

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 recent statistics of CBRE confirm the general impression of an recovering property market in Europe. The commercial real estate investment in the second quarter of 2009 could rise by 12%, which means 13 billion Euro instead of 11,6 billion in the first quarter of this year. The locations where most investments could be registered are London, Madrid, Barcelona and Paris. These cities left the heaviest price fluctuations already behind. This distribution shows clearly that investors still prefer prime locations which correspond to their core-criterias of calculability and stability. As the market will probably recover more and more—at least next year—the remaining question is of the new destinations. Who will dare to go with new investment in now kind of deserted countries as south eastern Europe? It is also still unknown if the boom in the CEE countries before the crisis will return respectively when. Concerning office, retail, logistic capacities the European Community countries, especially the core EC will certainly reach a saturated market soon. Still not having eliminated all problems connected to the actual crush and without knowing for sure when this will be done, the target has to be the search for new locations for future investments in know neglected areas where profit may be more than a stable income. So what about investing in Tirana (Albania), Belgrad (Serbia) or Skopje (Macedonia)? (editor-in-chief: Dr. Roger Schöntag)



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Real Estate News

27.07.2009 Germany/Australia: Bilfinger Berger benefits from Australian economic stimulus program: major order worth €120 million in field of education

Construction and services group Bilfinger Berger has received an order to extensively modernize 177 schools in the Sydney metropolitan area. As part of the Federal Government's economic stimulus package, the state of New South Wales has started its biggest ever school construction program. Bilfinger Berger will modernize teaching and administration buildings and will extend existing facilities. The project is worth €120 million and is to be completed by the middle of 2011. In Australia, Bilfinger Berger is one of the leading contractors in the building market. The Group is benefiting from the rising demand from public and semi-public clients: In Melbourne, the company is now building eleven schools. This project worth €110 million is oriented towards the standards of the Australian "Green Star" seal of approval for particularly environmentally friendly buildings. In the cities of Canberra, Wollongong and Sydney, Bilfinger Berger is constructing and expanding university buildings, student accommodation and research facilities with a volume of more than €140 million. (source: *Bilfinger*)

24.07.2009 Netherlands: Unibail half year results 2009

"Unibail-Rodamco posts recurring earnings per share in line with expectations. This happens in difficult times, where most macro economic indicators are negative. Tenant sales in the retail sector over the period came down, although June sales show positive growth. As expected, the Group has seen a slowdown of Net Rental Income growth across its portfolio. Yet, income growth remains positive on the back of high quality assets, which are actively marketed to the public. The Group's shopping centres remain in high demand by retailers looking for customer traffic and exceptional locations." Guillaume Poitral - CEO and Chairman of the Management Board. Continued recurring EPS growth: Compared to H1 2008, all sectors (retail, office and C&E) contributed to the Group's increase in recurring earnings of 7.8% to €4.68/share. Retail benefited from the strong position of its shopping centres, with low vacancy (2.0%, vs 1.8% end 2008), and a 4.5% like-for-like growth in net rental income. Following divestments in 2008, the office sector saw a decrease in rental income, but like-for-like income grew with 10.1%, of which 7.3% from indexation. Vacancy in the office sector dropped to 4.7% after the successful letting of 20,500m² to SNCF in mid-July. The C&E sector benefited from the successful Paris airshow in H1 2009. Strong Financial Position: The Group signed €1.2 Bn of new debt year-to-date, including €575 Mn from the net share settled convertible bond issued in April. The undrawn credit lines increased to €2.4 Bn at June 2009. Average cost of debt for the period came to 3.8%. The Loan to Value ratio increased slightly from 30% at year-end 2008 to 33% at mid-year 2009. This was mostly driven by declining asset values. The Group wrote off €1,930 Mn in Gross Market Value in the period, bringing the total asset write down over the last 12 months to €3.7 Bn or 16% (LFL). Unchanged outlook: The Group will continue to invest in its development pipeline, having raised its return criteria to reflect the current market situation. It remains alert to opportunities which may be triggered by the current economic climate. The Group re-iterates its full year recurring EPS growth outlook of 7% or more. The Group confirms its policy of distributing 85-95% of recurring earnings. For 2009, this distribution is scheduled to be fully paid in April 2010. (source: *Unibail*)

23.07.2009 Germany: HOCHTIEF supports the exhibition "Modell Bauhaus" in Berlin

Essen-based group is main sponsor - Opening tomorrow in the Martin-Gropius-Bau HOCHTIEF is acting as main sponsor for the "Modell Bauhaus" exhibition, which opens tomorrow in the Martin-Gropius-Bau in Berlin and is due to run until October 4, 2009. The exhibition is being staged to mark the 90th anniversary of the art and architecture movement initiated by the founding of the State Bauhaus School in 1919 and which had an unrivalled influence on 20th century art, culture and design. The three German Bauhaus institutions - in Berlin, Dessau and Weimar - are currently presenting the world's largest exhibition of works produced by those associated with this movement. As an international construction services provider, HOCHTIEF feels a sense of commitment to the history of modern architecture. So the Bauhaus and modern architecture are central topics in the company's sponsoring activities. In the 1990s, HOCHTIEF was responsible for the complete and faithful restoration of the Kandinsky-Klee "Master House" in Dessau built by Walter Gropius. In addition, the company has supported important related exhibitions - not least by the loan of exhibits from its own Bauhaus collection. Among the works it has acquired are a "Bauhaus Master Portfolio 1923", with examples of the output of Kandinsky and Klee, and masterpieces by Feininger and Mücke. (source: *Hochtief*)

22.07.09 U.K.: Savills - Prime yields have "topped out" with some inward movement

Sentiment in UK investment markets has improved over the past two months with the majority of yields hardening, by over 50 bps in some cases, according to international property advisor Savills. Furthermore the average rate of capital value falls is declining with values appearing to be close to bottoming out. Savills notably recorded a 25 bp yield fall in June within the West End office market to 5.75% – the first reduction in prime equivalent yields since October 2006. Despite a weakening occupational market, the lower yield will assist to maintain office values in the West End which at their lowest stood at 3.5% in August 2007. This fall in West End yields mirrors that in the City which saw falls from 6.75% to the current level of 6.5%. Paul Cockburn, head of central London investment, says: "The breadth of international capital allocated to limited supply has led to some very strong bidding for assets in the last quarter and with so many disappointed buyers prices have really started to move off the bottom." In the retail sector, yields have also moved in within the retail warehouse market. In line with the peak in the wider UK property market, Open A1 Retail Warehouse yields were at a low of 3.75% in May 2007 before rising consistently to 7% by April 2009. However, the past few months have seen an improvement and they currently stand at 6.5% as investor interest rises and deals are transacted. Contrary to this, the report indicates shopping centres continue to show a rising yield profile reflecting net initial yields of 7.25% from a low of 5% in February 2008. However Savills suggests this is due to a lack of transactional evidence with only two shopping centre transactions recorded in Q209, as well as a weaker retail environment. (source: *Savills*)

21.07.2009 Germany: Savings banks take €130m share of WestImmo financing

Westdeutsche ImmobilienBank AG (WestImmo) has syndicated commercial real estate loans with a total volume of some €130m to savings banks from six German regions, compared with about €90m to savings banks for the whole of 2008. The financed properties essentially comprise retail and office real estate in major German cities and conurbations with a market value totalling about €550m and a financing volume of €275m. WestImmo arranged the individual financing deals and will continue to manage them as syndicate leader. Within the syndicate it remains the biggest single lender for each financing package, thereby retaining a substantial part of the total volume on its own books. For the bank's partner institutions this fundamental business policy is a crucial basis for collaboration. Savings banks can in turn diversify their loan books and generate additional income by participating in the low-risk real estate financing offered by WestImmo. "We are delighted that savings banks from all over Germany are showing this confidence in us and participating in our financing deals", said Peter Knopp, Chairman of WestImmo's Managing Board. "The collaboration with our association partners is very important to us and works in both directions, as these transactions demonstrate." WestImmo also participates reciprocally in real estate financing organised by the savings banks where the size of the package or risk aspects mean that these institutions cannot deliver them on their own. In 2008 WestImmo pulled in €210m of new business through this joint lending with savings banks, some 13% more than in 2007. (source: *Westimmo*)

20.07.2009: Flughafen Wien AG: Voluntary consent to examination by Austrian Federal Audit Office not possible; Extraordinary General Meeting to be called on 20 August 2009

Flughafen Wien AG: Voluntary consent to examination by Austrian Federal Audit Office not possible; Extraordinary General Meeting to be called on 20 August 2009. Flughafen Wien AG reports that legal opinions by numerous well-known experts including constitutional law professor Dr. Bernd-Christian Funk as well as Dr. Franz Marhold and Wolf Theiss, the largest law firm in Austria, have indicated that they do not see sufficient legal basis for an examination by the Austrian Federal Audit Office. According to the constitutional law opinion by Dr. Funk, the arguments against the controlling jurisdiction of the Austrian Federal Audit Office are overriding. The Management Board will meet the demands of the Flughafen Wien employee foundation ("Flughafen Wien Mitarbeiterbeteiligung Privatstiftung") for an Extraordinary General Meeting, which will be asked to approve a special audit of the Skylink project pursuant to Austrian stock exchange law. In agreement with the Supervisory Board, the Management Board will convene this meeting on 20 August 2009. (source: *Vienna Airport*)

17.07.2009 Poland: Zara, one of the most renowned and recognizable clothing makes shall open its salon in extended Echo Gallery in Kielce

Zara store shall take up more than 1 600 sq. m. and shall be one of the biggest clothing salons in the center. Opening of Zara shop in Echo Gallery shall inaugurate introduction of this brand into the Kielce market. "Zara is another brand that joined the group of leaseholders of Echo Gallery. Commercialization of the center is proceeding smoothly and according to the plan. We are now entering the last phase of leasing, which we are planning to finish in March next year," says Mariusz Kowalczyk, Leasing Director of Echo Investment. Zara owns more than 1 200 stores in 72 countries and belongs to the fastest developing brands in the world. (source: *Echo*)

Real Estate Deals

27.07.2009 USA: ProLogis Leases 246,000 Square Feet in Portland to CNH Parts & Service

ProLogis, a leading global provider of distribution facilities, announced today that it signed a lease agreement during the second quarter of 2009 for 246,000 square feet of recently completed distribution space in Portland, Oregon, to CNH Parts & Service, the product support business of agricultural and construction equipment maker CNH Global N.V. CNH will occupy space at ProLogis Park PDX, which is located near the intersection of Interstate 84 and Northeast 148th Avenue, approximately two-and-a-half miles east of Portland International Airport. This transaction brings the newly developed, 500,000-square-foot distribution park to full occupancy. (source: *Prologis*)

24.07.2009 U.K.: LAND SECURITIES CLOSSES £360 MILLION BOND

Land Securities has today closed a £360 million bond linked to the commercial lease between the UK Government and Land Securities over 50 Queen Anne's Gate / 102 Petty France, London SW1 (Queen Anne's Gate). The Bond will derive cash flows solely from this lease and will fully amortise over the life of the transaction. It is rated Aaa by Moody's and AAA by Fitch due to the direct link to the UK Government tenant. The £360 million Bond has a final maturity in February 2027. The pricing is fixed at 145 bps above the current ten year gilt giving an all in cost of 5.25%. The weighted average length of the loan is 11.2 years. The freehold will be charged within the Group's secured funding vehicle. Commenting on the closing, Land Securities Group Finance Director Martin Greenslade said: "We are pleased to have completed this fund raising which once again demonstrates the variety of our assets and the flexibility we have in our debt structure to construct innovative funding solutions. Queen Anne's Gate was held outside our normal secured debt arrangements as we were aware that the strength of the lease would enable us to raise stand alone financing in what is still a challenging debt market. (source: *LandSecurities*)

23.07.2009 Germany/China: Order of approx. Euro 233 million for Hong Kong tunnel system

Leighton Asia to plan and build sewage system by October 2013 HOCHTIEF's subsidiary Leighton has received an order worth more than Euro 233 million (AUD 410 million) in Hong Kong via its participation in Leighton Asia. Working in a joint venture, the company is to plan and build a system of sewage tunnels. Leighton Asia holds an 80 percent stake in the joint venture, equivalent to a share of just over Euro 186 million of the order volume. The client is the Hong Kong Drainage Services Department. Upon completion, the new tunnel system in Hong Kong's harbour area will have a total length of 7.5 kilometers and will replace existing sewage infrastructure. The tunnels will be built at an unusual depth of 70 to 120 meters underground. Leighton Asia will start work in August 2009 and complete the project by October 2013. (source: *Hochtief*)

21.07.2009 U.K.: ST. MODWEN SECURES 100% OCCUPANCY AT BLACKBURN INNOVATION CENTRE

St. Modwen, the UK's leading regeneration specialist, has bucked the current economic trend by securing full occupancy of its 44,000 sq ft Innovation Centre in Blackburn, just nine months after officially launching the scheme to the marketplace. Aimed at growing enterprises in the medical and technology sectors, the centre is the first phase of the £25 million Evolution Park scheme, which will include 223,000 sq ft of office and employment space. The centre, located next to the Royal Blackburn Hospital, has been designed to accommodate start-up and established businesses and offers fully-fitted suites upwards from 90 sq ft. In addition to Blackburn with Darwen PCT, which has 9,748 sq ft of space on a five year lease at the site. (source: *StModwen*)

20.07.2009 U.K./France: KENMORE EUROPEAN INDUSTRIAL FUND SECURES PARIS PORTFOLIO DISPOSAL TO PRIVATE INVESTOR

Kenmore European Industrial Fund today announces that it has completed the sale of a large regional Paris-based portfolio to a private investor, for a total gross consideration of €59 million prior to completion adjustments, transfer taxes and transaction costs, based on a mix of share and asset sales. This reflects a net realisation of approximately 4% below the March 2009 valuation. In addition, KEIF provided the purchaser with a vendor credit facility of €6.4 million over two years. The IDF portfolio of 17 assets comprises a total of 71,805 sq m of light industrial and warehouse space, with the exception of one property comprising an office building, with all of the sites located in the wider Paris region. The portfolio is 98% let to a total of 73 tenants, including Getronics, INA, La Cornue (Aga Rangemaster Group), the FNAC and Hygena. (source: *Kenmore*)

20.07.2009 France: CASTORAMA ADVISED BY SAVILLS RENTS 12 380 SQM OF RETAIL SPACES IN THE NEW CONCEPT L'ATOLL

Castorama - Kingfisher Group - rents 12 380 sqm of retail space in the new concept L'ATOLL near Angers. Castorama is the third major retailer who sign a lease on the project after Boulanger (electricals) and Alinéa

Real Estate Company Profile

AFI Development

Company:

AFI Development is a leading developer of unique large-scale projects in Moscow, the Russian regions, Ukraine and the CIS. Established in 2001, AFI Development focuses on developing and redeveloping high quality commercial and residential real estate assets including offices, shopping centers, hotels, mixed-use properties, and residential projects. The Company's strategy is to sell the residential properties it develops and to either lease the commercial properties or sell them for a favourable return. In May 2007, AFI Development was successfully admitted to the Main Market of the London Stock Exchange. Through its IPO the Company raised a total of approximately US\$1.4 billion. The Company delivers shareholder value through a commitment to innovation and continuous project development, coupled with the highest standards of design, construction, and quality and customer service.

Strategy:

The key point of the AFI business development strategy is the commitment to maximize value for the shareholders through the identification, acquisition and development of real estate projects. This is achieved by using the following strategies: Building on the current market position and differentiating AFI from the competitors by proactively developing integrated largescale and complex projects in attractive locations; Continuing acquisition and funding of real estate developments that meet the project evaluation criteria and enhancing the number of projects in different development phases; Focus on integrated largescale and complex projects, rather than single buildings, which will generate better returns and increase the overall value for the neighborhood; Sell residential property and keep-to-operate commercial property in order to extract maximum capital inflow (especially in the case of retail property).

RESULTS FOR THE THREE MONTHS TO 31 MARCH 2009

AFI Development PLC ("AFI Development"/"the Company"), a leading real estate company focused on developing property in Russia and the CIS, has today announced its financial results for the quarter ended 31 March 2009.

Q1 2009 Financial Highlights:

- Profit before tax was US\$522.7 million compared to US\$69.7 million for Q1 2008.
- Net profit increased from US\$68.8 million in Q1 2008 to US\$416.8 million in Q1 2009, largely reflecting the revaluation gain under the new Amendments to IAS 40.
- Revenues increased to US\$17 million in Q1 2009 compared to US\$5.8 million in Q1 2008.
- Amendments to IAS 40 "Investment Property" requiring measurement of investment property under development at fair value were implemented from this quarter leading to a revaluation gain of US\$499.2 million in Q1 2009, with a corresponding deferred tax charge of US\$108 million.

Q1 2009 Operational Highlights:

- Continued progress in leasing activity for the Mall of Russia development with further nonbinding understandings converted to lease agreements resulting in total take up of circa 20% with additional 30% to 35% covered by letters of intent and memoranda of understanding.
- Continued downward pressure affects the real estate market in Moscow across all asset classes. (Source: AFI)

Real Estate Company Profile

AFI Development

News

24.07.2009 Russia: AFI Development signed the lease agreement for 4,500 sqm with the Inditex Group in Mall of Russia Shopping and Entertainment Center

The Inditex Group will be one of the Center's anchor tenants, presenting the full range of its brands, such as Zara, Massimo Dutti, Zara Home, as well as Bershka, Pull & Bear, Stradivarius, Oysho. Inditex brands stores will be located at several floors of the Center in line with the global concept and design of the complex. Each brand is designed to attract the target audience to the corresponding segment of stores. The Inditex Group is comprised of over one hundred companies associated with the business of textile design, manufacturing and distribution. The first Zara shop opened its doors in 1975 in Spain. Today its stores can be found in the most important shopping districts of more than 400 cities in Europe, the Americas, Asia and Africa. Mall of Russia, the five-level shopping and entertainment complex, located in the central part of the Moscow City, intends to be one of the major city's attractions. International Business Center, Moscow City is the largest investment business project in Europe that combines the innovation of architecture and multifunctional infrastructure. Moscow City hosts the Russia's Head-Quarters of the most prestigious companies in the spheres of banking, consulting, IT, luxury brands and others. The unique concept of the project, its scale and location, the selection of tenants are the main components of its success. At the moment the lease agreements are signed for the half of its area. Among the tenants there are such names as H&M, Formula Kino Cinema, shoe & accessories brands: Fabi, Baldinini, NO ONE, Vicini, Ballin, popular entertainment store Soyuz and many others. With total area of 179,000 sq. m Mall of Russia in fact became the largest shopping and entertainment project in the center of Moscow. It will unite the main anchor tenants - professional retailers. The shopping gallery will include more than 450 shops with a wide range of well-known international brands. Mall of Russia will offer many outstanding facilities for leisure: multiplex cinema with 4D and 5D technologies, skating-rink of 900 sq. m, more than 50 restaurants and cafes, entertainment center of 3,000 sq. m and a three-level parking for 2,700 car lots. The location of Mall of Russia provides an easy car access to Moscow's major highways and thoroughfares - the Third Transport Ring, Kutuzovskiy prospect and Noviy Arbat. There are also entrances to the metro stations Delovoy Center and Mezhdunarodnaya inside Mall of Russia. Natalie Shmurin, Director of Sales and Marketing Department at AFI Development: "The leasing activity for our Center goes at full speed even now, during the traditionally quiet summer period. The recent leasing deal with a tenant of such scale and distinction again proves the reputation of our Center as one of the most prospective upcoming shopping projects in Moscow. ". (source: AFI)

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