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Ulbrich switches JLL Europe model to Target 2014

Jones Lang LaSalle is changing its business model in Europe, widening its service offering, specifically into corporate advisory and other long-term services bringing steady fee income, and cutting reliance on leasing and transaction fees. CEO EMEA Christian Ulbrich announced Target 2014 at a three-day, 700-staff meeting in Berlin last week. *(See inside pages for full story)*

Allianz's €184m Paris buy brings France to €900m

Allianz Real Estate prior to year end finalised the acquisition from Crédit Suisse of two prime properties in Paris for some €184m, bringing 2010 French acquisitions near €900m. Allianz also bought Hamburg's BrahmsQuartier office complex for a price said to be about €120m. *(See inside pages for full story)*

RREEF Germany hits €1.8bn in acquisitions in 2010

RREEF, the real estate investment management business of Deutsche Bank, in 2010 acquired properties worldwide totalling €1.79bn for its German real estate mutual funds and special funds. Some €964m of assets were acquired for the two retail open-ended funds grundbesitz europa and grundbesitz global, and €832m for eight institutional special funds. Of the 34 properties acquired in 10 countries, 12 are located in Germany. *(See inside pages for full story)*

French FPF nearer €1bn goal with €160m Paris buy

French REIT/SIIC Foncière Paris France has acquired a €160m portfolio of Paris buildings as part of its purchase of the commercial property business of Société Nationale Immobilière's SAGI unit. It takes FPF nearer the stated goal of founder Jean Paul Dumortier of €1bn AUM. *(See inside pages for full story)*

Spanish retail offers investor window - Internos

Spain's real estate market could become a hotbed for foreign investment, above all in shopping centre developments anchored by fashion and fast-food chains, according to Jos Short, Executive Chairman and founding partner of Internos Real Investors, the UK-based €1.5bn real estate fund manager. *(See inside pages for full story)*

German Solvency II RE impact said devastating

German Solvency II legislation as currently proposed will have a devastating impact on real estate markets, cutting product, boosting rents and making financing more risky. New equity requirements would make RE investments all but unprofitable, say industry representatives. *(See inside pages for full story)*

INSIDE »»

OUT 24 JANUARY
195 Property Investor Europe

UK, France likely next in Norway fund €20bn RE target

Norway's massive pension fund is likely to target further property investments in UK or France as the next destination for its €20bn allocation after its first real estate purchase of a 25% parcel in London's Regent Street for £452m.

Øystein Sjølie, a spokesman for Norges Bank Investment Management, the division of the Norwegian central bank that runs the NOK3.14tr (€400bn) Norwegian Government Pension Fund, told PIE the mandate from the Finance Ministry is to target western Europe, "so apart from London it's France, probably the Paris region which is a natural target… The next purchase will probably be in the United Kingdom or France." However, he earlier told media Germany is second on the list after UK. Asia is on the long-term agenda but the fund is not ready to invest in the US. "There are some tax issues that are not resolved yet .. but we think it will work out soon and have plans to go there too," Sjølie said.

NBIM received the mandate to invest in real estate in March 2010, and the increase in allocation is expected to take 4-8 years since its current portfolio is presently split 60:40 between equities and bonds. NBIM announced last week that it has agreed to buy a 150-year lease on a 25% stake in The Crown Estate's Regent Street properties in the UK. NBIM real estate head Karsten Kallevig told a news conference property investments will not be made entirely with equity despite the plentiful capital pool; they will ideally be conservatively-leveraged joint venture structures, with local partners. "We are here to invest the people of Norway's money. We are not chasing deals. We need structure and focus," he said.

Kallevig, appointed last September, previously worked for Soros Real Estate Partners before moving to Grove International Partners, which also works closely with Soros companies. He said diversification into real estate will improve the fund's risk relationship. "The return from real estate will be more stable than stocks and it will also be quite robust towards inflation," he said. "It's more stable than equities and offers more protection for the real return." A report commissioned recently by Oslo called for the fund to add more risk to its portfolio but cautioned about diversifying into private equity. Led by Elroy Dimson, London Business School finance professor, it recommended that the fund, the world's second largest sovereign wealth fund, expand exposure to illiquid assets such as infrastructure, extend rebalancing to become more contrarian, and develop various forms of insurance products. ■ **pie**

PIE COMMENT: We continue to believe that European commercial real estate comprises a pool of assets of particular interest to large SWFs such as Norway's giant Pension Fund. The characteristics match their needs: large parcels of assets, stable economic and political environments for the long term, solid and highly competitive cash-flows, relatively easy debt finance availability, if needed. While London will be the first address, managers will soon realise, we think, that that market, in relative terms, may not offer optimal long-term reliability.

Allianz's €184m Paris buy brings France to €900m

Allianz Real Estate prior to year end finalised the acquisition from Swiss bank Crédit Suisse of two prime properties in the heart of Paris of around €184m. The purchase of a single-tenant office building in the 16th district and a restructured mix-use property in the 4th bring the group's French property acquisitions over 2010 to around €900m.

The first asset, totalling 6,275 sq.m., was fully restructured in 2007 at 31 avenue Pierre 1er de Serbie in the 16th district, 100% let to international law firm Orrick Ram-baud Martel. The second asset totalling 6,505 sq.m. at 88 rue de Rivoli was fully restructured in 2005, and is fully let, principally to retailers Zara and H&M, and including an office component. "We are very happy with this acquisition of 'core' assets which fits perfectly with our investment strategy," said CEO Olivier Wigniolle. "With this transaction, Allianz Real Estate France has achieved in 2010 investments amounting to about €900m, on track with our objectives."

Separately, Allianz also closed purchase of the BrahmsQuartier office complex in Hamburg from a subsidiary of global private equity group Carlyle and building firm Aug. Prien Real Estate. The price was not disclosed but industry sources put it around €120m.

Allianz Real Estate is the centre of expertise in property within the Munich-based Allianz insurance group and as of last March had some €17bn AUM. ■ **pie**

RREEF Germany hits €1.8bn in acquisitions in 2010

RREEF, the real estate investment management business of Deutsche Bank, in 2010 acquired properties worldwide totalling €1.79bn for its German real estate mutual funds and special funds.

Some €964m of assets were acquired for the two retail open-ended real estate funds grundbesitz europa and grundbesitz global, and €832m for eight institutional special funds. Of the 34 properties acquired in 10 countries, 12 are located in Germany. The acquired assets span the office retail, retirement homes, logistics and industrial, and hotel sectors.

"With €1.1bn of cash inflows in our two open-ended real estate funds and €500m of capital commitments from institutional investors for our special funds, we were in a position to complete attractive investments," said Georg Allendorf, Head of RREEF Germany, Austria and Switzerland. Several acquisitions were off-market deals, which is indicative of RREEF's market penetration and the effectiveness of its local presence, he added. ■ **pie**

French FPF nearer €1bn goal with €160m Paris portfolio

French REIT/SIIC Foncière Paris France has acquired a €160m portfolio of Paris buildings as part of its purchase of the commercial property business of Société Nationale Immobilière's SAGI unit. It takes FPF further toward its goal of €1bn in AUM.

The 47,000 sq.m. portfolio consists of six assets, including the 29,300 sq.m. Biopark office and laboratory scheme in south east Paris, which is 95% let to tenants including newspaper Le Monde and pharmaceutical company Bohringer. Net rents from the portfolio are expected to be €15.5m in 2011. The deal is a key step in FPF's plans to significantly expand its property portfolio, with a medium-term objective of owning around a hundred properties with a total value of €1bn. Its portfolio was valued at €448m at end-June.

"This important portfolio represents one of the biggest deals in Paris in recent months," said Pascal Rupert, from Savills France, which advised FPF on the deal. As well as the portfolio, FPF took over a contract for the management of 20 offices and business premises owned by the City of Paris and a 17-member asset and property management team. SNI, the public housing subsidiary of state financing institution Caisse des Dépôts, decided to sell SAGI's commercial property operations to refocus on its core business. ■ **pie**

Gazit scotches Citycon merger reports with Kokkeel CEO appointment

Finnish listed shopping centre group Citycon, controlled by Israel's Gazit-Globe, has appointed Marcel Kokkeel from Netherlands-based Multi Corp as its new Chief Executive Officer, effective 24 March. The move scotches reports that Gazit is intending to merge Citycon with Amsterdam-based Atrium European Real Estate, which it also controls.

Kokkeel currently heads Multi's West Europe Division and is chairman of Multi Mall Management Europe. Prior to that, he chaired Bouwfonds Property Finance and made an extensive career at Royal Ahold. He holds a law degree from the University of Amsterdam.

Reports in Israel newspapers, combined with the resignation of Citycon's long-time CEO Petri Olkinuora, earlier gave rise to speculation that Gazit may merge the Helsinki-based group with Atrium European Real Estate, which it also controls. Both are active in the European shopping sector segment. The Israel financial daily Calcalist said in December that Gazit-Globe was considering an option for Atrium to buy Citycon in a share swap. The Globes business daily added that Gazit is looking to raise at least $200m in a share offering on the New York Stock Exchange, with Citigroup as underwriter. While Gazit said it periodically examines funding options, it said it has not yet made any such decision.

Chaim Katzmann, Chairman of Gazit-Globe and also of Citycon, said Kokkeel is respected throughout Europe for his deep commercial real estate experience and special expertise in the shopping centre sector. "His extensive industry experience and proven track record will help us with our plans to grow Citycon, and increase shareholder value," he added.

Gazit controls 10 companies around the world in the sector, including the US REIT Equity One, and operates in Canada through First Capital Reality. In Europe, aside from Citycon and Atrium, it owns 100% of Gazit Europe, an owner, developer and operator of neighbourhood shopping centres in Germany where

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it owns six assets and three land parcels - and 75% of Gazit Bulgaria which has one shopping centre plus land parcels.

Citycon owns malls and residential properties in Finland, Norway, and the Baltic states, and posted a direct result for the first nine 2010 months down to €33.8m from €38.4m in the 2009 period - but boosted net profit due to portfolio revaluations. It owns 84 income-producing properties with total GLA of 1m sq.m. Atrium European Real Estate, in which Gazit controls 30.1% since it took over former Meinl European Land in 2008, focuses on shopping centres in central and eastern Europe. Its portfolio encompasses 152 properties as well as 38 projects and land with a total GLA of 1.1m sq.m. ■ **pie**

PIE COMMENT: With Kokkeel in charge, Citycon has a mandate from Gazit for a more aggressive expansion policy; that much is clear. Other Nordic countries are likely to be in the frame but certainly the Baltics. It may make sense to run Russian assets from Helsinki as well. Though Atrium is quite strongly represented in that nation, there is plenty of potential for the long term there.

More Colonia stock likely by bid close – TAG's Elgeti

More shareholders in Cologne listed group Colonia Real Estate are likely to tender their stock into the takeover bid by Hamburg's TAG Immobilien by the announced close of the offer of 18 January, according to TAG Chief Executive Rolf Elgeti.

He told PIE in an interview that, with TAG now holding just over 30% of CRE stock, the nature of takeover offers generally means that institutions wait for the last minute to see if the offering company raises its bid. He insists this will not happen. "No, there won't be any increase because the important thing, the only really uncertain thing about our tender offer was whether we would go over the 30% threshold because that triggers the mandatory bid situation." However, after declaring a holding of 24% in CRE in November TAG voluntarily launched a full bid, so that the 30% threshold, now breached, has no trigger effect for a mandatory bid. TAG in any case holds a blocking minority at board level so that it has, in effect, already obtained control. "Therefore, any outcome now will be a successful outcome to us and there's no incentive for us to increase the offer price," he added.

Elgeti acknowledged that the bid - pitched at €5.55 per share and valuing CRE at €174m - is nominally below CRE's net asset value, announced at €9.50. However, he said analysts and outside observers make their own calculation of a property company NAV, and the convertible bonds launched by CRE will in any case have a dilutive effect, once exercised.

Asked if he could work with the current Colonia management even if the holdings tendered do not climb above 30%, he told PIE: "Yes, that's conceivable. I think it's extremely unlikely we will stay at that low level but of course if that's the rational thing to do then we will do that, so it's completely conceivable… It's not about the price, but the tender offer runs until 18 January, and as you know most investors tender their shares at the last day if not within the last hours to maintain maximum flexibility. So I'm convinced that we will end up with much a higher percentage in Colonia." ■ **pie**

PIE COMMENT: TAG is now in a good position: having made a voluntary takeover bid for CRE, it can afford to wait to see what tomorrow brings and will be, whatever the outcome, in a relatively commanding position. Elgeti, particularly after a series of shrewd assets-for-equity moves in the aftermath of the crisis, is rapidly winning admirers in the German community for his clear thinking and goal orientation.

Atrium, Multi unwind Turkey, Poland, Bulgaria cross holdings

Dutch-based groups Atrium European Real Estate and Multi Corporation just before year end unwound cross holdings in shopping centres as part of a framework agreement covering five projects in Turkey, Poland and Bulgaria. Atrium and Multi have also agreed to terminate their relationship on all outstanding developments.

No financial details were released, but Atrium is making a conditional purchase of 49.9% of Forum Koszalin in Poland currently owned Multi Investment BV and selling it the Forum Trabzon in Turkey. Atrium will sell 100% of shares in the company that owns Trabzon at a price which values the business at €115.7m. Trabzon opened in May 2008 and produced a net rental income of €5.7m for the first nine months of 2010. Atrium will also acquire the remaining 49.9% of the firm that owns Koszalin for €7.4m and become the 100% owner. Koszalin opened November 2008 and has a gross lettable area of around 54,000 sq.m.

Atrium said it thus focuses resources on countries where it has a multitude of shopping centres and can achieve greater synergies and economies of scale. The deal is an important step toward its objective of ensuring all development contracts are managed in-house.

The agreement covers five projects in total but focuses primarily around Trabzon and Koszalin, both of which opened in 2008 and have been operating successfully. The other three projects are located in Istanbul and Balcova, in Turkey, and Sofia, in Bulgaria, all of which were put on hold at the end of 2008 subject to review due to the financial crisis. The agreement is subject to anti-trust approval which is expected in the first half of 2011. ■ **pie**

Ulbrich switches JLL Europe model to Target 2014

Jones Lang LaSalle is changing its business model in Europe, widening its service offering to clients, specifically into corporate advisory and other long-term services bringing steady fee income, to reduce reliance on leasing and transaction fees.

JLL CEO EMEA Christian Ulbrich announced the new business model, Target 2014, at a three day meeting in Berlin last week. As brokerage fees are very volatile in Europe, already far less profitable than other regions, the new model proposes more continuous fees that are set to create sustainable growth, according to the Handelsblatt newspaper. "Service business makes up 80% of US revenues compared to only 18% in Europe," Ulbrich said, pointing to all round services for property companies and retail assets as budding business segments. Large global compa-

nies such as Microsoft expect from their real estate advisors services such as optimisation of space in use, identification of new floor space required, support in search for new locations, and organisation of office moves. Ulbrich will also introduce throughout Europe a service by French subsidiary Tétris, offering fixed prices on rooms built and furnished, ready-to-use to a tenant's specifications. "We are expecting a rise in revenues of $100m this year alone," he told the newspaper.

In the retail, JLL will actively seek more mandates to manage shopping centres, adding to about 300 it has right now. "Growth is happening in Russia, central and eastern Europe," said Ulbrich. Another aspect of its retail business is location planning for international brands, including Apple and Irish textiles chain Primark.

Part of the business model reshuffle is the establishment of a presence in Switzerland, where JLL has taken over a team from Zurich-based Sal. Oppenheim Real Estate, comprising 11 established professionals to better service the market and obtain available capital.

"Switzerland is an exceptionally interesting market for Jones Lang LaSalle, both as a source of real estate capital and as a market in which to develop real estate services," Ulbrich said in a separate statement. The firm named Jan Eckert, former Sal Oppenheim team head, as CEO of the new company. It will focus on transaction management, valuation, corporate finance and M&A advice as well as strategic and organisational advice for development and management. JLL will continue its cooperation with Kuoni Mueller & Partner in Zurich and Schofield & Partners in Geneva. ■ **pie**

Austria's Immofinanz net falls at half, takes 49% of EHL

Austrian listed Immofinanz, generally recovering poise after a corporate debacle last decade, reported net profit in its financial first half 2010/11 dropped by one-third to €108m. The group just before year end also acquired a 49% share in Austrian broker EHL Immobilien, subject to approval of anti-trust authorities.

Despite the slide in net, Immofinanz characterised results in first half to end-October as a solid operating development. The fall in pre-tax and net earnings was mainly due to exchange rate fluctuations that widened a loss in financial income to €149.3m from a €17.2m shortfall in the prior year. Diluted NAV per share rose to €4.95 from €4.82 at end-July.

In the EHL deal, a long-term contract has confirmed existing cooperation in the area of asset and centre management for a significant portion of the Immofinanz real estate portfolio in central, eastern and southeastern Europe. ■ **pie** *(See PIE 197, published on 7 February for full story)*

Paris Hermitage La Défense project faces appeal

Russian-owned developer Hermitage is facing an appeal against its giant Hermitage Plaza towers project at Paris La Défense as left-wing opposition members of the Courbevoie local authority argue that the 323m twin towers exceed height limits in air traffic regulations.

The building permit application was filed in October and Hermitage hopes to start work later this year. If it wins approval, the twin towers will be the first high-rise buildings in France offering a mix of residential, office and retail space, and the tallest mixed-use towers in western Europe. French air traffic rules generally forbid construction more than 304m above sea level. However, Hermitage CEO Emin Iskenderov told le Parisien newspaper this does not apply to its project. "We are not affected. The limit only applies to the area just behind our site," he said. , noting that planning rules allow the construction of buildings up to 365m above sea level in the area where the towers will be located.

The Hermitage project requires approval of the DGAC French civil aviation authority which last June approved Unibail-Rodamco's Tour Phare to rise 349m above sea level and 300m above ground. At delivery in 2016, this would make it the tallest office building in France. DGAC said Tour Phare alone would not significantly affect use of the airspace over La Défense but it cautioned that a concentration of skyscrapers could bring significant capacity reductions at Paris's main airports, Roissy-Charles de Gaulle and Le Bourget. ■ **pie**

PIE COMMENT: This project is approved at the highest political level: either the Élysée Palace wants it done or it does not, and so the local authorities or government departments are likely to have less influence. We think the former is the case, otherwise the Norman Foster-designed project would not have moved off the drawing board at all.

Property funds show first capital growth since 2007 – INREV

European non-listed real estate funds last year registered capital growth for the first time since 2007, with an increase of 0.7% on average after losses in 2008 and 2009 - as well as the first two quarters of 2010, says European property fund association INREV.

While growth in the UK slowed since the beginning of the year, continental Europe picked up to 1.4% in 3Q10 from 0.2% in 1Q10. Multi-country funds also saw a similar improvement, strengthening to 1.6% in 3Q10 from 0.9% in 2Q10. "The continued improvement of the continental European non-listed real estate fund market is a substantial indicator that capital growth and confidence is flowing back into these funds," said INREV's Casper Hesp. INREV's index also shows that as the industry continues to post relatively stable positive numbers, value-added funds with returns of 2.2% continue to outperform core funds with 1.5%. The index samples 208 funds with GAV of €114.6bn.

Separately, INREV - the European Association for Investors in Non-listed Real Estate Vehicles - said in a report it identified major differences in how funds administer fees, and lacking transparency in expense ratios. Differences are predominantly driven by the investment approach and a fund's regional or sectoral focus. "Fees have come down significantly since the market height of 2007," said INREV's Lonneke Löwik. "Fund charges are broadly in line with what we would have expected with understandable variations between core, value-added and opportunity funds, but the percentage of firms reporting total expense

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Will sustainable buildings/green funds out-perform in 2011? Where are the opportunities?

SPEAKERS:

GLENN H . AARONSON

Chief Executive Officer, Multi Corporation

Multi is a pan-European shopping centre developer and investor, operating in 17 countries with Europe's most award-winning team for design and city-centre revitalisation over 20 years. Before joining in May 2007, Mr. Aaronson was MD with Morgan Stanley Real Estate Funds in Frankfurt - responsible for investments in Germany, Holland, CEE and Russia – and in Milan. Prior posts included European Real Estate Head for CSFB in London, a principal with Hanford Healy in San Francisco, and with the US Federal Savings and Loan Insurance Corp, later RTC, in Washington D.C. He began his career in Atlanta, Georgia.

SIMON COX

V-P Project Management & UK Sustainability Officer, ProLogis

ProLogis is a leading provider of distribution facilities, with more than 44m sq.m. of space across the globe. Mr. Cox specialises in sustainability and advises on environmental stewardship throughout Europe. He joined ProLogis in 2006 and has managed several flagship sustainable developments including a 624,000 sq.ft. distribution facility for Sainsburys supermarkets, and large centres for Royal Mail and for the Co-operative Group in Glasgow. He has 15 years' experience as project manager on developments including mixed-use, retail and hotels.

MARK CREAMER

Deputy Managing Director UK, CB Richard Ellis

Headquartered in Los Angeles, CBRE is the world's largest commercial real estate services firm in revenue, with some 29,000 employees. In May 2007, it committed to be carbon neutral by 2010 - the first realtor to announce such a goal. Mr. Creamer leads the Loan and Corporate Recovery initiative and has overall responsibility for the group's Green Agenda in EMEA. He also heads the European Valuation Practice. A Member of RICS, he served on its Governing Council in 2007-2009 and has an MA in Geography and Land Economy from the University of Cambridge.

PAUL JAYSON

Real Estate partner, Green real estate team, DLA Piper

With 3,500 lawyers in 29 countries and 67 offices throughout Asia, Europe, Middle East and the US, DLA Piper is one of the largest providers of legal services in the world. Mr. Jayson has experience in all aspects of commercial real estate, with particular emphasis on development and investment. His special interest in sustainability in the built environment places him at the forefront of DLA Piper's 'green' real estate team developing best practice for Green Leases, and advising on sustainability strategies.

SCHEDULE:

8 - 9 a.m.	**Breakfast**
9 - 11 a.m.	**Expert Seminar**
11 - 12 noon	**Coffee/Networking**

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ratios to clients (29%) is lower than we would like to see, and increasing transparency in this area is something INREV will focus on in 2011." Core funds typically charge a fund management fee based on either GAV or NAV, with average rates of 0.6% and 0.77%. ■ **pie**

CA Immo sees sharp earnings rise after Europolis buy

Austrian listed property group CA Immo, following its acquisition of asset manager Europolis, is to focus on portfolio optimisation this year rather than further acquisitions, and expects earnings to rise sharply, CEO Bruno Ettenauer says.

"We expect the additional revenue from development projects and sales above book value to produce a healthy result for business year 2010 and another rise in earnings in 2011," Ettenauer said in an interim statement. "The last few years have been characterised by growth and integration, which we now expect to be reflected in our earnings and profitability figures. Over the next few years, CA Immo intends to justify its position as a profitable real estate company for the long term to our investors and shareholders."

The group's portfolio has expanded rapidly. Taking account of properties acquired in the takeover of Europolis, CA Immo assets at the start of 2011 stand above €5bn. Average annual growth has thus exceeded 30 % over the last five years. "Having come through this period of expansion, the clear priority for CA Immo now is to optimise the existing portfolio rather than aim for further acquisitions," the group said. In regional terms, the proportion of eastern and southeastern Europe in the portfolio has expanded to over 40% from around 19 %, bringing it onto a par with the weighting of Germany. Development assets will fall to 20% of total from some 30%. Present annualised rental revenues of Europolis are around €100m.

For the future CA Immo will sharpen its focus on regions and usage types, concentrating on central Europe and withdrawing in stages from markets such as Ukraine, Russia and southeastern Europe. It will consolidate its position as a specialist in office properties and over the medium term limit non-office below 30% of AUM. The group will place a distinct emphasis on investment properties, which will account for a minimum of 80% of the portfolio. Development will be reduced to no more than 5% of total. CA Immo has been listed on the Vienna Stock Exchange since 1988, and has free float of around 90%. ■ **pie**

Sweden's Kungsleden in €600m portfolio re-jig

Stockholm-based listed Kungsleden has enacted a mass of deals over year end to re-balance its portfolio, selling properties in Germany for SEK1.3bn (€146m) and an office block north of Stockholm, and agreeing to buy, for SEK3.6bn (€405m), most assets held by Jersey-based listed firm NR Nordic & Russia Properties, plus another six in Sweden, for SEK435m (€49m), at a yield of 7.1%.

The 17 properties in Germany consist of retirement homes mainly located in the Ruhr region and in Frankfurt at a yield of just over 7% and go to its joint unit Hemsö Fastighets. Gross leasable area is around 75,400 sq.m. The sale price is about SEK20m below book value and some SEK35m less than acquisition cost, Kungsleden said. Chief Executive Thomas Erséus said the assets fits better in Hemsö, a company in which it sold 50% two years ago to Sweden's Third Pension Insurance Fund AP3. "This portfolio has stable returns, and with Hemsö will benefit from ongoing earnings while also freeing up funds for property acquisitions that suit Kungsleden's portfolio better," he added. Separately, it also divested to Hemsö an office property in Sollentuna, north of Stockholm, with leasable area of about 7,200 sq.m. The price of SEK107m (€12m) also exceeeded book and acquisition cost.

On the acquisition side, Kungsleden signed a letter of intent to acquire the majority of properties held by NR Nordic & Russia Properties, with gross value of SEK4.4bn, of which SEK840m relates to four assets in Russia. The latter will be acquired by Thomas Lindeborg through a fully secured back-to-back agreement. Kungsleden will make available a five-year €27m vendor note in his favour which it is free at any time to dispose to any third party. Of the remaining 36 properties, 33 are in Sweden, one in Germany and two in Poland.

Kungsleden thus acquires a property portfolio of 36 office and industrial properties with leasable area of 825,000 sq.m., of which 93% located in Sweden, and a property yield of 10%. Total average property yield for Kungsleden after completion and following divestment of SEK 809m in Ludvika, will increase to about 7.0% from from 6.6%. "I'm very satisfied we have acquired an attractive portfolio with a good property yield," Erseus said. The transaction is supported by the four largest shareholders in NR Nordic and Russia - London & Regional Group, Weiss Asset Management, Laxey Partners, and QVT Fund. In addition, Kungsleden is acquiring six office, retail and warehouse assets with GLA of 34,000 sq.m. for SEK435m, and at a property yield of 7.1%. The vendor's identify was not announced. ■ **pie**

PIE COMMENT: This is a fairly dramatic portfolio re-jig by Kungsleden, over a quarter of its portfolio, and shows an ability to react fast to opportunities - in this case, undoubtedly cash-flow and financing problems from NR. Nordic assets are revaluing faster and earlier than others in Europe, supported by a strong appetite among the normally fixed-income oriented public sector pension funds, and the large insurance groups.

Predica, Foncière des Murs finalise €378m hotels deal

French insurance group Predica and REIT/SIIC Foncière des Murs have finalised their acquisition of a portfolio of 49 European hotels from operator Accor for €378.4m. To date 43 of the hotels have been acquired and the remaining six will be purchased during 2011.

An outline of the deal was announced in August but one further asset has been added to the portfolio. The portfolio comprises 32 hotels in France, 10 in Belgium and seven in Germany, operating under the Etap, Ibis, Novotel and SuiteHotel brands.

Crédit Agricole insurance unit Predica will have an 80% stake in the investment, with 20% to be held by Foncière des Murs, a subsidiary of Foncière des Régions, one of the largest French RE-

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UK Property Breakfast

16 February 2011 – Frankfurt, Germany

After the rapid re-valuation of London office property in 2010, are there still opportunities in 2011 or is it time to sell?

SPEAKERS:

RICHARD BENTLEY

Head of Real Estate Finance London, Helaba, London

Landesbank Hesse Thüringia belongs to the German savings bank network and has branches in Paris, London and New York. With new business of €10.2bn in 2009, Helaba now has a real estate lending portfolio of €37bn. Mr. Bentley recently joined Helaba as Head of Real Estate Finance London and is responsible for all aspects of UK RE finance. He has worked on a wide range of financing transactions across both the UK and Europe and has many years of experience in the industry, most recently as Director of International Real Estate for Deutsche Pfandbriefbank.

ANDREW CREIGHTON

Director of Property (Europe), Henderson Global Investors, London

Henderson Global Investors is a leading property asset manager with €12.8bn AUM. Mr. Creighton has been at Henderson since 2000, having joined from DTZ where he worked in the International Investment Team. He is Chairman of the weekly Property Investment meeting and sits on the Property Investment Committee. He graduated from Cambridge University in 1990 and qualified as a Chartered Surveyor in 1993.

PETER DAMESICK

Executive Director, EMEA Chief Economist, CB Richard Ellis, London

CB Richard Ellis is one of the world's largest real estate advisory and investment firms. In Europe it has 5,800 employees working in 133 offices in 41 countries, managing assets of $12.7bn. Dr. Damesick joined CBRE in 1988 as head of UK research, having previously worked in management consultancy and as university lecturer. He is now the firm's principal analyst and spokesperson with respect to macroeconomic and related market issues for EMEA and a visiting professor at Birkbeck, University of London.

TOBIAS SIMON

Director Fund Management, Invesco Real Estate, London

Invesco Real Estate is the property investment management arm of Atlanta-based Invesco Ltd., with €20.6bn AUM worldwide. Mr. Simon joined IRE in 2001, and is now fund manager of the UK III Fund and co-fund manager of one of IRE's pan-European pooled funds. Prior to that, he was at HypoVereinsbank. He holds a degree in Business Administration from the University of Applied Sciences, Frankfurt.

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ITs. Accor will continue to operate the hotels and has agreed a 12-year lease with the consortium at a rent of 19% of the hotels' annual revenue. ■ **pie**

Paris office take-up growth to continue in 2011 – CBRE

Office space take-up in the Paris Ile-de-France region will continue growing to reach 2.3m-2.5m sq.m. in 2011 following last year's 15% rise, CB Richard Ellis says in a study.

"The significant property needs of large companies should lead to a number of moves in the next few months. Moreover, mergers and acquisitions, which were in short supply in 2010, could reemerge in 2011 and lead to some reorganisations," it said. The restructuring of several government ministries is also expected contribute to demand, but smaller companies will tend to avoid relocations.

However, investment in French commercial real estate is likely to grow only modestly to €12bn-€13bn from around €11bn last year, CBRE said. Although institutional investors are displaying a strong appetite for core assets, the market for secondary assets remains sluggish. "And speculation is absent from the market for the moment. Investors are just looking to secure their capital for the long term," it said. ■ **pie**

German Real I.S. places €608m equity in 2010

Munich-based Real I.S., asset manager of German landesbank BayernLB and part of the savings bank network, said it placed €608m equity with investors last year, an increase of 36% compared to 2009. Real I.S. established a KAG fund manager only last year.

The increase in business can mainly be ascribed to a pick-up in institutional business, the firm said. Some €396m came into institutional funds, and €212m to closed public funds. The newfound asset manager last summer closed its first special fund, with equity commitments of €378m. "We are very pleased with last year's placements and are looking into 2011 with optimism," said Member of the Board Andreas Heibrock.

Founded in 1991 as the real estate fund manager for the bank, Real I.S. has launched over 100 vehicles, with total investment processed of more than €7bn. ■ **pie**

German senior housing seen growing fast

German senior housing represents a stable market with fast-growing demand, driven by demographic developments that is not affected by economic fluctuations, according to Luxemburg-based real estate advisor and asset manager Threestones Capital.

The group said in a release that more than 1.7m additional patients are expected to need long-term care in Germany by 2050. In the last decade alone, the nursing home market has grown three times more than GDP.

Threestones Capital's TSC Property Fund aims to build a €300m portfolio in senior housing and has already purchased three properties with 330 beds for a total of €25m, thus accounting for 7% of all senior housing investments in the nation – and is now looking for 25 to 30 properties overall. "We exclusively invest in new or renovated real estate with at least 90% occupancy at the time of purchase," said MD Francesco Sparaco. "Long-term lease agreements of 20 to 25 years are another cornerstone of our investment strategy. Financing is realised exclusively with regional partners." ■ **pie**

Solvency II impact on German RE may be devastating

German Solvency II legislation as currently proposed would have devastating results on real estate markets, including cutting product, boosting rents and making financing more risky since new equity requirements would make property investments all but unprofitable, according to industry representatives.

They told a news conference that the legislation is aimed at protecting investors, but insurers may have to enter riskier investments to finance the requested equity. As investments become unprofitable, a lack of supply in residential, for example, will lead to rental increases. Insurance groups own 23% of total institutional real estate holdings, and risk having to reduce this. "Other investor groups will not be able to pick up the insurers' volume," said Paul Muno, manager of Commerz Real fund manager.

"What if all insurers have to sell all their property?" asked Wolfgang Kubatzki, real estate head of Bad Homburg-based research group Feri EuroRating Services. "It is totally unclear where all the equity can come from."

Added Jochen Schenk, board member at Munich-based Real I.S., "It's high time the industry as well as media raise awareness of the legislators and general public to the shortcomings of the draft legislation." Its main flaw is that the authors of Solvency II took UK data on property volatility and applied it to the whole of Europe. "They chose the most transparent, but also the most volatile market: London," said Schenk. "We are talking about a 25% volatility in London, compared to 5%-10% in German markets." Solvency II proposes an underlying 25%-49% equity for real estate, depending on location and leverage.

The legislation impact on other European countries is less strong. "There is a possibility of individual implementation for insurance companies, for which more than 100 insurers in the UK have already applied," said Schenk. "Due to the complexity of the same procedure in Germany, it will only be profitable for the five biggest insurers here." Property makes up only 3%-5% of total German insurer assets on average. The conference was organised by Berlin-based consultancy Dr. ZitelmannPB. ■ **pie**

German Eurohypo issues €1.25bn mortgage Pfandbrief

Commerzbank subsidiary Eurohypo has issued a five-year Jumbo mortgage Pfandbrief with a benchmark volume of €1.25bn and 2.875% coupon at the start of the year with more than 75 investors subscribing.

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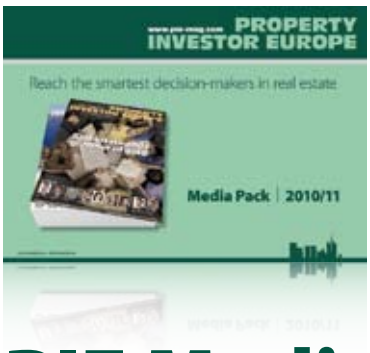

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Book building was very fast and the issue's spread was 40bp above swap average, according to Eurohypo, Europe's largest Pfandbrief issuer. Some 38% of interested parties were banks, 30% funds and 27% central banks; 37% were foreign investors from Asia, Switzerland, Benelux, Scandinavia, France and the UK. "The flood of issues at the start of the year was a challenge for all market participants, but was not unexpected," said Ralf Woitschig, management board member. The transaction was overseen by a consortium of banks comprising Barclays, BNP Paribas, Commerzbank, UBS Investment Bank und UniCredit. All three rating agencies awarded highest ratings. ■ **pie**

German RE rules may hamper market growth – ZIA

The upturn of German real estate markets will continue into 2011, though as yet unresolved capital market regulations such as Solvency II, AIFM and Basel III, are still hampering the industry's growth, according to German Property Federation ZIA.

"The continuing economic rebound will have a positive impact on property markets," said ZIA President Andreas Mattner. Politics should make sure to support the industry with stabilising measures instead of introducing even more regulations and restrictions. Basel III, forcing banks to hold more equity, will have an impact on credit availability essential for a sustained rebound. Solvency II requires 25%-39% of underlying equity for OECD real estate investments, depending on debt employed. "Required underlying capital is far too high and does not take into account the different risk structures of property investments," said Mattner.

Even if the European Commission has heard the objections, if it does not change the initial draft, real estate will become less attractive for insurers and pension funds, especially for special fund providers. Mattner further demanded swift clarification over national implementation of AIFM regulations for listed property and REITs.

ZIA expects REIT laws will be changed in 2011, particularly concerning restrictions on older residential homes. "We are concerned about the subtle increase of real estate transfer tax in the federal states," said Mattner and added local business and real estate tax to the ones to be reconsidered. The Berlin-based central real estate committee (Zentraler Immobilien Ausschuss) is the regulatory and economic lobby group for policy in the property sector. ■ **pie**

French RE investment up 40% in 2010, set to rise – BNPP

French commercial real estate investment last year rose 40% to €11.9bn in what could prove a turning point for the property market, BNP Paribas Real Estate says. Investment could grow further to €12bn-€14bn in 2011.

The upturn followed a decline from a peak of €30.8bn in 2007 to €8.5bn in 2009. The figures are in line with recent estimates from realtor Cushman & Wakefield, which reckoned commercial investment rose 41% to €11bn in 2010. BNPP RE said in a new study the 2010 upturn reflected improved financing conditions and the attraction of property yields over other asset classes. Retail, new buildings with guaranteed cash-flows and classic Parisian freestone buildings have remained a safe haven for investors. The buoyancy of the office rental market in Ile-de-France, attractive yields and the scarcity of large new units have also prompted investors to take speculative positions, with off-plan schemes making a comeback in 2H10.

Office accounted for 64% of 2010 investment but retail was also popular, making up 23%. "Thanks to stable rents and low vacancy rates, investors have been keen on stores," BNPP RE said. But retailers are now less willing to take risks and are shunning secondary areas or those that have failed to live up to expectations. This strategy has had an adverse effect on many recently-opened shopping centres, where landlords have often been obliged to embark on major refurbishment programs. Investors are continuing to shun industrial premises and warehouses, which accounted for just 5% of total 2010 investment. Downward pressures on logistics rents still exist, particularly for second-hand premises. Take-up stabilised at 1.6m sq.m but could start to recover in 2011, BNPP RE said. ■ **pie**

PIE COMMENT: Commercial property investment in France is progressing just as fast as its large eastern neighbour Germany and Paris is likely to be the beneficiary, particularly the giant La Défense development which has been on hold since 2008. If Germany can reach, as realtors expect, €20bn this year in total, following €13bn in 2009, then France should be able to attract capital toward the top end of the range given above.

Spanish retail offers overseas investor window - Internos

Spain's real estate market could become a hotbed for foreign investment, above all in shopping centre developments anchored by fashion and fast-food chains, according to Jos Short, Executive Chairman and founding partner of Internos Real Investors, the UK-based €1.5bn real estate fund manager.

In the latest edition of the Internos strategic bulletin, the decisive eye, Short describes the tendency by commentators to dismiss Spain by grouping it in the same basket as Portugal, Ireland and Greece as strategically unsound. "The news we've been receiving from inside Spain in the final weeks of 2010 has been significantly more optimistic than the broader European headlines," he said. Spanish fashion and clothing retail outlets, together with fast food chains, have outperformed since the financial crisis and are, collectively, the anchor tenants in most new shopping centre developments since 2000."

A recent rise in employment could sustain this performance, he said. The official 20% unemployment figure, though high, cannot be directly compared with northern European economies as it includes a much higher black economy component. Current unemployment is significantly lower than during the 1992/93 recession, when it hit 24%.

Short is not the only one showing confidence in Spain. Deka, the German open-ended fund manager, in August announced the €145m acquisition of a class-A office building in Barcelona, known as D640, and, in the same month, Hamburg-based shopping centre specialist ECE acquired Madrid-based Auxideico

Gestión, a firm that manages 14 shopping centres in Spain, from ING Real Estate Development, marking ECE's debut in the Spanish market. ■ **pie**

German RE investment volumes seen up at €20bn

German property investment volumes are likely to exceed €20bn this year, with Pfandbrief funding maintaining its place as the main refinancing instrument, says Hanover-based mortgage bank Deutsche Hypo. This compares to around €13bn in 2010.

The bank, a unit of German landesbank NordLB, said in a new study that the positive economic development will feed through to real estate investment. "Investors will be looking at more than core next year," said Board Member Andreas Pohl in a release. "We are expecting slightly smaller initial yields as property prices are rising faster than rents."

Chairman Jürgen Allerkamp added: "Pfandbrief has shown its merit during the financial and economic crisis." Its main advantages are transparency, legal security and consistent quality standards. "The importance of covered refinancing will increase in the next few years," he added. ■ **pie**

2011 is opportunity window for Dutch office – Bouwfonds

A window of opportunity opens in 2011 for office acquisitions in The Netherlands as prices are very low, according to Dutch Bouwfonds Real Estate Investment Management. However, asset location and quality are more crucial than ever for success

"Almost 13% average vacancies, with regional peaks of up to 20%, make investments in Dutch office property almost an art form that exacts a lot of know-how from fund management," said Bouwfonds' Léon Muller. In a recent study, it found that sustainability is the most important factor in investment decisions, not only encompassing energy efficiency and carbon emissions but also interior design flexibility and a sustainable location. Only assets that fulfil these criteria will perform well in the future, and yield spreads between sustainable and non-sustainable buildings will widen.

The average annual yield for Dutch office should be 6%, says Bouwfonds, a subsidiary of Dutch cooperative bank Rabobank. It also expects higher office employment rates for 2012, with high demand in Amsterdam, Utrecht and Amersfoort. Bouwfonds REIM funds have over €4bn in Dutch commercial property while global AUM is €7bn. ■ **pie**

German lettings soar; further rises coming – Savills

The five major German office markets last year saw a stunning year-end finish in lettings take-up, rising 31% over 2009, according to international real estate advisor Savills. It predicts that 2011 will at least match 2010 due to the favourable economic climate, with rents likely to move positively, particularly in prime sectors. Howevere significant reductions of vacancies are unlikely in the short term even though a turnaround is generally expected.

Last year, every main market in Germany outperformed 2009, with Berlin achieving more than a third of total annual take-up in the final quarter. Total take-up reached some 2.68m sq.m. in 2010, with Berlin helped by a large 29,500 sq.m. letting at year end advised by Savills. "The remaining four markets saw a successful fourth quarter too," added Savills' Robert Kellershohn. Düsseldorf recorded the highest increase - of 93% - followed by Frankfurt (+39%), Hamburg (+30%), Berlin (+21%) and Munich (+13%). Several deals were in excess 10,000 sq.m., a trend that re-emerged notably in the second half of the year.

Savills said a significant rise in demand, also in light of declining office completions in most markets, led to a turnaround in rental levels. In 4Q10, prime rents continued to drop slightly only in Hamburg and Munich, while Frankfurt held stable and Berlin and Düsseldorf saw a slight upward trend. Average rents exceeded the previous year or matched 2009, while vacancy rates climbed slightly in Düsseldorf, Frankfurt, and Hamburg. ■ **pie**

BNPP office fund makes first acquisition

BNP Paribas' Luxembourg-based Next Estate Income Fund has made its first acquisition, buying for €93m a building in the Claude Bernard development zone in north east Paris from BNP Paribas Real Estate.

The closed-end fund was launched in August 2010 and raised more than €100m from institutional investors at first close. It ultimately aims to raise €500m. The fund plans to build a portfolio of modern office properties meeting high environmental standards across Europe, particularly in France, Germany, Italy and Benelux. The fund has a duration of 10 years, and investments are due to be carried out over the next three years.

The 15,627 sq.m. office building is due to be delivered in March 2012. It is fully prelet to the BNP Paribas group on a fixed nine-year lease and meets THPE and HQE energy efficiency and environmental standards, with more than 20% of its energy consumption coming from renewable sources. "This first acquisition combines a low level of risk, great potential due to its situation, and scope for significant income distribution from March 2012," said NEIF fund manager Aurelien Lanfray. ■ **pie**

Zug's Corestate buys Hanover office/retail at 8%

The Zug-based private equity real estate investor Corestate has acquired from HSBC Trinkaus Real Estate the Rund Carré in Hanover, a new office and retail asset purchased for €25.5m, a price said by industry sources to be well below development cost of over €36m.

The deal represents an initial yield of 7.9%, which compares favourably to long-term yield trends, Corestate said. Financing has been secured from a German bank. Rund Carré comprises a fully-let, 14,000 sq.m. mixed-use scheme completed in 2006,

with 8,377 sq.m. of office accommodation on long let to large German corporates. The remaining space is mainly arranged as good quality retail units. It is located within close proximity of Hanover's main train station, and a short distance from Hanover's International Airport.

The Rund Carré asset represents a prime income-producing scheme, let to strong covenants, and has been securied at an attractive price, commented Ralph Winter, Corestate founder. "Hanover is an attractive investment market with strong local economic fundamentals which compare favourably to the national average in Germany." ■ **pie**

Russia, Poland activity doubles in CEE to €5bn – CBRE

Property investment in CEE rebounded by 90% in 2010 to €5bn, driven by Russia and Poland with 74% of total as recovery from the 1Q09 cyclical low continued. Russia passed Poland, boosted by Lenmar Capital's purchase of a portfolio including five Moscow offices for €690m in 4Q10, CB Richard Ellis reports. Liquidity remained low in most other markets.

The bulk of activity was in office, which reached a 5-year high of 46% of total, partly reflecting limited prime supply. Most markets saw prime yields compress between 10bp and 25bp but Warsaw yields were stable in the last quarter; its prime yield gap with Prague is 50bp, reflecting Warsaw's higher liquidity. Bucharest yield compression ranged from 25bp for prime logistics to 50bp for prime offices as investor confidence returned.

2010 marked the return of interest in portfolios and large single assets, with some 45% of total in €100m-plus deals, CEE Research chief Jos Tromp notes. Westmont Hospitality's purchase of the Prague Intercontinental Hotel was the first 5-star transaction in CEE since the crisis, while the largest retail deal was Unibail-Rodamco's purchase of Arkadia and Wilenska malls in Warsaw, and Lenmar's Russia buy was the largest office deal. German open fund investment activity in CEE slowed. In 2011, Tromp predicts large funds will continue to make selected investments in CEE core markets but a wave of portfolio sell-offs is not expected as book values are relatively high. ■ **pie**

PIE COMMENT: There is every reason to believe that 2011 will be the year that Russian real estate comes back into international favour, and once again finds not only equity buyers but also debt financing from local and foreign banks. The needs of the nation for commercial property development of every type is clear, and the last three years hiatus has built a solid backlog of projects and huge pent-up demand. Returns for the less risk averse should prove extremely rewarding.

Goodman in €300m industrial project in Poland's Gdansk

Australian logistics specialist Goodman is starting a 500,000 sq.m. project at Gdansk, Poland - the Pomeranian Logistics Center next to the new Deepwater Container Terminal after winning a tender last month. The development, in partnership with InvestGDA, will be the largest logistics project in northern Poland; its value on completion may exceed €300m.

CEO Greg Goodman said the group looks forward to working closely with the City of Gdansk in the form of InvestGDA (Gdansk Economic Development Agency). Several infrastructure improvement projects have started or are planned in the region. Country Manager Blazej Ciesielczak said Goodman can deliver completed facilities within 10 months and the location offers opportunities, given current undersupply of prime logistics and industrial facilities in northern Poland. It is also close to air, rail and highway links.

Goodman Continental Europe CEO Danny Peeters said the firm's financial strength has facilitated growth of its development activities across Europe, and the Gdansk project confirms its commitment to expansion. Goodman has new developments under way for some 180,000 sq.m. in France, Germany, Poland and Slovakia. ■ **pie**

French FdR raises €200m in new capital

French REIT/SIIC Foncière des Régions has strengthened its capital by almost €200m through exercise of equity warrants by existing shareholders. FdR issued shareholders with one warrant per share in December 2009 and it said 98.8% of the warrants have now been exercised, resulting in the issue of 3.1m new shares bringing €199.7m in new capital.

The warrant issue was made alongside the acquisition of five buildings from insurers Groupama and Predica in 2009. The €267m acquisition was paid for through the issuance of 3.9m new FdR shares to those firms based on a share price of €65-€70. The warrants allowed existing shareholders to buy new shares on similar terms, with each new share costing €65 plus 15 warrants. The subscription period for the new shares ran to end-2010. FdR shares rose 3% to €74 following the announcement. ■ **pie**

German real estate climate cools – King Sturge

Despite the upward trend of the German economy, real estate sentiment has cooled off slightly, and the latest survey-based poll for realtor King Sturge's Real Estate Economy Index suggests the climate fell by 1.6% in December from November, with the investment climate down 2.1%.

"The downturn is a little more pronounced this time than it was the month before, but the level remains high," said Sascha Hettrich, managing partner of King Sturge Germany. December also saw a first downturn for rental income by 0.9%, reflecting expectations of more than 1,200 polled experts on user demand and rent developments. Most segments also showed a slight deterioration of sentiment. The retail climate returned steepest losses at 3.6%. Residential fell by 2.8% and industrial by 0.2%. Only office posted a slight increase but still has the lowest score. "Despite flagging euphoria in the real estate industry and fickle international markets, the 'hard' macroeconomic facts keep rallying," said Hettrich.

After two consecutive dips in sentiment, it is not clear if there is a shift in trend or whether the climate is entering a lateral movement. "At the moment, certain signs suggest that sentiment is levelling out; an unavoidable and at times even sensible thing to do," he commented. "After all, the climate climbed from one peak to the next between July and October 2010." ■ **pie**

ING in first closing of €1.5bn shopping fund

Amsterdam-based ING Real Estate Investment Management Europe has made a first €60m closing for its European Shopping Centre Fund, a closed-end seven-year fund with a target gross asset value of €1.5bn that will invest in malls across continental Europe.

The fund has five clients and is now working on subsequent closings in the coming months. "We are very pleased with the support of our investors in this challenging equity raising environment," said CEO Pieter Hendrikse. "We expect to reach our target equity raise during the year as we benefit from investors' growing appetite for the sector." The fund, which has already acquired an asset in Sweden, will invest in 15-20 centres dominant in their catchment areas in 11 countries. It aims to manage through market recovery and sell within the vehicle's lifetime to obtain target returns.

"ESCF benefits from excellent market timing," said fund manager Florencio Beccar. "At this point in the cycle, yields are above historical long term averages and offer an unprecedented spread to interest rates. This is happening in the context of stronger sales performance by retailers which hints healthy rental growth in the coming years. This is especially true in the western European markets where the investment focus now lies." ING REIM has more than €10bn AUM. ■ **pie**

Italy's Prelios sells assets to GIC, others in repositioning

Italy's Prelios Group, formerly Pirelli Real Estate, has closed two transactions, selling off assets in line its strategic repositioning to reduce net invested capital and focus more on asset management for third parties. The deals will have a positive impact on Prelios' net financial position of around €47m.

It sold 13.6% of its Cloe property fund sold to an affiliate of GIC Real Estate, the real estate arm of Government of Singapore Investment Corporation at a discount of some 20% to

the fund's net asset value. It gave no precise financial details but added that the deal improves Prelios' net financial position by some €26.9m. Fondo Cloe is a core closed-end real estate fund placed and founded in 2004, and with 11 properties valued at some €550m. Its other quota holders include Italian and international institutional investors.

Prelios also sold a 35% interest in Finprema, a unit which entered into a 50/50 joint venture with Fintecna named Residenze Immobiliari in 2004. Also giving no precise details, it said the transaction closed largely in line with book value, and will boost Prelios' net financial position by about €20m. The JV is involved in the Pentagramma development and reconversion project (Progetto Pentagramma) started in 2007 to enhance four real estate assets in Rome with a total book value of €406m. The most important of these is the former Italian state mint (Istituto Poligrafico e Zecca dello Stato) which is to be converted into a prestigious luxury hotel and brand residence. ■ **pie**

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Belgium's Atenor starts €150m Romanian office project

Belgian developer Atenor Real Estate Development, has started construction of the first phase of a €150m office complex in northern Bucharest, Romania. Hermes Business Campus is a project financed from its own funds.

Hermes Business Campus Complex will have 78,000 sq.m. of modern offices, Romanian news agency Actmedia reported. The project will meet BREEAM environmental standards and is located near three Bucharest main streets and two airports, said project director Paul Lannoye. Completion is planned for 4Q12. ■ **pie**

Belgian WDP launches in Romania with €75m EIB financing

Euronext-listed Belgian logistics specialist Warehouses De Pauw is launching Romanian warehouse developments with a semi-industrial centre near the Pitesi car manufacturing centre for Germany's Röchling-Automotive. It has a €75m finance agreement with the EIB for developing logistic and industrial centres in Romania in the coming years.

WDP opted for the nation in 2007 alongside its Benelux and French home markets due its outstanding growth potential. CEO Joost Uwents said: "With this first project for Röchling and the finance agreement with the EIB we can now start our development in Romania, where we will very soon dispose of this first reference, which will enable us to accelerate our future developments in the country," he said. WDP has purchased 10 sites near Bucharest over the past three years along the roads to Constanta, Pitesti and Ploiesti. It has a total property portfolio of over 1.2m sq.m. ■ **pie**

Trigranit brings Heitman into Croatian Arena JV

Hungarian CEE developer TriGranit and Heitman European Property Partners IV have formed a 50-50 joint venture for the new 95% leased, 60,000 sq.m. Arena Centar Shopping mall in Zagreb, Croatia, plus two land plots and a mixed-use development including office, residential units and a congress centre.

Though no financial details were given, the firms said it comprises the largest property transaction in Croatia this year. Financial resources are secured by the same banks - Intesa Sanpaolo, Erste Group, Hypo Investment Bank, Cassa di Risparmio della

Repubblica di San Marino, MKB and CIB - that participated in the club deal for Arena development. Trigranit CEO Árpád Török noted the first two phases (arena and city centre) were developed in a very challenging environment: Trigranit believes it has found a long-term strategic partner in Heitman. It will continue city centre development with the focus on Ljubljana and Poznan.

Rob Reiskin, Co-Head of Heitman's European private RE equity group, said the deal provides a special opportunity to take advantage of Croatia's improving demographic fundamentals as it prepares for EU entry. The Arena Centar JV follows on the heels of HEPP IV's Galeria Malta jv in Poznan, Poland. With €505m in equity commitments, HEPP IV is the fourth and latest European value-added property investment fund managed by Heitman, headquartered in Chicago, from where it manages over $21bn in property assets globally. TriGranit Development Corp operates in seven CEE countries and has a pipeline of over €4bn of major mixed-use developments plus a number of PPP investments. ■ **pie**

Austria's Soravia seals EBRD finance for Serbian project

The European Bank for Reconstruction and Development is financing a mixed hotel/office redevelopment of a listed landmark in the Serbian capital of Belgrade by Prigan Holding, part of Austrian CEE developer Soravia Group. The total investment will be €55m.

EBRD's €8.5m equity investment in Prigan will finance development of a new hotel and office centre on the site of the Old Mill, which will be fully restored, with its original features providing the facade for a 15,000 sq.m. modern 240-room hotel, conference rooms, spa and restaurants. An office tower will be built next to it. Construction, near the trade centre and new train centre, will begin by June 2011 and the hotel is expected to open in spring 2013.

EBRD said the new development will address the undersupply of hotel accommodation and office space in the Old Town where state authorities and corporations are located, and contribute to its revitalisation. "This is an important major investment in Serbia since the economic crisis and it shows that confidence to the country is returning", said Soravia CEO Hanno Soravia. EBRD has committed over €2.4bn in various sectors, including some €600m in 2010. Vienna-based mall, office, residential and hotel developer and investor Soravia also operates in Macedonia, Bulgaria, Romania, Slovakia, Estonia and Latvia. ■ **pie**

Albanian, Macedonian firms in jv for €80m Skopje mall

Fashion Group, based in Macedonia, and Albania's Balfin are jointly investing €80m in a new mall in the Macedonian capital of Skopje. The cornerstone was laid last month for Skopje City Mall, expected to open in 2012.

The 90,000 sq.m. mall, to house some 150 shops, is designed by US architects Laguarda Low and the project is supported by the European Bank for Reconstruction and Development. Balfin is the largest privately-owned retailing and property development company in Albania, where it has developed two shopping malls, 500 apartments in the capital of Tirana and has further logistics and residential projects under way. It also has telecoms and media investments and is seeking partnerships with foreign companies looking to enter Albania. Fashion Group is the biggest textile retailer and franchisee in the region, also operating in Serbia, Montenegro, Croatia, Slovenia, Albania, Bulgaria, Greece and Kosovo. ■ **pie**

PSP Farman starts €170m mixed project in Serbian capital

Serbian-Russian developer PSP Farman is starting a €170m residential and commercial project in the Serbian capital Belgrade, with the first phase to include 514 housing units.

Construction in New Belgrade will start this month or next, PSP Farman President Branislav Grujic told Serbian business news portal eKapija. The entire project, to be developed in five stages, is scheduled for completion in 2013. Project design is by London-based Fletcher Priest Architects. The complex will have a total area of 152,437 sq. m, and include living spaces, shopping premises and a 39-story office tower. ■ **pie**

US REIT Strategic sells Prague InterConti for €108m

US REIT Strategic Hotels & Resorts last month closed the sale of InterContinental Prague to an investment group led by an affiliate of Westmont Hospitality for €108m, including third-party debt assignment and related interest rate swap liability, as part of its European exit.

Strategic CEO Laurence Geller said the deal, "represents another step in the company's execution of a disciplined and strategic European exit strategy. This disposition also further supports our continued focus on reducing corporate expenses and eliminates future capital investment required to maintain this property." Chicago-based Strategic Hotels & Resorts is a NYSE-listed real estate investment trust which owns and asset manages high-end hotels and resorts in the US, Mexico and Europe. It currently has interests in 16 properties with 7,630 rooms. ■ **pie**

Austria's Immorent progresses €100m Prague office project

Austrian CEE developer Immorent has started the second stage of its €100m Futurama Business Park in the Czech capital of Prague's Karlin district, having leased 90% of the first stage a year after its completion.

The Deutsche Boerse group last leased nearly half of the first stage; the second stage will offer 16,000 sq.m. and the six buildings in the complete project will have 41,300 sq.m. of A-class energy-efficient offices, for completion around November. Immorent has development operations in logistics and commercial parks, retail and commercial shopping centres, offices, multi-purpose and residential buildings. ■ **pie**

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