

The EREIS - Newsletter

The EREIS - Newsletter is part of the online portal EUROPEAN REAL ESTATE INFORMATION SYSTEM (www.p1-info.com). It is regularly issued in a two weeks term by the P1 PUBLISHING HOUSE. The following headings are subject to the newsletter:

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

Editorial

The real estate market did not change very much in the last month, even if a slight recovering might be sensible. Still most transactions are of moderate volume and carefully chosen. Even if normal procedures seem to come back, the general financial crisis has not yet come to an end.

According to experts banks are also slightly recovering, but this should not be seen as an general upturn. Still there are too many high-risk papers in circulation which are very difficult to value and which kind of threaten the trust of the investors. Banks and in general the financial institutes are now under extreme pressure to recover from the heavy losses in the end of last year and the beginning of 2009. The problem by compensating the bad balances is, that they are forced to invest in financial assets which are estimated to be hazardous again. This can also be stated for banks which were backed up by a state and now have the burden of redemption. Obviously there is not much space for restructuring a gaining solid ground. The unbroken power of the bank institutes is very much obvious in respect to their behaviour towards political institutions, but also towards their customers, which includes private clients as well as institutional ones. In this regard neither the real estate branch nor another did have the opportunity to profit very much from low ECB interest rate or the general beleaguered situation of the banks. (editor-in-chief: Dr. Roger Schöntag)



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Real Estate News**17.07.2009 Germany: HSH Nordbank issues EUR 3 billion benchmark bond**

Today HSH Nordbank took advantage of the favorable market environment to place its third benchmark bond guaranteed by the Sonderfonds Finanzmarktstabilisierung (SoFFin). With a volume of three billion Euros the bond has a term of three years. The pricing of the bond is due to take place on Wednesday afternoon at a return of 10 basis points above the corresponding swap rate. The joint lead banks of the transaction were HSH Nordbank along with BNP Paribas, Commerzbank, HSBC and JP Morgan. The issue with an order book of more than 5.5 billion euros was internationally widely placed. With today's issue HSH Nordbank has so far made use of 17 billion euros of its guarantee facility amounting to 30 billion euros that has been made available by SoFFin. Of this figure, multi-year term bonds totaling 9 billion euros have been publicly placed while 8 billion euros with a maturity of less than one year have been deposited with the European Central Bank. (source: HSH)

16.07.2009 Turkey/Netherlands: Erzurum Shopping Center, First Green Shopping Center in Turkey, Awarded BREEAM Certificate

REDEVCO Turkey has been awarded a BREEAM Certificate, with a rating of "Very Good", for the Erzurum Shopping Center Project, prior to its opening in the third quarter of 2009. The certificate demonstrates that the shopping centre meets very strict requirements for green design, and goes beyond national legislation. Like its other developments in Turkey, REDEVCO's Erzurum project served as a pilot project for the development of the BREEAM Europe Retail scheme. This international standard for green buildings was developed in association with members of the International Council of Shopping Centers Sustainability Working Group and the Building Research Establishment (BRE). BREEAM (BRE's Environmental Assessment Method) is the world's longest-established and most widely used environmental assessment method for buildings. Paul Gibbon, Director of Sustainability for BRE Global, said: "We are delighted that an international company such as REDEVCO is committed to certifying their new development projects according to BREEAM, helping drive the establishment of a common international standard for green buildings". Erzurum is the first BREEAM-certified building in Turkey, but it will certainly not be the last, since REDEVCO has registered more new developments to be BREEAM-certified. Jaap Gillis, COO at REDEVCO, adds, "Rather than developing a variety of different standards, we as an international company prefer to encourage all emerging Green Building Councils to adopt BREEAM as the standard for Green Buildings." Once Erzurum has been opened, the shopping centre will also apply for a BREEAM in Use certificate, to ensure that the environmental performance of the building is continuously improved, a key principle of REDEVCO's environmental policy. The shopping centre will generate its own on-site energy. "Using co-generators and absorption chillers, we will generate centrally heating, cooling and electricity, emitting less CO2 per sq. m. than other shopping centres in Turkey, while our tenants can benefit in time from lower energy costs," Harold Reniers, Technical Director at REDEVCO, says. (source: Re-devco)

16.07.2009 Germany: Office investment market in Q2 2009

Prime yields for office buildings in CBD locations of the German TOP 5 markets Berlin, Düsseldorf, Frankfurt, Hamburg and Munich remained largely unchanged in Q2 compared to the first three months of the year. Solely in Frankfurt the net initial yield climbed by another 20 basis points compared to Q1 and now stands at 5.5%. 5.5% were equally achieved in Berlin, followed by 5.2% in Düsseldorf and 5.0% in Hamburg. With a net initial yield of 4.8% for properties of prime quality and location, Munich currently shows the lowest figure. Compared to Q2 of last year all markets recorded an outward movement in prime yields the extent of which, however, varies in the individual markets. In Munich, for example, the yield only rose by 10 basis points (bps) over the past 12 months, whereas Düsseldorf recorded an increase of some 20 bps and in Hamburg the increase was 30 bps. In Berlin the yield climbed by 40 bps. The highest boost was recorded in the financial metropolis of Frankfurt where the net initial yield shifted up by 60 bps compared to Q2 2008. On average of all five cities the yield rose by 34 bps. This rather moderate rise proves that core investments (prime building quality, prime location, long-term leases with tenants of good covenant and high adaptability to alternate use) are hardly affected by the uncertainty of the investment markets and the overall decline in prices. During the course of the past six months such properties were primarily purchased by German funds (such as Union Investment Real Estate, Commerz Real) as well as insurance companies (e.g. Generali Group). Smaller properties are increasingly attracting private investors / family offices; hardly any activity is noticed on the foreign investors' side. Despite contrary expectations of a number of market players there were only few distressed sales over the past months. For the remainder of the year an overall slight recovery of the transaction market can be expected as asking prices of both purchasers and vendors are increasingly converging. Insofar the transaction volume of the second year-half should exceed the past six months' figure. (source: Savills)

14.07.2009 USA/Europe: Nissan selects CB Richard Ellis as European Strategic Property Advisor

CB Richard Ellis Group, Inc. today announced that it has been selected by Nissan Europe S.A.S as its strategic property advisor for the region. The European contract win marks an important expansion of Nissan's relationship with CBRE in North America, where CBRE have been engaged as a full-service real estate partner since July 2007. The European contract, primarily comprising transaction and consultancy support, is the first of its kind awarded by Nissan across the European region. The contract reflects the continued growth and success of CBRE's Corporate Services business in Europe, where earlier this year it announced other programmes with Europe-based corporates including StatoilHydro and France Telecom. (source: *CBRE*)

13.07.2009 Poland: Restart of realization of OXYGEN office building in Szczecin

The management board of Echo Investment made a decision to restart construction works of the office building OXYGEN being realized in Szczecin at Malczewskiego street. Construction works came to a halt at the beginning of April 2009. The change in the building schedule resulted from the necessity to comply with specific technical requirements of potential leaseholders and modification of the project connected with it. Construction works – in accordance with the schedule adopted earlier – shall commence still in July 2009. At present negotiations are in progress with leaseholders of office areas and at the same time negotiations are carried out with financial institutions concerning crediting of the project. In recent months the company Echo Investment has concluded a few significant lease agreements for areas in office projects in Warsaw and Poznań (all together more than 6,500 sq. m.), and has also obtained more than 80 million EUR of credit for financing of office complexes: Park Postępu and Malta Office Park. Oxygen is a modern, 9-storeyed building located in the very center of Szczecin. (source: *Echo*)

13.07.2009 Poland/Belgium: Rezidor announces the Park Inn Wroclaw

The Rezidor Hotel Group, one of the fastest growing hotel companies worldwide, announces the Park Inn Wroclaw in Poland. The mid-market property featuring 206 rooms is scheduled to open its doors at the beginning of 2012; right in time for the UEFA European Football Championship where Poland and Ukraine will be the host nations of the final tournament. "This is our second Park Inn in Poland after the Park Inn Krakow", says Kurt Ritter, President & CEO of Rezidor. "At the same time it brings our portfolio in Eastern Europe to 75 hotels with 18,000 rooms in operation and under development – a clear sign for our commitment to this emerging region." "We are delighted and proud to co-operate with an internationally known hotel chain", adds Mirosław Nelle, founder and owner of Nelle General Construction Company, owner of the hotel. "We are convinced that the new Park Inn will be a success for both companies and positively influence the hotel development in Wroclaw." Wroclaw is a beautiful city with Bohemian, Austrian and Prussian influences – the most famous architectural and cultural masterpiece is the magnificent market square. The city is located on the Odra River and enjoys idyllic surroundings including 12 islands, 130 bridges and several parks. Fans of Wroclaw are in good company: Pablo Picasso said he found the post war reconstruction of the city a powerful inspiration, and the British historians Norman Davies and Roger Moorhouse used Wroclaw as the model for their highly readable *Microcosm: A Portrait of a Central European City* (2003). (source: *Rezidor*)

10.07.2009 Germany/Hungary: WestLB sells Hungarian subsidiary

WestLB AG has signed a contract with regard to the sale of its Hungarian subsidiary, WestLB Hungaria ZRt. The transaction is part of WestLB's ongoing divestiture of non-strategic assets. Going forward WestLB will focus on three business segments: Verbund/Mid-Caps, Transaction Banking and Capital Markets/Corporates/Structured Finance. The identity of the purchaser will be disclosed once the transaction has been approved by the relevant authorities. WestLB Hungaria ZRt. offers its corporate and public sector clients products and services incl. bilateral and syndicated loans, structured and project finance products, treasury services and products, payments, international cash management and trade finance as well as custody activities. As of December 31, 2008, WestLB Hungaria had total assets of approximately EUR 200 million. (source: *WestLB*)

07.06.2009 Czech Republic: Way is clear for modern sports arena and ECE shopping gallery in Hradec Králové

The city parliament accepts property contracts – a unique combination of a multi-function arena, leisure facilities and a shopping gallery. The Hradec Králové city council assembly has cleared the way for the development of a unique leisure and retail quarter: The delegates authorized the sale of the required properties to ECE, thus paving the way for the realization of a leisure center that will benefit the town's inhabitants and the entire region. On one part of the site, the town is investing in the construction of a multi-function arena which will provide a sound basis for the promotion of professional soccer in Hradec Králové. Further sports and leisure facilities will emerge on the remaining areas of the site as well as the shopping and leisure gallery Arkády Hradec Králové developed by ECE. (source: *ECE*)

Real Estate Deals

15.07.2009 Europe/Germany: AEW Europe's EPI Fund sells 11 German high-street shops

AEW Europe is pleased to announce that its pan-European value-added fund European Property Investors (EPI) Fund has sold via its investment vehicle, EPI Walk Germany Sarl, a portfolio of 11 German high-street shops to a fund represented by AIK (APO Immobilien-Kapitalanlagegesellschaft mbH), a pharmaceutical industry pension fund and an equity purchaser, for just over €58 million at a gross initial yield of approximately 6.5%. The 17,242 square metres portfolio is located across Germany in Berlin, Bremen, Dortmund, Freiburg, Gera, Hagen, Halle, Ingolstadt, Nürnberg and Mannheim. Major tenants in the portfolio include Salamander, E-Plus, Depot (Gries Deco), Framode and Yves Rocher. Merrick Marshall, Head of Asset Management (UK) at (source *AEW*)

10.07.2009 Germany/Hungary: WestLB sells Hungarian subsidiary

WestLB AG has signed a contract with regard to the sale of its Hungarian subsidiary, WestLB Hungaria ZRT. The transaction is part of WestLB's ongoing divestiture of non-strategic assets. Going forward WestLB will focus on three business segments: Verbund/Mid-Caps, Transaction Banking and Capital Markets/Corporates/Structured Finance. The identity of the purchaser will be disclosed once the transaction has been approved by the relevant authorities. WestLB Hungaria ZRT. offers its corporate and public sector clients products and services incl. bilateral and syndicated loans, structured and project finance products, treasury services and products, payments, international cash management and trade finance as well as custody activities. As of December 31, 2008, WestLB Hungaria had total assets of approximately EUR 200 million. (source: *WestLB*)

09.07.2009 Netherlands/South Korea: ING Real Estate Investment Management Asia Secures Licence to Operate Local Real Estate Funds in South Korea

ING Real Estate Investment Management today announced that it has secured a license from the Financial Supervisory Commission to operate locally registered real estate funds in South Korea. In a further announcement, the company today announced the appointment of Mark Jun as Senior Vice President - Institutional Clients Asia. Effective 1 July 2009, Mr. Jun will be responsible for marketing and the management of the real estate company's institutional client relationships in South Korea. Mr. Jun has 10 years of industry experience and has been appointed to the role after four years as Head of Investment, South Korea for ING Real Estate, also based in Seoul. Prior to joining ING Real Estate Asia, Mr. Jun spent time with DB Real Estate and Korea Exchange Bank, where he was responsible for real estate investment and investment advisory services. He holds a Bachelor of Arts in Economics from Simon Fraser University in Canada. Eduard Wehry, Head of Institutional Clients for ING Real Estate Investment Management Asia, added: "Korea is one of the largest real estate markets in Asia and a prime focus for ING Real Estate Investment Management Asia, both from a capital raising and an investment perspective. I am extremely pleased that Mark has agreed to join the client relationship team to help highlight ING Real Estate's global capabilities further to institutional investors in South Korea and promote the opportunities in the South Korean market to international investors." (source: *ING*)

08.07.2009 Germany: IVG leases 6,800 sq m in the centre of Frankfurt to Universal Investment

IVG let 6.800 sq m office spaces, 90 parking sites and storage area in the project development „Frankfurt Central“ to financial service provider Universal Investment GmbH. Therefore 68 per cent of the total letting space has been let before end of construction. The office building with an attractive corner location vis-à-vis to Frankfurt Main Station will be totally refurbished and modernised. 10,000 sq m of rental space will be developed, spread over 9 stories, plus 153 underground parking spaces. The distinctive property will set a strong optical highlight on the station forecourt and -at the same time- fit in harmonically into the semicircle of existing buildings. The completion is planned for spring 2010. BNP-Paribas Real Estate acted as an advisor in this transaction. (source: *IVG*)

07.07.2009 Finland/Germany: First-Time Commitment of Commerz Real in Finland

Commerz Real just signed the deed for the "Swing Life Science Center" office scheme located in Helsinki. Raised in several stages and fully completed in 2008, this complex comprises five interconnected buildings with a gross lettable area of about 32,100 square metres. The total investment volume of the acquisition, which is earmarked for the open-ended hausInvest europa real estate fund, approximates 124 million euros. Seller is the Etera Mutual Pension Insurance Company. "With this acquisition in Helsinki, we have made our market entry in Finland. It contributes to the ongoing geographic diversification of our real estate portfolio," said Hans-Joachim Kühn, Member of Commerz Real's Management Board and in charge of real estate acquisitions. (source: *Commerzreal*)

Real Estate Company Profile

Kenmore

History

Founded in 1986, by current chairman, John Kennedy, the initial focus of the company was the development of office schemes in Glasgow and Edinburgh. The early 90s saw a diversification into trading standing investments, whilst continuing to purchase properties with development potential. The London office was established in 1998 and Rob Brook, now Managing Director, joined in 1999. In 2001 our portfolio grew by 70% and we opened our Manchester office the following year. The European investment programme was initiated in 2002 and we established the first European office in Paris in 2005. Since then Kenmore has grown its European portfolio to £1.1 billion and opened offices in Stockholm, Berlin, Antwerp and Helsinki. In the UK they have grown our portfolio to £800 million and opened offices in Birmingham, Bristol and Leeds. Kenmore made its debut investment in the Middle East and established a Dubai office in 2006. The private equity arm was launched in the same year, as well as the first listed fund.

Business

Kenmore's objective is to enhance shareholder value through premium investment returns originating from trading and active management opportunities within our portfolio. The business is split into four main areas: Investment, Asset Management, Development and Private Equity.

Financial highlights

- ◆ From 2002-2007, Kenmore achieved:
- ◆ An average NAV growth of 39% per annum
- ◆ Profit growth of 46% per annum on average
- ◆ A return on equity in excess of 50% for 68% of all exits
- ◆ An average gross asset growth of 48% per annum

Based on cost value Kenmore has £2.0 billion of investments and developments across the UK and in France, Germany, Holland, Belgium, Sweden, Norway, Finland, Dubai and Qatar. In addition the Group has a development portfolio with a gross development value of approximately £1.5 billion. Investing in Europe has been a major focus for Kenmore in the last five years and we now manage over £1.0 billion of assets across seven European countries. To manage the growing portfolio and increase deal flow in Europe, they have expanded their platform of offices, opening new offices in Berlin, Stockholm and Antwerp in 2007/8. The Middle East is another key area of growth for Kenmore. The Dubai base is a stepping stone to further opportunities in Saudi, Qatar, Bahrain, Oman and further afield.

Characteristics

- ◆ Eight primary funds
- ◆ Over £2.0 billion investment portfolio
- ◆ £1.5 billion development portfolio

(source: Kenmore)

Real Estate Company Profile

Kenmore

News

17.07.2009 U.K.: KENMORE TOPS OUT CITY WHARF, ABERDEEN

Kenmore celebrates a significant milestone in the construction of City Wharf, its 150,000 sq ft mixed-use development, located in the historical Shiprow area of central Aberdeen. The development, which has strong anchor tenants in Grosvenor Casinos and Ibis Hotels, comprises a 27,800 sq ft office building, eight retail units, a 107-bed hotel and a 400-space NCP car park. Kenmore held a topping-out ceremony attended by local agents, to mark the completion of the highest point on the office building. The office building is targeting a BREEAM 'Very Good' rating and is due to achieve practical completion in November 2009, with the whole scheme completing in January 2010. Philip Eves, Investment Director at Kenmore, says: "We are delighted to have reached topping out stage at City Wharf and look forward to completion in the next six months. Our first tenants, Grosvenor Casino, are already in situ in two of the retail units and the remaining retail units and office building are due to complete by the year end." Kenmore has worked alongside architects SMC Davis Duncan and liaised with nearby businesses to ensure the building complements the existing architecture in the area. Rydens' Aberdeen office is acting as letting agents for the City Wharf office space. Eric Young & Co (Edinburgh) and Montagu Evans (Glasgow) have been appointed letting agents for the leisure units. (source: Kenmore)

08.07.2009 KENMORE EUROPEAN INDUSTRIAL FUND COMPLETES FURTHER PARIS ASSET SALE TO PRIVATE INVESTOR

Kenmore European Industrial Fund today announces that it has completed on the sale of its Les Ulis asset, 8 Avenue du Parana, located in the South Western suburbs of Paris to a private investor, for €1.86 million, reflecting a price approximately 1% above the March 2009 valuation. The multi-let, light industrial estate asset comprises 44,961 sq ft (4,177 sq m) arranged across two buildings, dating from the 1970s. It is fully let to four tenants, including a subsidiary of Plastic Omnium. Following the departure of DHL, a major tenant at the building, in June 2007, Kenmore has undertaken extensive asset management initiatives on this asset to secure full occupation. Rob Brook, Managing Director of Kenmore Financial Services Limited, commented: "This latest disposal to a private investor at a price above valuation builds on the Fund's strategy to capitalise on value-adding asset management initiatives to raise proceeds which can then be used to further de-gear and de-risk its position." BNP Paribas Real Estate acted on behalf of KEIF. (source: Kenmore)

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