PROPERTY FINANCE EUROPE

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Volume 1, Issue 8 25 July 2005

German property enters new era for savings banks, NILEG, home owning

German real estate and banking last week took a major step into a new era of transparency, external orientation and market pricing, and strode further away from the parochial, opaque and introspective property sector of the post-war years.

Last Tuesday, savings and landesbanks lost state guarantees partially in place since the 19th century, tossing them nearly unprotected into the maelstrom of commercial financial markets.

The purchase of NordLB's NILEG housing company brought US Opportunity Fund Fortress into the forefront of an increasingly overt race toward creating the first German Real Estate Investment Trust when they are permitted next year.

And on the eve of German President Horst Köhler's Friday ratification of a premature federal election, building societies and mortgage banks accelerated a campaign to promote home ownership as a principal vehicle for old-age savings.

Given the opinion poll lead of the right-of-centre Union parties in Germany, the property sector is cautiously positive over the prospects for a change of government. A proposed abolition of the home-purchase premium and a rise in value-added tax are viewed as offset by reductions in ancillary labour costs and the probable speedy introduction of REITs.

"If CDU/CSU and the FDP (Liberals) really dare to make a genuine new start, to reform labour laws and cut taxes noticeably, this could give a positive impulse," property sector expert Rainer Zitelmann said in a commentary. "If, on the other hand, the Union simply continues the (Chancellor Gerhard) Schröder policies in a modified form, or a Grand Coalition came in that could only agree on the lowest common denominator, there would be no grounds for optimism at all."

The Association of Private Building Societies (VPB) said the approaching change in age structure necessitated either a drastic rise in pension contributions or higher individual savings. Property ownership provided the high leverage effect required for the latter. A recent poll showed that 93% of German renters saw their homes as suitable or extremely suitable for old-age saving. pfe

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PFE takes a short summer break now: our issue rhythm is the second and the fourth Monday of every month, the exceptions being the 2nd Monday of August and the 4th Monday of December through these vacation periods. But a lot is coming up in autumn. A glance at the Bulletin Board on p5 will show you there are no fewer than four major conferences in September, all of them highly interesting for European property. We will try to attend most of them. We will be back on 22 August.

Potential for €95bn in property assets moving into German REITs in short term, bank says

The potential volume of assets that could be released by corporate and public sector property holdings into German Real Estate Investment Trusts (G-REITs), assuming they are authorised soon, is around €95bn in the relatively short term, M.M. Warburg said.

In a new report, it said some 73% of German companies owned their business premises, compared to only 54% of British firms and just 25% in the US. "Germany thus offers great potential for REITs, especially in the area of commercial real estate, as there is a lot of corporate capital tied up that could be put to better use in the core business," the study, signed by analyst Ralf Dibbern, said.

Commercially-used property in Germany is worth around €1.5tr, while residential property currently held by various levels of the state had a value of around €100bn. CONT. ON PAGE 2

PROPERTY ASSETS OF €95BN SEEN FOR G-REITS: First conservative estimates assumed that €50bn-€130bn in real estate assets could be put into G-REITs by 2010, consisting of both commercial and residential property currently owned by companies and the public sector.

But Warburg added, "Assuming that the rate of German corporate business property ownership drops a mere 5% to 68% in the next five years, and at the same time municipalities sell 20% of their real estate holdings, a REIT volume of €95bn seems realistic in the short term."

This amount corresponds to around 15% of cumulative market capitalisation of Germany's 110 largest listed companies (HDAX). "We have no doubt that corresponding market demand for profitable real estate investments exists," Warburg said. Private investors and, in particular, the insurance sector were urgently looking for new asset classes that meet investment criteria and portfolio diversification needs – specifically in light of the low yields offered on bonds.

The Warburg report also made estimates of the impact on individual German companies of the sale of a proportion of their commercially-used property assets. Calculating their hidden reserves – the difference between gross acquisition value and current balance sheet value after cumulated depreciation – it estimated that DaimlerChrysler had €9.6bn in property values it could realise, Deutsche Telekom €8.4bn, and Volkswagen €6.3bn.

Compared to current market capitalisation though, the highest hidden reserves were held by KarstadtQuelle at 87.9%, Lanxess at 68.2% and Fraport at 47.3%.

"As entrepreneurial action nowadays focuses on capital returns, freeing up core capital and applying it to core activities, where it presumably will generate the best returns, should be a priority," the report said. "This would make for more efficient capital allocation with fundamentally positive general economic effects, and should make German companies more attractive to investors." pfe

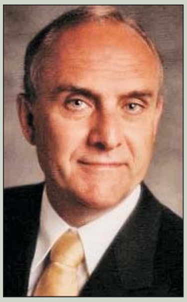
French Unibail sees jump in first-half profit after initial IFRS reporting period

France's second largest REIT (SIIC) Unibail announced a 75% rise in net operating and in net profit for first half 2005, reported for the first time in accordance with IFRS accounting rules.

In a statement, Unibail said the appraised value of the property portfolio, including transfer taxes, amounted to €8.02bn at end-June 2005 compared to €6.97bn at end-2004. Net of capital expenditures, the portfolio rose by 8.5% in value in 1H05 on a like-for-like basis.

"In addition to generally favorable market conditions for large commercial properties, this performance was mainly driven by an increase in revenues together with an improvement in their predictability," Unibail said. The 1H05 results also reflected the change in its scope of consolidation following the large-scale disposal of office properties in 2004, the

We are in vacation mood, light-headed. Thinking of sun, beaches, cool rivers, tennis, swimming, lazy days and balmy mediterranean evenings. Property Finance Europe heads into its summer break and breaks the rhythm – namely no second-Monday-in-August issue, just as we also drop the fourth-Monday-in-December issue. The next PFE is due out on the fourth August Monday, the 22nd. Therefore we can surely be forgiven for climbing out on a very long limb, which is this: German residential property prices are going to go up. Yes, Germany. Yes, up, not down! No, not UK. Not France, not Spain. Not fast, maybe, but up. Rub your eyes and read this ridiculously audacious prediction again. The strange thing is that rises in capital values are not even a major assumption in the financial models of Cerberus, Fortress, Terra Firma, Citigroup, the Morgan Stanleys and the Lone Stars of this world. And these are very clever people. Emmmm.



It's not surprising that we are fairly much alone on this tree limb. Looking through the items in this 8th edition of PFE it's easy to see why the perplexity over German home prices is deep and wide. The signals are confusing and the opinion split between domestic and foreign investors is very clean: the American and British think German residential real estate is a good buy. Their German peers think they're crazy and are saying "goodbye" - to go invest in Miami condominiums. Make no mistake: SOMEONE IS WRONG HERE. During their own vacations our readers could do worse than to ruminate over where they stand on this issue.. or in my case, hang. It will make a big difference if you get this one right.

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Consider this: German analysts are generally later in their perception of value than Anglo-Saxons. And we are being polite here. Like Japanese, German analysts only believe in a trend once it has happened; they rely too heavily on the past. And the past is clear: the price of a single family home in Germany failed to keep pace with inflation in the 10 years to 2004 and rose by just 2.2% to an average E330,600. Apartment prices dropped 15% to E1,429 sq.m. NRW house sales dropped dramatically last year. Deutsche Bank Real Estate expects residential property to deteriorate further (but still bid for NILEG). Our money is with the foreigners. As the BIS analysis in June clearly showed, the overriding global economic dynamic today is the huge amount of liquidity seeking yield anywhere it can find it in the world – coupled with the almost complete absence of inflationary pressure. A strange and unusual phenomenom indeed. It is the reason why the European Central Bank has been consistently wrong for seven years in its warning about inflation dangers.

Eurocatalyst's Toni Moss picked up this crucial puzzle for her "Live from Rome!" conference coming up in late September. The total value of residential property in developed economies rose by $30tr over the past five years to more than $70tr – an increase equal to 100% of their combined GDP. As The Economist argued, not only does the current situation dwarf any previous house price boom, it is the most massive capital market bubble in history. The fact that lenders are moving up the LTV curve and down the credit curve to find new borrowers is firmly on Toni's agenda for discussion. It hasn't happened in Germany though and therefore it, er, can't… Or do you want to join me on this tree limb?

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Allan Saunderson, editor@pfeurope.de

exceptional payout of over €1bn in January 2005 equating to one quarter of NNNAV, or €23 per share. In addition, the IFRS income statement now included the valuation movements of the property portfolio.

Unibail is the second largest REIT/SIIC (Société d'Investissement Immobilier Cotée) in France by assets after Gécina, which is majority controlled by Spain's Metrovacesa after the takeover bid in spring. Unibail is a commercial property investment company mainly active in offices, shopping centres and convention and exhibition centres.

It reported that net rental income dropped 13.3% to €203m in the first half. However, growth in like-for-like net rents was almost 8%y/y, reflecting a strong letting performance and Unibail's strategic focus on a limited number of large prime properties.

As a result, the anticipated decrease in recurring earnings per share (EPS), announced and explained in February 2005, amounted to only 15.9% in 1H05 and 2% compared to the end of 2004.

After taking into account the change in asset and liability values under IAS 39 and 40, the group share in net profit in 1H05 increased sharply to €621m, or €13.7 per share.

Against a strong background of business activity, it said, "the announced target of a decrease of no more than 15% in recurring EPS for the full year 2005 should be reached. As for 2006, Unibail aims for double-digit growth of this key indicator." pfe

Fortress beats almost 50 bidders for NILEG as deal shows apartment portfolio prices rising

The auction by Norddeutsche Landesbank (NordLB) of its NILEG apartment holding company, won by the US-based Fortress Investment Group with a bid of €1.5bn in mid-July, attracted almost 50 bidders, according to the seller. And the sale proceeds showed that portfolio prices for German apartment portfolios are rising.

After the signing of the deal on 14 July, NordLB board member Jürgen Allerkamp told a press conference that Fortress had "come out on top among almost 50 interested parties" to win the structured bidding procedure. Media reports suggest the number had actually been 35 international and seven domestic institutions. Three of these were selected in the final bidding phase.

The factor that had swung the decision had been Fortress' intention to continue the operations of NILEG (Norddeutsche Immobiliengesellschaft) and its associated companies in a spirit of responsibility towards clients, tenants and employees, he said. "We are delighted to have found in Fortress an investor that is aware of its responsibilities and which sees NILEG as a long-term commitment and the basis for further growth," Allenkamp said.

In a separate press release, Fortress Deutschland made clear that NILEG's 28,500 apartments would become an important component of its long-term plans to create a publicly traded platform for residential real estate. Media reports indicate it is planning a listing in 2006 or 2007. Fortress is highly likely to be among the first to use a Real Estate Investment Trust (REIT) structure as soon as legislation allowing such a vehicle is passed. REITs are expected to be allowed from January.

Fortress Deutschland CEO Matthias Moser said, "For us, the acquisition of NILEG is an important component of our projected long-term involvement in Germany." Fortress would offer NILEG employees as well as tenants a perspective for success in the future.

"The decision in favour of Fortress shows that our concept for a large, long-term, capitalised holding company for German residential properties was convincing," Moser added. "A corporation that is open and transparent for investors offers the model for success in the future for state-owned and non-state-owned housing."

Fortress has acquired several apartment portfolios in recent years. The largest of these was GAGFAH, taken over in late 2004 from the public sector salaried employee pension and insurance fund BfA (Bundesversicherungsanstalt für Angestellte). Fortress is believed to have paid around €3.6bn to acquire GAGFAH, which holds some 80,000 apartments.

The NILEG deal puts the average apartment price paid by Fortress at €52,632, well above the €45,000 per unit in the GAGFAH transaction. Even if GAGFAH apartments were mainly built in the 1950 and '60s, NILEG is also more expensive than the Viterra portfolio purchased in late May by the UK's Terra Firma. It attracted sector criticism for having overpaid with a €7bn bid to buy the 150,000-apartment Viterra from the Eon energy conglomerate: The unit price was €46,667.

After the takeover, GAGFAH Chief Executive Udo Bachmann said the group wanted to reach 100,000 apartments, reshape into a nationwide trading company and list on the stock exchange. But the IPO, for which no date had been set, was independent of whether Germany introduces legislation to allow G-REITs.

NordLB is one of the 11 landesbanks in Germany that last Tuesday lost state guarantees in the long-planned abolition ordered by the European Commission. It has been raising liquidity and cementing partnerships fast in the last few months, and Allerkamp said the NILEG sale is an integral part of this strategy.

NILEG Immobilien Holding is one of the biggest real estate

Table: The Top Ten French SIICs (REITs)

In €m	Market cap Dec 2002	Market cap May 2005	Gross Yld [1] 2005
Gécina	2.732	6.070	5,04%
Unibail [2]	3.188	4.703	4,06%
Klépierre	1.672	3.532	3,54%
Foncière Lyonnaise	1.049	1.938	5,19%
Silic	743	1.292	4,28%
Bail Investissement	769	1.198	5,48%
EMGP	341	568	3,57%
Acanthe Developpement	163	290	15,82%
Foncière Pimonts	179	298	2,98%
Affine	89	193	5,80%
Totals/average	10.925	20.082	4,58%

Notes: [1] Gross yield is 2005 dividend/share price at 28 Dec. 2005.
[2] After exceptional dividend of €1bn paid in January 2005.
Source: IEIF, Fideuram Wagny, Société Foncière Lyonnaise

companies in north Germany. With turnover last year of €230m and 440 employees, it manages around 32,000 rented apartments and owns 28,500 of them. NILEG also actively promotes new housing developments. The parent company holds minority stakes in a series of municipal housing associations.

The purchase price paid by Fortress is above its own balance sheet asset value of €1.35bn.

Together with the holding company NILEG Immobilien Holding, Fortress is also acquiring the operating subsidiaries NILEG Norddeutsche Immobiliengesellschaft mbH, Osnabrücker Wohnungsbaugesellschaft mbH (OWG), Wohnungsbau Niedersachsen GmbH (WBN) und Wohnungsgesellschaft Norden mbH (WGNorden). The deal includes the assumption by the purchaser of all the obligations and protective provisions that NILEG Immobilien Holding entered into when it purchased OWG, WBN and WGNorden in 2000 and 2003.

Bremer Landesbank and the public-sector insurance company VGH Versicherungen will also be transferring their 10% stakes in NILEG to Fortress. Excluded from the sale are the Saxony-Anhalt state development company SALEG of Magdeburg, which employs about 50 people, a number of smaller associated companies and the facilities management company NORD/FM, which was sold to NordLB at the end of 2004. The deal still has to be approved by the government monopolies watchdog. pfe

PFE COMMENT: Considering that Cerberus Funds and Terra Firma are pursuing similar acquisition targets it is not unlikely that one or both was among the final three bidders for NILEG. Note also that the deal was closed on 14 July, four days before the end of state guarantees for landesbanks such as NordLB. We believe though that the most surprising news on this transaction, which PFE originally indicated in Issue 3 on 11 May, was the very large number of interested parties bidding. Until now, we have not been aware of so many institutional investors or consortia in this sector and it the increased participation of domestic institutions is significant. The unit price paid also indicates a cost of 1,170 sq.m. at an average apartment size of 45 sq.m., which is fairly uniform for this kind of employee accommodation in Germany. This is high but should still allow reasonable margin - assuming two principle manners of extracting value: privatisations to sitting tenants, and a stock market listing. Fortress is clearly on track to promote both these exits.

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Foreign investors in German apartments could get burned, Kempen says

Foreign institutions investing in German residential portfolios will find it very difficult to extract value, and the complexity of the market suggests that only those who have acted early and gained significant experience are likely to make profits, a new study by the Dutch investment bank Kempen & Co says.

Signed by Max Berkelder, the study says, "We think that only specialised parties and the early adapters will benefit from the favourable market conditions for German residential property in the longer run... We would not be surprised if some foreign investors get burned in the German residential market in the years to come as some parties seem to lack local expertise."

Kempen said the German residential market had proved not to be an easy investment market and required in-depth market knowledge. This was due to a high level of tenant protection that kept potential rent increases low, weak economic growth leading to low property sales in weaker economic regions, and the political sensitivity of job cuts that in some cases were needed to turn around a social housing company.

However, the reasons for the renewed interest in German rented housing was evident: an expected rise in the proportion of one, and two-person households, the low rate of owner-occupation in Germany compared to other industrial countries, the fact that German apartment prices had bucked the international trend and declined so that the risk of a further price fall was lower at present that the potential for price increases.

Kempen expects experienced players such as Deutsche Wohnen and Viterra, plus Investors such as Fortress and Blackstone that had been early movers, to benefit the most from the current build-up of activity and turnover in German residential real estate. Companies such as Vivacon should also be able to prosper through a strategy of splitting portfolios and selling them to end investors. pfe

CBRE sees commercial property demand surge, higher prices to meet European pensions shortfall

A major new study by the realtor CB Richard Ellis says the shortfall in European old-age care provision means pension funds need to boost real estate investment to between €15bn and €45bn per year. If they raise property assets to prudent allocation levels, a further €150bn to €350bn could find its way into global property over the next few years. "Not all of this needs be kept inside the EU-15 but inevitably a significant proportion will be," CBRE said.

The study, signed by Nick Axford and Michael Haddock, said one key impact from pension funds seeking to make up the predicted shortfall would be higher prices in the European commercial property market. The impact would partly be offset by the increased offer for sale of owner-occupied property but could still be of the order of 5-10% on average per year.

The current weighting of real estate assets in pension funds across Europe averages was around 6.5%, CBRE said. Even if this had risen over the past few years it was still well short of the 10%-15% that a multi-asset model showed they should hold. "If pension funds were to reweight in line with this allocation, a further €150-€350bn could find its way into real estate, albeit over a number of years," the study said. This would ultimately direct at least €24bn per year additionally into the EU-15 real estate market.

"To put this amount in context, German open-ended funds, at their peak in 2002/03, were

attracting only around €14bn per annum," CBRE said. "Between 35% and 40% of this will be in indirect investment, with the majority of that directed to listed vehicles. Indirect investment of this scale will require a substantial expansion in the total value of listed property securities."

PROPERTY FINANCE EUROPE - *BULLETIN BOARD*

Thursday-Friday 8-9 September 2005 - European Public Real Estate Association Annual Conference 2005, Paris

EPRA is organising its Annual Conference on Growing the European Publicly-Traded Real Estate Industry. Topics include: Assets: Where to invest next, Equity: Broadening the institutional investor base, Exits from Opportunity Funds, French Property Sector: What is around the corner?, Debt: Financing alternatives, Is going global the next step?

Speakers include: Patrick Artus-IXIS CIB, Alec Emmott-Société Foncière Lyonnaise, Ines Reinmann-EMGP, Tony Clochetti-MIT Real Estate, Piet Eichholtz-Maastricht University, Roderick Munsters-ABP, Jean-Louis Laurens-Axa IM, Tony Watson-Hermes, Jussi Laitinen-Ilmarinen, John Langlois-Morgan Stanley Properties (China), Stephen Vernon-Green Property, Chad Pike-Blackstone, Mark Newman-Lehman Brothers, Patrick Sumner-Henderson, Lionel Botbol-UBS, Jeppe de Boer-Goldman Sachs, John van Leeuwen-Corio, Andrew Macfarlane-Land Securities, Gerardo Benuzzi-Pirelli Real Estate, John de Die-Rodamco, David Simon-Simon Property, Nick van Ommen-EPRA.

More information at http://www.epra.com.

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Monday-Tuesday 12-13 September 2005 - Global Real Estate Institute Summit 2005, Paris

Henri Alster. is organising the GRI Annual Summit on European Real Estate Investment & Development: Winners and Losers.

Speakers include: Bernard Kouchner-Founder, Médicins sans Frontière, Eric Chaney-Morgan Stanley, Jeffrey Schwartz-Prologis, Jürgen Fink-Hypo Real Estate, Olivier Piani-GE Real Estate, Aref Lahnam-Orion Capital, Tim Wheeler-Brixton, Hamid Moghadam-AMR Property, George Kountouris-CSFB, Guy Nafilyan-Kaufman & Broad, Nick Jacobson-Deutsche Bank, Eckart John von Freyend-IVG Immobilien, Howard Ronson-HRO Group, Jean-Francois Brand-Banque de France, Philippe Robin-France Télécom, Patrick Lesur-Eurohypo, Christophe Kullmann-Foncière des Régions, Pierre Vaquier-Axa REIM, Maryse Aulagnon-Affine, Bruno Cohen-IXIS AEW, Nicolas Simon-Henderson, Robert Brook-Kenmore Property, Ugo de Bernardi-Generali Properties, Jean-Claude Bossez-Bail Investissement, Jean Paul Dumortier-EMGP/FSIF, Bernd Knobloch-Eurohypo. More information at www.globalrealestate.org/summit/summit2005.

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Monday-Tuesday-Wednesday 26-28 September 2005 - EuroCatalyst 2005: Live from Rome

EuroCatalyst is organising its Live from Rome conference on the European mortgage industry. In addition to an ongoing dialogue to capture opportunities through the entire value chain of European mortgage markets, this features a full day on the Italian market's emergence onto the global stage in light of recent covered bond legislation. Regional markets covered include the UK, Germany, Netherlands, Spain, CEE and the Nordic Region.

Speakers include: Michael Coogan-Council of Mortgage Lenders, Stephen Knight- GMAC-RFC, Tim Skeet-ABN Amro, Matt Gilmour-Infinity Mortgage, Mario Cortesi-Citigroup, Enrico Cantarelli-Italian Treasury, Sandro Cocco-Banca Intesa, Valeria Picconi-Genworth, Alan Boyce-Soros Group, Todd Groome-IMF, Harsha Shewaram-European Commission, Ferdinand Veenman-GMAC-RFC, Erik Urskov-Nykredit, Matthew Sebag-Montefiore, Bill Keenan-DeNovo, Clive Wood-Royal Sun & Alliance, Liam Coleman-Nationwide, Trevor Pothecary-Mortgages Plc, Michael Bolton-Birmingham Midshires, Stuart Jennings-Fitch Ratings, Thomas Kretschmar-Hypoport, Bernhard Scholz-Münchener Hypothekenbank, Joerg Wulfken-Mayer Brown Rowe & Maw, Johannes Luef-VP Denmark, Tobias Just-Deutsche Bank, Julian Callow-Barclays Capital, Louis Hagen-Ass. of German Pfandbriefbanks, Rob Thomas-Council of Mortgage Lenders.

More information at www.eurocatalyst.com.

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Wednesday-Thursday 28-29 September 2005 - German and Northern European ABS including the inaugural issuers' and investors' Summit on German Non-Performing Loans, Hamburg

Information Management Network (IMN) is organising its autumn conference on German and Northern European Asset Backed Securitisation, including its first Summit on German NPLs.

Speakers include: Michael Weller-Clifford Chance, Hans-Jürgen Fritz-ABN Amro, Markus Schaber-Deutsche Bank, Stefan Krauss-Hengeler Müller, Detlef Scholz-Moody's, Hugo Doswald-TXS, Matthias Renner-WestLB, Nicolaus Trautwein-Commerzbank, Susanne Matern-Fitch, Jens Rinze-Lovells, Torsten Althaus-Standard & Poor's, Dieter Glüder, KFW Group, Hartmut Bechtold-True Sale Intl., Ulf Kreppel-White & Case, Ulrich Lotz-Deloitte & Touche, Christoph Hultsch-Ernst & Young, Wolfgang Richter-Eylaw Luther Menold, Igor Zizic-HVB, Julian Tucker-Shearman & Sterling, Hans Dahringer-Calyon, Andreas Peter-Clifford Chance, Ralf Hesdahl-Mayer Brown, Rowe & Maw, Oliver Kessler-Lovells, Bjoern Reinecke-Volkswagen Bank, Jens Lillelund Jørgensen-HSH Nordbank Copenhagen, Gunther Plohr-HSH Nordbank, Markus Reule-Royal Bank of Scotland, Andreas Schenk-Württemberger Hypo, Katie Hostalier-Commerzbank, Dagmar Schemann-Teuber-ABS+MBS Consulting, Usman Ismail-Lewtan Technologies, Caroline Junius-FSA. More information at www.imn.org.

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CBRE said this would certainly provide a further incentive for European countries to develop tax transparent REIT-type vehicles to absorb this extra funding.

Although the additional €24bn annual investment capital was a substantial amount in the context of the existing European real estate investment market, which in 2004 turned over €103bn, the market was capable of absorbing this. At present, only around one-third of the 'potential' investment property was actually owned by third parties. However the pension fund demand would accelerate the range of property types and locations on offer, and this would benefit emerging real estate sectors such as leisure property and care homes, and also emerging markets.

Axford, who is CBRE European Head of Research, said, “At a time when the prevailing theme across the European investment market is lack of stock, it may seem difficult to see how an increase in demand for property could be accommodated. We are already seeing a myriad of new funds and vehicles entering the market and this growth is set to accelerate. The principal beneficiaries will be those markets and sectors that have until now have been underexploited by major investors. In these areas of the market we are likely to see substantial growth in investor demand and a consequent increase in property values over the medium term.”

CBRE based its real estate conclusions on an analysis of pension requirements which showed that without reform, old-age care spending across the 15 most developed European Union countries would rise to 13.6% of GDP by 2040 from 10.4% in 2000.

This would vary considerably between countries. Greece, which in 2000 spent 12.6% of GDP on state pensions, will see that figure rise to 23.8% by 2040. In Spain, the figure will rise from 9.4% to 16% and in Ireland it will rise from 4.6% to 8.3%. It sees the UK as the only EU-15 country where public pension expenditure will decline, from 5.5% in 2000 to 5.0% in 2040.

"The pensions shortfall, predicated upon declining birth rates and increased life expectancy, is a major problem for every European economy and presents a very significant funding challenge," the study said. "Across Europe, the annual investment needed to fund future pensions is between €150bn and €300bn, or about 1.5 to 3% of GDP." pfe

Refinancing register amendment to boost German true-sale mortgage securitisations

The German government has passed an amendment to the German Banking Act designed to facilitate true-sale securitisations by introducing refinancing registers, and this will particularly benefit mortgage-backed securitisations previously hindered by the high costs of transferring registered mortgages, the legal group Mayer Brown Rowe & Maw said.

The key elements of the amendment, passed on 8 July, are introduction of a new refinancing register which provides for an insolvency-remote and cost efficient transfer of claims and security rights by originators or refinancing intermediaries for the benefit of a Special Purpose Vehicle, refinancing intermediaries or mortgage banks.

The refinancing register can be maintained and administered by regulated credit institutions, the Bundesbank central bank, the partly state-owned KfW Group, and certain federal governmental agencies. Assets eligible to be registered are claims and/or security rights in respect of which an SPV, a refinancing intermediary or a mortgage bank registered as beneficiary in the refinancing register has a claim for transfer. In addition, claims may even be registered and sold if they are subject to an "oral or implied" restriction on assignment, Mayer Brown said.

In the event of insolvency of the originator or the refinancing intermediary, the registered beneficiary is entitled to demand segregation of the registered assets from the insolvency estate. For each entity maintaining a refinancing register, the German supervisory authority BaFin appoints a person as administrator who then supervises the administration of the register.

Mayer Brown said the right to segregation does not require the actual transfer of registered claims and security rights to the beneficiary, and registration in the refinancing register is sufficient to create this. "In respect of registered mortgages (Buchgrundschulden), it will therefore no longer be necessary to transfer and register the mortgages in the name of the beneficiary in the land register (Grundbuch)," it said. "This means that registered mortgages will be eligible for true-sale securitisations without costly re-registration in the land register."

It added that the amendment constitutes a significant step

Table: Large-cap German real estate stocks

Company	Price[1] In €	Market cap €m	P/E Ratio 2004	Dividend Yield	Free Float
IVG Immobilien	15,5	1.798	25,5	2,26%	57,5%
Deutsche Wohnen	184,0	768	59,9	4,76%	84,3%
Deutsche Euroshop	46,3	723	26,1	4,15%	79,0%
Dibag Industriebau	30,5	549	35,1	2,95%	2,4%
RSE Grundbesitz	9,0	363	-	0,00%	2,7%
GBWAG	46,5	302	48,9	0,77%	50,0%
Nymphenburg Immob.	400,0	225	57,6	1,75%	-
Vivacon	12,9	224	27,9	0,00%	65,0%
GAG	23,0	430	10,2	2,18%	8,8%
Hamborner	27,3	207	28,5	3,30%	31,3%
GBH	28,0	202	15,5	1,25%	8,9%
B&L Immobilien	17,8	196	-	0,00%	11,1%
Stodiek Europa Immob.	8,7	127	10,2	2,30%	5,6%
Schossgartenbau	502,7	106	-	3,98%	4,9%
AIG Intl. Real Estate	25,5	96	12,1	0,00%	70,4%
Rathgeber	1280,0	81	-	0,00%	1,2%
Deutsche Beamten Vorsorge	8,5	80	-8,1	0,00%	100,0%
Stilwerk	5,7	57	570,0	1,75%	5,2%
Anterra Vermögensverwaltung	15,9	58	14,3	6,29%	50,4%
TAG Tegernsee Immob.	7,3	50	22,1	0,00%	45,0%
Bau-Verein Hamburg	5,7	48	31,6	0,00%	12,1%

Source: M.M. Warburg & Co. Investment Research
Notes: [1] at 5 July 2005

Most German landesbanks assessed with A-ratings as new era dawns without state guarantees

All but one of the 11 German landesbanks were assessed with stable A-ratings as a new era dawned last week requiring them to operate in financial markets without state guarantees for the first time, in some cases, for well over a century. Only Landesbank Saxony was given a BBB rating by Standard & Poors, but this was largely expected.

The state liability guarantee and maintenance obligation (Gewährträgerhaftung and Anstaltslast) were abolished at the request of the European Commission, which reacted to complaints of unfair competition from the German private banking sector lodged in 1999.

The twin state guarantees allowed landesbanks and savings banks access to cheap funding through high, near-sovereign ratings and therefore gave them an advantage in general lending activities.

The EC reached agreement in 2001 with the German SPD/Green federal government that the state guarantee laws would become illegal after a four-year preparation phase. In the last few years, and more particularly over the last 18 months, landesbanks have been desperately casting around for new strategies, business models and/or partners prior to the deadline for the abolition on Tuesday 19 July.

The German government also changed the Pfandbrief/covered bond law to take effect on the same day. This allows all qualifying banks, aside from just mortgage and public sector banks (landesbank/saving banks) to issue such financing instruments, which are fixed income securities secured against a dynamic cover pool of property or local authority loan assets, and have a history of over two centuries.

The Berlin-based Mortgage Banking Association (VDH) was quickly followed suit, focused on its core function of representating Pfandbrief-issuing banks and, on the same day, renamed itself the Association of German Pfandbrief Banks (VDP).

"Starting on 19 July 2005, a unified covered bond law applies to all German Pfandbrief issuers, the Pfandbrief banks" VDP President Louis Hagen wrote in a letter to all contacts dated that day. "It makes the Pfandbrief, the 230-year-old invention of Frederick the Great, even better."

Even after the abolition, most commercial banks still do not yet expect the playing field to become completely level. Federal states in most cases provide a tacit guarantee for their local landesbanks and, in some cases, remain involved in their capital. However pressure has been growing to dismantle the clear, legal separation of the three 'pillars' in German banking - the private, landesbank/savings and cooperative banks - and to allow takeovers between sectors.

This would imply that state governments, with budgets undr particularly intense pressure, would at some stage want to completely withdraw.

Dismantling of the sector separation is likely to receive a strong boost with the near-certain arrival of a centre-right opposition Union-Liberal coalition to power after federal elections on 18 September. Christian Democrat Chancellor Candidate Angela Merkel, as well as many powerful state premiers, see the separation as being outmoded.

They also want to secure local landesbank institutions by encouraging them to acquire capital and seek support from other sources as well as to find business models that are viable in a commercial market context. Many have either set up guarantee funds or expanded and solidified links with local municipal savings banks in their regions.

Despite this, the Handelsblatt newspaper reported continuing expectations that only three or four landesbanks would survive in a few years' time. It cited Hypovereinsbank analyst Luis Maglanoc as saying, "Landesbanks have been able to locate capital for themselves that should be enough for at least the next two years. A new wave of consolidation is only likely to happen in the medium term."

Without waiting for new legislation, the largest of all, Landesbank Baden-Württemberg (LBBW), only last week announced plans to make an offer for a private institution, Trinkaus & Burkhardt. LBBW already owns 20.3% of Trinkaus, and the HSBC Group holds 73.5% in a stake that it inherited during the takeover of Britain's Midland Bank PLC in the early 1990s.

LBBW's ambitious chairman Siegfried Jaschinski has said that his institution would make private client business into one of its core activities. Trinkaus is mainly a private client securities house, and is seen as too small to provide a platform for any wider ambitions HSBC might nurture in Germany.

Standard & Poor's analyst Stefan Best told the Handelsblatt that the new ratings for the landesbank group, albeit stable, were based on implicit guarantees from the public sector.

"Here, we expect that the support from the states will diminish over time," he said. "In addition of course, the landesbanks will now have to prove that their restructuring and their cooperative activities with the saving banks can bear fruit."

"Some of the S&P ratings applying after aboliton of the state guarantees are based on our anticipation of a stronger connection with their local savings banks, which are themselves guaranteed through the regional liability system," he said. But in other cases where ongoing state support was assumed as the major guarantor, a withdrawal of the state government from the landesbank capital would in all likelihood trigger a downgrade. pfe

HBOS sets up first continental European property fund with €600m IERET

Insight Investment, the asset manager of the Halifax and Bank of Scotland group, announced the first stage in expansion of its property business into continental Europe with the launch of the Insight European Real Estate Trust (IERET), a €600m pan-European closed-ended real estate fund incorporated in Luxembourg.

IERET is aimed at commercial real estate in western Europe, ex UK, and will have a special focus on France, Belgium, Spain and Germany. Initial pre-funding is provided by HBOS, and it is intended to be opened to external investors in 18 months, once critical size and investments have been achieved.

Insight said IERET has an income and growth investment philosophy, targeting out-performance of local property markets with an active style of management. It will be run by Tony Smedley, who joined Insight from Fountain Capital Partners, having previously led some of Jones Lang LaSalle's investment teams in Europe. He will work closely with Chris Ludlam, director of property fund development and Duncan Owen, managing director of Insight property.

IERET is currently close to acquiring substantial new portfolios and other assets, and has made a first acquisition of a 21,350 sq.m. logistics warehouse near Madrid.

Owen said in a press release, "This is the beginning of our development into the continental European region and we plan further expansion over the next 12 months." The four named countries offered the most attractive opportunities currently, but, "over time, we will broaden our reach to include the other main developed European commercial property markets of Netherlands, Italy and possibly Portugal."

"Our strategy will be to acquire properties with fundamentally strong characteristics – good assets in good locations but with opportunities to improve growth with active management. We intend to build a well-diversified portfolio both by sector and geography with a broad cross section of tenants generating above average yield in our first 'core plus' European vehicle." pfe

The PFE Interview: Dr. Bernhard Köhler, CEO, Swisscap Investment Management AG

Pfäffikon's Swisscap opens fund of fund for pension institutions and other global investors seeking to diversify out of own backyards

Swisscap's Bernhard Köhler, launching property fund-of-funds

It is an idea whose time has come: A fund of funds for institutional investors, to allow them to spread risk in indirect real estate investments by region, by type and by manager. And to offer this, working together with Germany's IVG Immobilien, out of Pfäffikon in Switzerland to the country's pension funds and insurances as well as foreign investors hitherto over-invested, like the Swiss, in their own backyards.

"The time is right for a real estate fund of funds, particularly because the concept is already being implemented very successfully in other asset classes," Bernhard Köhler, CEO of Swisscap Investment Management, told PFE in an interview. "We have seen lively interest in what we are doing. The market is opening."

Swisscap, through the closed funds it establishes, aims to identify different kinds of indirect property investments, in particular targeting Real Estate Private Equity Funds.

Köhler, a German national, started the concept of Swisscap two years ago and has now launched the first fund, aiming at €100m. It opens in September and he hopes to close it off by the end of June 2006. German listed property company IVG Immobilien is a major shareholder and acts as a cooperation partner but has contributed no seed capital. Its CEO, Eckart John von Freyend, sits on the Swisscap supervisory board alongside Franz Hidber, former CEO and supervisory board chairman of Züblin Immobilien Holding.

Swisscap, with just five staff in Pfäffikon, aims to handle fund selection according to the global real estate opportunities it identifies, and also the quality of the external managers it can find. It draws on a database built up over the last two or three years, which holds 450 property funds, of which around 60% are European, 30% US-based, and the remainder in Asia. It also has a wide network in the sector, and can draw on IVG local expertise in Berlin, Brussels, Budapest, Düsseldorf, Frankfurt, Hamburg, Helsinki, London, Paris, Milan, Munich, New York and Stockholm.

"This is a great support, particularly in the investment decision," Köhler said. "It's very useful to know how the local office sees the deal if a property is bought by one of our external managers in, say, Milan or London or Paris."

Swisscap's core investor group, around 5,000 Swiss pension funds and insurances, is mainly invested in domestic real estate which was completely protected from foreign acquisition until the passage of Lex Friedrich in 1997. This now allows partial foreign access with the permission of the federal state or canton but still constrains investment returns. As a result, Swiss institutions want to diversify assets to reap potential opportunities abroad, but have little experience.

"They know a lot about German and US equities and bonds because they are invested there already, but until now have only been in real estate at home," Köhler said.

The first Swisscap fund would not be leveraged by raising debt finance, simply because the funds it intended to invest in had their own leverage for their property assets, he added. The fund of funds would aim to diversify assets over 8-12 different target funds, with the core group ideally being only 60% leveraged and in any case no higher than 75%. There was no intention to dictate in advance any regional focus of the target fund assets. "We are not going to say, for example, they must have a minimum of 50% of assets in Germany," Köhler said.

The target funds could also follow a diversity of strategies, drawing on either the standard London or Paris office assets, or identifying other opportunities. The main criterion was maintaining liquidity in the investment. "You must know at the start how do I get out. This is very important," Köhler said.

Despite this, the institutional nature of the capital and the fund-of-fund strategy meant that the advent of Real Estate Investment Trusts (REITs) in Germany and other European countries would make little difference to the business model. "REITs don't concern us so much. We are in the real estate and not the securities market," he said. "But this of course could turn out to be a good exit possibility within the strategies of the target funds."

In building Swisscap, Köhler is laying great emphasis on transparency – both in the internal investment decision and tracking, as well as in the external reporting back to the client. "There will be capital available for those fund-of-funds that can provide transparency through their investment managers," Köhler said. "This is very important for a lot of managers, and this aspect of the product is oriented toward the needs of the future. We are already seeing a lot of interest." pfe

German office investment volumes sink by 8% in first half - Atisreal

Office investment volumes in the five major German cities Berlin, Düsseldorf, Frankfurt, Hamburg and Munich fell in the first half of 2005 to €2.13bn, 8% down on 1H04, but rental volumes rose as demand strengthened, the realtor Atisreal reported.

Nationwide, however, more than €5bn of commercial property changed hands in first half 2005, with many deals in the form of portfolio transactions concerning pools outside the large conurbations. Of these, office property comprised only 60% of total volume compared to 74% during 1H04, and for the first time Opportunity and Private Equity funds were the largest single investment group, making 18% of all such investments by volume.

In all, foreign purchasers were involved in over one-third of the commercial transactions Germany-wide, while German institutions showed proportionately more moderate interest than in prior years.

The largest transaction location in 1H05 was Frankfurt, at €735m in total, mainly driven by the €472m takeover of a Frankfurt skyscraper by DekaBank from its property fund arm, grappling currently with huge amounts of investment redemptions. Munich experienced the strongest fall in investment activity, down 67% to investment turnover of just €193m.

Yet at the same time, demand picked up for office rental space, Atisreal, a subsidiary of BNP Paribas Real Estate said. This demand was balanced across all types of usage, and rental levels for the most modern space had stabilised after an aggregate downward drift last year. By contrast, older offices continued to see falls in rental levels in all major German conurbations. pfe

Provision of single workplace cost €11,725 in Germany last year

An all-in calculation of providing a single workplace in Germany fell last year by 4.2% to €11,725, according to a total cost assessment by the company CREIS Real Estate Solutions, based in Seebruck.

It calculated in factors such as space required, technology, furniture, equipment and infrastructure support for a single worker. pfe

Ifo sees stronger, near-3% shrinkage in German construction investment

The Ifo Institute in Munich has revised down its prognosis for construction investment this year to a contraction of 2.8%

in real terms, after seeing only a shrinkage of 0.8% at the start of the year, according to a report in the Immobilien Zeitung newspaper.

But Ifo predicts the downturn should slow to 1.8% in 2006. Residential housing supply is still contracting, and Ifo predicts negative investment growth of 2.7% for this year followed by -2.4% in 2006. Commercial property construction investment is expected to decline by 2.8% annually in real terms in both years.

Only in public infrastructure projects does Ifo forecast an expansion; it sees investment in this segment up by 3.5% next year, almost completely balancing out the 3.7% shrinkage in this sector too in 2005. pfe

German property investment fund outflows reach €500m in first half 2005

Latest German investment fund association (BVI) figures show that investors withdrew capital of around €500m from property funds during the first half of 2005 - even though this was less than the massive €3.1bn withdrawn from equity funds in the same time period.

DekaBank's real estate funds continued to be the main reason for the outflows during the period, with Deka funds alone seeing capital withdrawals of €1bn. However the cooperative banking fund Difa AG came close to this at -€948m, while the CGI fund was down €693m.

By contrast a number of other funds, mainly those diversifying most strongly out of domestic German investments, saw significant inflows. These were led by KanAm Grund KAG in a net capital plus of €868m in the first half, CSAM at €707m and Axa Investment attracting €389m. pfe

Property fund returns fall below average in 12 months to June

Open real estate funds in Germany showed a total return in the 12 months to June 2005 of 3.3%, well below the average of 4.2% over the last five years, German investment fund association (BVI) figures show.

Equity funds showed the main returns, with an aggregate 11.7% over the same time period, compared to a negative return of 6.4% on average in the last five years.

Among property funds, the two best performers were Kanam Grundinvest, 6.2%, and WestInvest ImmoValue, rising 5.3%. pfe

Dresden council votes to sell 50,000-apartment Woba holding company

The city council of Dresden has voted to sell off 100% of its publicly-held residential apartment company Woba Dresden GmbH. It thereby ratified the decision in princple made in June to sell at least 75% of the homes holding group.

Woba owns 50,000 home units, mostly apartments, and has around 17% of the residential property market in the city. The City of Dresden aims to implement the sale at the beginning of 2006. pfe

DrKW says IVG Immobilien price discount to NAV should disappear soon

Dresdner Kleinwort Wasserstein gave a boost to shares in IVG Immobilien with a note in early July that said the market had yet to price in its potential to convert into a Real Estate Investment Trust (REIT). It began covering the stock with an "Add" recommendation to a €16.6 price target.

The note said IVG's share price performance over the last two years merely corrected a 40% discount to Net Asset Value and brought it back to standard levels around 10% below NAV. The potential for the stock, if the company converts to a REIT, is not yet priced in."Thanks to the political consensus, we expect REITs to be introduced in Germany quickly after the elections, and with them IVG's current forward NAV-discounts should disappear," the note, signed by analyst Philipp Schweneke, said.

The bank estimates the potential REIT market in Germany at €50bn-€137bn in size. "Looking at the US experience, the planned exit tax is the crucial piece of the puzzle that should drive the disposal of real estate as a prerequisite to REIT success," it said. Consensus among all major political parties imply a swift introduction after the early federal election.

"We expect G-REITs to help the overall real estate market as they should increase demand for real estate, increase liquidity, and thus boost NAV and discounts," the note said. "The IVH share should be carried by the expected REITs-induced real estate euphoria and re-valued in line with other REIT companies for the coming two years."

However, longer term consequences of REIT introduction could have negative implications for IVG. This could increase competition for IVG's current growth business, fund management. Opportunities for lucky buys could become significantly fewer, which is a risk since they contributed two-thirds of IVG's past NAV growth, and IVG might be worth more as a property AG than as a REIT since the effect of the lower sustainable growth may outweigh the present value of the tax savings. pfe

Allianz to unify and boost group residential mortgage business

The Munich-based Allianz insurance group has decided to take advantage of the booming residential mortgage market in Germany and boost its activities in the segment, the Immobilien Zeitung newspaper reported.

It quoted Walter Gutberlet, Allianz director for private clients, saying, "We want to try to get up to roughly the same level as the savings and the cooperative banks." Currently Allianz, which also owns Dresdner Bank, has a very small market share of just 3% with its home savings plan products, and only 4% with its residential mortgage financing overall.

Gutberlet said the group would bring together the mortgage activities of all its sectors under the division title "Build and Live" ("Bauen & Wohnen"). These included Allianz life insurance, Allianz insurance, Dresdner Bank, and Allianz Dresdner Bauspar. The group has distribution through around 10,000 Allianz agencies Germany-wide. pfe

Frankfurt apartment price decline boosts sales in first half 2005

The decline in price of new apartments in Frankfurt am Main has resulted in a 17% increase in sales in the first six months of the year, an official assessment made for the City of Frankfurt showed.

Some 245 apartment dwellings were sold in the first six months of 2005, at an average price of €2,480 sq.m. This compared with 144 sold in the same period last year, when the average price paid was €2,800 sq.m.

The most expensive parts of the downtown area, selling at some €3,000 sq.m., were Sachsenhausen, south of the River Main, as well as Frankfurt's West, North and East-end districts. pfe

PFE COMMENT: Not surprising really that the German residential property market is providing near complete confusion to domestic and foreign investors alike! Prices are falling AND demand is rising. How can that be? The answer is that the very strong demand in the German residential property market is so unusual and so sudden – only really since the start of this year - that none of the professionals in the sector believe it is for real, i.e. sustainable for a longer period. It has never happened before in this way. Not in the post-WW2 period – and that covers pretty much all of us by now. Because of this none of the economists or professional analysts – including, notably, those at the country's largest financial institution Deutsche Bank – are prepared to predict price rises.

2004 saw heavy downturn in home sales in Germany's largest state – minister

The sale of land plots, houses and owner-occupied apartments in Germany's most populous state of North Rhine-Westphalia fell dramatically last year, according to the state's new Interior Minister Ingo Wolf.

Compared to 2003, apartment sales were down 10%, single and double-family home sales fell 14%, and 21% fewer building plots changed hands. Prices of apartments and homes also declined, by respectively 2% and 1% on average. A steady though slow increase in the cost of building land that had been in place since 1989 came to a standstill.

The findings results were contained in an official government report on conditions in the NRW property market. pfe

Cerberus/Goldman's Berlin GSW apartment company plans two small portfolio sales, privatisations

The Berlin housing company GSW acquired last year by a consortium of Cerberus and Goldman Sachs intends to sell off 9,500 apartments in two portfolios, and is well into a privatisation program for other units at prices between €1,000 and €1,200 sq.m., the Immobilien Zeitung newspaper reported.

It cited GSW Chairman Thomas Zinnöcker as saying that a bid auction is currently in progress for a pool of 4,500 apartments mainly in the Spandau and Wedding quarters of Berlin. Another pool of around 5,000 was planned before the end of the year.

The formerly state-owned GSW (Gemeinnützige Siedlungs- und Wohnungsbaugesellschaft Berlin mbH) was sold off by the City of Berlin in two stages: in 2001, Lone Star Funds acquired a portfolio of 70,000 apartments at a price per unit of around €25,500, and three years later Cerberus and Goldman – through its Whitehall subsidiary – picked up a pool of 65,000 apartments for a unit price of around €30,000.

Zinnöcker told the IZ that current privatisations included an offer of 2,000 apartments to sitting tenants in the Köpenick, Pankow and Prenzlauer Berg suburbs, and that about 8,000 apartments out of the total portfolio were suitable for sale in this way.

GSW expects an operating provite of €13.9m for the current year, up 50% compared to 2004, he said. pfe

PFE COMMENT: We are always open to correction on our arithmetic but, given an average apartment size of 45 sq.m. and a price of 1,200 sq.m., total proceeds for the investors from GSW would be 3.5bn if they privatised the entire portfolio to sitting tenants – compared to the initial purchase price last year of just under 2bn. Clearly this is not going to happen. The wholesale-retail trick for entire portfolios of this size is obviously not the optimal workout. Exits here will be privatisations, small portfolio sales and probably a stock market listing or listings next year whether G-REITs are permitted or not. But that gives a lot of margin for Cerberus and Goldman to made the odd error and still pay off the financing and make good money to take home. Given the former's ongoing search for more German residential assets – alongside many other foreign competitors – it seems as though our mathematics cannot be that far wrong.

Scope rating agency announces its first German real estate sector awards

In a further sign that the German real estate sector is awakening out of its slumber, the rating agency Scope has announced nominations for the first “Scope Awards”, 20 categories for various kinds of best performers in real estate and other sectors that will "honour the managers and companies who have made extraordinary good achievements in the last 12 to 24 months”, according to Scope Holding Director Florian Schoeller.

With prize-giving scheduled for 13 September in Cologne, nominations in 10 Award categories are concentrated in open and closed funds, with the remainder devoted to single categories, Scope said in a press release. In the latter, three businesses or investments will be judged according to product quality and reliability, transparency and continuity, innovation strength, and strategic vision. Special Awards will be handed out in the categories Innovation and Transparency.

Nominees in the real estate section are: CGI, DB Real Estate, DIFA, HansaInvest, iii investments, KanAm, SEB, AXA, HGA, IVG, Hahn-Immobilien, Immac, US Treuhand, Jamestown, and Tomorrow Fund. The jury comprises 10 Scope analysts. pfe

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The Paris-based **International Real Estate Federation (FIABCI)** inaugurated Malaysian national **Dato Alan Tong** as president in a ceremony in Athens in June. Tong has an extensive real estate background and is current chairman of two private companies he formed in 2000 to undertake property development. In the 1990s he founded and eventually listed Sunrise Bhd, selling it in early 1997, a few months before the Asian financial crisis. Tong was also active in Malaysian politics and in 1994 was conferred with the title of 'Dato' or Knight Commander by the Sultan of Selangor… **Vivico Real Estate** Chairman **Dirk Grosse-Wördemann** is leaving the company at the end of this year to join the Allianz group as chairman of its **Allianz Immobilien GmbH** unit. Grosse-Wördemann (43) will succeed Wolfgang Fink who is retiring. Grosse-Wördemann has been Managing Director of Vivico since 1996, before its renaming from EIM Railway Property Company (Eisenbahnimmobiliengesellschaft). At Vivico Grosse-Wördemann had most recently been grappling with the problem of Frankfurt's €780m Urban Entertainment Center (UEC) project... Bayerische Landesbank's head of commercial property **Tobias Friedrich** has moved to **Lohnbach Investment Partners** in Frankfurt to take the position of Director Work Out. Lohnbach, which specialises in the acquisition and workout of non-performing loan portfolios, was founded just over a year ago by **Ruprecht Hellauer** with seed funding from the Soros Group... **Leif Hoffendahl**, who for the last 15 years has headed the Munich property consultant **Rohrer Immobilien**, has set up his own group, named the Leif-Group. pfe

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