tax and interest in the first nine months of 2007 to €40.8m.

Net asset value by the end of the reporting period was up by 5.5% to €12.04 a share. And the invested property holdings increased to €755.5m.

Organic growth combined with active property management and selective purchases led to higher rental income and upward

Guest Column

Title insurance brings comprehensive property risk coverage across Europe

By Michael Schub, Managing Director Europe, First Title Insurance

Title insurance can be of great use to the real estate industry in a number of quite diverse ways and can provide protection for both owners and lenders.

Increasingly, over the last 15 years, it has been used to underwrite risks identified during the due diligence process, often making the difference between the transaction proceeding or not. First Title Insurance has the advantage of being under the umbrella of parent First American Corporation, a Fortune 500 insurance group, enabling First Title to provide the largest capacity in the market. After suc-



Michael Schub

cesses in the UK, where business volume built to some £1bn per month of insured property value, we recently moved into central and eastern Europe where there is an issue around title in virtually every transaction. Indeed, it's not unusual for lenders to make the provision of title insurance a condition for obtaining financing. Uncertainty often surrounds the Land Registry System, which frequently cannot provide conclusive proof of ownership or supply state guarantee of title or indemnity. Lawyers are obliged to delve deeper into title history, and documentation is often missing within the chain of owner-

ship. This can include necessary corporate resolutions on the sale and purchase, or the evidencing procedures that should have been followed when the property was privatised. Such situations present a risk. If the documentation is not in order, the transaction may be invalidated and this, in turn, invalidates all subsequent transactions and results in loss of title. In addition, the land may be affected by a restitution claim brought by a former owner or their heirs because it was forcibly requisitioned during the Communist era. As well, a lawyer's due diligence will not protect the buyer against hidden defects such as fraud or forgery - which form part

of the comprehensive cover provided by title insurance. It should also be remembered that title insurance policies work on a non-fault basis, avoiding the need to prove negligence against a lawyer who may have either no or relatively low professional indemnity coverage.

To tackle emerging Europe, First Title has set up offices in Budapest, Warsaw, and Istanbul, and can provide insurance cover in all EU countries - except for Malta - as well as non-EU investment hotspots such as Turkey, Serbia and Croatia. Our new office in Frankfurt focuses on the

more mature markets such as Germany, France, Spain, Italy and most Scandinavian countries. There, in addition to covering straight title risk, our aim is to offer insurance that has application in large portfolio deals, securitisations and refinancings - as well as non-title products. One German product - voidable lease insurance - covers a specific problem in commercial leases where, if certain requirements are not observed, the tenant has the right to terminate within six months irrespective of lease contract length. The cover we provide protects the lender against any shortfall in mortgage repayments arising from this defect. Now we are identifying similar applications in France and Italy, looking at all kinds of cash-flow risks coming out of property to see if we can find a hedge around gaps in local legislation. Last year, we structured and issued title insurance for Europe's largest-ever securitisation, with a value of €5.4bn and covering mortgages secured on a portfolio of 164,000 single asset residential transactions. The risk here was that the various mortgages could not be registered in time for the bond issue. Since the rating agency said this would impact the rating, it became a pricing issue. The issuers therefore went for insurance to boost the rating and insure the gap until all the mortgages were registered. Title insurance cut the amount of due diligence required and enabled the transaction to be completed within an advantageous financial window. ms

property valuation this year. Larger earnings on property sales were generated with stronger trading activity.

“In the future we will also achieve sustained organic earnings increases with this strategy of optimising risk and earnings,” said Chairman Friedrich Scheck. “And we won’t be exclusively depending upon growth from acquisitions or new infusions of funds.” pfe

Italy’s AEDES third quarter shows managed assets up, profits down

The total assets under management by Italian listed property fund group AEDES grew 17% in nine months to nearly €4.8bn, the company reported. However, AEDES saw third quarter profits fall to €17m, down from €44m in the same period last year.

Net revenues were nearly flat, rising just 3% to €108.7m. The cost of servicing the company’s debt grew more than seven fold, from €1.8m in September 2006 to €14m in September 2007. Net debt increased particularly quickly over the summer’s credit crisis, from €561.7m on June 30, 2007 to €561.7m on September 30.

The company said its balance sheet was negatively affected by the sub-prime crisis in the US and increasing cost of debt. The company also stated that the third quarter is structurally weak in Italy because of a summer lull. pfe

Italy’s Pirelli RE stock slumps despite higher profits in third quarter

One of Italy’s largest listed real estate companies, Pirelli & C Real Estate, saw net profits climb 14% in the third quarter over the same period last year. Net profits amounted to €95.8m on €1.1bn in revenues, which were up 17%.

Pirelli RE’s net financial position rose from negative €1.09bn at the end of June to negative €337m at the end of September, thanks largely to the nearly complete partition of German real estate company DGAG (Deutsche Grundvermögen), which Pirelli RE bought in conjunction with RREEF and Morgan Stanley last winter. At the end of the transaction, Pirelli RE will possess about a third of the former DGAG, as well as the debt and costs related to it.

Despite third quarter results that management says met growth targets, the stock price continued its many month slide through the announcement. Shares fell 10% in three days, from €30 the day prior to the announcement to €27 two market days afterward. Pirelli RE’s share price has fallen 28% in a month and about 50% since April.

Analyst Peter Papadakos at JP Morgan told PFE that the stock’s prospects were not bright in the short term, based on the new results and market conditions, and that the company is actually falling short of its stated growth targets. Pirelli RE manages €15.5bn in assets with stakes worth 27% of the total. pfe

Greece Telecom OTE considers listing real estate assets

Greece’s largest telecoms operator OTE says it is consider-

ing listing its real estate assets on the Athens stock exchange to unlock the value of the assets for shareholders.

Reuters reported that state-owned OTE’s Chief Operating Officer Iordanis Aivazis told a Morgan Stanley investor conference in Barcelona recently that OTE wants to avoid selling real estate, which has a book value of around €500m.

“We are considering creating real estate investment companies and having those companies listed on the Athens stock exchange,” he said. “That way, we will crystallise the value.” OTE plans to announce a market value of the portfolio in early 2008. pfe

Greek Lamda Development posts 48.1% fall in net profit

Listed Greek real estate company Lamda Development posted a third quarter net profits fall of 48.1% to €24m compared with 3Q06 - which the company attributed to a lower tax rate in 2006 and less revaluation gains booked. NAV rose 16% year-on-year to €418.1m on improved profitability of its current investment properties.

Turnover in the quarter dropped 16.3% to €67.3m due to extraordinary gains from the sale of the Ilida Residential Complex in the third quarter of 2006.

Lamda said its objectives are to complete the development of about €430m in investments over the next two years and to continue developing its south eastern Europe market.

The company said it planned to strengthen its activities in Romania, Bulgaria, Serbia and Montenegro as well as to pursue business activities in new countries such as Turkey, Russia and Ukraine. “In total the company is exploring a series of developments both in Greece and in South-eastern Europe that amount to €700m,” a company statement said. pfe

NON-LISTED PROPERTY FUNDS

German open-end funds back in force as real estate confidence strengthens

German open-end funds have made a strong return to the market as investors regain confidence in the real estate sector, M3 Capital Partners said.

Net cash inflows reached €6.9bn over the first eight months of 2007, in contrast to domestic bond and equity funds, which saw net withdrawals of €11.2bn and €15.8 bn, respectively. Open end funds completed €3.9bn in European cross-border purchases in the first half of 2007, representing a three-fold increase over the same period last year.

With the majority of portfolio restructurings and sell-offs behind them, German funds have become active buyers, albeit with new target geographies. As they look to diversify further into Europe, investment focus has shifted away from the large office markets of London, Paris and Stockholm to the less developed markets of central and eastern Europe.

It is expected that higher lending margins and lower loan-to-value ratios will continue to squeeze out highly leveraged investors and transfer the competitive advantage to GOEFs, who typically borrow only a small portion of the purchase price of an asset, M3 said in a report. pfe

ING sees best shopping centre returns in CEE, Nordics remain strong

ING Real Estate expects the best retail returns for 2008 in central and eastern European shopping centres, with strong rental growth likely to continue in France, Sweden and Finland.

Good rental performance is also expected in the Netherlands, Italy and Germany, the real estate company said in a report. The outlook for Swiss retail is somewhat bleak, it said. Purchasing power is likely to fall as a result of rises in compulsory purchases (such as taxes and insurance) outstripping average wage increases.

Retail remains the largest single investment class in central and eastern Europe, with the lion's share of attention focused on modern shopping centres. Romania and Slovakia are likely to see the highest levels of development in the region. The report predicts rental growth across most of the CEE, but warns that Romania is unlikely to see any growth over the next 12 months. Rents are already some 25% higher than elsewhere in the region, and a wave of new developments will serve to depress rents in its key centres.

Of the more traditional retail markets, ING Real Estate singled out France as being a good performer next year. Sweden, Norway and Finland are also looking solid, as consumer confidence and the long-lasting retail boom show no signs of abating. pfe

Munich Re's MEAG buys Stockholm office project for €220m

MEAG, the asset manager of Munich Reinsurance and its Ergo primary insurance subsidiary, has purchased Stockholm's Plaza 63 office building project for €220m from the development consortium Stockholm Klara led by Jarl Asset Management.

The building will offer 25,000 sq.m. of floor space when completed and transfer to MEAG at end 2009. Plaza 63 is MEAG's first acquisition in Sweden.

"This project fits in perfectly with our investment focus on commercial properties in prime locations in major European cities," said Knut Riesmeier, MEAG's global head of real estate. "Project developments are also part of this strategy, and round off our portfolio." pfe

Oaktree, Colonia to pay DEGI €600m for 12 German properties

US investor Oaktree Capital Management and exchange-listed Colonial Real Estate have won an auction to buy a €600m portfolio of 12 German office buildings from DEGI the real estate investment fund arm of the Allianz insurance group.

Seller of this Homer portfolio is DEGI's Grundwert mutual property fund, which is in the process of reducing its German holdings and diversifying with purchase in other parts of Europe. With the completion of this transaction DEGI has halved the fund's vacancy ratio to 5.9% in less than half a year. The fund's current one-year return on 31 October was 4.2%.

The DEGI properties will be added to the Cologne-based German Acorn Real Estate platform in which Oaktree and Colonia participate. Colonia's minority stake in the Homer acquisition was 4.8%.

DEGI put the Homer portfolio out for bidding in the third

quarter and the deal should close before year's end. Acorn adds Homer to the "Herkules" portfolio of 49 office properties purchased last year as part of a strategic expansion.

The name of DEGI's open-ended Grundwert fund will be changed next year to DEGI Europa to reflect its growing pan-European orientation. "The product now stands for a property-focused investment with a stable return and a significantly up-sized proportion of foreign earnings," said DEGI Chairperson Bärbel Schomberg in a statement.

The DEGI fund aims for holdings of 70% in European economic centres outside Germany, the remaining 30% in Germany. Its new investment approach focuses on core properties, namely high-quality properties in selected locations. As recently as mid-2007 the fund was holding 80% of its property investment in Germany. In September it sold its Spring portfolio for €2.43bn, precipitating a run-up in the fund share price followed by a €1.93bn bout of coupon profit-taking in October.

Grundwert now has 61.3% of its invested assets outside Germany. Along with acquisitions in Helsinki, it will buy Rome's Europarco office building in December and plans purchases in Paris, Prague and Budapest. pfe

LaSalle, Morley buy French, Italian properties for Encore+ fund

LaSalle Investment Management and the UK's Morley Fund Management have bought three properties in Italy and France on behalf of Encore+, a pan-European open-ended fund investing across Europe.

Two of the acquisitions are logistics developments in Italy purchased from Vailog, a real estate development and investment company controlled by Italian-listed Rdm Realty. The third property is an office building located in western Paris.

The Italian properties comprise three buildings that will provide more than 116,000 sq.m. of grade A logistics assets. The agreed purchase price was €82.5m. The Paris acquisition cost about €17m. The office building comprises 3,500 sq.m. and is fully income producing, with tenants including Roche Pharmaceuticals.

Morley's Gil Bar, an Encore+ fund manager, said the fund has achieved an anticipated gross asset value of some €663m and has generated an internal rate of return of nearly 18% in the past 12 months. pfe

Spain's SCH creates network to invest in western Europe

Santander Central Hispano, Spain's largest bank, has created a new network dedicated to investing in western European real estate. With an initial investment of €100m, Real Estate Investment Society España aims to focus the majority of its investments into industrial centres, offices and retail stores in countries such as Britain, France and Germany. Private clients are expected to boost the coffers as well, with SCH earning between 5% and 15% on the returns.

SCH has founded six investment firms such as this, added to three investment funds that focus solely on the real estate market. Overall the bank manages around €5.5bn. For example, Santander Banif Inmobiliario is the largest property fund in the country. Last year is managed around €4bn, or double the amount from its closest rival. pfe

Commerzreal plans first French fund

Commerzreal, the real estate asset management and leasing arm of Germany's Commerzbank, plans to launch its first French closed-ended investment fund for property before the end of the month.

The asset manager is investing in the commercial part of a Paris office and residential complex called Euro Alsace. The office space has been fully rented to the French railroad company SNCF.

The new French fund will be named SFB-Fonds 165 Euro Alsace. It is being pitched to private investors and will have a minimum subscription price of €15,000. pfe

RESIDENTIAL PROPERTY

Housing foreclosures rising by 23% in Italy

Rising mortgage payments pushed up housing foreclosures in Italy by an average of 23% in the year to date, compared with the same 2006 period, according to consumer advocacy group Adusbef.

Foreclosures in Milan and Rome are running about 20% higher than last year. In Naples and Venice, the increase amounts to 29%. The worst hit area is L'Aquila, a city east of Rome, at 41%.

Adusbef says 3.5% of all mortgages currently end in foreclosure, or about 120,000 out of a total of 3.5m mortgages in the country. pfe

Spanish mortgage rates in September surpass European average

Average mortgage rates in Spain continue to exceed the rates in the rest of the Eurozone. In September, the average 10-year rate was 5.49% compared to 5.36% in the remainder of Europe.

According to the European Central Bank, Spanish rates have topped its euro partners since January. In 2004, however, Spanish mortgages were almost a percentage point lower than the European average.

Taking into account the US sub-prime crisis, the current slowdown in the Spanish real estate sector, and rising interest rates, banks have made loans stricter for property purchases. Another explanation for the rate increase is that around 95% of the mortgages in Spain are set at a variable rate, and banks are keen to boost their income.

Spanish families are already swimming in property-related debt after years of enjoying low interest rates. According to the Bank of Spain, Spanish households allot 45% of their incomes to mortgage payments, almost 3pts higher than at the end of 2006 and a new record. In 2005, 36.4% of the income was allotted to financing homes, while in 2004 the figure was 35%. pfe

Sweden's Din Bostad spends big on 5,000 apartments

Listed Swedish property company Din Bostad has bought 95 residential properties around Sweden for SKR2.6bn (€280m).

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Most properties were bought from Norwegian company Acta and the deal leaves Din Bostad with a portfolio of 13,000 apartments in 400 buildings with a value of SKR7.9bn (€850m).

New debt represents about SKR1.0bn (€110m) of the transaction. The properties will yield about SKR275m (€30m) annually. ABG Sundal Collier were advisers in the transaction. pfe

Foreign residents in Spain conduct 12% of residential deals

Of the total residential transactions in Spain, 12% are undertaken by foreign residents, according to a recent report on the first quarter. During the same time last year, the percentage was slightly lower.

The highest number of transactions by non-Spaniards took place in the Valencia region, followed by Andalusia and Catalonia. The majority of the purchases involved second-hand homes. New homes only appeared in a quarter of the transactions.

Investment-wise, the average cost for foreign residents is around €167,000, while the average cost for a Spaniard is €181,000. pfe

S&P predicts downturn in Spanish residential market

Spain's residential property prices are heading downward after almost a decade-long boom, Standard & Poor's said. Its analysts predict that the slowdown will be gradual to allow the economy and banking sector to adjust to the corrections in the market.

One negative effect, however, will be a lull in the construction sector, one of Spain's most important contributors to the economy. A decline in residential real estate also will affect consumer confidence and credit supply.

"We expect an overall deterioration in the performance of residential real estate developer and construction books from the current situation of minimal credit losses," the agency said

Guest Column

Rest of world REITs overtake North America; potential for European take-off

By Peter Beckett, Real Estate Director, Ernst & Young

The total market capitalisation of publicly-listed Real Estate Investment Trusts around the world reached €521bn as of 30 June, up from €415bn at the end of 2006. This represents more than 25% growth despite the largest REIT market in the world, the United States, losing almost a quarter of its REITs through privatisation and mergers. These conclusions are part of Ernst & Young's second annual REIT Report, which analyses 15 major markets where REITs are publicly traded. These include Australia, Belgium, Canada, Japan, Netherlands, New Zealand, Singapore, South Korea and the US as well as the relatively new market in the UK. The study compares and contrasts the performance using criteria such as market size and depth, total return on capital and income, volatility, balance sheet measures (debt and premium/discount to net assets) and income measures (yield/price-earnings ratio). Essentially, what we have found is a dramatic shift in REIT formation away from North America and toward Asia and Europe in the last 12 months. While a number of quite large North American REITs has been taken private in the last year, there has been a tremendous outpouring of capital into Asian and European vehicles. REIT regimes in such countries as the UK and Turkey have helped the rest of the world surpass the US for the first time in total number of REITs in existence.

In 2006, North America was home to 253 public REITs, compared to 198 throughout the rest of the world. As of June, the rest of the world housed 253 REITs compared to 195 in North America. In the year ahead it is possible that other maturing markets around the world such as Australia, Canada and the Netherlands may witness a similar privatisation wave, though on a lesser scale because of tax considerations and/or a higher cost of public capital. However, the US remains the largest single REIT market with 169 REITs. Recent or pending REIT legislation in three major European real estate markets - the UK, Germany and Italy - is just beginning to fuel growth. Moving into 2008, we expect to see a much more stable REIT market in the UK as more investors become educated about the sector. On the continent, with Germany's legislation now taking effect and Italy coming on board in 2008, the potential exists for European REITs to really take off.

REITs debt levels are also rising globally as a result of low interest rates.

In fact, only Turkey had financing rates high enough to dissuade REITs from taking out even higher debt this year. Through the 15 markets analysed, average debt levels grew to 40.3% from 34.2% 12 months ago. Based on this, Ernst & Young estimates that the total value of real estate owned by REITs globally now stands at €867bn. However, as a result of fallout from the sub-prime residential mortgage market collapse, REITs looking to refinance in the coming

year will likely face tighter covenants and increased financing costs, both of which will have a negative impact on real estate values and REIT returns. Of all the REIT markets measured, Singapore achieved first place last year, with a total rate of return of 72.9%, up from 1.7% in 2006. The Singapore market was buoyed by an almost 50% increase in the number of REITs over the previous year and a threefold increase in total market capitalisation. South Korea, which has a relatively small REIT market, returned 43%. This was followed by Japan (42%), France (38%) and South Africa (37%). The US (12%) and UK (11%) posted the lowest one-year returns of all. pb



Peter Beckett

in a report. But the banking sector's strong balance sheet should allow it to absorb a slowdown's negative effects without doing too much damage. pfe

DEBT FINANCING/BANKING

Swedish mortgage lender SBAB sees profits fall, privatisation on hold

The privatisation of Swedish mortgage lender SBAB has been put on hold after a series of mishaps, and it announced that operating profits fell sharply in the first nine months of 2007. The value of the company's bond portfolio fell sharply following the instability on the credit markets earlier in the autumn.

First nine months' operating profits were SEK286m (€31m), compared with SEK667m (€72m) in the same period last year. "Like all other market participants who have a liquidity reserve in the form of bonds, we have seen a reduction in the market value during the third quarter. This is a result of the turbulence in the credit market during the period. Our holding is long-term and we make the assessment that the change in market value will be recovered over time," said CEO Eva Cederbalk.

The sale of SBAB constitutes part of a pledge by Sweden's centre-right government to offload stakes in a range of state-owned companies in order to encourage private-sector activity in the economy. It has fired advisers Carnegie after an insider trading scandal. Denmark's Den Danske Bank, as well as Norway's DnB Nor and Sweden's Nordea and SEB have expressed an interest in the sale, which could raise more than €1bn. pfe

Nord LB in €485m friendly takeover of German mortgage Deutsche Hypo

German state bank Norddeutsche Landesbank plans to offer the shareholders of Deutsche Hypothekenbank €36.09 a share on 5 December in a friendly takeover of the listed Hannover mortgage bank.

The bid values Deutsche Hypo at €485m and would make NordLB the third-largest mortgage bank in Germany based on new real estate financing business.

The proposed acquisition would be a strategic investment, with Deutsche Hypo being run as a participation and continuing to operate under its own name. Deutsche Hypo's two core activities, international commercial real estate financing and its capital market business, would be expanded further. Deutsche Hypo's managing board welcomed the offer. pfe

CENTRAL & EASTERN EUROPE

Latvia's Linstow in major new retail development in Riga

Latvia-based Linstow Centre Management, a north-east Europe property development company specialising in shopping centres, is launching the biggest retail development under sin-

gle ownership and management in the Baltic States, Riga Retail Park in Latvia.

Riga Retail Park, which spans 250,000 sq.m., will offer scope for furniture, DIY, home centre, hypermarket and big box retail and will include a 60,500 sq.m. shopping and entertainment centre. It will be constructed in phases from late 2008, with the first units available autumn 2010. pfe

Prague-listed ECM in first Polish project, buys Citigroup out of Czech JV

Prague-listed retail, offices and residential developer and investment company ECM Real Estate Investments has bought 130,000 sq.m. of zoned residential land in Poznan, Poland, its first acquisition in Poland.

The sale floor area is put at some 55,000 sq.m. with total development costs expected to reach €100m. ECM paid €6.4m for the land, or around €50 per sq.m., compared with recent valuations of over €70 per sq.m. ECM VP for Business Expansion Patrik Simek said ECM wants to develop upscale residential projects throughout the CEE region.

Separately, ECM said it bought back Citigroup Property Investors' 50% stake in their Czech Real Estate Regions joint venture for €4.8m, giving ECM full ownership of the Czech regional cities developer CRER. pfe

Prague's Discovery launches €100m Fund 3C for CEE investments

Prague-based development company Discovery Group, together with several institutional investors, has launched its first property development fund in central and eastern Europe, the closed-end Discovery Group Fund 3C. The initial target size will be €100m, and it aims to maximise IRR over the fund's life while keeping a balanced sector/risk focus. Fund 3C is registered in Jersey.

Fund 3C targets a return of over 16%, with a duration of six years and a two-year investment period. It will focus on development and investment in the Czech, Slovak, Romanian and Ukrainian markets, plus opportunistic investments across central and eastern Europe, and will invest in all asset classes – residential, office, retail, industrial and logistics. It expects to invest in and develop institutional real estate as well as in under-managed assets and assets for redevelopment, said Managing Director Robert Hessenberger. pfe

Germany's Helaba backs €500m Prague shopping centre

Germany's Helaba is financing the acquisition of Palladium commercial and shopping centre in Prague, Czech Republic for a joint venture between Hannover Leasing and European Property Development (EDP). Hannover Leasing, a 75% subsidiary of Helaba, acquired the real estate for over €500m in the largest-ever transaction for a single property in central Europe.

Helaba Landesbank Hessen-Thüringen is lead arranger, lender and agent for long-term financing, and is also providing the interim financing until it is placed in a fund.

Palladium is the biggest inner-city commercial and shopping centre in the Czech Republic with total usable floor-space of 58,500 sq.m. All the retail trading space and 90% of the office space has already been let long-term.

Construction began May 2005 with development costs put at € 265m, and EDF sold the property to Hannover earlier this year. Palladium opened this month. Retail leasing prices reportedly range from around €20-€200 per sq.m. per month from the largest to the smallest units, with the average rent for office spaces at €19.5 per sq.m. pfe

Germany's Hypo Real Estate in €55m Prague financing

Hypo Real Estate Bank International, a member of the DAX-listed Hypo Real Estate Group, has provided a €55m facility to Amesbury to refinance a portfolio of seven warehouse and office buildings located in two business parks, Prague West Business Centre Chrastany and Zlicin Business Centre, both in the Czech capital of Prague.

Amesbury is a privately owned development group operating on the Czech market.

Hypo Real Estate Bank International and Hypo Real Estate Bank also provided an acquisition facility of some €124m. to Australian listed global investment and specialised funds and asset manager Babcock & Brown Group for the acquisition of a portfolio of six retail assets in Austria and Eastern Europe.

Babcock & Brown initially agreed to acquire a portfolio of 10 assets from Austrian property developer MID Group, before selling four assets on to the UK's Dawnay, Day Carpathian prior to closing. The €124m facility has therefore been provided to finance the acquisition of the six remaining assets.

The six assets are in Austria, Hungary and Slovenia and include supermarkets, retail warehouses and shopping centres, mostly in prime locations. The global letting area is around 90,000 sq.m. and the properties are mostly let to major international brand retailers. pfe

Memelio Miestas in €232m commercial / residential deal in Lithuania

Memelio Miestas is developing a €232m new quarter in Klaipeda, Lithuania near the mouth of the river Dane and the Curonian Lagoon. Residential housing, offices, retail space, recreation and leisure centres and a hotel are planned for the 6.7 ha former ship repair site. The project, which is already underway, will be realised in stages with completion expected in 2012.

The development will include 48,000 sq.m. of residential, 10,000 sq.m. of offices, 11,000 sq.m. of hotels, 11,500 sq.m. of retail and 12,000 sq.m. of restaurants, clubs, and conference centres. pfe

Sonae Sierra in €273m development of two Romanian shopping centres

Portuguese shopping centre specialist Sonae Sierra has acquired sites in the Romanian cities of Ploiesti and Craiova for two new shopping and leisure centres, the company's first de-

velopments in Romania, for a total investment of over €293m.

The centre in Ploiesti, 60 km. north of Bucharest, will be built on a 16 ha. site on the southern border of Ploiesti with 270,000 inhabitants in a 15-minute catchment area, and will benefit from a new highway being built to connect Bucharest to Ploiesti. The centre will have GLA of 64,070 sq.m. and parking, for a total investment of about €153.6m, and will integrate a 100 ha. area to be urbanised in the next six years. Construction will begin in 2008, with inauguration planned in 2010.

In Craiova, 240 km west of Bucharest, the centre will have GLA of 55,537 sq.m. and parking for an investment of €139.4m. Sonae Sierra has acquired a 6-hectare site near the city centre, with 300,000 inhabitants in a 30-minute catchment area. Construction is already underway for inauguration in autumn 2009.

Shopping centre developer, investor and manager Sonae Sierra is 50% owned by Lisbon-listed conglomerate Sonae SGPS and 50% by UK privately-owned property development, investment and fund management group Grosvenor. pfe

Israel's AlfaRom, Future invest €120m in apartments in Romania's Iasi

Israeli developers AlfaRom Holding and Future Group are investing €120m in building 1,100 apartments in Iasi, Business Romania portal reported. The Green Park project features 14 blocks of flats, for completion by end-2009.

The apartments will cover from 43 sq.m. to 160 sq.m. and selling prices start from €1,000 per sq.m. The compound will also have a commercial centre and two 300-room student hostels. It is being built on a 50,000 sq.m. plot, near which the developers have bought an additional 17,000 sq.m. of land where nine other blocks with 300 apartments will be built.

Future Group has developed over €1.2bn of property projects, mainly in Spain and Romania in partnership with other developers. AlfaRom has over €285m of projects on the pipeline for Romania for the next four years. It aims to deliver 5,500 apartments on the local market. pfe

Futureal progresses on €586m Budapest's Corvin Promenade

Hungary's Futureal Development is making progress with its Corvin Promenade city centre regeneration project in Budapest, and total costs are now seen at €568m.

CEE construction journal Cij reports that after three years of preparation, Futureal is launching its largest retail development project. In total, the project is set to include GLA of 60,000 sq.m. of housing, retail, entertainment, leisure and sports facilities and restaurants. Plans for the retail development are divided into two sections.

The first area, Corvin Atrium, was bought by listed French shopping centre REIT/SIIC Klépierre in a forward sale transaction. Klépierre is investing an estimated €229m in the project.

The entire 22-hectare Corvin Promenade project will include some 3,000 new flats and 150,000 sq.m. of office space, creating a new city centre in the heart of Budapest. Corvin Promenade is expected to reach 50% development by end-2009; Futureal group will continue to develop the project until completion, scheduled for 2012. pfe

Polish hotel construction seen booming in run-up to soccer championships

The prospect of Poland co-hosting the Euro 2012 football championships, a favourable economic outlook, EU funds for tourism development, and lagging investments in the past will boost hotel construction by some 17% annually over the next five years to some €280m, consultant and market researcher PMR predicts in a report.

The hotel room stock is seen expanding at 7% a year on average in 2008-2012, or some 30,000 rooms in 560 hotels. Around 110 hotels could be built annually, compared with just 50 in the 2001-2006 period. Most will be three-star (15,000 rooms) and two-star (12,000 rooms). The number of tourists visiting Poland is projected to rise to over 20m. in 2012-2013 from 15.7m. in 2006.

Hotel chain operators and developers have boosted construction plans ahead of the 2012 Football Championships. According to published plans, construction of almost 20,000 hotel rooms is targeted in the next five years. pfe

Bulgaria again delays introduction of cadastral survey until 2009

The Bulgarian government announced a new delay until March 2009 of its introduction of a unified national cadastre system to enable real-time retrieval of data on the ownership and status of registered properties.

Under a loan agreement with the World Bank, the system should have been operational by late 2007 but that deadline was pushed back to March 2008 and now has been delayed again. The government agency in charge of the survey, essential for real estate developers, requested the new delay to test safety features of the new system. At the moment, the service is available only in a dozen cities, including the capital Sofia. pfe

Carrefour to open 20 outlets in Bulgaria over next 5-7 years

France's Carrefour, Europe's biggest retailer, will open 20 outlets in Bulgaria over the next five to seven years, Jerome Loubère, general manager of Carrefour Marinopoulos, the Greek subsidiary of the French group, announced. The first opening is planned for the end of 2008 in Burgas, on the Black Sea.

Other outlets are planned for all major Bulgarian cities including Varna, Stara Zagora, Veliko Tarnovo and Plovdiv. There will be at least two Carrefour outlets in the capital Sofia. Carrefour has signed agreements for the purchase of sites or the lease of retail space with 6-7 companies. pfe

Tishman and GE Real Estate join in €250m Sofia Airport redevelopment

US company Tishman and GE Real Estate central and eastern Europe have announced plans to invest jointly

in several property projects in Bulgaria, including splitting the €250m costs of the Sofia Airport Centre redevelopment.

A mix of offices, logistics, storage and hotels located 300 metres from the new terminal of Sofia airport, the centre will have a built-up area of 256,000 sq.m, including 100,000 sq.m. of office space, 20,000 sq.m. of warehouses and 40,000 sq.m. of hotel premises.

Tishman International and GE Real Estate said in a joint statement that the project marked the first entrance of a major global US developer into the Bulgarian commercial real estate market and the first joint venture between GE Real Estate and Tishman International in the region. pfe

Greece's Marfin takes majority stake in bankrupt Serbian store

Greece's Marfin Investment has taken control of Serbia's third largest department store chain RK Beograd which owns some of the country's best real estate assets.

Verano Motors, Serbian autodealer unit for Peugeot cars owned by Marfin, paid €360m for state-owned RK Beograd, which owns 250,000 sq.m. of floor space at 36 locations - 10 in Belgrade, 24 elsewhere in Serbia and two in Montenegro.

After the auction deal was announced by Serbia's Privatisation Agency, which has long sought a buyer for the bankrupt chain, MIG revealed in a company statement that it had taken

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a 66.7% stake.

MIG Vice-President Andreas Vgenopoulos said the purchase was part of his company's plans to become the biggest owner of commercial property in Serbia. pfe

Hungary's Central European Estates plans €400m project in Serbian capital

Central European Estates and a local partner will spend up to €400m on a project in Belgrade that is being billed as Serbia's largest commercial and residential project.

The newspaper Serbia & Montenegro Today said Central European Estates has signed a Memorandum of Understanding with a local company that owns a 40,000-sq.m. lot in the city centre. The two companies will set up a joint venture to

build the 460,000-square meter project. CEE will own 68% of the venture. The companies expect to begin work in the second half of 2008. pfe

Plaza Centres invests €55m In Serbian shopping centre

Dutch-based Plaza Centres announced it plans to build a €55m shopping centre in Serbia's fourth-largest city of Kragujevac in its second acquisition in Serbia. Plaza said it plans to build a shopping and entertainment centre on the 24,000 sq.m. site, which will have a total built area of 35,000 sq. m.

Commenting on the acquisition, Ran Shtarkman, CEO of Plaza Centres said: "Serbia is poised to experience strong economic growth which, we believe, will generate strong demand

Global Property Research Index of European listed property companies

Country	Company	REIT?	Latest	52 week		Market Cap (€m)	YTD%	1Yr%
			Price	Low	High			
Austria	CA Immobilien Anlagen	No	18,60	17,17	25,40	1.626,44	-15,88%	-14,68%
Austria	Conwert Immobilien Invest	No	13,06	11,40	18,39	1.114,79	-20,37%	-20,46%
Austria	Immoeast Immobilien Anlagen	No	8,40	7,79	12,30	7.004,12	-21,13%	-14,63%
Austria	Immofinanz Immobilien Anlage	No	8,20	7,69	12,54	3.763,81	-21,02%	-10,21%
Austria	Meinl European Land	No	9,68	8,88	21,33	2.044,42	-50,19%	-43,97%
Austria	Sparkassen Immobilien	No	7,97	7,90	14,64	542,91	-18,76%	-11,74%
Belgium	Befimmo	Yes	75,19	70,77	97,81	981,91	-5,74%	-7,88%
Belgium	Cofinimmo	Yes	129,73	116,95	158,50	1.379,81	-10,43%	-8,20%
Finland	Citycon	No	4,50	4,24	6,36	993,74	-10,92%	8,40%
Finland	Sponda	No	9,46	9,59	14,72	1.050,34	-9,04%	11,72%
France	Foncière des Régions	Yes	100,72	101,31	173,46	4.188,34	-25,37%	-12,13%
France	Gecina	Yes	118,00	221,00	299,84	7.349,39	-15,86%	9,71%
France	Icade	No	50,94	39,60	65,50	4.769,00	9,01%	12,15%
France	Klepierre	Yes	37,42	102,94	163,21	5.182,41	-19,73%	-2,89%
France	Mercialys	Yes	26,99	22,18	34,88	1.968,08	-8,27%	0,78%
France	Silic	Yes	106,64	421,20	594,80	1.863,32	-3,88%	0,72%
France	Société de la Tour Eiffel	Yes	115,67	118,54	164,14	600,33	-11,26%	0,10%
France	Unibail-Rodamco	Yes	171,62	161,50	239,30	14.016,89	-4,34%	3,79%
Germany	Colonia Real Estate	No	20,66	87,78	180,84	454,04	-40,23%	-24,70%
Germany	Dawnay Day Treveria	No	0,87	0,86	1,49	565,20	-26,17%	-24,65%
Germany	Deutsche EuroShop	No	27,66	46,38	60,26	950,81	2,21%	6,50%
Germany	Deutsche Wohnen	No	30,61	123,30	284,50	787,23	-37,80%	-36,91%
Germany	DIC Asset	No	23,36	22,05	34,38	665,76	-21,52%	-9,26%
Germany	GAGFAH	No	13,08	12,64	25,61	2.949,54	-43,73%	
Germany	IVG Immobilien	No	31,21	24,55	36,90	3.620,36	-4,01%	11,52%
Greece	Babis Vovos International Construction	No	23,14	20,00	31,50	785,14	-20,75%	10,72%
Italy	Beni Stabili	No	0,87	0,83	1,40	1.674,35	-26,32%	0,09%
Italy	Immobiliare Grande Distribuzione	No	2,70	2,65	4,35	834,35	-26,56%	-9,31%
Netherlands	Corio NV	Yes	60,50	49,95	75,19	4.068,75	1,53%	10,45%
Netherlands	Eurocommercial Properties	Yes	40,68	34,74	45,08	1.435,11	7,59%	9,01%
Netherlands	Nieuwe Steen Investments	Yes	19,45	18,83	23,70	695,80	-8,74%	-6,44%
Netherlands	VastNed Offices/Industrial	Yes	24,44	21,12	31,84	514,98	-12,77%	-11,52%
Netherlands	VastNed Retail	Yes	59,28	53,50	81,19	999,58	-18,68%	-8,39%
Netherlands	Wereldhave	Yes	82,28	77,99	115,25	1.709,94	-14,93%	-4,46%
Poland	Globe Trade Centre	No	51,50	334,00	570,00	3.114,37	28,11%	54,19%
Spain	Metrovacesa SA	No	81,00	103,27	170,84	8.656,96	-31,18%	-23,74%
Sweden	Castellum	No	80,50	305,00	422,00	1.504,57	-9,29%	-4,31%
Sweden	Fabege	No	75,50	32,88	48,00	1.463,98	-11,96%	-4,13%
Sweden	Hufvudstaden	No	69,75	64,00	94,50	1.538,53	3,05%	21,01%
Sweden	Kungsleden	No	90,50	472,00	892,80	1.342,33	-5,11%	9,19%
Sweden	Wihlborgs Fastigheter	No	122,50	210,00	336,00	511,51	-10,95%	-0,69%
Switzerland	PSP Swiss Property	No	62,70	60,05	75,95	1.753,72	-7,56%	-0,60%
Switzerland	Swiss Prime Site	No	65,85	322,95	387,87	1.007,42	-6,07%	7,38%
Turkey	Is REIT	Yes	1,94	2,44	3,33	515,19	-8,77%	-8,77%

Source: Global Property Research. Prices in local currency to end of last month.

for large-scale, mixed use developments from commercial occupiers and visitors alike.”

In August, Plaza won a tender from the government of Serbia for the development of a new shopping, entertainment and business centre in Belgrade with a total built-up area of about 100,000 sq.m. Plaza will partner with a local developer for a project estimated to cost €150m. pfe

REPORTS/STUDIES

Frankfurt under growing pressure on office, retail, investment - CB Richard Ellis

Prime office rents in Frankfurt are likely to continue to rise by around 10% per year at least during a dip in market supply in the next two years, and should reach well over €40 per sq.m. per month by the end of 2008 from around €36 now, according to top officials of CB Richard Ellis. In retail space, the pressure in the city centre is so intense that rents of €250 sq.m. 12 months ago, have now jumped to €350-€400 - and in isolated

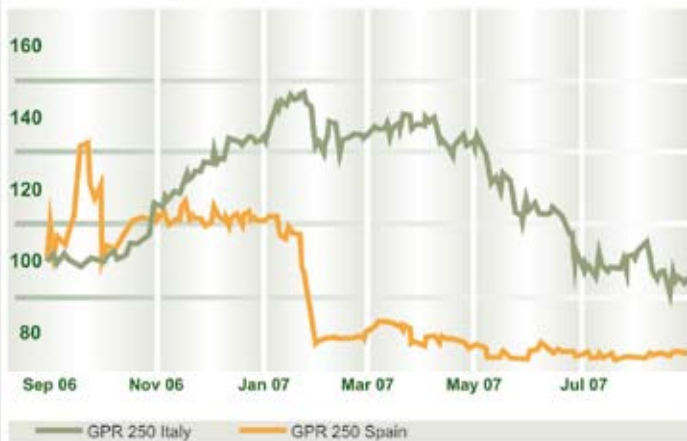
cases, much higher.

Carsten Ape, head of leasing for CBRE, said office take-up has been rising fast. Given a buoyant economic mood, firms are taking on staff and so need more space. Construction activity has dipped and little new space is coming on stream in 2008 and 2009. In the year to end third quarter, total take-up was 480,000 sq.m.. It should reach 600,000 sq.m. by year end. In terms of individual needs, “the music is playing” for blocks of space from 500 sq.m. up to 2,000 sq.m.

“It’s a lot more robust than last year, and a lot of Anglo-Saxon companies, particularly financial service firms and legal offices, are coming in,” Ape told a press briefing. “They find Frankfurt cheap compared to London or New York. There is a much more buoyant mood this year than last, and the sub-prime crisis has had no perceptible impact on demand whatsoever.”

After 2009, the Opera Tower being built opposite the Old Opera House by Tishman Speyer will offer around 30,000 sq.m. in probably the prime position overall in Germany. UBS has taken several floors at top and bottom so that a lot of space - estimated by Ape to cost at least €45 per sq.m. - will become available in between. In addition, IVG’s Airrail Center at Frankfurt Airport will offer 130,000 sq.m. of hotel, office and retail area when completed sometime around 2010, and Frankfurt Savings Bank’s Kaiserkaree skyscraper project will also come on stream

Total Return Performance GPR 250 (local currency)



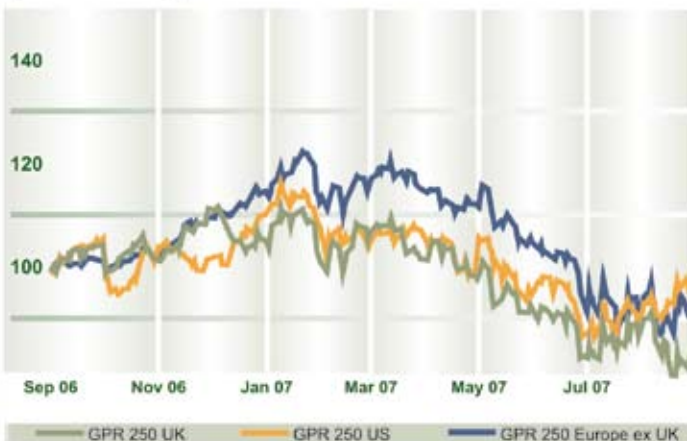
Source: Global Property Research 2007

Total Return Performance GPR 250 (local currency)



Source: Global Property Research 2007

Total Return Performance GPR 250 (local currency)



Source: Global Property Research 2007

Total Return Performance GPR 250 (local currency)



Source: Global Property Research 2007

around that time.

Burkhard Plessner, Head of Investment, said around €6.5bn of new capital will have been allocated to Frankfurt by year end, a rise of around 38% over 2006 and the third consecutive record year. US buyers have dominated the market, taking more than half of the more than 100 commercial assets transacted. German open-end funds have been the biggest sellers. "However, this trend cannot go much further in 2008," he said. "We are working on the basis of a return to normality because the market has quite simply been emptied of available assets."

Loan-to-value for debt financing is likely to drop from 80%-85% in late 2007 to around 70%-75% next year, he added. However the move by US investors out of the weakening dollar is likely to continue. Net entry yields this year have been around 5% on average, with some deals conducted in the low 4%'s. The occasional transaction with a very long, indexed leasing contract, has taken place below 4%.

CB Richard Ellis Head of Retail Karsten Burbach said Anglo-Saxon and Asian retailers are pressing hard for floor space in Frankfurt. In isolated cases, amounts of 'key money' in the millions of euros have been offered to persuade a current occupant to move out. However, variations according to location are huge. While suburban shopping centres are leasing for as low as €25-€35 per sq.m. per month for anchor tenants, peak rents in the same place may be double this. On Frankfurt's central Zeil pedestrian street, retailers are paying over €400 per sq.m. at times. In Germany however, Frankfurt is not the most expensive location. Munich, Hamburg, Berlin and Stuttgart precede it in retail space pricing. pfe

European shopping centre volumes holding steady - CB Richard Ellis

European shopping centre investment volume totalled €997m during the first half of the year, almost identical to 1H06, according to CB Richard Ellis. Volumes rose significantly in the UK, Germany, Italy and most of central and eastern Europe, driven by further growth in cross-border acquisitions.

During the first half, almost 70% of European shopping centre purchases were accounted for by cross-border investors" said Nick Axford, Head of EMEA Research & Consulting. In 2006 the shopping centre sector out-performed other real estate sectors in eight out of the 15 European countries covered by the report, and in a further two countries out-performed the all retail property index for that country.

For the second year in succession, the star performers in the shopping centre sector were France and Ireland, which generated returns of 24.9% and 20.5% respectively. The lowest shopping centre total returns in 2006 were, for the second year running, generated in Germany (4.9%) and Switzerland (7.8%). In both countries, returns improved relative to the previous year, but with only modest rental growth and at best minimal downward yield shift. pfe

European retail real estate transactions hit €7bn in 3Q07 - JLL

The volume of retail real estate transactions in continental Europe in the third quarter stood at €7bn, according to Jones Lang LaSalle. Although volume was slightly lower than in the second quarter, it still represented the third largest transaction

volume ever recorded. This is reflected in a total volume of €19.2bn for the first nine months of 2007, more than 20% up on the same period last year.

Jones Lang LaSalle's Richard Bloxam said: "The market in the first half of the year was characterised by a broad deal base attractive to both equity and leveraged buyers and right across the continent geographically. While transaction volumes were high in quarter three, the number of transactions fell slightly, as the credit crunch led some investors to take more time to consider and close deals. This is particularly the case for portfolio and leveraged transactions where margins have been reassessed."

Germany remains the prime area of activity for investors, with a total volume of €6.3 bn in transactions in the first three quarters of 2007, accounting for one third of the total volume in continental Europe. This is far ahead of France in second place accounting for 9% and Russia in third place, with 8.2%. The growing importance of central and Eastern Europe is clear as investors continue to move east in search of product and yield margins. pfe

Europe's commercial rental upswing will continue in 2008 - Deka Bank

The uptrend in European commercial property rents will continue next year, with stable demand and falling vacancies, according to DekaBank, central investment bank of the German savings bank sector.

Deka also detected a trend reversal in starting yields and called the property market posture strong on the basis of fundamental data despite the financial crisis. Jobs growth is expected to sustain demand for offices. The bank anticipates unchanged US interest rates through the end of 2008 along with at least one more hike in interest rates by the European Central Bank.

Germany is positioned more favourably because a rent rise and a fall in vacancies only began in mid-2006, said Matthias Danne, Deka's managing director for real estate. The weakness of the German commercial property the last five years is now the value base for fund properties, with new rentals and rent rises lifting investment fund performance.

Deka anticipates an unchanged favourable market from which Stockholm, Helsinki, Brussels and London's West End will benefit more than the average in coming years. Tightening supply of prime offices in Hamburg, Frankfurt and Munich will lift rents but the yield increase in Germany should be shallower than elsewhere in Europe because the starting level is higher. An unfavourable trend is projected in Madrid and London because a temporary glut of supply will depress rents in the medium term. pfe

Record year for European property investment despite credit pinch - C&W

Strong figures in the first three calendar quarters assure that 2007 will be a record year for investment in European commercial property despite the credit crisis, says a study by international real estate consultant Cushman & Wakefield.

"We are assuming overall investment volume in Europe between €235bn and €240bn, even if the credit crisis has taken its toll of investment in the last two months," said Martin Brühl, managing partner of C&W in Germany in a report. pfe

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CBRE Real Estate Finance has appointed **Sarah Whitney** as Executive Director of Real Estate Finance. She will be responsible for providing services to corporates, investors and the public sector... **Invista European Real Estate Trust** appointed **Jaap Meijer**, a Luxembourg resident, to its board of directors as a non-executive director. Previously **Meijer** worked at **Mourant Luxembourg** as Finance Manager. The Company also announced the resignation of **Robert Kimmels** from the board... Stockholm-based private equity firm **Niam** has appointed **Johan Berfenstam** as Head of Acquisitions. Prior to joining **Niam**, **Berfenstam** was the Regional Director of **Skanska Property Poland**. **Johan Berfenstam** will start working at **Niam** in May 2008... **Thomas Tranberg** has been named as project director at **Bonnier Cityfastigheter** in Stockholm. He previously worked for **Skanska**... **Henderson Global Investors' Property** business appointed **Laura Wilks** as associate director of institutional business. In addition **Laura Barstow** has transferred from the Client Services team as a Distribution Executive... **LaSalle Investment Management** said that **Robin Goodchild**, Head of European Strategy and Research, has been appointed Honorary President of the **Society of Property Researchers (SPR)**. The post was previously held by **Paul McNamara** OBE, Director and Head of Research at **PRUPIM**, who was appointed in 2000. **Robin** has been a member of the **SPR** since its foundation in 1987. The Presidency is principally a non-executive role advising the Chair, other officers and Committee with additional responsibilities include liaising with the Council of Fellows, which comprises other senior property researchers... **Ramon Magraner** has been named as head of the Residential Department at **CBRE Valencia**... **José Bravo** was named as the new general director of consultancy **HipotecaGratis**... **Metrovacesa** has named **José Manuel Lara** to its audit committee... **Peter Birchinger** joins the Frankfurt corporate finance team of **Jones Lang LaSalle** in December. The structured transaction specialist had been a partner at **Cushman & Wakefield**... **Charlotte Brigitte Looß** has taken charge of investor and public relations at alstria office-REIT in Hamburg... **Martin Birkert** has been named senior consultant to real estate consulting firm **NAI Apollo** with a mission to expand industrial consulting in the Frankfurt area and all of Germany. **Birkert** switched from the industrial department of **Jones Lang LaSalle**, where he was also senior consultant... **Klaus Krägel** is leaving the managing board of **Hamburg's Deutsche Real Estate** at year's end... **Jürgen Michael Schick** has been appointed to the supervisory board of **Kristensen Group Deutschland Holding**. **Schick** is vice president of the national branch association **IVD-Bundesverband**... **Dorette König** has taken a position as director in the managing group of property consultant **Savills** starting 1 January 2008. **König** has been assistant secretary for infrastructure and urban planning in the German federal states of **Brandenburg**. Investment Management Group in Moscow has appointed **Georgii Ivanov** as the Chief Investment Officer and **Irina Antonova** as Senior Analyst. pfe

PROPERTY FINANCE EUROPE

Operating Office/Enquiries

Property Finance Europe
Franklinstrasse 62
60486 Frankfurt am Main, Germany
Tel. +49 (0)69 719 189642. Fax +49 (0)69 719 189659

Managing Editor / Director

Allan Saunderson editor@pfeurope.eu
Tel. +49 (0)69 719 189631, Cell. +49 (0)172 672 3938

Publisher

Richard Betts business@pfeurope.eu
Tel. +44 (0)20 8340 4328, Cell. +44 (0)780 393 8659

Business Manager

Gaby Wagner market@pfeurope.eu
Tel. +49 (0)69 719 189633, Cell. +49 (0)173 3177191

Editor

Simon Haydon news-editor@pfeurope.eu

Advertising Manager

Jason Mankoo advertising@pfeurope.eu
Tel. +44 (0)13 2286 5967

Office Manager

Christine Hauf office@pfeurope.eu
Tel. +49 (0)69 719 189642

Senior Editor, Germany

Edward Roby news-germany@pfeurope.eu

Editor, France

Patricia Brett news-france@pfeurope.eu

Editor, Spain

Mike Elkin news-spain@pfeurope.eu

Editor, Italy

Emily Backus news-Italy@pfeurope.eu

Editor, Central/Eastern Europe

Caroline Studdert news-cee@pfeurope.eu

Editor, Greece/Balkans

Brian Williams news-balkans@pfeurope.eu

Managers, Subscriptions

John O'Connor subscriptions@pfeurope.eu

Tel. +44 (0)16 3482 1137

David Schindler dschindler@pfeurope.eu

Tel. +44 (0) 20 8245 2502

Alistair Cope subscriptions-uk@pfeurope.eu

Tel. +44 (0)20 8905 5357

Graphic Design

Chloé Aubert-Maguéro design@pfeurope.eu

Tel. +49 (0)69 719 189623

Assistant

Rena Wang support@pfeurope.eu

Tel. +49 (0)69 719 189623

Online Assistant

Alex Alenitsch online@pfeurope.eu

Tel. +49 (0)69 719 189623

Publishing company

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news@pfeurope.eu

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