

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



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Editorial

The bottom of the crisis might not yet be reached and a complete recovery of the property market is only to be expected until 2012. The lending situation is still not optimal and bank financing is only easy to have for explicitly good and profitable objects.

But against all expert predictions and naysayers the number of transactions in the European real estate business seems to augment slightly. The reaction of a lot of companies can be compared to those of the consumers who, facing the recession, are still buying. The difference is clearly that the involved firms consider carefully the property market, wait and purchase when the time is right and the yield is acceptable.



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The problem that a major part of the possible transactions depends on the banks is difficult to bypass. All European bank groups are struggling and don't seem to have a master plan to correct the former mismanagement, but rather rely on state guarantees which debits the whole economy. The property markets in places as Paris, Stockholm or Munich are still moving and offers modest yields. Core Business of most firms is therefore concentrated of the old EU countries as U.K., Germany, France and parts of Scandinavia.

(chief editor: Dr. Roger Schöntag)

Real Estate News

31.03.2009 Sweden: Nomination Committee amends its proposal to the AGM

Fabege's Nomination Committee has decided to revise its proposal to Fabege's Annual General Meeting after being contacted by shareholders representing 19,527,800 shares, or 11.5 per cent of the capital and votes of Fabege AB (publ). Under the amended proposal, it is proposed that Arne Berggren be elected as a new Director of the Board, replacing Helen Olausson who has declined re-election. Detailed presentation of Arne Berggren can be found on the company's website, www.fabege.se. In accordance with the previous proposal, it is proposed that the Directors Göte Dahlin, Christian Hermelin, Sven-Åke Johansson, Märtha Josefsson, Mats Qviberg, Erik Paulsson and Svante Paulsson be re-elected to the Board, and that Erik Paulsson be re-elected as Chairman of the Board. The Nomination Committee's revised proposal is due to the change of ownership in the company made after the meeting notice was issued. The company and the nomination committee have published the revised proposal immediately after it has been proposed. (source: *Fabege*)

31.03.2009 Spain: Banco Santander sells its 32.5% stake in Cepsa to International Petroleum Investment Company (IPIC)

Santander has agreed to sell its 32.5% stake in Cepsa at a price of EUR 33 per share to its current partner in Cepsa, IPIC. The parties expect that Unión Fenosa, S.A. will also sell its 5% stake to IPIC on the same terms. With such acquisitions, IPIC would own approximately 47% of Cepsa, becoming the second largest shareholder of Cepsa, after Total. Closing of the transaction is subject to a number of conditions precedent, including obtaining required regulatory approvals and financing for the transaction. Khadem al Qubaisi, IPIC's Managing Director, said: "IPIC is delighted to increase its participation in Cepsa, an important company in the Iberian energy sector. Following completion of these acquisitions, IPIC will endeavor to play an active and constructive role in Cepsa's development." Alfredo Saenz, Santander's Chief Executive Officer, said: "The holding in Cepsa was the last of a series of industrial stakes Banco Santander has sold in recent years in order to focus exclusively on its core retail and commercial banking activities." (source: *Santander*)

31.03.2009 The Netherlands: KARDAN 2008 RESULTS POSITIVE DESPITE DIFFICULT MARKETS

- Fourth quarter profit of EUR 29 million brings annual profit to EUR 52 million
- Real Estate: increase in rental income of investment properties drives positive revaluation result
- Financial Services: negative result due to operating losses and goodwill impairments
- Water related Infrastructure incurred operating losses and impairment of investments
- Kardan and Group companies focus on liquidity until turmoil on financial markets calms down;
- Merger of Kardan N.V. and GTC NV increased transparency of Kardan N.V. Mr. Ickovics, Chairman of the Management Board of Kardan N.V. commented on the recent developments in the emerging markets and the results in 2008: "With the deepening crisis of the financial markets in Q3 2008, emerging markets began to be affected. Due to a decrease in Western capital flow and a decline in exports, the economic growth forecasts in emerging markets for the near future are significantly reduced. Contrary to Western economies, however, there is still growth in several of these markets. Kardan's decentralized organizational structure with strong local management on the ground and close to the operations enabled us already in early 2008 to detect signs of a slowdown in some of our markets. We therefore proactively took measures to protect our businesses and platforms. Although our geographic diversification and balanced portfolio protected us from all kinds of economic cycles in the past, the continuing global economic crisis has added new and unforeseen dimensions that we believe we are prepared for. Our strategy over the past year has been to "Watch and Hold". Watch very closely the important developments in our markets and businesses by listening to our partners and local managers and vigilantly assess our risk management, as a result of which quick decisions needed in such situations can be and are taken. Hold our liquidity. Make sure we have the proper liquidity levels to service our debt and meet all of our commitments, and to support group companies during 2009 according to current requirements. We also decided to postpone several new investments until the depth and length of the crisis become more predictable. The success of this strategy has enabled us to protect our many platforms and organizations that, once out of this crisis, will make us a much stronger group that can benefit from new opportunities. The 2008 results show the strength and depth of the organization. Although our profits have been influenced by several one-off and accounting factors, even on an operational level, when compared to results across similar industries, we have fared relatively well. (source: *Kardan*)

27.03.2009 The Netherlands/Poland: NO AGREEMENT ON SALE REMAINING 50% GALLERIA MOKOTOW IN WARSAW

Kardan, active in Real Estate, Financial Services and (water) Infrastructure in emerging markets, announces that its real estate subsidiary Globe Trade Centre S.A. (GTC SA) in Poland has not reached an agreement with Unibail Rodamco about the sale to Unibail Rodamco of 50 % of the shares in Galleria Mokotow, a shopping centre in Warsaw, Poland, due to the volatile market conditions. On 25 September 2008 a press release was issued to announce the start of these discussions. Unibail Rodamco already owns 50% of the shares in Galleria Mokotow. (source: *Kardan*)

26.03.2009 France/USA: BNP Paribas has been ranked 8th in Global Finance the World's 50 Safest Banks 2009

Such has been the turmoil in the world's banking industry that, for the first time, Global Finance magazine is publishing a mid-year update of its much-respected Safest Banks listing. A full report on the list will appear in the April issue of Global Finance. The "World's 50 Safest Banks" 2009 were selected through a comparison of the long-term credit ratings and total assets of the 500 largest banks around the world. Ratings from Moody's, Standards & Poor's and Fitch were used. Global Finance has published its "World's Safest Banks" listing for 17 years and this ranking has become a recognised and trusted standard of creditworthiness for the entire financial world. "The rating agencies have determined these banks have demonstrated a more prudent and sustainable approach to risk than their peers," Giarraputo. "More than ever customers all around the world are viewing long term creditworthiness as the key feature of the banks with which they do business." (source: BNP Paribas)

26.03.2009 Austria: conwert records an increase in revenues and EBITDA in 2008 – depreciation and impairment losses have a negative effect on the result

conwert Immobilien Invest SE (Vienna Stock Exchange: CWI, Reuters: CONW.VI, Bloomberg: CWI AV) recorded significant growth in its core business in the financial year 2008. Revenues rose from EUR 363.12 million to EUR 391.12 million. This increase by 8% results from higher rental income, the expansion of the service business as well as clearly positive sale margins. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from EUR 75.53 million to EUR 94.36 million. The operating result (EBIT) fell to EUR 69.98 million (2007: EUR 172.53 million) due to slight fair value adjustments of property assets, non-scheduled depreciation and impairment losses of investments as well as higher financing costs. Cash earnings, which do not take into account non-cash effects on the result, were clearly positive: Funds from operations (FFO) amounted to EUR 53.82 million (2007: EUR 57.77 million). "Due to our focus on high-quality residential properties in the stable markets Austria and Germany, as well as the diversification in the segment property services, conwert recorded stable growth in its core business despite the difficult economic climate in the financial year 2008. This positioning enables us to generate earnings and cash profit on a sustained basis. We are therefore able to partially compensate declines in individual business segments, for instance portfolio transactions, through other business segments", Johann Kowar, Chairman of the Executive Board of conwert, commented on the business development in the financial year 2008. (source: *conwert*)

19.03.2009 USA/Germany: Extraordinary general meeting authorizes repurchase of shares of AIG International Real Estate GmbH & Co. KGaA

On 18 March 2009, the extraordinary general meeting of AIG International Real Estate GmbH & Co. KGaA adopted a resolution authorizing the company to repurchase its own shares. Further details on the authorization to repurchase shares and the use of the acquired shares are set out in the agenda to the extraordinary general meeting as published in the electronic federal gazette of 5 February 2009. This authorization is valid for 18 months following the resolution. (source: *AIG*)

19.03.2009 U.K.: UK's largest commercial development opens at G. Park Rugeley

Global provider of sustainable logistics space, Gazeley, today welcomed regional minister for the West Midlands, Ian Austin MP, to open the UK's largest speculative industrial development in Staffordshire. 'Flair' is a recently completed 714,000 sq ft building located at G. Park Rugeley, in a joint venture between Gazeley and MetLife Real Estate investments. Gazeley's Development Director, Bruce Topley and Steve Holland, Advantage West Midlands' Head of Asset Management, took Ian Austin MP on a tour of the building within the 40-acre site. G.Park Rugeley is located on the A513 in South Staffordshire, with a working population of 350,000 within twenty minutes drive time. Flair at G.Park Rugeley is the largest new speculative cross-docked distribution warehouse unit currently available in the UK. Bruce Topley, Development Director at Gazeley, comments, "We are delighted to welcome Ian Austin MP to open this cutting edge and large scale development. The Flair building and G.Park Rugeley not only further enhances our presence in a crucial logistics region in the UK, it signals our continued investment in this important logistics area." (source: *Gazeley*)

Real Estate Deals

31.03.2009 Sweden/U.K: SEB Asset Management acquires Osborne Clarke's headquarters in the United Kingdom

SEB Asset Management has acquired the headquarters of international law firm Osborne Clarke in Bristol, UK, for GBP 27.8 million (purchase price including transaction costs). The 8,130 m² class A office building was purchased for one of SEB's open-ended special real estate funds and is located in Temple Quay, Bristol's best city-centre office locality. The lease with the law firm has a term of more than 13 years. The seller is Invista Real Estate Investment Management Limited. (source: *SEB*)

30.03.2009 Spain: Banco Santander sells its 32.5% stake in Cepsa to International Petroleum Investment Company (IPIC)

Santander has agreed to sell its 32.5% stake in Cepsa at a price of EUR 33 per share to its current partner in Cepsa, IPIC. The parties expect that Unión Fenosa, S.A. will also sell its 5% stake to IPIC on the same terms. With such acquisitions, IPIC would own approximately 47% of Cepsa, becoming the second largest shareholder of Cepsa, after Total. Closing of the transaction is subject to a number of conditions precedent, including obtaining required regulatory approvals and financing for the transaction. Khadem al Qubaisi, IPIC's Managing Director, said. "IPIC is delighted to increase its participation in Cepsa, an important company in the Iberian energy sector. Following completion of these acquisitions, IPIC will endeavor to play an active and constructive role in Cepsa's development." (source: *Santander*)

30.03.2009 Germany/USA: Sale of DEPFA First Albany closed

The previously announced sale of DEPFA First Albany Securities LLC („DEPFA First Albany“) by DEPFA Bank plc to the New York-based investment bank Jefferies & Company, Inc. has closed successfully on 27 March 2009. The divestiture of DEPFA First Albany marks a further step in the restructuring of Hypo Real Estate Group's business model and repositioning of the company as a specialized real estate and public sector lender focusing on Germany and Europe. DEPFA First Albany is a US-based broker-dealer focused on the US-taxexempt municipal markets and employs over 70 people across 10 locations in the US. Hypo Real Estate Group had announced on 13 February 2009 that DEPFA Bank plc, a member of Hypo Real Estate group, had entered into a definitive contract to sell its subsidiary DEPFA First Albany. (source: *HRE*)

27.03.2009 Sweden: Fabege sells property on Södermalm

Fabega has sold the Signalen 1 property at the corner of Folkungagatan/Borgmästargatan on Södermalm in Stockholm to Oscar Properties for the sum of SEK 85 million. The property covers around 3,250 sq m of office, shop and restaurant space. The purchaser will take possession in autumn 2009. The sale will result in a profit after tax of SEK 5 million, which will be reported in the first quarter of 2009. "Signalen 1 is one of a kind in our portfolio - at the same time, Oscar Properties has been wanting to purchase the property for some time and now we have finally been able to come to an agreement on a deal which is well in line with our latest valuation," comments Christian Hermelin, CEO of Fabega. "We are very happy to have acquired a further property on Södermalm," says Oscar Engelbert, CEO of Oscar Properties. (source: *Fabega*)

24.03.2009 The Netherlands: KARDAN ACQUIRES FULL OWNERSHIP OF FINANCIAL SERVICES DIVISION

Kardan, active in Real Estate, Financial Services and (Water) Infrastructure announces that it has reached an agreement with Israel Discount Bank (IDB) to buy back the stake of 11% IDB holds in Kardan Financial Services B.V. (KFS), the holding company of its financial services activities. After the transaction, Kardan and management of KFS will own 100% of the shares of KFS. The purchase price amounts to EUR 38.5 million and is payable in two instalments. The first instalment amounting to € 30 million is payable upon closing; the second instalment of € 8.5 million is due after 7 years and bears no interest. (source: *Kardan*)

20.03.2009 Kazakhstan: Chagala Group Limited announces that it has acquired its partner's 49.9% share in the mall venture Chagala Zere Malls

Chief Executive of Chagala Group Limited, Tim Abson stated: "Our partner, Zere Limited a real estate developer in the provincial cities of Kazakhstan, has been affected by the economic down-turn and is unable to continue supporting the venture. To secure the cash that was left in the company along with plans and designs for the 2 proposed centres in Ust-Kamenogorsk and Atyrau, we acquired Zere's shares through a combination of cash and selling the land in Ust-Kamenogorsk to Zere Limited at a discounted value. This transaction has been completed at a net cash cost of USD 300, 000." Chagala's management are currently considering how to develop Chagala Zere Malls, depending on macroeconomic conditions in the region going forward. Further announcements will be made in due course. (source: *Chagala*)

Real Estate Company Profile

Gazit Globe

Gazit-Globe a global real estate Company traded on the Tel Aviv Stock Exchange as part of the TA-25. The Company, is an owner, developer and operator of neighborhood and community shopping centers in growing metropolitan areas in North and South America, Europe and Asia. The Gazit Group was founded in 1991 by Chaim Katzman and currently has over 1,000 employees. The primary objectives of the Gazit Group operations are the creation of value through long-term maximization of cash flow and capital appreciation from its growing real estate portfolio. In the last decade, Gazit Group's activities have grown significantly while improving the quality of its operations and assets, from 26 properties totaling 230,000 square meters (sqm) in 1998 to 627 properties with a gross leasable area (G.L.A) of approximately 5.6 million sqm. The Group's properties generate an annual rental income in excess of NIS 4 billion, which is derived from more than 13,200 long-term lease agreements, with a total asset value of approximately NIS 53 billion. Since 1998, according to the Company's stated policy, a quarterly dividend is distributed at a pre-determined amount. For 2009, the announced dividend will be at least NIS 1.36 per share.

The company operates its business in the following regions:

- ◆ North America
- ◆ Europe
- ◆ Israel
- ◆ Brazil

In Europe the Gazit-Globe group has the following subcompanies:

Citycon Oyj. is listed on the Nordic stock exchange, with an equity market capitalization of approximately EURO 400 Million. Citycon is an owner, developer and operator of shopping centers and commercial properties (primarily supermarket-anchored) in the Nordic and Baltic countries. Citycon owns 84 income-producing properties, with a total G.L.A of above 0.9 million sqm., including five under development.

Atrium European Real Estate is listed on the Vienna stock exchange, with an equity market capitalization of approximately EURO 600 million. Atrium is an owner, developer and operator of shopping centers in Central and Eastern Europe. Atrium owns 157 income-producing properties with a total G.L.A of approximately 1.0 million sqm, and 43 land parcels under development.

Gazit Germany is an owner, developer and operator of neighborhood shopping centers located in Germany. It currently owns 6 shopping centers with a total GLA of 92,000 sqm. and a 3 land parcels for future development.

Gazit Bulgaria is an owner, developer and operator of neighborhood shopping centers in Bulgaria. It currently owns one shopping center with a total GLA of 7,000 sqm. and 5 land parcels for future development. (source: *Gazit Globe*)

Real Estate Company Profile

Gazit Globe

Gazit-Globe: 2008 Fourth Quarter and Year end Results

- ◆ Shareholders' loss for 2008 was NIS 1,075 million, due mainly to the depreciation of investment properties as a result of increased cap rates and adjustment of the fair value of rights and obligations for future investments in Atrium shares
- ◆ N.O.I. for 2008 was NIS 2.4 billion, similar to last year. N.O.I. for the quarter was NIS 603 million – excluding the effects of currency changes, N.O.I. for the quarter grew by 9% compared to the same quarter last year
- ◆ Same property N.O.I. in 2008 grew by 3.8% in FCR, by 3.6% in Citycon, by 11% in Gazit Israel, by 7% in Atrium, and decreased in EQY by 1.6% compared to 2007
- ◆ F.F.O. for 2008 was NIS 561 million compared to NIS 369 million in 2007
- ◆ Cash flow from operations was NIS 653 million, compared to NIS 793 million in 2007. Cash flow this year was influenced mainly by currency changes
- ◆ As of December 31, 2008, the Group had cash reserves and undrawn credit facilities amounting to NIS 4.3 billion. In addition, Atrium (an affiliate of the Company) had cash reserves in the amount of EUR 1.25 million.
- ◆ Shareholders' equity as of December 31, 2008 amounted to NIS 3.3 billion, or NIS 26.6 per share
- ◆ The Company increased its holdings in Citycon to 48% compared to 40% as of September 30, 2008. (source: *Gazit Globe*)

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