

Netherlands fund manager Bouwfonds back in more serious talks with Vastned over takeover - sources

The asset manager Bouwfonds, part of the Netherlands-based Rabobank cooperative banking group, has resumed talks with Dutch retail REIT/FBI Vastned Retail with a view to making a takeover offer after VR was told by institutional investors to re-start discussions with acquirors.

Senior sources at the INREV annual conference said Vastned late last year was interested in being acquired but did not provide potential buyers with adequate access to its books to make an due diligence. Instead, the firm instigated a private auction in which none of the institutional bidders were, under these circumstances, prepared to participate.

"I don't think anyone actually turned up," one source said. "The major institutional investors then told them to talk seriously to potential acquirors and give them the access they needed."

Bouwfonds was planning a bid last year in conjunction with the Inflation Exchange Fund, a real estate fund that it launched and now manages. Although no one major institution has an overriding stake in Vastned Retail, its equity is 74% held by institutions, mostly in Belgium and Netherlands. The sources said Bouwfonds has just restarted talks with VR and will be entering the due diligence process soon, which is likely to take about two months. The commitment to restart talks came from demands in the shareholders meeting on April 8.

Separately, VastNed Retail said in a statement that it has signed an exclusivity agreement with IEF for a period of six weeks, starting last Monday. This period will be used, "to deal with all relevant matters for a transaction of this nature and size and to negotiate and agree a merger protocol including the terms and conditions of the above offer."

Vastned Retail owns some 560 properties mainly comprising shopping centres, retail warehouses and inner-city shops, and worth a total €1.83bn. Its share price was last trading around €65, down about €20 from its peak in mid-2007, and giving a market cap of around €1.1bn. IEF had made an indicative offer last year of €70 per share. pfe (*For a full report on the INREV annual meeting in Istanbul, please see the next PFE issue, 73, the Edition to be published on 12 May*)

Australia's GPT, Babcock & Brown said marketing €900m European light industrial portfolio

The two Australia-based property groups GPT and Babcock & Brown are currently marketing a light industrial portfolio asset of roughly €900m of properties, PFE has learned.

The assets are located in Germany, The Netherlands, France and Denmark. Informed sources said the capitalisation rate on this deal is 6.4%. However, many investors consider this as slightly low, one source said, declining to be identified.

The companies have not yet made public any details on the portfolios. pfe

European property fund association asked to research Asia too – INREV's van Doorn

The European property funds association INREV has been asked by

PFE issues now numbered, next Edition 12 May

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members to broaden its mandate to research target investments outside the region, according to CEO Lisette van Doorn.

She told a news conference at the fifth annual meeting two weeks ago in Istanbul that INREV,

on the inside pages

European real estate fund returns hit by sliding UK, currency shifts

Finland to launch residential-only REITs as commercial lobby launches study

Constantia Bank and two I's in Old Vienna

Column: Forward Thinking

Moody's with negative outlook on Spanish banks due to property

Vienna's Immoeast Warsaw disposal brings 12mth sales to €250m

Norwegian Property to offload Norgani hotel chain after six months

Danish insurer Købstædernes takes stake in Icelandic Property Group

European retail deal volume dips to €3.9bn in first quarter - JLL

GE Real Estate buys €1.3bn loan portfolio from Capmark Europe

RREEF Italy to sell €1bn in opportunistic JVs with Pirelli RE in 2008

Dutch Corio sells €650m office, industrial portfolio to consortium

together with its sister association the Asian Real Estate Association, is conducting a pilot project among on members' investment intentions in Asia. However that does not mean that Europe will be neglected. "We don't feel that it is an either/or situation; our members ask us questions and we are answering them," van Doorn said.

AREA was launched in 2006 and has been building its membership base for the last 18 months. INREV has been growing especially fast in that time period, and has reached nearly 300 members, up from 230 a year ago at the annual meeting in Madrid, she said. The Istanbul conference, which had restricted entry, attracted some 400 attendees, up from 360 last year.

Van Doorn said the overriding theme of this year's INREV activity is implementation. The association will review reporting guidelines set up last year, and monitor members' annual reports to assess the level of voluntary compliance. INREV also wants to improve market information and research to provide members with better tools for investment analysis. This includes integrating data in a manner that makes them more easy to handle. *pfe (For a full report on the INREV annual meeting in Istanbul, please see the next PFE issue, 73, the Edition to be published on 12 May)*

European real estate fund returns hit by sliding UK, currency shifts

Investment returns from European real estate funds slid nearly 4% into negative in 2007, says the European non-listed property funds association INREV. But the result was excessively influenced by currency shifts and the overweighting of the UK. European returns remained positive.

Measured in euros, the INREV Institutional Index, aggregating capital value changes and rental income, produced a 3.9% fall in total return compared to a 21% gain in 2006. However continental Europe returned 12.5%, albeit down from 16.1% in 2006. Expressed in sterling, the UK market returned -5.9%, compared with -13.8% expressed in euros.

The second factor was the heavy weighting of UK assets among the European INREV property fund membership. Andrew Smith, CIO of Goodman Property Investors, who also chairs INREV's Benchmarking Committee, commented: "The closing months of 2007 saw the fastest ever re-pricing of the UK property market after four successive years when UK funds outperformed those in continental Europe. Leveraged vehicles suffered disproportionately as capital returns turned negative, and the effects of tighter credit markets began to make an impact."

The INREV Index measures annual net asset value-based performance for property funds investing more than 90% of its allocation in Europe. The 2007 release covers 257 vehicles, including retail funds, with a total net asset value of €162.3bn. It is collected and calculated by the UK-based Investment Property Databank.

Michael Morgenroth, board member of Germany's Gothaer Asset Management, noted that the underlying market in Europe was less affected by the credit crunch.

However, the return of risk considerations into pricing means further rises in yields may come this year. "I think the important thing to focus on is the vintage of the funds," he added. Vehicles winding down in 2007 captured most of the yield compression, while funds launched in 2006 were only able to benefit for a limited period from the boom in the market.

"This year I believe value-added funds will be the best-performing investment style as they're not as highly leveraged as opportunistic funds so shouldn't be so affected by credit con-

straints," Morgenroth added. "However, within the value-added style, outperformance will really depend on the manager able to add value to the properties, so the difference between winners and losers will definitely start to show."

INREV also included analysis of investment styles for the first time. Expressed in euros, core vehicles, comprising 144 funds, produced a total return of -4.7% last year. The 60 value-added funds returned -3.1% and the 15 opportunistic vehicles 20.1%. Again, figures were heavily influenced by the UK market and currency effects.

At country level, Finland, France and the Netherlands delivered the highest total returns, although the sample size of funds varied for each country. The top performers were multi-country funds, with a total return of 16%.

In terms of sectors, residential and office outperformed retail and industrial/logistic sectors. These results are surprising as retail and logistics are normally the most robust sectors due to the high income component in their total return. *pfe (For a full report on the INREV annual meeting in Istanbul, please see the next PFE issue, 73, the Edition to be published on 12 May)*

Finland to launch residential-only REITs as commercial lobby launches study

Finland will introduce residential-only Real Estate Investment Trusts at the start of 2009, but the country's property groups are launching a research study to extend a lobby for the government to allow the inclusion of commercial real estate as well.

Jaakko Leinonen, Chief Adviser at the Finnish commercial property association RAKLI, told PFE on the sidelines of the INREV annual meeting in Istanbul 10 days ago that the property community and the Finnish government have held several discussions in recent months over REITs. Helsinki has so far remained resistant to a commercial real estate REIT. Because however, Minister of Housing Jan Vapaavuori sees REITs as a channel to bring capital into housing, the government will table legislation for a housing-only REIT starting next January. It wants in particular to promote more rental housing on the outskirts of the Finnish capital.

"The problem is that housing only makes up about 1% of new building investment each year," Leinonen. "What we have to do now is persuade them to include commercial real estate as well." RAKLI is therefore cooperating with Finnish research group KTI to produce a study on the experience of other nations with REIT regimes.

KTI CEO Hanna Kaleva told PFE the Finnish government has so far turned down REITs on concerns over three issues: potential loss of tax revenues, possible transgression of EU state aid rules, and the balance of tax competition between Finland and other countries, in particular its Nordic neighbours - none of which yet have REIT regimes.

Helsinki remains unconvinced, despite REIT introduction in Germany, UK and Italy last year - and the rejuvenation of the real estate sector in France since the beginning of REIT/SIICs in 2003. The centre-right Finnish government of Prime Minister Matti Vanhanen wants to see EU standardised legislation as a guideline before introducing the vehicle domestically.

Finance Ministry official Ilkka Harju confirmed the launch to Reuters last week. The two officials said the study could be ready as early as June, and will be supported by the pan-European listed property company association EPRA. *pfe (For a full report on the INREV annual meeting in Istanbul, please see the next PFE issue, 73, the Edition to be published on 12 May)*

French REIT/SIIC Silic sees buoyant first quarter in difficult environment

French REIT/SIIC Silic said first quarter activity and results confirm guidance that growth in 2008 pre-tax cash-flow will be much the same as in 2007. During the first quarter, business activity was buoyant in a difficult economic and financial environment. Financial indicators reflect a continuing improvement in portfolio operating conditions.

Silic, the largest business park owner in the Paris region, said rental income totalled €38.5m in first quarter, a rise of 8.7% over 1Q07. On a like-for-like basis, it rose by 7.3%, driven mainly by an improvement in the occupancy rate, now 90%, and indexation. EBITDA grew faster than rental income due to tight control over property operating expenses and overheads, it said, giving no details. Apart from the Grande Axe extension pre-let, 45 new leases were signed.

Silic (Société Immobilière de location pour l'Industrie et le Commerce) has a portfolio totalling 1.1m sq.m. of office and multi-purpose business space, with a value at end-2007 of €3.2bn. The group, 41% controlled by the mutual insurance company Groupama, has most of its portfolio concentrated in three core areas: La Défense and Roissy-Charles de Gaulle and Orly airports. Office buildings account for 81% of the total portfolio book.

During the first quarter, Silic's development program included new construction projects totalling 52,000 sq.m. at Orly-Rungis, Nanterre-Seine and Evry. At Nanterre-Préfecture, the Grand Axe extension - 17,000 sq.m. - was pre-let to a single tenant under a firm nine-year lease. Development financing has been supplemented by an additional five-year bilateral credit line of €60m, bringing the total amount of confirmed undrawn credit lines to €333m at 31 March 2008. pfe

Moody's issues negative outlook on Spanish banks due to weak real estate

Moody's has issued a negative rating outlook for the Spanish

banking sector due to its high levels of exposure to domestic real estate, which is undergoing a more pronounced weakening than initially anticipated - plus a more challenging funding market.

Senior Vice President Maria Cabanyes, co-author of a new Moody's investor report, said Spanish commercial banks, savings banks and credit co-operatives all face the global credit crisis and an uncertain domestic economy. Construction and real estate, which account for a significant portion of banks' books, also make up a sizeable part of the domestic labour force, around 13.2%.

After several years of strong growth in lending, fuelled by relatively cheap access to market funding - particularly securitisations and covered bonds - the turmoil in the financial markets has translated into a sudden deceleration of business growth for Spanish banks. Mortgage impairments have progressively increased since end-2006, mainly due to tighter monetary policy and higher Euribor, which dictates the predominantly variable-rate Spanish mortgage payments.

"Currently, these banks display a higher level of problem loans in their residential mortgage portfolios against a lower level of problem loans in the construction and real estate sector portfolios," Cabanyes said. "Moody's expects to witness a further increase in delinquencies in 2008, in view of a weakening labour market and expected house price correction."

Furthermore, the low historical non-performing loan ratio has to be put into context of loan portfolios which are often concentrated and unseasoned. These could show a more significant and rapid deterioration than for well-diversified, mature portfolios. Many banks have also diversified country-wide in recent years, outside their home region. Such diversification may have implied some laxity of lending standards or adverse selection in the aggressive search for new markets.

However, the challenges are partly mitigated by banks' high risk-absorption capacity, solid core retail franchises and a strong regulatory environment. Asset quality remains sound, and problem loans are well below the European average. The majority of banks also have adequate unencumbered assets to be pledged with the European Central Bank in the event of a liquidity shortfall. "In particular, the regulator has taken a conservative ap-

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proach and has ensured that counter-cyclical generic provisions were built during the years of strong growth which provides an additional cushion to absorb potential impairment losses," Cabanyes noted. The Spanish banking system is well-positioned to withstand the challenges. Its focus on highly profitable retail activities provides recurring and stable earnings streams, which has kept these institutions away from complex products and their related losses. Additionally, the Spanish banking system enjoys very strong efficiency indicators despite having the highest branch coverage per capita in western Europe. pfe

Vienna's Immoeast Warsaw office sale brings disposals to €250m in 2007/8

The €41m sale by Vienna listed group Immoeast of the

Salzburg Center, a Class A office building in Warsaw, brings to €250m the value of five complete assets or stakes in properties in the Czech Republic, Poland and Estonia the firm sold in the 2007/08 business year ending April 30.

All sales generated revenues above the appraisal values, exceeding them by an average of 9.5%, Immoeast said. "These successful sales show that the valuations of our portfolio made by external appraisers are very conservative," CEO Karl Petrikovics added. Immoeast is currently negotiating the sale of additional properties totalling €300m.

Salzburg Center, sold to the German open-ended real estate fund SEB Global Property for €41m, was acquired in the scope of a forward purchase and completed in 2007. The successful, long-term letting led to a substantial appreciation with respect to the book value of €35m.

Immoeast has sold stakes in the Palladium shopping centre

forward thinking

Bring on the zithers. Myzteriouz tale of Constantia and two I's in Old Vienna

To outsiders, Vienna retains the mysterious allure of Harry Lime and the Third Man, of covert east-meets-west espionage proxy battles among old-empire, rain-drenched, sepia-tinted backstreets. The mystery surrounding Constantia Private Bank is a bit like that. No one is supposed to know. But the prestigious Turnauer family is selling out of the bank which, last year, managed wealth of no less than €32bn for its equally prestigious and very discreet client base. A tripling in four years, by the way. It wouldn't normally appear as an item in PFE prints were it not for the fact that Constantia's most valuable assets by far are stakes in listed real estate group Immofinanz / Immoeast plus its management contract with their chairman and CEO Karl Petrikovics – who also happens to be MD of Constantia. He reports to the bank's supervisory board headed by Prince von und zu Liechtenstein – he of the same tiny parish currently having a frank and lively discussion over delicate fiscal matters with Germany and France, to name but two. Via the two I's, Petrikovics has built the bank its own property empire, reaching further and deeper into central and eastern Europe than any other western property group. For the two I's are huge. Immofinanz: €18bn real estate fair value on book; market cap €3.2bn; NAV per share €11.25; current stock price €7.2.



Allan Saunderson
PFE Managing Editor

Immoeast: €11bn fair value; market cap €5.1bn; NAV per share €10.1; current stock price €6.1. It wasn't but 15 months ago that Immofinanz came to market to raise €750m in a convertible bond issue. Six months later, last November, despite the onset of sub-prime conditions, it repeated the trick. That €1.5bn in fresh money was sunk quickly and productively into a lively pipeline, and cut LTV on straight banking lines. Timing is everything. A year before, Immoeast – 54% controlled by Immofinanz – had raised a massive €2.75bn, the largest capital market transaction ever by a property company in Europe and the second biggest by any Austrian corporation. That bit of petty cash went into a pipeline that reaches, like the Nabucco gas pipeline itself, from Vienna right across CEE. Immoeast's real estate interests stretch into Hungary, Romania, Poland, Czech Republic, Slovakia, Russia, Ukraine, Bulgaria, Slovenia, Serbia, Croatia, Bosnia, and

Lithuania – in all sectors: office, retail, garage, logistics, apartments, hotels. In other words, it's all a very big deal. But it's being handled in a very quiet manner.

The Turnauers are protective of their reputation. The mess that Meindl Bank got itself into over Meindl European Land must at all costs be avoided, they are advised. MEL, which royally screwed up a sha-

re buy-back in panic amid the first-phase sub-prime shock in early winter, was sold a month ago to the Israeli investor Gazit Globe, a company listed in Tel-Aviv. Cash supplied care of City of London resident Citi Property Advisers. Now, Constantia wishes to separate itself from the murky business of real estate and the Turnauers want out of the bank. Just how this will be done remains shrouded in mystery. It is unclear if the bank and the two I's will be sold separately or as one entity. Petrikovics, we hear, is highly likely to stay on – indeed, no reason that he should not, considering the strong real estate institutions he has skilfully constructed and his extremely high standing in the European real estate community. But the Constantia sale may be a good chance for him to cash in on at least some of the intensive work he has put in over the last 10 years. Many are interested; names such as Apollo have been heard in connection. But the Viennese will undoubtedly wish a more 'establishment' solution, even if not Austrian. Credit Suisse is casting its slide-rule over the retail and fund management businesses for an unnamed third party. Who could that be?.. Well, PFE is on the case. Even as we speak, PFE emissaries are stalking the streets of Vienna, collars turned high, fedoras tipped low, waiting and watching for the slightest sign of life on the pebbles-tonez in the pitter patter of the Vienna rain.... Driiinnngg! Cue zithers.

Allan Saunderson, editor@pfeurope.eu

in Prague, the Olympia shopping centre in Olomouc, the Haabersti residential project in Tallinn and its own development Andel Park B office property in Prague. pfe

Norwegian Property to offload Norgani hotel chain after six months

Listed property group Norwegian Property has signed a letter of intent to sell the Norgani Hotel chain it bought just six months ago, making a profit of around €31m on the deal. A group of buyers which has been granted exclusive due diligence rights over the chain of 74 business hotels in the Nordic region.

The offer values the hotel chain at €1.4bn. It said the transaction will release about €63m in cash for Norwegian Property, compared to its initial equity investment of €44m in October 2007. In addition it will receive €12.6m to compensate for cash generated in the first six months of 2008.

NPRO has not named the buyers but promised to reveal the identity after an agreement is signed. "This transaction will solve all short term financial challenges. Furthermore the capital gain and cash release creates a favourable investment muscle in a market with great opportunities", said NPRO Chief Executive Petter Jansen, who admitted the chain is being sold sooner than planned.

"It has been important for Norwegian Property to visualise valuation reflected in the balance sheet, offload debt obligations and eliminate a possible large and dilutive share issue. The upcoming trade sale of Norgani Hotels documents a good and shareholder friendly investment, though more short term than expected."

NPRO invests in larger commercial properties in Norwegian cities. The company, founded less than two years ago, owns 52 office and retail properties in Norway as well as 74 hotels and conference centres. Book value as of 31 March was about €4bn. pfe

PFE COMMENT: This deal will leave many folk scratching heads in bafflement, especially management at Aberdeen, who lost a bruising battle with Petter Jansen's NPRO for Norgani last year. After all appeared lost for Jansen, he jumped into bed with friendly Oslo Properties to trump Aberdeen at the last minute. After saying just days ago that NPRO was delighted to be closely involved in a fast-growing Nordic hotel market, the chain's sale is a surprise now. The Oslo stock exchange however loved the deal, pushing NPRO's share price up 12%. Who's the buyer? Aberdeen perhaps?

US pension fund acquires 51% of Shurgard Europe for €383m

The New York Common Retirement Fund has taken a 51% stake in Brussels-based Shurgard Europe, a unit of Califor-

nian REIT Public Storage, for €383m. Public Storage will keep the remaining 49% and be the operating partner in the newly-formed joint venture.

"We believe the European market presents excellent growth opportunities and look forward to partnering with NYCRCF to accelerate Shurgard Europe's development program and grow the European business," said Public Storage CEO Ronald L. Havner.

The Glendale-based Public Storage is a self-managed REIT that acquires, develops, owns and operates self-storage facilities in 38 US states and seven western European nations. Shurgard Europe has 174 storage facilities in Europe.

In connection with the transaction, Public Storage is committed to provide additional loans to Shurgard Europe up to €305m, which Shurgard intends to repay back via issuance of third-party debt as soon as market conditions permit but no later than March 2010. The new JV includes Shurgard's 20% equity interest in two existing ventures that are the subject of arbitration. If remaining interests can be acquired, they may be incorporated into the JV. pfe

Danish insurer Købstædernes takes stake in Icelandic Property Group

Danish insurance group Købstædernes Forsikring has taken a 5.1% stake in Icelandic-controlled real estate firm Property Group, which plans to list in Copenhagen in the next year. KF CEO Mogens N. Skov will join Property Group's board.

No financial details were given but Property Group said talks are under way with several other companies considering becoming shareholders. The 245-year-old KF is the oldest mutual insurance company in Denmark. Property Group, focused on acquisitions in Nordic countries, Germany and eastern Europe, is controlled by Icelandic groups.

The Icelandic economy is struggling at the moment and many major Icelandic investors are reported to be selling stakes in European corporates brought over the past five years during a period of rapid expansion in the north Atlantic island.

Iceland's BG Partners have a 50.1% holding and Icelandic groups B2B ehf and Straumur bank have 12.5% between them. "Straumur provides the company with the solid financial strength to enable it to acquire the largest property portfolios on the European real estate market," Property Group said in a statement. pfe

Poor market sinks €401m Milan project sale to Tulipano fund

The €401m sale of a Milan development project to the Tu-

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lipano closed-end property investment fund by listed Italian property development company Brioschi Sviluppo Immobiliare has unraveled because of poor real estate market conditions.

The deal was contingent on finding third party investors for €337m and would have yielded roughly €218m for Brioschi had it gone through, according to analysts. Brioschi, and a number of companies in the group, agreed in December to sell the Milanofiori Nord development to the fund, run by fund manager Polis Fondi Immobiliare di Banche Popolare. The original deadline for finding investors, 28 February, was postponed by two months. pfe

Norway's Otium buys Swedish portfolio from Iceland's Landic

Privately-owned Norwegian real estate developer Otium has bought a portfolio of Swedish office properties for €96m from Iceland's Landic Property, a company formed in July 2007 when Iceland's Stodir acquired Danish listed property company Keops.

Otium, based in the western Norwegian oil city of Stavanger, said the portfolio has a net yield of about 6%. "We are looking for even more properties in Sweden and would like to double the size of our portfolio," said Otium Chairman Tore Lie. The assets include 61,500 sq.m. of offices, retail and residential properties with a vacancy rate of about 10%, and are located in seven Swedish cities.

Landic intends to launch an IPO as soon as market conditions allow. After the transaction, it will still have €12.3bn in assets under management in Sweden. CEO for Sweden, Mats Sterner, said Landic is still looking for larger portfolios in Sweden.

Otium bought Landic's Norwegian portfolio a year ago for €85m. Stodir was founded in 1999 by Iceland's Baugur Group and its Kaupthing Bank. pfe

Czech Republic has 250 shopping malls, dozens more to come

The Czech Republic currently has over 250 shopping centres, with dozens more in the pipeline, according to a survey by Incoma Research and GfK Praha research bureau.

This year alone, 12 new shopping complexes are to be opened, double last year's figure. The 10 biggest in the Czech Republic each have over 100 businesses leasing space, while another 40 have over 50 tenants, Incoma's Frantisek Divis told Czech service CTK.

Consultant DTZ predicts the area of shopping centres in the Czech Republic will grow from 1.773 m. sq.m. to about 2.273 m. this year. Prague shopping centres account for 797,500 sq.m. of the total.

As expansion of shopping centres continues, developers are focusing mainly on regional towns and cities, building not only large shopping malls but also retail parks in the suburbs. Austrian company Immoeast, for instance, plans several dozen 3,500-7,000 sq.m. Stop Shop retail parks after completing the first in south Moravia last year. pfe

Private equity property funds start 2008 by raising strong €16bn - Prequin

Despite some pessimistic predictions, global private equity real estate funds have started 2008 emphatically, with 25 funds

raising an aggregate €16.1bn, research firm Private Equity Intelligence says. Investors have not been deterred by short-term market fluctuations and are attracted to strong returns delivered by the funds in recent years.

"Despite what many commentators have predicted, investor appetite for private equity real estate funds remain very high among investors," Prequin said. "2008 could see a new fund raising record for the asset class and see private equity real estate funds break the €64bn-mark for the first time." However conditions remain very competitive.

Investors view private equity real estate funds as a long-term investment prospect and despite credit conditions are increasing their allocation to them. With such a strong start to the year and such a high level of funds in funding marketing phase, 2008 could see another record breaking year for the asset class.

During 1Q08, €7bn was raised by Blackstone Real Estate Partners VI, the largest real estate fund ever launched. The fund had an initial target of €6.4bn and is an opportunistic real estate fund investing in property on a global scale. Nine other Europe-focused funds raised an aggregate €4.3bn in commitments. pfe

Swedish house developer JM sees profits slip in first quarter

Listed Swedish residential developer JM posted first quarter pre-tax profit slid to €49m from €53m in 1Q07 due to slowing demand. Revenue increased by 5% to €343m but the number of residential units sold fell to 620 from 899 in first quarter 2007.

Demand slipped in most places but remained strong in Stockholm, one of its principal markets. Return on equity for the past 12 months was 39.1% compared to 48.3% in the previous 12 months.

JM, listed on the OMX Nordic Exchange in Stockholm, is in the middle of a redemption program to transfer about €107m to shareholders. It operates in all the Nordic countries and Belgium, developing mainly residential real estate. pfe

Warehouse REIT ProLogis Europe sees profit hit by weak sterling

Euronext-listed warehousing group ProLogis European Properties reported a sharp slide in first quarter earnings to €19.1m from €41.4m a year ago, but said this was in line with expectations. EPRA earnings, provided to enable direct comparison with other real estate firms and to measure PEPR's underlying profitability, decreased by €6.4m to €34.5m.

PEPR said rental and other property income fell in the quarter by 6.4% to €73.4m. Net asset value was affected by sterling weakness against the euro, its reporting currency. Directly-owned portfolio occupancy rose to 97.7% at end-March from 97.2% at end-2007.

CEO Robert Watson said the current loan to value of 47.8% allows for further growth.

"Our recent investment in ProLogis European Properties Fund II improved combined portfolio occupancy to 98.2%. This performance not only reflects the outstanding quality of our portfolio but also the less volatile nature of the industrial sub-sector."

He added: "The outlook for the remainder of 2008 is encouraging, with good occupier demand across all our major markets, driven by EU enlargement, continuing growth in world trade and our customer's efforts to improve efficiency in their Euro-

pean supply chains.”

ProLogis launched PEPF II last year and has committed to invest €900m by August 2010. It made a further €91.7m investment at the end of the quarter, and now has €225m, or 25% of total commitment already invested. PEPF II targets total capital of €6bn- €7.5bn for distribution facilities, either from ProLogis's European development pipeline or external acquisitions. At the end of March, ProLogis contributed a €483m portfolio covering over 660,000 sq.m. in seven European countries into PEPF II. pfe

European retail deal volume dips to €3.9bn in first quarter - JLL

Continental European retail property investment transactions fell slightly to €3.9bn in the first quarter of 2008 from €4.1bn in 1Q07, according to Jones Lang LaSalle. Some 74 deals were recorded compared to 101 in the same period last year.

JLL said investors are still upbeat about the retail sector in Europe, in spite of the deterioration of liquidity in the debt market. JLL's Richard Bloxam commented: “The fundamentals of the retail sector across continental Europe remain broadly positive, with strong occupier demand for prime property and retail sales growing... Prime yields have remained fairly resilient, with only a slight outward movement in yields in some markets.”

But he added: “With few prime assets coming to the market the market is less transparent. Deals are taking longer to complete as buyers and sellers look for a consensus on pricing. We expect transaction volumes to remain below 2007 levels in the coming months, but we anticipate these to pick up again once the new pricing benchmarks have been set.”

Shopping centres were the prime target, accounting for €2.8bn or 71% of first quarter investment volume. Supermarkets represented 10%, with a transaction volume of €405m, while retail warehousing fell to 18%, compared with 24% in the whole of 2007, as investors continue to take more time to assess the risk of secondary properties in portfolio transactions.

Germany was the most active market in Q1, accounting for 16% of the total volume transacted. The Nordics, particularly Finland, with 16%, and Denmark, 9%, also remain active, as does Romania, with 8%. pfe

Sweden's Kungsliden says happy with first quarter despite earnings slide

Listed Swedish investment and property management group Kungsliden said first quarter pre-tax earnings fell to €12m from €29m in 1Q07 while sales increased 15% to €77m.

But it said it is satisfied with its performance and forecast an unchanged annual 2008 profit.

The Kungsliden portfolio comprises 590 properties with a book value of €2.9bn, spread across Sweden, although focused on the Stockholm region. Some 16 assets were sold for €144m in 1Q08 and full year profit is forecast to be €96.5m.

CEO Thomas Erseus said, “The start of the year was positive for Kungsliden. Despite credit market unrest, we succeeded in doing a series of good acquisitions. The acquisitions are consistent with our endeavour to increase the share of long rental contracts with stable tenants, in our public and commercial portfolios. Simultaneously, this conscious re-allocation has also resulted in our operating surplus margin increasing during

the last 12 months, making us less sensitive to cost variations.”

He added: “Yield levels were stable despite variations between different types and some geographical regions continuing to widen. Rent levels were also stable. With a property holding spanning over 130 municipalities right across Sweden, variations in rent levels in more economically active regions exert a more limited impact on our portfolio.” pfe

GE Real Estate buys €1.3bn loan portfolio from Capmark Europe

In a second high-profile purchase of property debt, GE Real Estate has paid €1.27bn to purchase a mostly German portfolio of 39 loans in a commercial property book from global fund manager Capmark Europe, formerly GMAC.

The portfolio comprises 39 loans to a group of high-quality borrowers, secured with attractive loan to values on a range of different assets throughout Europe, GE said.

The transaction follows GE's acquisition in November 2007 of a €2.5bn portfolio of performing commercial property loans from Bradford & Bingley.

Michael Rowan, Managing Director of GE Real Estate UK, said: “This significant transaction has enabled us to capitalise on GE's AAA-rated corporate balance sheet and our local and global resource to invest in the market during a period of market uncertainty. This, our second large debt deal within the last six months, was attractively priced against good quality underlying real estate which is providing strong cash-flow.” pfe

RREEF Italy to divest €1bn in opportunistic JVs with Pirelli RE in 2008

Deutsche Bank's RREEF Italy is selling €1bn -€1.5bn worth of property assets in 2008, roughly €1bn of which will come from speculative joint ventures with Pirelli RE.

RREEF has about €1.5bn in JVs with Pirelli in Italy, including properties from the pension fund Enpam, large retail distribution properties, assets from the former bank Intesa, a portfolio from Sicily, and a mixed-use project in Milan. A source close to the matter told PFE the sales represent business as usual, conducted to maximise returns rather than to raise cash.

The newspaper Il Sole 24 Ore reported that the RREEF European headquarters just outside Frankfurt has ordered branches to divest real estate assets worldwide to increase liquidity. RREEF also planned to invest an additional €600m in the second half of 2008 through the launch of a core €200m retail fund, €300m for its value-added funds, and €100m of opportunity-focused funds.

RREEF is expected to bring forward the liquidation of its highly profitable listed fund Piramide Globale, which was due to expire in 2015. The retail and hotel/leisure fund sold seven of its properties in 2007 with a capital gain of €77m and a total return of 63% since the fund was launched in 2000. Just two properties worth €78m remain.

The private speculative fund Elettra is due to complete liquidation in 2008, and contains only €30m -€40m in assets compared to an initial €242m investment. The private funds Express and Lioness are due for liquidation in 2009. Express is an ordinary fund with properties under long term lease. Lioness is a speculative fund 50% owned by Luigi Zunino, majority shareholder of struggling listed group Risanamento. RREEF bought a 50% stake in the portfolio from the Zunino Group in the

summer of 2007.

RREEF says the fundamentals of the Italian real estate market have changed, and no longer favour speculative asset trading. Going forward, the market will need to add significant value to assets via refurbishment or repositioning, particularly to optimise rents. RREEF also expects the divestment of portfolios by distressed market operators and continued heavy discounts on net asset value among listed firms and funds.

RREEF has invested €5bn in the Italian real estate market since 2001, and currently manages assets in the country worth €3.5bn.

Corio sells €650m office, industrial portfolio to Dutch consortium

Euronext-listed shopping centre REIT/FBI Corio has sold its entire Dutch office and industrial portfolio for €650m to a consortium led by White Estate Investments, an Amsterdam-based investment manager with €600m of assets under management until now.

Though it announced its intention to sell the portfolio last November and wanted to sell it in conjunction with a French portfolio, Corio deferred the sale of its French assets to get better terms. "It is assumed that the €292m sale of the office and industrial portfolio in France will be deferred to beyond the fourth quarter of 2008," Corio said.

"More shareholder value is expected to be created through sale of individual or a group of several assets in France at a time when the financial markets have recovered from the current negative sentiment," it added in a statement.

Corio CEO Jan de Kreij said the decision to sell was taken in 2003 but by spending €50m on renovations and refurbishments, another €56m in shareholder value had been created. "This increase in value is on top of generating an average net annual yield over the whole period of an attractive 7.5%," he said.

The sale proceeds will be used to finance Corio's retail pipeline and potential investments. With the sale, Corio will have over 92% invested in retail. Its has €6.5bn of assets made up of 83% of malls in The Netherlands, France, Italy, Spain and Turkey.

Following the sale, the outlook for the direct result in 2008 is expected to be in line with 2007's €203.1m, Corio said. Net rental income should increase by about 14%. pfe

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