PROPERTY FINANCE EUROPE

• European REITs • German non-performing loans (NPLs) • Institutional real estate portfolio investment • Mortgage securitisation, CMBS/RMBS • French office property • Distressed debt • German real estate banking • Special mortgage servicing • US real estate funds in Europe • Pfandbriefe/covered bonds • Paris SIICs •

Volume 1, Issue 9 — 22 August 2005

Blackstone says interested in buying a German bank

Blackstone said it could become a strategic investor in a German bank that had not yet found an appropriate partner. PAGE 3

Spain's Fadesa first half profits rise by 17%

The Spanish Fadesa group said 1H05 net profit rose 17% to E67m, while group assets expanded by 53%. Ebitda topped E95.7m. PAGE 6

Eurohypo has 33% profit jump ahead of flotation

Eurohypo interim results showed pre-tax profit up 33% in 1H05, but shareholders want to delay the IPO to assess the outcome of the German federal election. PAGE 9

East Europe commercial real estate yields drop toward 7%

The boom in east European commercial property means current 7.5% entry yields are likely to fall further toward 7%, CBRE says. PAGE 11

The PFE Interview: Raffaele Lino, DTZ Zadelhoff Tie Leung PAGE 8

EU reform zeal over mortgage Green Paper seen diluted by French doubts

The European Commission has released the long-awaited Green Paper on home mortgage credit, but experts fear any reforms may be diluted by disagreements between consumer groups, lenders and the French rejection of the EU constitution.

The Green Paper, released last month, is the second in a four-step process to examine if Brussels intervention is needed in the European Union cross-border market for home loan provision and, if so, in what form. It follows a report by the so-called Forum Group in December which made recommendations on the development of an EU market for mortgages. The EC seeks feedback on the paper from interested parties by 30 November and will conduct a hearing in December. A White Paper, with endorsed recommendations, is planned for early 2006.

"Can Commission action make these markets more efficient and competitive, leading to more choice and better value for EU consumers?" the paper asks.

Internal Market and Services Commissioner Charlie McCreevy, responsible for the process, added in a statement: "A home is the biggest purchase most people make in their lifetime, and the mortgage credit markets are a very significant part of the EU economy. More cross-border activity and competition in the EU mortgage market could increase choice, reduce costs and leave more money in people's pockets at the end of the month."

Outstanding residential loans in the EU are valued at about 44% of total GDP, and most mortgages were taken out with national and local lenders. So far, the Green Paper notes, consumers appear reluctant to do business with foreign lenders but, equally, many foreign lenders have been slow to take up the opportunity offered by the Internal Market to do business in EU countries outside of their base.

This has been due to differences in marketing and comparing products across national borders, differences in legal rules and practical difficulties... CONT. ON PAGE 2

PFEUROPE.DE

The busy September restart of business, what the French call the "re-entry" (rentrée) lies not far away now, just two more weeks until US Labor day. At ***Property Finance Europe,*** we are preparing fast for the mass of conferences and seminars planned in September and then in the run-up to year end.

We have added two more conferences to the crop in September, now including the French real estate investment seminar run by Les Echos in Neuilly, and the European Property Italian Conference, "Painting by Numbers" scheduled for Rome at the end of the month. Some of these we should be able to attend. Given developments in all segments of the property finance sector, keeping up will require some speed! We will report back in the next issue of PFE, No. 10, due out on 12 September.

This week, the issue of residential mortgages comes back onto the agenda and promises to raises considerable heat, if not a lot of light over the next year or so. Clearly, home loan financing is well overdue for a complete overhaul in the EU such that cross-border providers can enter - and therefore unblock - many inflexible national markets.

French REITs post record first half profits

The introduction of the French Real Estate Investment Trust (REIT) vehicle (SIIC) over the last two years has helped boost the large property companies listed on the Paris bourse to record profits in the first half of 2005 and further growth is expected.

Even if the current market for commercial rentals is relatively subdued, the major SIICs boosted their rental income by 5-8%, the French property newsletter Businessimmo reported. Cash-flow rose by between 10% and 40%, allowed net profit to surge. Gecina, Unibail and Société Foncière Lyonnaise in particular boosted their half year profits by as much as 150%.

Separately, CBRE Bourdais said some €5.4bn was invested in French commercial property during the first half of 2005, below the €5.84bn in the same period of 2004, even though returns and cap rates also gradually declined. Office property, as always, was by far the main asset by volume traded, at 80% of turnover in 1H05. SEE PAGES 2 & 3

EU MORTGAGE GREEN PAPER SEEN DILUTED: such as diverse ways of assessing borrowers' creditworthiness and property valuations.

The EC makes clear however that it, "will consider if it is appropriate to propose action and if so the nature of that action, only once the four-stage business case assessment is complete." Action would be proposed only if the consultation demonstrated there was a business case for it, i.e. that the perceived benefits outweigh the anticipated costs.

Hans-Joachim Dübel, who contributed to a paper on mortgages for the London Economics consultancy, says it is noticeable that the EC slowed down when it realised the strong lobby disagreements in the Forum Group report, and this was then followed by the French referendum rejection of the EU constitution in early spring.

Brussels was considerably less in favour for reform now despite a sense of need for action expressed by Forum. "The Commission has really started to tackle some of the hot issues," Dübel says. "But the pace and depth of the discussion is still not quite what it could be. Someone is going to have to take the intiative to develop and broker the details of agreement between the stakeholders."

One "hot button" is the issue of early repayment of fixed-rate mortgages, which can cost the lending institutions between 60 and 100 basis points of margin, Dübel says. German bank home loan lenders do not charge those option costs and usually exclude prepayments contractually or charge yield maintenance prepayment indemnities.

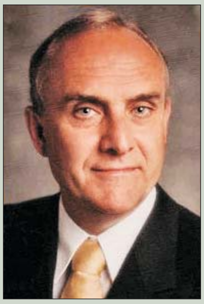
In Denmark, an important mortgage credit class operates on an exclusion basis too, but the borrower may buy back the outstanding balance from the investor at market rates. On the other extreme, France and Spain provide prepayment as a universal option, while charging indemnities for this is severely restricted by law. Hence the lender has to put a price on the option.

Brokering agreement across the EU would imply compromise by some nations, yet still leave a wide playing field for the market. Borrowers could, for instance, be given a universal prepayment option, while lenders would be allowed to charge indemnities commensurate with their reinvestment losses.

Other critical points of disagreement include the right approach to comparing Annual Percentage Interest Rates (APRs) - the calculation of which can differ - whether variable-rate loans should track official indices or can be 'reviewable' by lenders, if uniform valuation standards should be adopted, if the property and execution law foundations of a mortgage should be harmonised, and what steps the EC should take to promote the European capital market in mortgages. pfe

French commercial property investment falls in 1H05 but yields still under pressure

Some €5.4bn was invested in French commercial property during the first half of 2005, below the €5.84bn in the same period of 2004, even though returns and cap rates also gradually declined, according to the latest Market View by CBRE Bourdais,



No one would suggest that Chancellor Gerhard Schröder is not highly talented in the art of rhetoric. His ability is at least the equal of British PM Tony Blair and French Interior Minister Nicolas Sarcozy. However, to watch the language contortions he employs to explain how he stands fully behind brave and unpopular – in his party at least - economic and social reforms, while at the same time inserting the words "social justice" to appease the Social Democrat Left, is amazing to behold. Schröder is challenged as to whether he is defending reforms or is agin' 'em. Facially, he has to work very hard to show that he is not at all working extremely hard to rhetorically reconcile two completely irreconcileable policy principles. Fingers crossed, I'll never have to do it.

Schröder has to win the election by espousing a loony far-left program that encompasses no reforms and hugely irresponsible financing promises, ideas that he jettisoned at the latest in the early 1990s on joining the Volkswagen supervisory board as Premier of Lower Saxony. At the same time he must nurse the hope that, back in power, he can repeat the trick of 1999 and neutralise the left in the party and populace that backed him to get there. Honour dictates that having called the election prematurely, Schröder must now fight it for the SPD. There is no alternative. Win or lose, after the election he regains options: lose, he steps down; win, he stays in power if the radical left SPD faction lets him bring back reforms. If they don't, he resigns. But he is out, if needs be, with honour.

*****

Let no one outside Germany be in any doubt about the depth of changes taking place across the entire economic financing system. Thomas Kretschmar at Hypoport in Berlin characterises present events as the greatest upheaval in German property financing in 100 years. He may be right. That residential mortgages can be more efficiently executed via Internet platforms rather than your local bank branch is an idea that Hypoport is exploiting with growing success. But consider this: Anglo-Saxon private equity funds are moving into direct financing of Mittelstand small and medium-size enterprises, the heart of German industry. Where banks have cut lending back so far that Mittelstand was forced into net credit redemption, US private capital is offering cash against equity up to and including complete buy-out. Financings are cleverly structured, returns are geared up, exits are thought through. US financiers are uncluttered by traditional, old pricing thoughts for money. They are also prepared to split returns with current owners. The pace of this business substitution is accelerating. US funds such as Blackstone, Lone Star and Cerberus are trying to buy German banks to give them market advantage.

Secondly, German trades unions are right in complaining that potential high returns for Anglo-Saxons in residential property and non-performing loan deals are benefiting US pensioners when they should be subsidising old-age care at home. So what is Germany Inc doing about it? Er, well… Having refused for "social justice" reasons (See above) to establish a functioning third-pillar pension system, i.e. the private sector, there is no one out there who can move into this space. The banks don't believe in the business, for now. The major pension 'capital collection points' are the insurance companies. Where is Allianz and Munich Re in all of this? They are working on it. Investing in US private equity funds!

*****

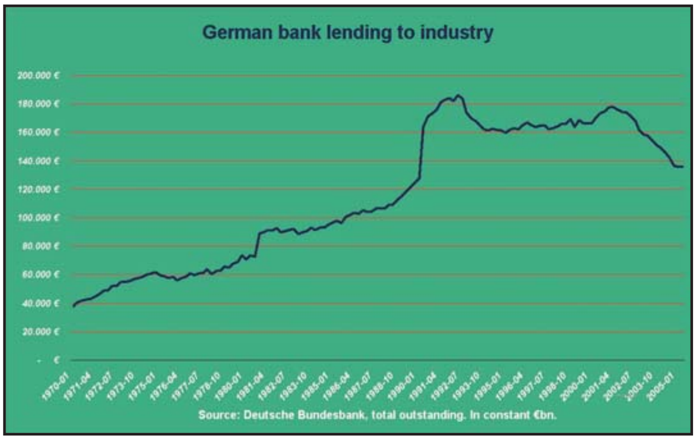
Allan Saunderson, editor@pfeurope.de

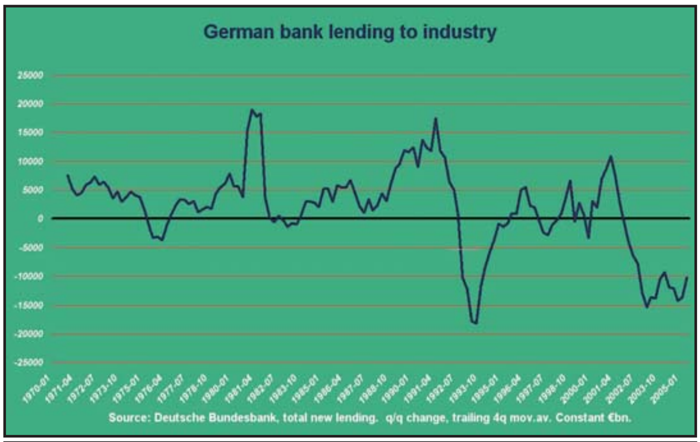
reported by the French property newsletter Businessimmo.

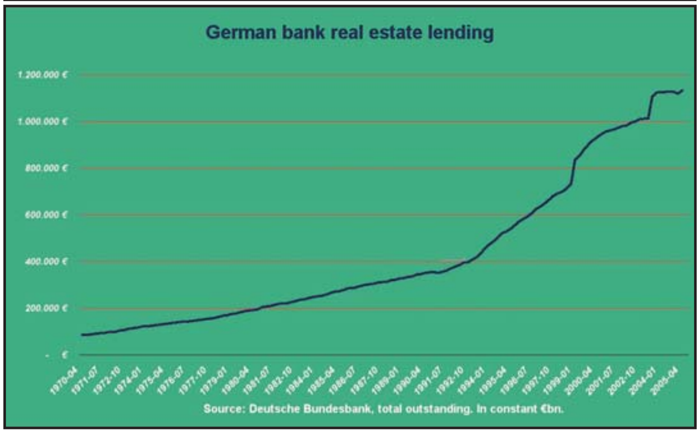
Though the total number of deals rose, even the amount of major transactions above €100m declined quite significantly. Office property, as always, was by far the main asset by volume traded, at 80% of the turnover in 1H05. Logistics properties comprised 11% of the volume, with the remaining 9% comprising retail space.

From the investor side, international investors made up for nearly 80% of the investment volume in 1H05, with North American investors at 21%, German institutions at 18%, Dutch at 5.5% and British investors doing 3% of the business. However, CBRE Bourdais also noted the increase in interest from investors from the Mid-East as well as the increase in number of investors from Spain, Ireland and Italy. As for domestic French institutions, they were in second position by volume at 21% of total deals transacted, and remain the principal sellers in the transactions at 56% by volume.

The continuing strong interest of foreign investors continues to put downward pressure on returns. After stabilisation in the first quarter of 2005, returns in the prime properties fell by 20-50 basis points, according to product and geographical sector, CBRE Bourdais said. Prime office space in business sectors of Paris are being transacted at cap rates of 5.1%, however the positive yield gap with the long-term fixed income remains significant. CBRE Bourdais therefore predicted that property yields were likely to remain low for the foreseeable future. pfe







Blackstone interested in buying German bank, has no comment on Commerz, AHBR

The US-based Blackstone group is interested in investing in a German bank, according to its German managing director, Hanns Ostmeier. He told journalists in Hamburg earlier this month that Blackstone could consider even becoming an investor in a large German bank that had not yet found a strategic partner.

"We are interested in making acquisitions in the banking sector," Ostmeier said. "It is possible that we could take a position in a bank's capital and sell our stake again after a particular time period once we have found a suitable banking partner for the institution concerned." He would not comment on market rumours that Blackstone was interested in investing in Commerzbank or Allgemeine Hypothekenbank Rheinboden (AHBR).

Ostmeier said funds such as his had a competitive edge in making strategic financial sector investments since they had no specific limitation. "Our capital investors allow us to invest in banks," he said.

In Germany, Blackstone controls the chemicals firm Celanese, and recently bought a portfolio of 31,000 apartments from the WCM company for €1.3bn. Two years ago it was beaten to the television company Pro Sieben Sat 1 by a consortium including the US investor Haim Saban and other funds. pfe

French REITs see further profit growth, boosting Euronext SIIC index 26% in 1H05

The introduction of the French Real Estate Investment Trust (REIT) vehicle (Société d'Investissement Immobilier Cotée, SIIC) helped boost the large property companies listed on the Paris bourse to record profits in the first half of 2005 and further growth is expected, the French property newsletter Businessimmo reported.

All current signals are on green, it said. Even if the current market for commercial rentals is relatively subdued, the major SIICs boosted their rental income by 5-8%. Meanwhile, cash-flow, a key measure of the success of property companies, rose by between 10% and 40%, allowed net profit to surge. Gecina, Unibail and Société Foncière Lyonnaise in particular boosted their half year profits by as much as 150%.

The good result of French SIICs helped boost the sector's index on Euronext (Euronext IEIF SIIC France index) by 26% in euro terms so far this year, compared to a rise of 36% for all of 2004. As a result, many analysts consider the group to be fully, if not over-priced, having achieved a premium to NAV in many cases. SFL is trading, for example, at a 10% premium, while Unibail is rated at a premium of nearly 50% to NAV.

However, analysts suggest that this overvaluation relative to assets may be temporary and could easily be dismantled by an upward revision in underlying portfolio asset values. They therefore expect general growth in French SIICs to continue, Businessimmo reported. The Dutch investment bank Kempen forecast an average 10% improvement in net profit performance for the sector over the next 12 months. pfe

AHBR sale process enters due diligence, attracts two new bidders

The sale process for the German mortgage bank Allgemeine Hypothekenbank Rheinboden (AHBR) has moved into the due diligence stage and two more investors have shown interest, one of which may be Eurohypo AG, the Börsen-Zeitung newspaper reported.

A Eurohypo press spokesman did not comment but noted only that Chairman Bernd Knobloch had told the half-yearly press conference in early summer that organic growth now had highest priority. The two US opportunity funds Lone Star and Cerberus are taking part in the due diligence, as well as groups around the US investors Christopher Flowers and George Soros, BZ said.

Handeslblatt reported an AHBR spokesman confirming the participation of Cerberus, Lone Star and Flowers. However, *PFE* information indicates that Cerberus is no longer part of the bidding group for AHBR and has withdrawn from the bid.

AHBR is being sold as part of a package with its parent, the BHW Group building society. The giant Postbank AG is bidding for BHW but has made clear it does not want to keep AHBR, which is primarily in the wholesale financing business for mortgages and public sector loans funded via Pfandbrief. Postbank, with its nationwide post office network is focused on bringing BHW home loan products into its massive retail distribution chain.

Both newspapers said Commerzbank may also be still interested in purchasing the BHW parent, and its representatives had been seen in the AHBR data room. However, BHW Chairman Henning Engmann has also told media that "significantly more" than 10 bidders were interested in the group. These consisted not only of banks but also insurance groups.

There has been no identification of the two other institutions that have now entered the bid for the AHBR subsidiary alone, but media reported these bidders had not, in any case, progressed adequately to yet take part in the current due diligence process.

The second new interested party was a financial investor but was unlikely to be, for instance, the Blackstone group even though the US fund made clear, separately, that it was interested in investing in a German bank.

AHBR, based in Frankfurt, is being seen by various institutions as a potential platform for processing non-performing loans. It requires recapitalisation after dramatic losses on the proprietory trading book after miscalculating interest rate risk in the aftermath of September 2001.

At the half year, AHBR announced a 42% drop in operating profit to €33.1m. Provisions were reduced by 34% to €35m only because of a better result on the securities book. pfe

PFE COMMENT: BHW is looking very solid after the release of its own half-yearly figures; no wonder that others are in competition with the Postbank for it, even though we think that the former state-owned postal bank, holding over 9% of BHW's capital, is by far best placed and is the front runner. BHW reported group operating profit almost doubled in the first half, compared with 1H04, to E113m, though retained earnings were down somewhat – undoubtedly due to heavy provisioning for AHBR. Return on equity soared, before tax to 16% vs 8.2% at June 2004, and after tax to 10.6% vs 6.8%. The private home financing business did E10bn in volume in 1H05, up slightly from the first half of 2004.

PROPERTY FINANCE EUROPE

Publisher
Rose Advisory Ltd,
Manufactory House
Bell Lane
Hertford,
Herts SG14 1BP
England

Operating Office
c/o easetec
Hainer Weg 13 – 15
D-60599 Frankfurt am Main
Germany
Tel. +49 (0)69 962448- 0
Fax +49 (0)69 962448-90

Editor
Allan Saunderson
editor@pfeurope.de
Cell +49 (0)172 672 3938

Business Mgr / Advertising
Charles Kingston
business@pfeurope.de

Internet
David Jayne
webmaster@pfeurope.de

Administration
Gaby Wagner
office@pfeurope.de

HVB selling two large €2bn NPL portfolios ahead of Unicredito merger

Hypo-Vereinsbank is in the process of selling two portfolios of non-performing loans (NPLs), each valued at €2bn, with the first already in due diligence with Morgan Stanley, Merrill Lynch and Lone Star funds among the bidding group, the Handelsblatt newspaper reported, based on financial sources.

The main objective of the two sales is to substantially deal with the outstanding bad loan book before HVB's merger with Italian Unicredito is finalised. In regard to the second portfolio, invitations to bid were sent out to potential interested parties in the first half of August, the newspaper reported.

HVB six months ago separated €15bn in problem mortgage-backed credits out of its balance sheet into a separate restructuring unit, similar to the strategy adoped by Dresdner Bank two years ago. HVB Chairman Dieter Rampl announced at the time that the major part of this part of the credit book would be sold. pfe

PFE COMMENT: This is a process that has managed to remain confidential despite the size of the portfolios involved. The agreed merger between the Italian and HVB bank looks, in German eyes, very much like a takeover of the latter by the former, and has quickly awakened speculation about further consolidation in the sector. The thinking goes that if the federal government – in this case the SPD/Green coalition under Chancellor Gerhard Schröder – allows such a merger to go forward, then future governments in Berlin, especially if the right-wing Union/Liberal opposition wins the election, are also highly unlikely to block similar moves on other major institutions. In turn therefore, Christian Democrat Chancellor Candidate Angela Merkel is being listened to carefully. She has advocated building 'national champions' precisely to avoid a sell-out. "I would definitely prefer that we in Germany have a large bank in five years' time that can perhaps conduct credit business in a volume that other banks cannot," she recently told a television interviewer. "We Germans must really give some thought to this: What do want really want to have as national

PROPERTY FINANCE EUROPE - *BULLETIN BOARD*

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

*****

Monday-Tuesday 12-13 September 2005 - Global Real Estate Institute Summit 2005, Paris
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, Bernd Knobloch-Eurohypo. More information at www.globalrealestate.org/summit/summit2005.

*****

Monday-Tuesday-Wednesday 26-28 September 2005 - EuroCatalyst 2005: Live from Rome
In addition to an ongoing dialogue to capture opportunities through the entire value chain of European mortgage markets, EuroCatalyst Live from Rome features a day on the Italian market's emergence onto the global stage in light of recent covered bond legislation.

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, Alan Boyce-Soros Group, Todd Groome-IMF, Harsha Shewaram-European Commission, Ferdinand Veenman-GMAC-RFC, Erik Urskov-Nykredit, Clive Wood-Royal Sun & Alliance, Liam Coleman-Nationwide, Trevor Pothecary-Mortgages Plc, 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.

*****

Wednesday-Thursday 28-29 September 2005
German and Northern European ABS including the inaugural 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, , 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.

*****

Thursday 29 September 2005 - Les Echos 13th Annual Conference on real estate investment in Neuilly sur Seine
The 13th annual conference will focus on the most successful strategies in the commercial property sector and the positioning of investors in regard to the opportunities on offer.

Speakers include: Maurice Gauchot-CB Richard Ellis Bourdais, Laurent Ternisien- IPD France, Philippe Tannenbaum-Eurohypo, Paul Koch-ING Real Estate, Jean-Francois Ott-Orco Property, Joaquin Rivero Valcarce-Metrovacesa, Pierre Vaquier-AXA REIM France, Bruno Keller-Eurazeo, Eric Adler-Tishman Speyer, Alain Brochard-ASPIM, Anne Florette-RFF, Jean-Pierre Lourdin-Min. de l'Économie, Jean Luchet-Accor, Struan Robertson-Morgan Stanley. More information, email: achatellier@lesechos.fr

*****

Thursday-Friday, 29-30 September 2005
EPIC - European Property Italian Conference is organising its autumn conference "Painting by Numbers", in Rome.

Speakers include: Carlo Borgomeo BAGNOLI FUTURA, Marco Causi COMUNE DI ROMA, Ugo De Bernardi CITYLIFE Massimo De Meo BENI STABILI, Maurizio Grilli CORDEA SAVILLS, David Ingram PROPERTY & PORTFOLIO RESEARCH, Jeremy Kelly JONES LANG LASALLE, Bill Kistler ULI EUROPE, Arjan Knibbe UBS INVESTMENT BANK, Pietro Malaspina SONAE SIERRA, Mauro Mancini AM DEVELOPMENT ITALY, Mauro Mancini METRO COMMERCIALE, Gianluca Marcato UNIVERSITY OF READING, Aldo Mazzocco BENI STABILI, Daniela Percoco NOMISMA, Carlo Petagna AGENZIA DEL DEMANIO, Marco Plazzotta RAS IMMOBILIARE, Massimo Ponzellini PATRIMONIO DELLO STATO. More information at www.epic.it.

*****

champions? Do we want to be leaders in the chemicals business, do we want to be in the car industry, or do we want, so to speak, to provide the best takeover candidates?" Emmm. Watch that particular space. Commerzbank shares have risen recently as a result of such comments. Deutsche is the eternal domestic suitor.

Spain's Fadesa says first half profits rise by 17%, residential sales at €312m

Spain's Fadesa Group announced that first half 2005 net profit rose by 17%y/y to €67.1m, while total group assets expanded by 53%, mainly thanks to a general increase in activity. Sales of residential properties totalled €312m, with most handovers of homes forecast to take place in the last few months of 2005.

In residential sales, more than 27% comprise pre-sold second homes, it said in a release. Commercial property sales also advanced by 13% to €580m compared to the same period in 2004. The gross margin at the end of 1H05 stood at 41%, and Ebitda topped €95.7m, giving a 29% margin.

Fadesa's pre-sale residential property stock rose 32% to a record high of €1.8bn at end-June - equivalent to 11,561 homes, and this should significantly affect future group revenues, it said. As regards the land portfolio, 2.4m sq.m. of buildable area were purchased in the period, leaving the group's land bank at 18.4m in total at end-June, 12% more than at the end of 2004.

Fadesa said it continued to implement its internationalisation strategy in 1H05 through entry into new markets. After establishing a presence in Hungary last year with a residential project in Budapest, Fadesa entered Poland in May through an alliance with the Prokom Group. In June it bought the French SIIC Financière Rive Gauche, through which it plans to invest around €200m on the French property market within three years.

Also in 2Q05, the Moroccan government awarded Fadesa a large residential, tourist and commercial project to develop in Tangiers. The Spanish group said this should cement its role as one of Spain's biggest investors in Morocco. pfe

PFE COMMENT: Fadesa, alongside its Spanish counterpart Metrovacesa is among the more active, ambitious and interesting property companies in Europe currently. Chairman Manuel Jove Capellán masterminded the takeover of a 70% stake in Financière Rive Gauche in June, and Fadesa has a three-year option on the remaining 30%. The Fadesa share price has responded accordingly, more than doubling in the last 12 months to nearly E25 per common stock today from under E11 in September 2004. Market cap is E2.8bn, with average daily volume just under 300,000 shares.

Terra Firma chief says Deutsche Annington could have 1m German apartments within 10 years

Deutsche Annington, majority owned by the British Terra Firma private equity group, could achieve a total apartment portfolio of up to 1m over the next five to 10 years, David Pascall, Terra Firma managing director told journalists in a recent press conference.

The takeover of the Viterra group from the Essen-based Eon utility brought around 150,000 apartments into the overall portfolio, and in the coming three years DA should be able to build this up to around 500,000 units.

At the same time, the various programs of apartment sales would be remain at the current high level, Pascall told the newspaper. Next year DA intended to sell off up to 10,000 apartments from the older DA portfolios and from Viterra.

DA also announced plans to reduce Viterra staff numbers by around 500 and to transfer the headquarters of the group to Bochum from the current Düsseldorf. pfe

HRE International closes second CMBS transaction at £348m

Hypo Real Estate Bank International said it has closed its second Commercial Mortgage Backed Securitisation (CMBS) transaction in two months in a joint venture securitisation with Morgan Stanley, named European Prime Real Estate No.1 plc.

The deal will encompass the securitization of eight loans – seven of which were originated by Morgan Stanley and one originated by HRE - One Lime Street (the Lloyd's building) in London. The bank´s single loan comprises 40.5% of the combined pool.

The issuer EPRE, a public company incorporated in the UK and Wales, has issued four classes of notes totalling nearly £348m and ranging from AAA to BBB. The proceeds of this issuance has been used to purchase the loans from Morgan Stanley and Hypo Real Estate Bank International. The notes are listed on the Irish Stock Exchange.

The loan pool comprises eight loans consisting of 18 properties with a weighted average LTV of 64.4%. All properties are located in the United Kingdom and comprise office and retail properties. The weighted average remaining loan term is 6.2 years with 280 tenants. The weighted average DSCR is 181% and ICR of 182.5%. pfe

Table: First half 2005 results of French SIICs (REITs)

*In €m, or *€ per shr*	*Rental income*	*change[1]*	*Net profit*	*change[1]*	*Net Asset Value**	*change[1]*	*Cash Flow**	*change[1]*
Bail Investissement	68,3 €	13,3%	101,7 €	-24,4%	30,6 €	5,4%	1,3 €	29,4%
Foncière des Régions	97,8 €	29,0%	136,5 €	63,0%	53,0 €	5,3%	2,9 €	43,0%
Gécina	259,6 €	10,8%	416,9 €	86,9%	79,1 €	13,4%	2,3 €	9,0%
Klépierre	217,6 €	12,7%	66,3 €	n/a	60,0 €	7,4%	2,2 €	25,0%
Foncière Lyonnaise	76,4 €	-4,4%	59,2 €	149,9%	40,8 €	8,1%	1,4 €	16,2%
Silic	53,7 €	9,6%	18,2 €	21,5%	64,9 €	5,7%	2,4 €	14,6%
Unibail	203,0 €	-13,3%	621,0 €	77,4%	78,6 €	-12,4%	n/a	n/a
Averages		*8,2%*		*62,4%*		*4,7%*		*22,9%*

Source: Business Immo, Issue 91. www.businessimmo.fr

[1] change compared to 1H04

Fitch assigns first Real Estate Portfolio score to SEB ImmoInvest

Fitch Ratings has assigned its first Real Estate Portfolio score, designed to provide performance assessments across the funds sector. SEB ImmoInvest, a German open-ended real estate fund managed by SEB Immobilien-Investment GmbH, was given a REP 2 rating.

The REP score reflects the resilience of a real estate fund on a total return and property return basis after exposure to a hypothetical stressed environment in line with a significant recession, Fitch said in a release. The score is weighted two-thirds property and one-third total return, and is therefore based on the quality of the real estate portfolio and the strength of its financial structure.

SEB ImmoInvest had a net asset value of €5.1bn at its financial year-end in March 2005. Its portfolio comprises 110 properties with a total market value of €4bn. Fitch said it benefits from high geographical diversification and little relative concentration - only 43.6% by value is located in Germany, 14.8% in the U.S., 16.3% in France, 11.4% in Italy and 13.9% spread across other European countries. The portfolio consists predominantly of offices and it has moderate exposure to the retail market.

Fitch said its methodology to assess real estate funds will be applied across Europe. Historically, German open-ended real estate funds, currently with more than €88bn in net assets, have shown low performance volatility. High money inflows after the downturn in equity markets, combined with low yields in debt markets, have raised investor interest in the perceived stability in income and value return of real estate funds.

ImmoInvest's score reflects the fund's moderate decline in real estate portfolio value, a low leverage in capital structure, and strong liquidity. Similar to other German funds, ImmoInvest has little debt, which together with its high level of liquid assets, results in zero net leverage. Real estate assets represent 72.8% of ImmoInvest's total assets after debt and only these assets are exposed to a decline in the stress scenario, Fitch said.

French residential mortgage law to be overhauled, 50-year mortgages possible

The French National Assembly last month approved legislation for the reform of residential real estate credit which would allow mortgages to be granted for up to 50 year maturities rather than the present limit of 35 years, and also reorganised some of the currently highly-regulated fee structures.

Law number 2005-842 from 26 July 2005 resulted from a report submitted in April by Michel Grimaldi, a professor of law at Universitey Paris II. The French property newsletter Businessimmo reported that the law, likely to come into effect before 27 April 2006, envisaged the creation of new categories of mortgage including a "rechargeable" loan that would allow the guaranteeing of follow-on mortgages that can be taken out by using the principal paid down from the original credit.

It also proposes a simplification of the process of " mainlevée", by which, in effect, the mortgage provider is registered as first-ranking for all subsequent borrowings for the mortgage borrower such that the lending institution has easier recourse to the collateral in cases of dispute or default. pfe

PFE COMMENT: Overhaul of French home-ownership procedures, specifically with regard to mortgage procedures, is well overdue. Still, under Napoleonic law, inheritance laws in the case of mortgages are highly complicated and favour, for example, former marriage partners and children in contrast to the counter-parties that may be investing. An entire industry segment has grown up over very recent years in selling French homes to northern Europeans - British, Irish, Dutch and Nordic nationals premier among them – and it is accompanied by numerous magazines, websites, trade fairs and specialist bilingual real estate agent and legal services both north and south of the Baltic Sea and the Channel. Given developments in house prices and the still very low comparative cost of a rural French home, we expect this to continue and accelerate over at least the next 10 years as the "baby bubble" of northern Europe, astounded at its home-price windfall, calls it a day and takes premature retirement.

German building societies remained home lending market leaders in 2004

German building societies (Bausparkassen) remained market leaders in the assignment of new residential mortgages last year, with mortgage lending volume of €33.2bn out of a total market size of €122.8bn, some 27% of total new business but down 9.3% on 2003, according to their Private Building Societies Association (Verband Privater Bausparkassen, VPB).

The second largest home mortgage lenders were the savings banks with €31.9bn assigned, then the private commercial banks (€18.6bn), and the cooperative banking system (€13.5bn). Mortgage banks, by contrast, ceded market share and were the

The PFE Interview: Raffaele Lino, MD, DTZ Zadelhoff Tie Leung GmbH

Foreign banks seen pressing into German real estate seeking diversity of asset type, also outside the five major cities

Foreign banks are taking a growing market share in German commercial and residential property as domestic banks shy away from further exposure, says Raffaele Lino, Managing Director of DTZ Zadelhoff Tie Leung GmbH. Aside from the usual US and British investors, there has been a surge of interest from institutions from European neighbours Holland and Ireland and from Asia, the Arabic countries and Israel.

DTZ Zadelhoff's Raffaele Lino sees foreign banks taking greater risks

In the commercial property sector, "At the moment the German banks are very, very reluctant in financing anything at all, while the foreign banks are becoming very aggressive," Lino says in an interview. "What has come out is a strange situation where actually the domestic banks, which should have better market knowledge, are being very careful, and the foreign banks are turning out to be the big risk takers and are gaining market share."

In the larger deals, only a few investors worldwide are able to play at this level, he says."But in the smaller portfolios we are seeing many new kind of investors: Wealthy property investors from Israel, Arabic countries, Ireland, Holland, and other European countries who were reluctant to look at Germany before. Also Asian investors. Many different kinds and nationalities.

“They have a different view and a different way of looking at these opportunities and are pricing the risk in a more effective way. They are more risk oriented, and are just faster." Entry of new direct real estate investors has been one positive result of the crisis in German bank assets since 2001. The surge of new interest has been horizontal - an increasing diversity in the type of property portfolio being sought. Aside from the usual shopping centre and logistics' property portfolios, demand is emerging for clinics and nursing homes. German office property, given the very high vacancy rates in most cities, is being largely avoided.

The interest is also vertical, in the sense that institutional investors are prepared to pick up real estate outside the major cities. "Institutional investors are not only looking at the five main German cities but are looking at every town with more than 100,000 inhabitants," he says.

Lino and his team have provided valuation assessments on a multitude of recent large direct portfolio deals, plus many of the non-performing loan (NPL) transactions that have taken place in the last 24 months, including the largest so far, the Olympic portfolio sold last November by Hypo Real Estate which had a face value of €3.6bn.

In conjunction with Credit Suisse First Boston and Freshfields Bruckhaus Deringer, DTZ Zadelhoff is holding a conference on 8 September in Hamburg to discuss maximising returns in the German Commercial real estate market.

"The financing of the big NPL portfolios is mostly a play of the big foreign banks," Lino says. "There is really no sign that domestic players are getting involved in financing. Deutsche Bank is looking at it, but it is significant that it is the entity in New York which is interested - and that's only from the equity side, not from the debt financing point of view."

In the market overall, he sees a lot less than the vaunted total €250-300bn in German bank bad debts actually being put up to the market for sale. Domestic banks have strong internal-political reasons for wanting to work out distressed loans themselves. These include possessing large workout departments, or being faced with purchase prices that they think are too low compared with balance sheet valuations - i.e. requiring excessive provisioning when marked to market to move off book. However, Lino says the banks are becoming more aware.

"After the experience of the last two years or so, they have a better sense of what you can really achieve and have a better basis to see if it makes sense to them or not," he says. "We are going to see not only pure sales coming onto the market but also more joint ventures and more outsourcing strategies."

The result of demand for German commercial property has been some distortion on prices that has led to a strange situation, Lino says. On a price chart this would take a U-form, with quite strong pricing on small portfolios of high-quality product. Larger, lower-quality properties in the middle of the size spectrum are trading at low prices, yet big portfolios are in some case trading at a premium rather than the usual discounts because they are relatively rare and much sought after.

"In some cases, portfolios are trading at higher prices than the sum of their single assets," he says. "It is difficult to find such portfolios and investors are prepared to pay a premium to get them." An example would be small supermarkets, normally owned by private investors and holding 20-30 assets. "Investors like the fact they don't have to negotiate with 20 different owners to get them," he says.

He now sees flexibility on the financing side, via such procedures as securitisation or the wider use of Pfandbrief covered bond funding, as likely to put still more demand into the market. "This is a trend which is coming," he says. "Just look at CMBS and at the market potential of Germany compared to other countries, and how underdeveloped the market here is… The interest and the tools are there. You don't have to be a rocket scientist to predict that prices are going to rise."

Lino is more cautious in predicting rises in residential property despite the huge appetite for large apartment portfolios from Anglo-Saxon investors over the last three years. Asked if US/UK investors are crazy or whether German institutions are missing something, Lino says, "It's probably a bit of both. The Germans are too pessimistic and some of the foreign institutions might be too optimistic. But at the end of the day there is general agreement that the market is at the bottom, and the situation should not get much worse. There will be an improvement. The only difference is when this will happen. The only question is are you going to need five years, or do you need five decades?" pfe last group in terms of market size in the residential property market. They assigned just €13.5bn last year, no less than one-third lower than in 2003, mainly due to the cutting back of modernisation programs.

VPB Managing Director Andreas Zehnder told a press conference total residential mortgage business last year was down 2.7% compared to 2003. However, the market has been declining in volume since 1999 and is down more than one-quarter in volume since then. pfe

PFE COMMENT: These figures should be considered in relative terms, and treated with great care. Competition in home mortgages has now progressed well outside the domestic banks as strong foreign competitors such as the Netherlands ING group press into the market through their highly successful Direktbank Internet-processing subsidiary. Many others are providing the financing behind the growing number of well-organised Internet portals in the residential mortgage space. Thus, we wait to be better informed about true developments in German mortgage market volumes, which we can only characterise as "booming" right now. At least, 2005 figures from all other institutions confirm this trend. German domestic institutions, with higher cost bases, are losing market share.

IVG / Cushman see pickup in rental volumes, CBRE expects peak rent rises

Activity in the German office rental market picked up somewhat in the second quarter of the year, with 26% more space rented in the major cities than in the first quarter, according to reports from property company IVG Immobilien and the realtor Cushman & Wakefield Healey & Baker.

Some 590.000 sq.m. of space were rented in Berlin, Düsseldorf, Frankfurt , Hamburg and Munich during in 2Q05, easily outpacing the 468.000 sq.m. from 1Q05, the two companies said in a press release. Peak and average rents did not change however.

IVG and Cushman also reported a similar upward trend in rental turnover in Barcelona, Paris and Prague, while lower volumes were recorded in Amsterdam, Brussels and Warsaw. On average across the 21 major office markets, the vacancy rate fell to 9.5% from 9.9% in 1Q05.

Separately, realtor CB Richard Ellis said that in 2Q05 peak rents rose fastest in Paris (7%) and Budapest (21%). Istanbul also showed strong growth (6.3%), with Oslo (5,6%) and Hamburg (4,8%) close behind. Warsaw rents slipped 4%q/q.

CBRE said it was sceptical however that this trend would continue. Demand for office space was moderating once again in a number of markets, and growth prognoses for Europe were being downgraded. This would eventually have a negative impact on future rental trends. pfe

Eurohypo sees 33% jump in first half pre-tax profit, confident ahead of flotation

Germany's largest mortgage bank Eurohypo AG said in its half-yearly report that pre-tax profit climbed 33% to €382m and, ahead of a proposed flotation on the stock exchange during the second half, is confident about results for the remainder of 2005.

Chairman Bernd Knobloch said in the Interim Report, "The bank will continue to grow dynamically and will strengthen its market leadership in seminal business divisions… Overall, our investments in new markets and new products are producing tangible results."

Return on Equity climbed to 9.1% after tax and is touching on the target figure of 10% for 2007. This compared to a post-tax RoE of 8.1% in 2004. The cost/income ratio of 32% was again clearly below the medium-term objective of 35%, and Eurohypo said it has its costs firmly under control. Administrative expenses fell slightly to €235m vs 1H04, even though the bank systematically invested in its strategic development. Risk provisioning in the lending business was reduced as planned to €123m from €144m in first half 2004.

Since it was created out of the mergers of the mortgage bank units of Deutsche, Dresdner and Commerzbank three years ago, Eurohypo has long planned a partial flotation on the stock exchange this autumn. However, the three main shareholders have made clear they want to wait to see the outcome of the federal election due on 18 September, to study its capital market and domestic implications first.

Eurohypo said it had been exceptionally successful in new commercial real estate business in 1H05, and had nearly €15bn in new commitments in the first six 2005 months, up more than 135% vs 1H04, and now holds a total credit portfolio of €103bn. More than 32% of the total asset book is now accounted for by foreign lending, compared to 28% at the end of 2004.

In the first six months, over 70% of new business was generated outside Germany. Corporate Banking volume in continental Europe increased by 79% in new commitments, while business in Great Britain and the US also accomplished high growth rates.

Eurohypo said it has continually strengthened its position as the leading real estate bank and is now Europe's market leader in securitisation. Through its Opera platform, the bank structured and placed five commercial mortgage backed securities (CMBS) issues amounting to €3.9bn in the first half of the year alone. pfe

Hypo Real Estate reorganises activities, moves business out of Dublin

The Munich-based Hypo Real Estate, floated out from the HVB Group in September 2003, is to reorganise its international property lending business and move the bulk of the business from Dublin back to Stuttgart.

The bank said it would group its property financing in its Württembergische Hypothekenbank subsidiary, based in Stuttgart, and rename this HRE Bank International. The Dublin bank, set up two years ago, would continue as a subsidiary of HRE Bank International and under the name Hypo Public Finance Bank concentrate on capital markets and public sector credit.

Paul Eisele has been named chairman of HRE Bank International, which will initially have a financing portfolio of €27.2bn, HRE said in a press release.

The HRE group also announced that after-tax profit rose 92% in the first half of 2005, to €161m, giving a return on capital of 7.7%. It should remain around this level for the rest of the year despite the costs of the restructuring. pfe

PFE COMMENT: One of the hidden comments in this reorganisation is the very simple fact that HRE was quite suddenly floated off from HVB since, in 2003, the latter had an urgent need to capitalise a large part of its commercial real estate bad loan book. However, the acquisition of a new German banking licence would have taken too long and it therefore registered first in Ireland where procedures were considerably quicker. The other aspect is that the overhaul of the Mortgage Bank Act, including the revisions of Pfandbrief issuance legislation means its Württ Hyp subsidiary no longer needs to be preserved as a mortgage bank, and HRE International can be merged into it. But HRE is truly a success story of good management of NPL books: first traded on 6 October 2003 at E11.25, the common stock price today has more than tripled to nearly E40. HRE now holds a total commercial property book of E60bn, has completely separated from any equity links with HVB. It is 100% in free float, though has a major capital partner in the form of the San Diego-based Brandes Investment partners holding 9%.

Aareal Bank sees 6.3% pickup in credit volume in 1H05, flat operating result

The Wiesbaden-based Aareal Bank said new credit volume rose in the first half of the year by 6.3% to €2.9bn, and was up an even strong 14.6% in July to total €3.5bn at month end. Around €3bn of the new business volume was attained abroad.

Group operating profit remained unchanged at €57m in the half year, but risk provisions fell substantially to €60m in 1H05, well below the €100m made in the first half of 2004.

In a regular data release, Aareal Chairman Wolf Schumacher said the rest of the business year would be characterised by the "urgently needed new direction of the bank." pfe

Amsterdam, Dublin, Frankfurt have highest office vacancy rates in Europe

Amsterdam, Dublin and Frankfurt have the highest vacancy rates in office property in Europe. The latest assessment from Jones Lang LaSalle shows that vacancies in Amsterdam are currently running at 19.6% of total office space, with Dublin at 17.9% and Frankfurt am Main taking third place, at 17.3%.

The cities with the lowest office vacancy rates are Moscow (4.1%) and Edinburgh (4.6%). pfe

Average German home price sink to just 13 times annual earnings - Ifo

The real cost of a German apartment sank last year to its lowest level since the start of records in 1975, and a standard terraced house price is currently around 13 times average annual income compared with over 20 times in 1982.

The findings from the Ifo Institute in Munich show that the apartment market in the early 1980s disconnected from the high inflationary trend in consumer goods.

The institute also said that Germany is the only country out of 19 in western and eastern Europe that is likely to have declining construction volumes in 2005 and 2006. This year, Germany was likely to see construction turnover fall by 2.2%y/y following a decline of 2.6% in 2004. This was likely to be followed by a further downturn of 1.4% in 2006 before a slight upturn sets in during 2007.

Ifo said the numbers firmed up Germany's position as the "eternal tail-light" in the European building sector, which is expected to growth overall by 2.2% and 1.5% this year and next, respectively. The leader in the sector is Poland, with growth rates of 9.5%. pfe

JLL boosts German turnover by 48% in 1H05 but records net loss

German business volume of realtor Jones Lang LaSalle rose in the second quarter of 2005 by 48% in dollar terms, reflecting a restructuring undertaken at the end of 2004.

The company said in a press release total turnover in the European region was up 7%y/y in the first half to $205m. However, operating profit in 1H04 of $3.2m slipped to a loss of €1.9m in the first half of the current year first half, mainly due to the slow start to deal turnover. Globally, the group saw turnover rise 17% to €565.3m and a net profit of €16.2m, turning round a loss of $1m in the first half of 2004. pfe

Deutsche Euroshop boosts operating profit, turnover in first half 2005

The Hamburg-based property company Deutsche Euroshop said operating profit before debt servicing and tax rose 17% to €28.2m in the first half of 2005 and turnover was up by 14% to €35.2m.

In its half-yearly release, the company also noted that the share price has risen over 16% in the first six months of 2005, though it slightly underperformed the 17.6% seen in the overall M-Dax sector where it is listed. pfe

Citigroup amalgamates global real estate activities into one division

Citigroup in early August announced the formation of Global Real Estate, combining the Global Fixed Income and the Investment Banking Division in order to maximize the "significant opportunity in the real estate area" and build on the market positions it has have across all real estate products.

At the head of the new division are James Brent, current Head of Global Real Estate Investment Banking and Marcus Giancanterino, Head of Global Commercial Real Estate Finance. They will work closely with Citigroup Property Investors and Equity Capital Markets. pfe

Bad Homburg-based Feri extends rating activities to German mutual funds

The Bad Homburg-based Feri Finance AG said it will develop its ratings activities and combined them in the Feri Rating & Research subsidiary, headed by directors Helmut Knepel und Eberhard Weiss.

Alongside ratings already issued for industrial branches, countries, capital markets and real estate, Feri will expand its assessments of German mutual funds (Publikumsfonds). The company will in addition integrate Institutional Market Research and Feri Funds Market Information into the company. pfe

One third of Germans live in the 83 major cities, one quarter in small towns

More than one-third of Germany's 82.2m population live in the 83 major cities of over 100,000 people, according to an analysis made by the Internet portal meinestadt.de and reported by Immobilien Zeitung newspaper.

More than one quarter of all Germans live in villages and small towns populated by fewer than 10,000 people. At the present time, Germany has 12,378 autonomous cities and communities, of which 5,919 are small towns with between 1,000 and 10,000 people. Berlin, at 3.4m population, remains the largest German metropolis, and alongside this only Hamburg and Munich have more than 1m in urban population. pfe

Commercial property investment boom in eastern Europe depressing yields toward 7% - CBRE

The boom in east European commercial real estate investment markets will bring a significantly larger number of transactions this year than in 2004 but at the same time is likely to depress the current 7.5% yields entry yields down further toward the 7%-mark, according to a study by realtor CB Richard Ellis.

In the three major central and east European countries, Czech Republic, Hungary and Poland, investment volume grew by 40% in the first half of 2005 to €4.1bn. More than 85% of all CEE commercial property investment went into office and retail space. Institutional investors are also increasingly discovering Bulgaria, Romania, Russia and Slovakia. pfe

Residential mortgage volume processed on europace Internet platform soars to €700m in June

The trend toward processing German residential mortgage loans over the Internet is growing fast.

europace IPD, based in Ireland but owned by the Berlin-based Hypoport AG and German institutions, said that it gained nine new partners, mainly lenders, during the first half of 2005, and home mortgage volume processed on its platform soared to a record €700m in June.

In a statement, europace said the addition of DG HYP, DBV Wintertur, Deutscher Ring Bausparkasse, Karlsruhe Lebensversicherung and ABN Amro brought total europace partners up to 40 at mid-year. On volumes, it noted that the June record compared to around €300m mortgages processed on the platform at the start of 2005.

"With this development, europace IPD has, together with its partners, definitively progressed to be the third alliance in the German financial services market alongside the savings banks and the cooperative banking network," the statement said. The 40 institutional partners have more than 6,000 advisers and credit processing staff connected into the platform.

europace, based in Westport, Ireland, was founded in 2000 by Hypoport and the original participating partners. The platform functions by linking distribution agents and institutions to the lenders, and then providing a link into a securitisation back end if wanted.

europace is developing the platform further and is in the process of adding an interface to the German private debt agency Schufa as well as one to the KfW group. Both are intended to standardise and optimise the residential real estate lending process still further. pfe

PFEPEOPLE PFEPEOPLE PFE

Aareal Bank has appointed **Norbert Kickum** to the management board to take responsibity for national and international markets from **Ralph Hill**, who is leaving the company by mutual consent. Kickum, previously a board member of the **Allgemeine HypothekenBank Rheinboden** AG (AHBR), joins new chairman **Wolf Schumacher** and other board members **Hermann Merkens**, **Thomas Ortmanns** and **Christof Schörnig**... Separately, AHBR announced that supervisory board member **Matthias Danne** has been appointed co-chairman of the management board. This would allow the current chairman **Dirk Hoffmann**, a former board member of **BerlinHyp**, to free up time to contest a legal case taking place in the Berlin state court against 13 former directors of **Berliner Bankgesellschaft**. Since June Danne has been the board member of parent **BHW Holding** responsible for AHBR and its sale, along with the group, which is currently in process. AHBR said this process should be concluded by year end at the latest... The supervisory board of **Deutsche EuroShop** AG has appointed **Olaf Borkers** as a member of the management board, effective October 1. Borkers, a banker and business economist, has a long experience in the financing and real estate industry, starting his career in 1992 as a credit analyst with **Deutsche Bank** in Frankfurt. He has been on the board of **TAG Tegernsee Immobilien- und Beteiligungs**-AG since June 1999. Deutsche Euroshop chairman **Claus-Matthias Böge** said Borkers would be a valuable enrichment to the board...**Jones Lang LaSalle** announced that **Christian Ulbrich**, appointed as MD of the German operations in April, would henceforth take over the duties of **Michael Fritz**, European Director and head of leasing in Germany. Fritz and head of the Hamburg leasing team **Raymond Buchholz** are leaving the company at their own request. pfe