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The EREIS - Newsletter

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- Editorial (actual overview of the real estate market)
- Real Estate News & Deals
- Company profile & analysis

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Editorial

These days on of Europe's most important property fairs took place in Austria: The Real Vienna 2009 (26.05-28.05.2009. The organizer registered 242 exhibitors and 7.082 participants. This is significantly less than the last year's participation when the real estate market was still booming (327 exhibitors, 9.808 participants).

Despite the inevitable crisis talk the gathering can be stated as a successful event. The quite high rate of international players (58%) showed the importance of the fair and the interesting program which was offered by the organizers. With the well frequented property talks, the general networking possibility and the perfectly prepared side-program of the fair, most of the visitors left the event with satisfaction.

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The steering towards new concepts and strategies to give the real estate market new impetus, which could already be seen at the MIPIM in Cannes, was still more obvious at the Real Vienna. Working hard on solutions to overcome the actual problems the participants showed a modest optimism concerning the future development of their business. Our editorial team on the spot was pleased by the competent organization of the fair and the efficient outcome of the discussions even or propably just because of the lower number of particpants. (editor in chief: Dr. Roger Schöntag)

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Real Estate News

29.05.2009 Germany: Helaba starts successfully into 2009
Helaba Landesbank Hessen-Thüringen started well into 2009, despite the persisting financial market crisis and the severe recession in the real (non-monetary) economy. The institution achieved a pre-tax Group result of EUR 86 million. Compared with the corresponding period of the previous year, this result represents a positive swing of EUR 100 million. After taxes, the Helaba Group attained a profit of EUR 62 million (Q1 2008 EUR -11 million). Net interest income, before risk provisioning, fell to EUR 230 million (-12.2 %). Loan-loss provisioning rose to EUR -25 million. Further charges are likely in the course of 2009. Net commission income at EUR 55 million was just above the corresponding figure for the first quarter of 2008. The trading result improved – due not least to the higher contributions from money dealings and the narrowing spreads throughout all asset classes and maturity ranges – from EUR -82 million to EUR -13 million. The figures now available for April and May of the current fiscal year show a sustained improvement in this position. The operating earnings of the Bank rose considerably, from EUR 247 million to EUR 337 million, whilst administrative expenses were reduced by EUR 10 million to EUR 251 million. The balance sheet structure in the first quarter 2009 hardly changed, compared with that at 31.12. 2008. As before, the proportion of loans and advances to customers made up almost 50 % of the balance sheet total of EUR 186 billion. (source: *Helaba*)

28.05.2009 Germany/Netherlands: IVG brings new EuroSelect Funds with KPMG headquarter in Amsterdam to the market
IVG Immobilien AG has now launched its new closed-end real estate fund "EuroSelect 17 Office Center Amstelveen". After the successful placement of the Luxembourg Funds now a top-notch office building ensemble south of Amsterdam which is almost completed comes next. The Dutch subsidiary of the auditors KPMG has leased the property long-term as corporate headquarters. The annual payout is expected to be 5.15 per cent after taxes. Georg Reul, IVG board member in charge of the Funds Division: "Private investors are looking for sound investments at the moment. The Amstelveen Office Center is notable for its outstanding infrastructure link to metropolitan Amsterdam and the excellent quality of the property. The new building has been developed following KPMG's wishes and has been leased for 15 years. This offers an opportunity for stable profits for our private investors". This is the second time that IVG Funds is investing in the Netherlands. In 2005 an office property in Amersfoort was offered for investment and so far has not only met expectations but succeeded in providing investors with a special payout of one percent for the second half of 2008. (source: *IVG*)

27.05.2009 Germany: IMW registers massive loss
On preliminary calculation the IMW-Gruppe will received in the business year (01.04.2008 till 31.03.2009) rental revenues of approx. € 59 million (previous year: € 60.2 million). Although the operating income will improve the consolidated loss will be expected in the range of € 160 -170 million (previous year: € 33.2 million profit). The reasons for this development are revaluation of the Group properties which result in non realised losses of approx. € 170 million. In addition depreciations of financial derivates account another € 20 million. This reflects the actual market situation. At the time being the management negotiated with investors which intend to buy portfolios, which containt properties of more than € 230 million. The management is convinced to close the negotiations successfully in the next weeks. With the sales the financial structure of the group will be improve. One month ago the company realized a capital increase of € 6.3 million. (source: *IMW*)

26.05.2009 U.K.: SEGRO plc– Statement re possible offer for Brixton plc
SEGRO notes the announcement by Brixton earlier today and confirms that it has made a preliminary approach to the Board of Brixton with a view to entering into discussions about a possible offer for Brixton. SEGRO currently envisages that the consideration for any offer will be in the form of SEGRO shares*. SEGRO would like to emphasize that there can be no certainty that an offer for Brixton will be forthcoming. A further announcement will be made in due course if appropriate. This announcement does not constitute an announcement of a firm intention to make an offer under Rule 2.5 of The City Code on Takeovers and Mergers (the "Code"). mDisclosure in accordance with Rule 2.10 of the Code. In accordance with Rule 2.10 of the Code, SEGRO confirms that its total issued ordinary share capital at 21 May 2009 comprises 5,677,371,596 ordinary shares of 1p each. SEGRO does not hold any shares in treasury. The International Securities Identification Number for SEGRO ordinary shares is GB00B1YFN979. (source: *Segro*)

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26.05.2009 U.K.: Eurocastle Investment Limited and Subsidiaries Financial Results for the three months ended 31 March 2009
Eurocastle Investment Limited today announced its financial results for the three months ended 31 March 2009. The Company and its subsidiaries ("the Group") has Euro denominated shares which are currently listed on Euronext Amsterdam, under the symbol "ECT" and on the Frankfurt Stock Exchange, under the symbol "EUI1". Eurocastle is managed by an affiliate of Fortress Investment Group LLC. FFO* was €12.3 million or €0.20 per share for the three months ended 31 March 2009 compared with €8.2 million or €0.13 per share and €22.6 million or €0.35 per share for the three months ended 31 December 2008 and 31 March 2008, respectively. NAV per share of €10.60 as at 31 March 2009 comprising (€1.07) for the debt investment business and €11.67 for the commercial property portfolio (31 December 2008: €13.35 comprising (€0.27) for the debt investment business and €13.62 for the commercial property portfolio). Adjusted for the refinancing of the Mars portfolio, (which was completed on 27 May 2009) the NAV per share as at 31 March 2009 should be €8.45 per share. Real estate NAV per share of €9.52 after the Mars Portfolio refinancing, reflecting a NOI yield on valuation of 5.8%. Net loss after tax was €162.5 million for the three months ended 31 March 2009 compared with a loss of €263.8 million for the three months ended 31 December 2008 and a loss of €84.1 million for the three months ended 31 March 2008. The losses primarily relate to non-cash valuation adjustments to our portfolio. (source: *Eurocastle*)

25.05.2009 Luxembourg: Sal. Oppenheim overcomes financial market crisis with own strength
Private bank Sal. Oppenheim jr. & Cie. S.C.A. reports a net loss for the period 2008 of € 117 million (previous year: net income of € 255 million). Matthias Graf von Krockow, spokesman for the personally liable partners explained, "Sal. Oppenheim was unable to avoid the immense pressure that the financial market crisis exerted on the entire financial sector. However, thanks to the support of our owners, we are in a position to digest a loss of these proportions. And our equity ratio remains high at 12%." Capital market slides in nearly all asset classes burdened Sal. Oppenheim's capital market-related business activities in 2008. This was a result of the losses incurred in the Equity Trading area and impairment losses on some assets and equity investments. All of the other operating divisions of the bank held their own in the difficult environment and generated a positive result. A conservative measurement of all assets ascertained that the negative effects of the financial crisis were addressed in full in financial year 2008. The Group's total assets amount to € 41.4 billion, practically unchanged compared to the previous year. Equity was reduced by 14% to € 1,867 million, which is, in particular, a result of the net loss for the period and the decrease in revaluation surplus. The shareholders took a first step in further strengthening the bank in December 2008 by resolving a capital increase of € 200 million. This meant that equity exceeded the two billion euro mark again in 2009, with the current equity ratio at over 12%. Graf Krockow had this to say on the subject, "This underlines our shareholders' commitment to the bank. Sal. Oppenheim will remain in a stable position on this reliable and solid basis." (source: *Sal.Oppenheimer*)

22.05.2009 Germany: via Vermögensverwaltung joins DIC Asset AG as shareholder
DIC Asset AG announces that solvia Vermögensverwaltung GmbH, from Braunschweig, has joined as a new strategic investor through the purchase of a nearly 5% share stake. DIC Asset AG, which operates on the German commercial real estate market, sold a share block acquired from the recently completed buyback programme to the private asset manager for around EUR 10 million. solvia purchased the approximately 1.5 million shares (4.7 percent stake) at a unit price of EUR 6.50. DIC Asset had acquired the share block during the period from 10 October 2008 to 10 February 2009 at an average price of around EUR 4.90. Previously, solvia held 0.4 percent of the shares in DIC Asset and, in recent years, had fostered business contacts with DIC during direct property transactions. Both parties also agreed on a lock up-clause under which solvia will agree not to sell the share block until the end of 2010. (source: *DicAsset*)

20.05.2009 Netherlands: Corio's net rental income remains strong with increase of 12.2% on continuing operations
The economy kept deteriorating further in Q1 2009. Centraal Bureau voor de Statistiek (CBS), the Dutch agency on statistics released the Q1-numbers, which showed the sharpest drop in retail spend ever of 4.8%. While the food sector remained flat (supermarkets still growing), the non-food part fell by 7%. However, especially in Corio's main markets, rents kept growing but it could not fully protect a further drop in value of the portfolio, due to increasing yields in the property market. Net rental income growth (on a like-for-like basis) in France and Italy remains strong, whilst the Netherlands is stable. Corio's strong basis in these home markets has proven valuable to maintain a healthy position. (source: *Corio*)

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Real Estate Deals

28.05.2009 U.K.: LAND SECURITIES SELLS 22 KINGSWAY, WC2
Land Securities today announces that it has completed the sale of 22 Kingsway, London WC2 to an overseas client of Jones Lang LaSalle for approximately £39 million, reflecting a yield of approximately 7.55%. The building provides c. 91,400 ft2 (8,490 m2) of offices let to The Secretary of State until September 2025 subject to a break in 2021 and a 1,000 seat theatre let to The London School of Economics. Jones Lang LaSalle advised the purchaser. (source: *Land Securities*)

28.05.2009 USA/U.K.: The Carlyle Group Announces Sale of 107 Cheapside Completes
Global private equity firm The Carlyle Group today announces that the sale from the Carlyle European Real Estate Partners Fund of its 184,000 sq ft office development at 107 Cheapside to Menolly Investments, which was agreed in January 2007, has now completed. Menolly has dropped its Court of Appeal action which followed the High Court ruling in Carlyle's favor. (source: *Carlyle Group*)

26.05.2009 Netherlands: Nieuwe Steen Investments sells six properties
Nieuwe Steen Investments NV has recently again sold six properties. It concerns three office and three retail objects. The sales volume amounts to €10.8 million. After the sale of twelve properties during Q4 of 2008 and five poperties during 2009, NSI has again sold six properties to several investors. It regards three offices and three retail properties. The rental income of the sold properties amounts to 860,000 €. The properties are sold above book value. Five properties were already transferred, the last one will be transferred at the end of Q2 2009. The total 2009 sales volume has reached 32,7 million Euro. As part of NSI's strategy the number of properties in its portfolio will be reduced by means of divesting small, management-intensive properties. In the short term, the proceeds will be used to pay off debts. The transaction involves a super market with lock-up shops in Capelle aan den Ijssel, supermarkets in Goor and Oosterhout and offices in Roermond and Purmerend. (source: *NSI*)

25.05.2009 USA/Turkey: Hilton Hotels Corporation To Expand Turkey Portfolio
Hilton Hotels Corporation today announced it has entered into a Franchise License Agreement with Durmazlar Makina Sanayi ve Ticaret A.Ş. to open two new Hilton Family properties in Bursa, in the north west of Turkey. he 170-room upscale Hilton Bursa Convention Centre & Spa and 106-room Hampton by Hilton Bursa will be located next to each other and will represent the first dual-branded development in the country by HHC, as well as the Turkish debut of the company's value-conscious Hampton by Hilton brand. It will also see the hotelier operating a choice of four different hotel brands in Turkey, reflecting Hilton's commitment to growing its presence in key strategic markets. cheduled to debut in the second quarter of 2011, the new hotels will build Hilton Family's presence in Bursa to three Hilton Family properties and some 430 rooms. (source: *Hilton*)

22.05.2009 France/U.K: Goodman sold Lyon Business Park
Goodman Group has sold, on behalf of its Goodman European Business Park Fund ('GEBPF'), its Parc Mail business park in Lyon to Harbert Management Corporation for €39,290,000. Parc Mail comprises 12 office buildings totalling 21,920 sq.m and is situated in St Priest, Lyon. Major tenants include Renault, Cap Gemini and Linde. The Park was acquired by the Goodman European Business Park Fund in December 2004 from local developer Sogelym Steiner. This transaction follows the recently announced European sales of a 42,700 sqm pre-leased development for Louis Vuitton Moët Hennessy at Récy (France), a 102,202 sqm development in Bad Hersfeld, Germany, and a 26,735 sqm asset in Wattrelos (France)on behalf of the Goodman European Logistics Fund. Under the transaction, Goodman was advised by CBRE. (source: *Goodman*)

20.05.2009 Germany/Russia: MAGNAT sells the Russian Sadko investment and in doing so reduces its commitment in Russia
The contract on the sale of the Russian Sadko investment was signed at the end of March; prepayment of about 50% took place today. The investment backflow is around EUR 0.8 million. The Sadko investment was acquired with original costs of around EUR 1.8 million. Adjustments in value, for example due to currency effects, were already made in the previous periods. Therefore, it is not expected that the transaction will further influence the fourth quarter result negatively. MAGNAT Real Estate Opportunities GmbH & Co. KGaA has sold the Russian Sadko investment. The investment, which was originally acquired for about EUR 1.8 million, was sold to the Russian project partner. Investment backflow is around EUR 0.8 million. Since adjustments to the value were made in previous periods due to currency effects, this sale, which will be posted in the fourth quarter of the 2008/2009 fiscal year, will not further influence MAGNAT's result negatively. (source: *Magnat*)

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Real Estate Company Profile

Norwegian Property

Norwegian Property ASA (NPRO) is a leading Norwegian property company. Measured by portfolio value, it is one of the largest listed property companies in the Nordic region, with assets valued over 27 billion.

The company has 48 office properties located in Oslo and Stavanger. These high quality properties have prime locations, and the tenants include Norway's most solid and attractive companies.

In addition Norwegian Property owns Norgani Hotels AS, which is the largest hotel owner in the Nordic region with 73 hotels and a conference centre in the portfolio.
Norwegian Property ASA was listed on Oslo Stock Exchange on 15 November 2006.
The long term ambition is to become the largest and most liquid investment alternative focusing on Norwegian commercial properties.

The first properties were acquired in May 2006. From May to January Norwegian Property has invested NOK 17,2 billion in 55 attractive properties in Oslo, Stavanger and Bergen - the tenants include Norway's most solid and attractive companies.
In July 2007 Norwegian Property acquired 4 office and retail properties at Aker Brygge, CBD in Oslo for NOK 1,74 billion from DnB Nor Bank ASA.
In line with the company's investment strategy there is in progress a continuous effort to trim and optimise the portfolios in both office and hotel segments. During 2008 Norwegian Property completed the sales of eight properties, and another two during the first quarter of 2009.

In addition Norwegian Property owns Norgani Hotels AS. Norgani is the largest hotelowner in the Nordic market with 73 hotels and one conference centre in the portfolio.

The principal strategy is to invest in attractive and centrally located properties with a value of more than NOK 200 million each and an attractive entry yield. Between 85 and 90 percent of the properties will lie in Oslo, Stavanger, Bergen or Trondheim. The emphasis is on securing long-term leases, adjusted in accordance with key performance indicators. Tenants will normally be large listed companies and public bodies, in order to reduce risk associated with leases.

The company's earnings, cash flow and required return will be very predictable. The object is a return of 13-15 percent on paid-in equity and an annual dividend of four-six percent of paid-in equity. The company's equity ratio will be about 25 percent. The company will be financed on competitive terms. More than 70 percent of long-term debt will be hedged at fixed interest rates. (source: *NPRO*)

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Real Estate Company Profile

Norwegian Property

01.05.2009 NPRO: Presentation of financial results for the first quarter 2009
Norwegian Property reports steady operational performance and solid cash flow. Operating profit before fair value adjustments was **NOK** 105.1 million for the quarter, compared with NOK 70.3 million for Q1-2008. Profit before tax including fair value adjustments was NOK -933.9 million (NOK -166.9 million). **Revenue** from office properties adjusted for the disposal of property increased by 5.5 per cent compared with the same period last year, and was NOK 265 million for the quarter. Revenue from hotel properties decreased by 4.3 per cent compared with the same period last year, to NOK 181 million for the quarter. **Fair value** adjustments to properties were negative by 2.4 per cent for the quarter, and group accounts have been charged with additional unrealised value adjustments related to goodwill and to interest rate derivatives. In the first quarter, debt amounting to NOK 975 million was repaid, and the group is in compliance with all debt-related financial covenants. **Equity** per share is NOK 19.84. Net asset value by EPRA standard is NOK 25.60 per share. In a comment, CEO Petter Jansen said "We are pleased to report strong operational results and further profit before value adjustments. Our results show low vacancy and positive net leasing in the office segment. Combined with good cost control and reduced financial costs this will ensure good cash flow in 2009". (source: *NPRO*)

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