

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

Recently the German Supreme Court (Bundesgerichtshof (BGH)) rendered a judgment in favour of the property owners. A purchaser of a residential building was proved to be right by dismissing his tenants immediately after having acquired the property which at this stage yields only about 2,5%. His decision to pull the old building down in favour of a new one with an estimated yield of 16% was brought before the court by the lessees. Although the BGH decided in favour of the property owner and lessor, it can hardly be seen as an unlimited opportunity for investors. The BGH objected that there will always be a thoroughly investigation in every single case. Considering that due to the announcement an inquiry might last up to five years, investors may see this judgement as a sign that their position is legally strengthened, but far away from having all obstacles removed. Nevertheless the decision of the court can really be seen as a step to support investments, which are urgently needed to face the crisis. (chief editor: Dr. Roger Schöntag)

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Real Estate News

15.02.2009 U.K./Germany: DEGI awarded property investor of the year in Eastern Europe

DEGI, part of Aberdeen Property Investors, was recently awarded CEE Retail Real Estate Award "Investor of the Year" for 2008. The winner is voted by a panel of high profile property market experts and the prizes are awarded in association with "EuropaProperty", the leading Eastern European property magazine. Redevco, Heitman and Atrium European Real Estate were amongst the other nominees. Malcolm Morgan, DEGI Managing Director responsible for acquisitions commented: "We are delighted to accept this award, especially since it is voted for by industry players who are informed and hugely experienced on the sector. This award is testament to the investment decisions we have made and commitments from investors for DEGI funds following our diversification into Eastern Europe" (source: *Aberdeen*)

14.02.2009 Germany: HOCHTIEF Facility Management providing further services to Siemens

Service provider taking on 45 employees from Siemens Industry Solutions - Servicing and modernization of plant in four locations HOCHTIEF Facility Management is intensifying its collaboration with Siemens: The Essen-based service provider which has already been responsible for the technical operation of over 60 Siemens sites in Germany since 2004, will in future be taking on the servicing and modernization of plant in four further locations. Under the terms of the contract, HOCHTIEF Facility Management will be taking on 45 employees from Siemens Industry Solutions. The partners have agreed not to disclose further details of the contract. With this new contract, the HOCHTIEF subsidiary is further expanding its services in the areas of electrical engineering, automation and MSR technology. "Our new colleagues are bringing in valuable specialist expertise and will strengthen our partnership with Siemens", says Georg Kürfgen, Chairman of the Management Board of HOCHTIEF Facility Management. It has been only a few weeks since the two companies agreed to renew their general cooperation: Up to 2014, HOCHTIEF will provide facility management services to Siemens with a total value of just under 190 million euros. (source: *Hochtief*)

13.02.2009 U.K./Germany: GAZELEY HANDS OVER 10,000 SQ M WAREHOUSE TO ZUFALL LOGISTICS GROUP IN GERMANY

Gazeley, the global provider of sustainable logistics space, has handed over a 10,000m² shed to Axthelm + Zufall, the transport and logistics services provider. The new warehouse is located at Nohra, close to Erfurt, and will be used for the storing and packing of high-tech electronic components before they are supplied to customers across Germany and the rest of Europe. Axthelm + Zufall is a subsidiary of Zufall logistics group. The latest deal is the third that has been struck with Gazeley and represents a long-term partnership with the Zufall group. Ingo Steves, Country Director of Gazeley Germany GmbH, commented: "This project is further evidence of our excellent relationship with the Zufall group. In light of the present economic climate it's particularly important that our customers can rely on Gazeley to effectively deliver a project within budget and the agreed time period. Today's announcement demonstrates our ability to meet these requirements." Joachim Werner of Axthelm + Zufall said: "The new Gazeley warehouse meets our strategic needs due to the state-of-the-art technology employed, as well as the fact that there is the option to extend to 20,000m². This fits the group's expansion strategy which will also benefit the regional labour market." At present Gazeley is developing two more projects for the Zufall logistics group, comprising a total of 50,000m². The first, a 19,000m² shed at Fulda, will be completed in March 2009, while the second will be a 32,000m² logistics space at G. Park Kandel near Karlsruhe. (source: *Gazeley*)

13.02.2009 Germany: AD HOC: HSH Nordbank reporting net loss for 2008

According to preliminary non-audited IFRS group figures, HSH Nordbank closed 2008 with a consolidated net loss of around EUR 2.8 billion before restructuring costs, taxes and loss participation (previous year: net profit of EUR 285 million). This figure includes the impairments of around EUR 1.6 billion (previous year: EUR 1.3 billion) on the credit investment portfolio. Further writedowns necessitated by the crisis afflicting the financial market are valued at EUR 0.9 billion and include, among other things, adjustments in connection with the Lehman insolvency and the collapse of Icelandic banks. HSH Nordbank has responded to the heightened risks in its lending business in the wake of the current economic crisis by substantially increasing loan-loss provisioning to EUR 1.4 billion (previous year: EUR 1 million income). In 2008, the group generated net interest and commission income of around EUR 2 billion (previous year: EUR 1.9 billion). The Bank had previously announced that it would be paying the coupons on silent partnerships which are contingent on the Bank reporting a net income for the year. For the individual financial statement, according to German GAAP, the Management Board assumes a profit for the year shown in the balance sheet. Therefore the Bank will be able to pay the coupons on profit participation certificates and silent partnerships. At the moment, the bank is in the advanced stages of constructive negotiations with its owners concerning a strategic realignment. (source: *HSH*)

12.02.2009 U.K.: THE BRITISH LAND COMPANY PLC PROPOSED 2 FOR 3 RIGHTS ISSUE AT £2.25 PER NEW SHARE TO RAISE NET PROCEEDS OF £740 MILLION

The Board of Directors of The British Land Company PLC (the "Company") today announces a rights issue to raise approximately £740 million net of expenses by the issue of up to 340,873,589 New Shares (representing approximately 67 per cent. of the existing issued share capital and 40 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue) through a 2 for 3 Rights Issue at 225 pence per New Share.

The Rights Issue will:

- Underpin the Company's balance sheet at a time of unprecedented market dislocation;
- Position British Land to be able to exploit future real estate buying opportunities.

The Board believes that the current dislocation in asset pricing and likelihood of distressed sales will generate opportunities to acquire quality assets at yields that would be accretive to earnings, offering the further potential for strong asset value growth as the market recovers. By undertaking a pre-emptive equity issue today, the Company is able to maximise its competitive position and provide the opportunity for existing Shareholders to participate in the capital raising. The final quarterly dividend payable in respect of the year to 31 March 2009 will be declared at the time of preliminary announcement of results for the year to 31 March 2009. The amount of the dividend is expected to be set by reference to the third quarter dividend of 9.375 pence per share, adjusted to take account of the effects of the Rights Issue and to maintain the same level of annualised pro forma dividend cover as before the Rights Issue. (source: *BritishLand*)

11.02.2009 Austria: STOP.SHOP. is the "Retail Park of the Year"

At the CEE Retail Real Estate Awards for 2008 presented by the trade magazine "Europaproperty", the STOP.SHOP. concept of IMMOEAST AG was named "Retail Park of the Year" by an international jury. IMMOEAST has already completed 27 STOP.SHOPs. in Hungary, the Czech Republic, Slovakia, Poland and Slovenia. In the final stage, plans call for the development of a total of 100 locations. (source: *Immoeast*)

11.02.2009 Germany: SoFFin extends framework guarantee to Hypo Real Estate Group by EUR 10 billion

The German Financial Markets Stabilisation Fund ("SoFFin") has granted an additional EUR 10 billion framework guarantee, expiring on 12 June 2009, to Hypo Real Estate Group, bringing the aggregate volume of the SoFFin framework guarantees to EUR 52 billion. The need to extend the framework guarantee arose as a result of credit collateralisation effects, amongst other factors. Hypo Real Estate Bank AG, part of Hypo Real Estate Group, will use the guarantee framework to collateralise debt securities to be issued in order to cover the Group's short to medium-term liquidity needs. These debt securities are due for repayment on 14 May 2009. The liquidity is required to repay interbank loans, bonds, and customer deposits due. In addition, Hypo Real Estate will use the liquidity to pledge additional collateral to other market participants, central banks, and investors. This is the result of distortions on international financial markets, which have been extreme in some cases. Hypo Real Estate Bank AG will pay to SoFFin a pro-rata commitment commission of 0.1% on the undrawn portion of the framework guarantee, and a 0.5% p.a. fee on guarantees drawn upon. Negotiations between Hypo Real Estate and SoFFin regarding more extensive and longer-term liquidity and capital support measures for the Group have not yet been finalised. (source: *HRE*)

10.02.2009 Germany: AXA REIM gives an overview of its investment activity in 2008 for the Nordic Region, and strengthen the team in Stockholm

AXA Real Estate Investment Managers (AXA REIM) gives the review of its investment activity for the Nordic and Baltics in 2008 with the signature of two retail portfolios in Sweden for circa SEK 1,200 million.

- A Swedish portfolio, acquired on behalf of the German open-ended fund, AXA Immoselect, managed by AXA REIM; The portfolio Stora Bernstorp, a retail park of 37,000 sqm is located in Malmö, Sweden. The public opening took place in November 2008.

- A Sveafastigheter portfolio, Hansa City, acquired on behalf of the German Special open-ended fund, AXA Immosolutions, managed by AXA REIM. Bilen is a 27,000 sqm retail park located in Kalmar, Sweden.

The AXA REIM office located in Stockholm and directed by Jérôme Arnaud, is currently managing assets of a total value of circa SEK 10 billion (€ 950 million), in Sweden, Finland, Norway and Denmark. AXA REIM has recruited Stefan Timan, Head of Acquisition Nordic and Baltics, Duncan Hoare, Asset Manager and Henrik Hansen Analyst to its Nordic office in Stockholm. Stefan Timan, 38 years old, graduated from Umeå Business School, Sweden and University of New Brunswick, Canada. He was previously working at IVG as Managing director for IVG Sweden since 2006. Duncan Hoare, 28 years old, graduated from University of western Sydney, Australia, and was previously working at NB Real Estate, London UK as a property management surveyor as Associate, since 2005. Henrik Hansen, 29 years old, graduated from Karlstad University, and was previously working at NEP partners as an analyst with, since 2007. (source: *Axa*)

Real Estate Deals

13.02.2009 Germany: DEPFA Bank plc sells DEPFA First Albany to Jefferies Group

DEPFA Bank plc, a member of Hypo Real Estate Group, has entered into a definitive contract to sell its subsidiary DEPFA First Albany Securities LLC ("DEPFA First Albany") to the New York-based investment bank Jefferies & Company, Inc. Following the sale of Collineo Asset Management GmbH to Sal. Oppenheim jr. & Cie. In January 2009, the planned divestiture of DEPFA First Albany marks a further step in restructuring Hypo Real Estate Group's business model and repositioning the company as a specialized real estate and public sector lender focusing on Germany and Europe. The sale of DEPFA First Albany remains subject to regulatory approvals and certain closing conditions. The transaction is expected to close by April 2009. The parties have agreed not to disclose financial details of the transaction. DEPFA First Albany is a US-based broker-dealer focused on the US taxexempt municipal markets and is a well established participant in the underwriting and trading of municipal securities. (source: *HRE*)

12.02.2009 U.K.: INVISTA SELLS TWO PRIME RETAIL ASSETS, LET TO LLOYDS BANK

Invista Real Estate Investment Management ("IREIM" / the "Company") has completed the sale of two retail units located in Bath and Canterbury, for a total consideration of £4 million and £4.855 million respectively. The disposal of each individual unit reflects net initial yields of 5.25% and 5.26% respectively. Both assets are let to Lloyds Bank on long leases, due to expire in 2026. The Bath property produces a rental income of £222,000 per annum and the asset in Canterbury has an annual rental income of £270,000. They have both been sold to private investors. Singer Vielle acted as vending agent for the Company and Simons Property Consultants advised the buyers. (source: *Invista*)

10.02.2009 Germany/Spain: Deka Immobilien Purchases Office Building in Spain

Deka Immobilien GmbH has bought an office property in Barcelona for about 82 million euros, acquiring it in a sale and lease back transaction. The seller and long-term tenant is Spains second-largest bank, BBVA S.A. The building is located in the city center at the Plaça de Catalunya, one of the best-known squares of the Catalanian capital. Colliers advised Deka Immobilien on the purchase. Deka Immobilien GmbH has bought an office property in Barcelona for about 82 million euros, acquiring it in a sale and lease back transaction. The seller and long-term tenant is Spains second-largest bank, BBVA S.A. The building is located in the city center at the Plaça de Catalunya, one of the best-known squares of the Catalanian capital. Colliers advised Deka Immobilien on the purchase. The historical building, which was completed in 1890, helps define the squares appearance with its conspicuous architecture. (source: *Deka*)

09.02.2009 Israel/Canada: FIRST CAPITAL REALTY ANNOUNCES AGREEMENTS TO ACQUIRE UNITS OF ALLIED PROPERTIES REIT

First Capital Realty Inc. (First Capital Realty) Canada s leading owner, developer and operator of supermarket and drugstore anchored neighbourhood and community shopping centres, located predominantly in growing metropolitan areas, announced today that it has agreed to acquire from institutional investors an aggregate of 1,766,800 units (Units) of Allied Properties Real Estate Investment Trust (Allied) in exchange for common shares of First Capital Realty at a ratio of 0.81 First Capital Realty shares per Unit. Based on the five day volume weighted average price of First Capital Realty s shares on February 6, 2009, this equates to \$14.23 per Unit. The issuance of the common shares to these institutional investors is conditional on receipt of the approval of the Toronto Stock Exchange. (source: *GazitGlobe*)

09.02.2009 France/Ireland: 09/02/2009 - Landmark Industrial Acquisition

Atisreal Ireland, has completed the acquisition of an 8,500 sq m manufacturing facility in Macroom, Co. Cork on behalf of Tornier Ireland. The deal represents one of the largest industrial lettings in Ireland in 2008. Tornier Ireland currently trades as Donovan Medical Equipment Ltd and are presently based in Dunmanway, Co. Cork where they produce medical devices such as Joint Prostheses. The newly acquired modern manufacturing facility includes approximately 2,500 sq m of office accommodation together with parking for up to 120 employees. Tornier Ireland, have taken a 20 year lease at a rent of €48.50 per sq m or €330,000 p.a. rising to €350,000 p.a. once additional offices are made available for occupation. Atisreal Ireland negotiated a 12 month rent free period together with two break options without financial penalty at years 10 and 15 on behalf of the new Tenant. Approximately 800 sq m of plant room within the demise will be excluded from Rent Review and the Tenant's repair obligations will be based on a schedule of conditions & photographic survey attached to the Lease. Peter Flanagan, Director Atisreal Ireland, who represented Tornier Ireland in the negotiations, commented that "the high specification of the property in Macroom, particularly to the production area, was of great benefit as it greatly reduces the fit out costs of Tornier. (source: *BNP*)

Real Estate Company Profile

British Land

The **British Land Plc** is a property investment company based in London and listed on the London Stock Exchange, investing in prime, modern properties. The portfolio is valued at £11.6 billion: the majority is directly owned and managed; the balance is held in joint ventures, partnerships and funds, of which British Land's share is valued at £2.8 billion. In total, British Land owns or manages real estate valued at £15.6 billion.

The primary objective of the company is to produce superior sustained and secure long term shareholder returns. Their preferred basic ingredient is prime property in sectors where we have distinctive skills and benefiting from favourable long term supply/demand trends. Property that is in demand from occupiers enjoys better rental growth but also better downside protection, typically enhanced by long leases with secure covenants.

Key business areas

The investment approach is to concentrate on the fundamentals of each asset; enduring attraction to occupiers, scarcity value, location and efficiency. The portfolio focuses on areas offering attractive risk-adjusted growth prospects. Some 48% is invested in out of town retail properties, 106 retail warehouses, 103 superstores and Meadowhall Shopping Centre. A further 39% is invested in Central London offices, and office developments, including Broadgate (the premier City office estate).

Fund Management

British Land is a major investor in and property advisor to over £3.0bn of property funds. The Trusts focus on specific sub-sectors of UK and Continental Europe retail warehousing. British Land receives capital and income returns as an investor in the Funds, as well as management fees on the trust portfolios and performance fees dependent upon trust performance exceeding certain benchmarks. (source: *BritishLand*)

	Value £m	Net rents in £m	ERV2 £m	Occupancy rate in %	Lease length in years
Retail					
Retail warehouses	2,999	158	189	99.0	11.8
Superstores	1,210	58	73	100.0	18.7
Shopping centres	1,906	101	115	97.3	11.9
Department stores	647	38	44	100.0	28.6
High street	67	4	5	99.0	4.5
All retail	6,829	369	426	98.8	15.1
Offices					
City	2,984	163	199	91.9	9.6
West End	927	50	50	99.2	9.9
Provincial	10	-	-	100.0	20.4
Development	547	n/a	n/a	n/a	n/a
All Offices	4,468	213	259	93.6	9.7
Other	274	18	21	93.7	22.9
Total	11,571	500	706	96.6	13.4

(source: *BritishLand*)

Real Estate Company Profile

British Land

Funds

Hercules Income Fund (HIF)

Hercules Income Fund ("HIF") was created in September 2004 as a Jersey-based property unit trust. It invests in smaller UK retail parks and clusters of retail park property, as a key sub-sector of the UK retail warehouse market. HIF's portfolio currently totals over 450,000 sq ft (as at Dec 2008) of retail park space, with key tenants including DSGi, B&Q and Matalan.

Hercules Unit Trust (HUT)

HUT is a closed-ended Jersey property unit trust and is the largest specialist retail park investment trust in the UK. The portfolio comprises properties with a value of £1.9 billion and a total floor area of 5.4 million sq ft. Over 92% of the portfolio benefits from Open A1 or Open Restricted planning consent.

Pillar Retail Europark Fund (PREF)

PREF is a seven-year closed-end Luxembourg-based Fonds Commun de Placement (FCP) investing in out of town retail parks in the Eurozone, which was launched in March 2004. As at 31 December 2007 PREF has 12 trading assets and six assets which are in the development pipeline under contract to purchase. The contracted and acquired PREF portfolio stands at a value circa €779 million on 407,000 sqm in 14 schemes - nine of which are income-producing and five of which are developments - located in Italy, France, Spain and Portugal. (source: *BritishLand*)

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