In Brief

UK - JP Morgan wants to establish a branch in the former office building of the Lehman Brothers Bank on Bank Street in London. This cancels out all the plans to build a European headquarters in London's Canary Wharf business district for a sum of £1.5 billion (€1.8 billion). JP Morgan has 17,000 employees in London, scattered throughout the entire city. To move into a building with 33 floors is cheaper than building a new office complex.

UK - The total investment volume in European retail property for 2010 amounted to €20.6 billion, an increase of 68 percent when compared with 2009. That was reported by Jones Lang LaSalle (JLL). In The Netherlands the investment volume in retail property rose in 2010 by 85 percent to €2.0 billion. With this, retail property has a 34 percent share in the total transaction volume of commercial real estate. According to JLL 2011 will likewise be a good year for investments in retail property.

GERMANY - Banks in the euro zone became stricter in providing mortgages in the last quarter of 2010 when compared with the previous quarter. A number of banks expect that the rules will be even more stringent in the first quarter of 2011. That was shown in a survey by the Central European Bank (ECB). Of the 120 responding banks, 11 percent indicated that the mortgage bond applications were assessed more critically than a quarter before. In the third quarter there wasn't a single bank who tightened the rules. The stricter rules, according to the ECB, are mainly caused by an increased prospective risk, both in the housing market as well as in the development of the economy in general.

FRANCE - Eurocommercial Properties has terminated its listing on the NYSE Euronext Paris. The second listing on the French stock exchange was no longer required for the SIIC regime. The primary listing on the NYSE Euronext Amsterdam will be continued.

Europe

Unibail-Rodamco sold assets worth €1.5 billion

FRANCE - In 2010 the French-Dutch concern Unibail-Rodamco sold more than €1.5 billion worth of shop floor space and offices which were not part of their core activities. This mainly concerned smaller and medium-sized shopping centres.

Between 2011 and 2013 the firm aims to sell another €2.5 billion to €3 billion worth of assets. The value of the portfolio currently stands at €24.5 billion. That was presented in the annual figures for 2010 by the largest listed real estate company of Europe.
In the past year Unibail-Rodamco realised a recurrent (returning) net profit of €936.2 million. The result is better than expected. In 2009 the recurrent Unibail-Rodamco profits were still at €924.1 million.
For 2011 Unibail-Rodamco expects a substantial performance in the underlying core activities. That must bring about a growth in the recurrent profit per share of 6 to 8 percent. However, sales as well as an extraordinary dividend to shareholders will put pressure on these profits of about 11 percent. The recurrent profit per share will therefore reduce in 2011 by 3 to 5 percent, but will grow again as from 2012.
For the period 2012-2014 Unibail-Rodamco expects a healthy growth. In combination with the further development of the pipeline, the company has every confidence in achieving an average annual increase in the recurring profit per share of 5 to 7 percent. This, despite further disinvestments.

Foruminvest sells Mongolfiera Molfetta

ITALY - Foruminvest Italia has sold a 50 percent interest in the Mongolfiera Molfetta shopping centre near Bari in southern Italy. The buyer is OIRP Investment 2 S.A.R.L, a subsidiary of Orion Income Return Partners, a pan-European fund led by Orion Capital Managers.

The shopping centre which was developed by Foruminvest opened in March 2008. It covers an area of about 35,000 m² and 2,750 parking places. In 2010 Mongolfiera Molfetta attracted some 6 million visitors. Since the opening spending in the centre has increased by 8 or 9 percent. Forum in the Mall and Forum TV will continue to provide the management for the joint venture. For this transaction Orion was represented by Latham & Watkins and JLL. Jones Day advised Foruminvest Italia.

Union sells office buildings in Paris

FRANCE - The office blocks Axialys I and Axialys II in Paris-Saint-Denis have been sold. UFG RE Managers has taken over the two properties measuring 24,300 m² from Union Investment RE for €120 million for its own fund.

CB Richard Ellis and BNP Paribas RE advised on the transaction on behalf of Union Investment. Axialys I and Axialys II are part of the first investments made by the Hamburg-based fund manager in Paris. In the year 2000 the buildings were purchased by Union Investment as a speculative project development for the open-end real estate fund UniImmo: Europa.
'We recognized the potential of Saint-Denis at an early stage', said Karl-Joseph Hermanns-Engel of Union Investment. 'During the ten-year period in which the properties were held, the fund was able to profit from the good value development due to revaluation of this location.'
Axialys I has been leased for the long-term to the employment agency Randstad, while Axialys II has been leased to a government department of the ministry of finance. 'After the successful subsequent leasing to two highly creditworthy tenants, the framework conditions in the positively developing investment environment were ideal for the sale of the properties, which we took advantage of in the interest of the fund', explained Hermanns-Engel.

Construction of the Phare office complex measuring 125,000 m² in the Parisian offices district of La Défense will commence according to planning in 2012.

Unibail-Rodamco invests €900 m in La Défense

FRANCE - Unibail-Rodamco is investing about €900 million in the Phare office complex measuring 125,000 m² in the prestigious Parisian offices district of La Défense. Construction is expected to commence on the tall (300 metres) office complex in 2012.

The listed Dutch-French property fund Unibail Rodamco has concluded an agreement to that end with Epadesa, a vehicle belonging to the French government. In the agreement Epadesa promises to sell to Europe's biggest property fund the rights to construct the office complex of 69 floors. It concerns the financial and technical details of Phare. The contract will be formalised in the first quarter of this year.
Unibail-Rodamco had already commissioned the American architect Thom Mayne via his company Morphosis back in 2006, to design an office complex 300 metres tall, which would be an iconic symbol of the renewal of La Défense. Mayne won the commission after a competition.
The office complex must form the link between the La Défense square and the Faubourg de l'Arche area in Courbevoie city.
The Phare office complex must be ready in 2016. The Dutch French property fund Unibail-Rodamco already has a strong position in La Défense with project Cour Défense, and the popular Quatre Temps shopping centre, the CNIT complex and the Majunga Tower, which must be completed in 2013. In total Unibail-Rodamco owns 600,000 m² of property in the prestigious Parisian offices district of La Défense.

Report from Spain

Savings banks putting the squeeze on Spanish government

The large-scale restructuring carried out by the Spanish savings banks in the autumn of 2010 has reduced the number of savings banks from 45 to 17. Despite this regrouping, the merged savings banks are now facing a further restructuring: the conversion of the savings bank into a regular bank to enable a strengthening with private capital. However, time is of the essence in order to calm down the sensitive bond markets.
In order to regain the lost confidence in the Spanish market the banks and savings banks have had to become more open and transparent in the past few months about the value of repossessed real estate objects and the outstanding debts on property financing. Hence the government has got to face the facts. A thorough analysis has shown that savings banks alone have €165 billion outstanding on expiring property financing, of which €98 billion worth of funding is problematic. Furthermore, the savings banks in the meanwhile, own €40 billion worth of repossessed real estate projects, of which half consists of land holdings. These assets are the biggest obstacles. After all, there are very few options available to convert these land holdings into liquid assets. In fact, the production of new housing has diminished to 10 percent of what it was and the enormous stock of unsold houses hasn't reduced significantly.
The direct sale of real estate assets to market parties, own land development or a more indirect process via a share emission or flotation, are strategies which are now being assessed. The government has given the savings banks until March 2012 to prepare a flotation. A savings bank which does not comply with the stipulated solvability requirement of 10 percent, can request state aid prior to its transposition into a regular bank. This public participation must be repaid within two years. In the worst case, after this period, the savings banks will be partially nationalised.
The fact that the real estate problem might become a direct government problem, is only a matter of time. Time in which there will be very little credit available. Meanwhile, a general solution should be created to systematically reduce the growing property ownership. However, every step is now carefully being monitored by the international financial markets who will be the first to form an opinion on this.

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Steven Zijl is the managing director and founder of Eurostate, an independent real estate manager with its head offices in Barcelona. The company manages the interests of various international real estate organisations who are active in Spain and elsewhere in Europe.
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