With French Property Breakfast Briefing Notes

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PROPERTY FINANCE EUROPE

Volume 4, Issue 74 weekly update 19 May 2008

Starwood, ex-boss said behind bid for Norway's Norgani

The Starwood Capital private equity group and a former boss are behind the €1.4bn bid to take over Norwegian Property's Norgani Hotels, a source close to the deal told PFE.

The Oslo-listed Norwegian Property only bought the hotel chain six months ago. It has declined to reveal the identity of the bidder. However, the sources said Norgani's former CEO Kjell Sagstad is behind the new bid. Sagstad, now head of new investment at Swedish private equity company Niam, is backed by Starwood's financing muscle.

Starwood Capital is a private equity group that retains loose links to Starwood Hotels - which opens Sheraton chain among many others. Sagstad left the hotel group before it was sold to Norwegian Property, saying he disagreed with the company's future development. Norwegian Property outbid Aberdeen Property Investment in a prolonged takeover battle for Norgani last year. Norwegian Property announced on 2 May that it received an offer for the chain of 72 hotels around the Nordic region. pfe

Germany's Patrizia posts first quarter loss of €18.6m

The Augsburg-based residential investor and developer Patrizia Immobilien reported a pre-tax loss of €18.6m in the first quarter, though the same figure excluding interest payments (EBIT) was slightly in profit of €6.8m, albeit down 31.3% against first quarter 2007.

The company said the EBT loss was extraordinarily impacted by fair value adjustments arising from the market valuation of interest rate hedging transactions in the amount of €10.3m. However, revenues almost doubled to €46.6m from 1Q07 despite being negatively influenced by €17.1m in a reversed sale of 165 residential units already notarised in fiscal year 2006.

Patrizia continues to struggle with a very high debt load. At the end of the quarter, it reported total assets down slightly at €1.6bn from end-2007, set against current liabilities at €1.28bn, down modestly from €1.3bn. Equity capital at end-March was a slightly lower €315m, giving an equity ratio fell to 19.6% from 20.5%.

"We cannot be content with the results of the quarter," founder and CEO Wolfgang Egger commented: pfe *(The full report will be published on 26 May in PFE Edition 75)*

Austria's Warimpex CEE developer surpasses IPO's 2007 targets, doubles EBIT to €47m

Austria's listed emerging eastern Europe hotel investor and developer Warimpex said 2007 results passed IPO goals and kept a fast past of growth. It reported a 107% rise in EBIT to €47.2m due to higher sales, and a 26% rise in triple net asset value to €10.8 per share.

Gross asset value of the portfolio at year end was

PFE issues now numbered, next Edition 26 May

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€614.8m, up 29% from end-2006, while the triple net asset value of the group rose by 50% to €387m. Earnings per share showed a clear increase to €0.95 from €0.70 at end-2006. On this basis a dividend of €0.25 will be proposed to the annual meeting, representing a year-on-year increase of 67%.

CEO Franz Jurkowitsch commented: "We can look back on a very successful year. The clear targets we defined at the time of our stock market flotation in January 2007 have all been achieved or even surpassed.

Among other things, we set ourselves the goal of a two-digit increase in the triple net asset value per share and actually accomplished a rise of 26%." This was primarily attributable to development activities but the operating side also had numerous successes.

Warimpex, traded on the Vienna and Warsaw Stock Exchanges, has branch offices in Budapest, Prague, St. Petersburg and Warsaw, and has developed real estate projects in central and eastern Europe with a total value of more than €1bn over the last 25 years. Its goal is market leadership in hotel real estate in emerging eastern Europe.

Dutch REIT Wereldhave posts first quarter fall in earnings of 9.4%

Dutch Euronext-listed property group Wereldhave said its direct result fell 9.4% in the first quarter of 2008 to €27.4m because of weaker exchange rates and a one-off gain booked in the first quarter of 2007.

The group's portfolios are held mostly in REIT structures in France, Belgium and the US. It concentrates on office, shopping centres, industrial and residential properties. Occupancy rate for the first quarter amounted to 94%, equal to the average for full year 2007.

Broken down by sector, occupancy rates were: offices 89.4%, retail 98.8%, industrial 96.2% and residential 92.0%. The weighted average cap rate of the portfolio remained stable at 5.9%. Higher-risk properties have been sold during previous years. In first quarter 2008 only one small industrial property was sold. No major sales are planned for the rest of 2008.

Fortis bank analysts said the results are in line with expectations and confirmed its view that the portfolio had been conservatively valued. "This conservatism, which is reflected in the 23% LTV, has been the share price driver, in our view, but the lack of near-term cash flow growth may hold the shares back relative to its peers from now," it said. pfe

Sweden's listed Hufvudstaden sees 10% jump in gross profit in first quarter

Listed Swedish real estate company Hufvudstaden, which owns and manages real estate in the country's main cities, said gross profit from property management increased by 10% to €23.8m, mainly because of higher rents.

The company's net asset value €7.7 per share, slightly lower than the previous quarter. Net profit for the period amounted to €12.9m, down from €14m. Hufvudstaden said the fall can be attributed to a fall in value of interest derivatives.

Rental vacancy level at the end of the quarter continued to be low at 3.8%, compared to 3.3% at year end. pfe

Germany's DIC Asset has 1Q08 fall in net due to higher financing costs

German listed commercial property investor and developer DIC Asset reported a drop in consolidated net income in first quarter to €3.3m from €4.9m in 1Q07, but said this remained an attractive return, matching its projections in a market environment that continues to be challenging.

Operating profit was a €10.2m, against €9.0m, indicating the fall in net income was largely due to higher financing expenses as well as gains on disposals in the previous year.

At end March, DIC Asset's real estate portfolio was worth €2.0bn, nearly double the €1.1bn at the same date in 2007. At €39.1m, total revenues for the first quarter almost doubled from 1Q07. Rental income rose by 78% to €33.8m, reflecting the benefit of the significant expansion in the real estate portfolio to more than 1.3m sq.m. This comprises 64% office space,

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

3,000 print issues twice per month audited by

13% retail, 4% hotels and restaurants, 16% other commercial use such as logistics and others, and 3% residential. pfe *(The full report will be published on 26 May in PFE Edition 75)*

Germany's Aareal Bank sees first quarter earnings drop, takes €16m ABS charge

The Wiesbaden-based commercial property financier Aareal reported a decline in first quarter operating profit to €27m from €79m in 1Q07 and a halving of new business volume to €1.1bn. But the bank said earnings outpaced first quarter of last year on a like-for-like basis.

First quarter 2008 results included a charge of €16m for the ABS portfolio, as a result of the global financial crisis, while 1Q07 had included €37m in non-recurring income. Consolidated net income after minority interests amounted to €13m for first quarter 2008, down from €51m, including non-recurring effects, one year ago.

Aareal said it a pursues a strict, selective new business policy in structured finance that focuses on quality and return, and high-margin market opportunities. This brought about the drop in the volume of business in the quarter, but the decline in transaction volumes on major property markets as a consequence of the financial crisis also had an impact. At the same time, the bank said it achieved a significant increase in interest margins on new business.

Aareal Chairman Wolf Schumacher commented: "Aareal Bank Group performed very well during the first quarter of 2008, against a background of ongoing market difficulties... We are well positioned to weather the challenges we face in the market."

The bank is cautiously optimistic for 2008 as a whole. "Based on our performance during the first quarter .. we still believe that we will be able to match 2007's operating profit in the current year – unless the distortions on financial markets continue to prevail," Schumacher said.

The uncertainty affecting the current market situation continues to make a precise forecast for structured property financing difficult.

In the first three months of 2008, consolidated net interest income was €107m, up 9.2% against 1Q07. Provisions for loan losses fell slightly to €20m from €22m, so that net interest income after loan losses rose by 14.5% to €87m from €76m in 1Q07. However, net commission income fell to €33m from €37m.

The charge for the ABS book cut net trading income by €24m compared to the previous year's figure, to a loss of €22m. pfe

New Vivico unit of Austria's CA Immo's posts sharp rise in 2007 net

Germany's Vivico, the former state-owned property developer recently taken over by Austria's CA Immo, posted net profit for 2007 up by 53% at €34.2m, compared to 2006.

Vivico's last balance sheet as an independent entity showed total assets almost unaltered over the year at €1.1bn. It has strong equity, at €663m, giving an equity ratio of 63.3%. Revenues on the year dropped to €115m from 221m in 2006.

Although the sale to the Austrian group tied up additional resources, Vivico said it was able to achieve good results in operative business. Income from ordinary activities was above plan, at €46.7m, even if down moderately from €63.2m at end-2006. Capital expenditure in project developments fell to €109.7m from €191.2m. Total assets increased to €1.06bn.

"2007 was successful for us in two respects," said Vivico Chairman Bernhard Hansen. "At the end of 2007 in CA Immo we found an investor who is backing the strengths of Vivico. At the same time, the success of our core competence in urban quarter and project development was in evidence in our good year-end result."

CA Immo Chairman Bruno Ettenauer noted that Vivico now comprises the group platform for expansion in Germany. "From development of its business activities last year we can see that the focus on its core business - the development of entire city quarters and former railway lots - was the decisive factor in its success."

Vivico is planning a significant boost to its investments in project developments and urban quarter developments. The target is capital expenditure of €2bn by the end of 2011.

In terms of strategy in 2007, Vivico entered into several joint ventures to use external expertise increasingly for its own projects. One example was the Viador joint venture, founded in summer 2007 with the international hotel consultancy Feuring. As early as last January, Viador concluded a management contract for a Grand Hyatt hotel in Frankfurt's Europaviertel. This development was also a major part of its progress in its urban quarter developments. pfe

PFE COMMENT: So far so good. This certainly looks, particularly in the current tricky real estate climate, like a good move for CA Immo, even if it certainly paid top euro for Vivico, something just over 1 x assets. Perhaps the price would have been lower now. However the German government, ultimately the owner of Vivico, could easily have decided to delay the sell-off until better valuations come along. Vivico's land bank is likely to be hugely valuable, plus very good locations and a trend back towards inner city home building.

UK Land Securities Trillium in tie-up with Germany's Lindner Group

UK REIT Land Securities said its wholly owned property outsourcing business Trillium has forged a partnership with unlisted German property company Lindner Group to drive Trillium's expansion into the German Public Private Partnership market.

Lindner Group, a Dusseldorf-based real estate and funds management group with over €6bn in property funds under management, will serve as Trillium's local partner. Its role will be to help identify PPP and Private Finance Initiative opportunities. The PPP market in Germany encompasses almost €19bn of projects in the procurement stage. Berlin has said that 15% of future public infrastructure spending will be via PPP, the equivalent of €5bn annually.

Lindner Group director Juergen Bader will lead the partnership activities.

Land Securities Trillium CEO Ian Ellis said: "The German market is one where we believe there are many opportunities and we are confident that working with the Lindner Group and their extensive networks will help us tap into the exciting market."

Land Securities plans to demerge into three separate listed companies covering its London, retail and Trillium businesses. In its preliminary results for the year to end-March 2008, Land Securities reported an 8.8% drop in the value of its real estate holdings to around €17.05bn. pfe

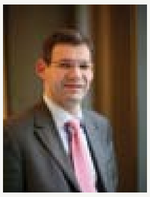
French Commercial Property valuations in 2008 - a victim of prior irrational exuberance?

Friday 23 May, 2008, 8:30-11a.m.
5th Floor, 60 Cannon Street, City of London

Maryse Aulagnon, CEO, Affine
French REIT/SIIC Affine invests in office/warehouse/retail in France and neighbouring countries. It also owns Belgian group Banimmo, AffiParis, and development subsidiary Concerto Développement. Mme AULAGNON is an honorary Maître des Requêtes of the Conseil d'Etat, a graduate of ENA and Institut d'Etudes Politiques, and holds a postgraduate degree in economics. She served in the French embassy in the US and was on the staff of several ministers of state. She joined CGE (now Alcatel) in 1984, and founded Affine in 1990.

Jean-Paul Dumortier, CEO, Foncière Paris France; President, French REIT Association
French REIT/SIIC Foncière Paris France, founded in 2005, owns a real estate portfolio of offices and industrial buildings, mainly located in the Paris Region. M. DUMORTIER, a lawyer and graduate of ENA, has been Chairman and CEO since founding FPF in May 2005. Since November 2002, he is also the President of the French listed property association FSIF. From 1998-2005, he was also Chairman of Compagnie EMGP and Société Foncière des Pimonts. In earlier years, he was Head Real Estate Investment for Caisse des Dépôts.

Mark Inch, CEO, Société Tour Eiffel
French REIT/SIIC Société de la Tour Eiffel was created by Gustave Eiffel and managed his emblematic Paris tower for 90 years until 1979. STE has a portfolio valued at €1.2bn, comprising mainly office and business parks in Paris and the regions. Mr INCH, a graduate of Oxford and Sciences Po, began his career in 1973 with property developer Jean-Claude Aaron, and later joined the Arab Investment Bank. With Robert Waterland he created the Awon Group in 1999. The two in 2003 teamed up with the Soros group to take over STE.



Christophe Kullmann, CEO, Foncière des Régions
French REIT/SIIC Foncière des Régions, with 70% of assets in office, is present in France and Italy - through its Beni Stabili unit. In Germany, Belgium and Portugal it is active in hotel, healthcare & leisure, housing and logistics. M. KULLMANN majored in Management and Finance in 1988 and joined Batigère – the Lorraine steel industry real estate arm. He was CFO of Batibail until its merger with Gécina in 1999, and then joined Batipart, the family holding of Charles Ruggieri, founder of FdR. He was appointed Chairman in 2001.

Guy Marty, Founder/Managing Director, IEIF real estate research institute
IEIF (Institut de l'Epargne Immobilière et Foncière) is a private centre for analysis and forecasting of the French property market and the leading supplier of statistics and studies on SCPIs, REIT/SIICs, property funds and, soon, OPCI. M. MARTY is a member of the French Association of Financial Analysts (FSAF), Fellow of the Royal Institution of Chartered Surveyors (FRICS), and a Certified Financial Planner. He has published numerous books and articles, and is frequently quoted in the financial press.

Schedule

8.30 - 9 a.m.	Breakfast
9 -11 a.m.	Expert Seminar
11 - 12 noon	Coffee/Networking

Date and time

Friday, 23 May 2008, 8.30 a.m. - 11 a.m.

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French REIT/SIIC Affine posts €31.1m turnover in first quarter

French REIT/SIIC Affine posted turnover of €31.1m for the first quarter of 2008 in an environment that it described as difficult on an economic and a financial basis.

The group's three quoted companies Affine, Banimmo and AffiParis maintained their investment rhythm due to equity capital raised in 2007. This included a convertible bond issue of €75m by Affine, Banimmo's IPO, and some €57m raised by AffiParis.

Affine, a leading independent player in French commercial property, combines operating rental properties and financial leasing, and through specialised subsidiaries real estate repositioning, Parisian commercial buildings, logistic engineering, development, business centres and retail.

The group earlier reported consolidated net profit for 2007 up 43% at €91.6m which stemmed mainly from its rental property business, where the operating margin increased by 34% to €57.0m. Net gains on disposals generated €27m, and the change in the fair value of the assets contributed a profit of €27.8m. In 2007, the group also benefited from two non-recurring items: a €12.6m dilution profit the Banimmo IPO, and an €8.9m net tax credit on AffiParis's adoption of REIT (Société d'Investissements Immobiliers Cotée, SIIC) status.

Investments, which were particularly high in 2006 due to the acquisition of the stake in Banimmo, amounted to €164m in 2007 spread between France and Belgium, and included €28.2m for the acquisition of the controlling interest in AffiParis, formerly Fideimur.

The market value of property assets amounted to €996m at end-December, including transfer taxes, up from €746m one year earlier. The occupation rate rose slightly to 94.5%. In the light of the strengthening of equity, its net asset value increased by 47% to a replacement NAV of €518m or €63.9 per share, and a liquidation NAV of €469m, or €57.9 per share.

Its share was last trading around €35 on Euronext, giving a market capitalisation of €284m, a discount to replacement NAV of 46%. pfe

REIT/SIIC Foncière Paris France sees potential decline in French prices

French REIT/SIIC Foncière Paris France, which specialises in commercial real estate in the greater Paris region, boosted both gross rental income and its asset portfolio in the first quarter by around 55% from 1Q07. It said it expects commercial property prices to fall.

FPF boosted its asset book in the quarter to €430m, and rental income to €7.0m. As of March 31, this gave an asset portfolio comprising 40 properties with a gross rental yield of 6.9% and an average vacancy rate of 3.3%.

Chairman Dumortier said FPF concentrated on adding value to its assets, rather than acquisition. "In a hesitant real estate investment market, our acquisition volume was very limited in the first quarter of 2008," he noted. "However, we actively pursued our commitment to developing new assets and letting existing portfolio properties, with a number of major contracts signed."

Consolidated debt at end-1Q08 stood at €111.5m, representing a loan-to-value ratio of 25.9%. "Looking ahead to the rest of 2008, Foncière Paris France intends to pursue its growth strategy in a real estate investment market that is expected to see prices decline," the group said. "Thanks to its healthy balance sheet, the company currently has the investment capacity to seize growth opportunities as they arise during the year." pfe
(*First published in PFE Edition 73 on 12 May*)

French REIT Tour Eiffel posts 15% rise in first quarter turnover

French REIT/SIIC Société de la Tour Eiffel posted a 15% rise in first quarter consolidated turnover to €20.6m compared with first quarter 2007, of which €18.2m represented rental income, up from €16.5m in 1Q07. The rise stems mainly from acquisitions made in 2007, comprising six business parks owned by Parcoval, and also at the beginning of 2008 in Saint-Cloud and Amiens.

The delivery of new leased properties and rental indexation on the existing portfolio offset the loss of rental income from asset disposals in 2007. The occupancy rate remained stable at 92% from end-December.

The group said it has confronted adverse market conditions adjusting its portfolio through initiatives aimed at positively impacting future development and valuation: "Progress on our portfolio remains satisfactory in terms of transactions and leasing despite less favourable market conditions. This success vindicates a constant investment strategy based on moderate rents and high returns, particularly relevant in the current economic climate."

It detailed the highlights of the first quarter s follows: Acquisition of a 2,750 sq.m. office development in Aix-en-Provence, pre-let on a six-year closed lease at investment volume of €6.5m and expected yield of 7.1% net; launching of the Parc Eiffel brand for 12 business parks, which extend to 326,000 sq.m; the construction launch with Nexity of a new 18,000 sq.m. built-to-suit office building for Alstom at Massy leased for nine years firm for an annual rent of €4.1m. The €50m investment has been financed with Société Générale and Crédit Foncier through a fixed rate, nine-year mortgage loan; three new acquisitions for €30m in Amiens, Chartres and Saint-Cloud.

STE, which has an asset book totalling €1.2bn, said it also continues, as market conditions permit, its selective disposal policy of mature or non strategic assets. pfe

Germany's Eurohypo posts sharp fall in first quarter to €80m pre-tax

Germany's largest commercial property financier Eurohypo, part of the Commerzbank group, posted pre-tax profit of €80m in the first quarter, sharply down from €206m in 1Q07.

Valuation adjustments to the US investment portfolio totalling €84m and effects of derivatives were the main reasons for the profit slide. "The ongoing global financial market crisis and the resultant economic slowdown in Europe and the USA is continuing to make market conditions very difficult, and increasingly weighing on the real estate sector," it said.

Despite the challenging market situation, €4.1bn in new real estate business was approved, considerably below €11.1bn in 1Q07. It achieved significant sales success with well-known business partners in strategically favourable domestic and foreign markets. Irrespective of the challenging environment in syndication, the bank managed to place €1.2bn of real estate loans.

Chairman Bernd Knobloch said Eurohypo has a strong market position and solid capital base and can focus on acquiring high-margin business to take onto its own books. "Like all our competitors, we are operating in an exceptionally difficult environment," he said. "This is inevitably reflected in our results." Nevertheless, Eurohypo's business model, based on funding by Pfandbriefe and its excellent issuer standing has proved that the strategy is on the right course. pfe (*The full report will be published on 26 May in PFE Edition 75*)

French Foncière des Régions says 2008 disposals reached €679m, adds Telecom

French REIT/SIIC Foncière des Régions said it has made €567m in property sales and sale agreements in 2008 to date, generating an average margin over 2007 year-end appraisal values on the order of 5%. In Italy, its subsidiary Beni Stabili has posted €111.5m in property sales and agreements since the start of 2008, obtaining an average margin on the order of 9%.

Separately, FdR said it has just signed an additional agreement to sell its largest tenant France Telecom a portfolio comprising 58 assets for €231.5m, which it leases. Some €136m worth of these were already transferred at the end of March.

CEO Christophe Kullmann told PFE in an interview earlier this year that the credit crunch has changed the rules and the short-term challenge is to find debt finance for development and equity for expansion. "Our strategy encompasses regular rotation of the portfolio: for 2008, our goal is to sell around €1bn of assets in France and in Italy," he said. This would cut LTV to 55% from around 60% at year end.

For first quarter 2008, FdR posted a 69% rise in revenues at group share level to €170.5m against 1Q07, and a 59% rise at consolidated level to €271m. The data include Beni Stabili for the first time. Rental income on French office property rose 7.0% in 1Q08 to €72m, while rentals for Italian office assets were up just 1.7% at €54m.

The group said it, "continues to benefit from the security provided by sale and leaseback transactions that go hand in hand with very high occupancy rates and a lack of defaults." At the end of March, the occupancy rate exceeded 99%, while the Italian office portfolio also enjoyed a very high occupancy rate of 98% for the long-term portfolio.

In addition to the sales to France Telecom, FdR also has an agreement for the operator to buy the space that it uses in 13 properties and for Foncière des Régions to consider future redevelopment of the remaining part as of 2014 if it is vacated.

In an uncertain economic context, Foncière des Régions said it is confident of achieving its 2008 objectives. These include significant progress with the 2008 disposals plan, favourable indexation throughout 2008, implementation of the strategy in Italy, optimisation of existing assets, gaining a new contribution from major projects targeted, and growing the contribution from dedicated units.

FdR doubled its group share of assets last year to €11.2bn, due in particular to its acquisition of a controlling interest in Beni Stabili. Investments in office assets and investments by subsidiaries in tertiary and residential facilities account for the bulk of revenue growth, reflecting high indexation and excellent occupancy rates. pfe

Rivero may reduce French Gecina stake to facilitate Metrovacesa separation

Joaquin Rivero, chairman and senior shareholder of French REIT/SIIC Gecina, could reduce his equity holding to offset French stock exchange concerns about potential concert party action in the separation of Gecina from its current owner, listed Spanish property investor Metrovacesa.

In a release of first quarter figures, Gecina also said it is looking to carry out a stock split to improve the share's liquidity, but gave no further details.

The separation process is expected to be finalised over 2008. "Joaquin Rivero could reduce his interest in Gecina in order to facilitate this process," Gecina said. The French securities regulator (Autorité des marchés financiers, AMF), warned in December that a February 2007 separation agreement could create a concerted action between Rivero and business partner Bautista Soler, both prior shareholders and board members of Metrovacesa where the former was also chairman. It said the plan could result in Rivero and Soler holding a 42.7% stake, above the threshold of one-third of capital which triggers a mandatory bid. Gecina also plans a buyback of up to 14m of equity to separate from Metrovacesa.

Its share was last trading around €93, down from a 52-week high of €137.5 and giving a current market capitalisation of €5.8bn. Group balance sheet at end-2007 totalled €12.9bn, of which €7.7bn was capital and reserves and gross financial debt was €4.7bn - a gearing ratio of 35%. Average cost of debt was 4.59%.

In the first quarter of 2008, Gecina reported that rental income rose 6.3% to €151.7m against 1Q07. Assets recently aquired, notably office and other segments, contributed €6.6m to this growth, offsetting properties sold off and under redevelopment. EBITDA before disposals climbed 7.4% to €121m. Per share, recurrent income was €1.18, representing a rise of 3.5%. pfe (*The full report will be published on 26 May in PFE Edition 75*)

Colonial's French REIT SFL sees 8% rise in first quarter rental income

French REIT Société Foncière Lyonnaise, in the midst of being divested by its struggling majority Spanish owner Inmobiliaria Colonial, reported 8.2% growth in rental income in first quarter 2008 to €44.5m. Like-for-like, property rentals rose 2.4%.

The occupancy rate remained very satisfactory, at 97.4% as of 31 March, SFL said. Six new leases on a total of nearly 7,000 sq.m were signed at an average rent of €525 per sq.m. The market value of the portfolio, based on independent valuations, was €3.8bn, excluding transfer costs, representing a fall of 3.6% from end-2007. SFL said this reflects the moderate increase in the discount rates applied by the valuers to its properties. Net debt remained stable at €1.05bn at the end of the first quarter, representing a loan-to-value ratio of 26.3%. On this basis, fully diluted NAV per share stood at €55.7 excluding transfer costs.

During the first quarter, SFL signed an off-plan purchase agreement for an office building located on avenue de Wagram in Paris. Totalling around 6,000 sq.m, the building will be delivered in late 2010 after top-to-bottom renovation.

Colonial owns around 90% of SFL, whose stock was last trading around €57, giving a market capitalisation of around €2.45bn and Colonial a potential cash income from a disposal of around €2.2bn at current prices. pfe

PFE COMMENTARY: SFL notes that SIIC 4 measures should widen the market for French REIT stock by increasing free-float throughout the segment and placing all investors in the Paris stock market on equal footing in terms of taxation. In reality, they were introduced mainly to prevent Spanish companies – such as Colonial - taking advantage of their ability to keep SIIC dividends tax free in their domestic earnings. French REIT Gecina is, partly for the same reason, also in the midst of being divested from the Spanish group Metrovacesa, while Realia has to cut its 78% stake in SIIC de Paris which it acquired in May 2006

French Klémurs takes over first 77 Defi Mode outlets planned to cost €104m

French retail REIT Klémurs, a majority-held subsidiary of the shopping centre group Klépierre, has paid €104m for the first 77 of 87 outlets of the Defi-Mode and other clothing shop chains that it has agreed to purchase. The total investment is planned at €168m.

Part of an agreement with the property investor Foncière Montel and Vivarte made last December, Klémurs took over the assets at the end of April. They encompass total retail floor area of 66,250 sq.m. in locations throughout France. Some 68 of these assets are owned outright, seven are under property finance leases, and two under construction leases. They will generate €6.1m in net rents over the full year, the company said.

This acquisition brings to 264 the number of retail assets owned by Klémurs as of April 30, for a total value of around €576m. Klémurs, listed on Euronext Paris, was established two years ago to build a real estate portfolio originating primarily in the outsourcing of real estate assets by large businesses in the retail sector - restaurants, distribution, goods and services.

Separately, the group said consolidated rents reached €6.8m in the first quarter 2008, up from €5.4m for 1Q07. On a constant portfolio basis, rents increased by 7.7%, reflecting the impact of index-linked rent adjustments of around 5% and the first variable rents received on restaurant properties acquired in late 2006 - many of them in the Buffalo Grill chain.

The occupancy rate for the period was stable (99.4%), and no payment defaults were reported.

Klémurs said it is currently looking into the acquisition of a portfolio of retail stores owned by a nationwide brand and is positioning itself to acquire retail park projects. pfe

French Ciloger launches first two OPCI property funds for private savers

French fund manager Ciloger has launched the first two property funds aimed at private savers in the form of the newly-legislated OPCI, and distributed by the French post office and the savings banks within their branch office networks.

The two funds are named Squirrel Immo-Plus and Post Office Bank Property (Ecureuil Immo+ and La Banque Postale Immobilier). 'Squirrel' is the nickname for the savings bank system in France.

Ciloger, which is jointly owned by both public sector groups, already manages three OPCIs (Organisme de Placement Collectif Immobilier) for institutions.

OPCIs are forms of real estate capital funds that benefit from a similar fiscal regime at investment level as REITs. Although 11 institutional OPCIs already exist, the stock market authority AMF for several months has withheld permission for issuance of OPCIs for retail investors due to concerns over investment security, particularly amid the market downturn.

Ciloger Managing Director Laurent Fléchet commented: "With an asset base of physical property, these new vehicles benefit from a tax regime applicable to real estate and will expand the range of property options open to private individuals." Ciloger also manages SCPIs, but the more favourable tax regime on OPCIs means many are being converted.

The retail OPCIs are restricted to a maximum 60% of total capital invested in real estate, comprising 51% in physical assets and no more than 9% held in REIT/SIIC equities. They are obliged to always retain a minimum 10% of liquid funds, while the remainder can be in financial assets.

In order to prevent fund closure at times of crisis, the AMF has ruled that funds may, under exceptional circumstances, delay certificate redemption payouts to individual savers for up to six months. pfe (*First published in PFE Edition 73 on 12 May*)

French, German property derivatives rise, but dwarfed by UK

French and German property derivatives worth €287m face value traded in the first quarter of 2008 although the figure was dwarfed by a record UK trading figure of €4.66bn, according to Investment Property Databank. The UK figure doubled that of 1Q07.

A total of €147m of French derivatives were traded between 1 January and 31 March while €140m of German trades were executed in the same period. A total of €1.2bn of trades have now been based on the IPD France index, versus €500m on the German index.

IPD Director Ian Cullen said, "the biggest quarterly property derivatives volume on record coincided, in the first three months of this year, with the largest single quarter's divestment from their direct property asset bases by UK institutional investors."

In all, there were 283 trades in the quarter, easily eclipsing the previous record of 236 transactions in 4Q07, according to IPD. The total amount traded on IPD Index property derivatives now stands at €21.6bn. pfe (*First published in PFE Edition 73 on 12 May*)

Spain's Renta targets sale of €170m French portfolio this year

Spain's listed residential housing group Renta is targeting sale of its entire French real estate portfolio, estimated at €170m, before the end of the year. Renta wants to re-position itself in the French market during 2009, before the autumn.

Renta held a French portfolio worth €250m at end-2007 but has since reduced this via active disposals, Bontemps told the French Business Immo property portal. It now owns an asset of 3,000 sq.m. in floor space on Rue Faubourg Poissonnière, a property in the 16th quarter of Paris, and La Villette tower, which it is looking to sell for around €140m, along with rent guarantees.

"If the economic context is favourable, by the end of the year we are going to sell our portfolio to reposition ourselves on the market before fall 2009," said French Managing Director Tania Bontemps. "This new deal will allow us to take advantage of current prices and conditions. We are going to remain prudent but ready to seize the opportunities that may present themselves." pfe (*First published in PFE Edition 73 on 12 May*)

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