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# PROPERTY INVESTOR EUROPE

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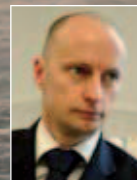
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## Can Cannes Can-Can?

Not this year. With the darkest storm clouds over European real estate since WW2, few attendees at MIPIM on the French Riviera are in dancing mood



### INSIDE »



Aspim Secretary-General Arnaud Dewachter says OPCI funds are gaining investment share in France



Allreal's Bruno Bettoni says Swiss real estate is likely to remain an island of stability in the global crisis



Demanio's Carlo Petagna says public property body PuRE-net will spread know-how around Europe



Kevin Oppenheim says Principle Capital Sirius, ex-Dawnay Day, is modernising German industrial parks

## FLAG

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## PFE second monthly PIE baked in time for MIPIM property fair

Welcome to the new Edition of Property Investor Europe, the second monthly PIE baked by the Property Finance Europe team to bring you, investors in European real estate, managers, bankers and intermediaries, our unique brand of news-commentary-analysis in a glossy, more pictorial form. The monthly print magazine PIE slots right into our weekly publication rhythm, alongside the familiar PFE newsletters that arrive on your desktop-printer via internet on each remaining Monday of the month.

Of course March, being the Merry Month of MIPIM, is always a special month in the European property calendar, and for us too. Publisher Richard Betts, Managing Director Gaby Wagner, Senior Sales Manager Thorsten Herbert and I are out and about this week in Cannes, taking the temperature of the mainland European property community at a time when storm clouds hang heavy from the world economic crisis.

This PIE brings a multitude of stories telling you how companies and institutions are adapting to the crisis, including our cover interview with Aspim's Arnaud Dewachter on French OPCI property funds – and with Bruno Bettoni of Switzerland's listed Allreal, Kevin Oppenheim from the UK's Principle Capital Sirius RE, Henning Klöppelt from Germany's Warburg-Henderson, among others. And not to forget two new monthly sections starting in this PIE: one covers the activities of PuRE-net, a network of European public property agencies behind which Demanio's energetic Carlo Petagna was one of the founding fathers and is now its president - and The Changing Face of Europe, where PIE tracks the big development projects around the continent, many of them in infrastructure. This takes us upstream within the investment challenge to keep you ahead of physical real estate changes you need to know about.

Don't forget to make sure we receive your news on our newswire: news@pfeurope.eu. The PFE/PIE team is looking forward to seeing you in Cannes in the Palais des Congrès or one of the boulevard hotels. Perhaps over a croissant on the Croisette?

Allan Saunderson, Managing Editor



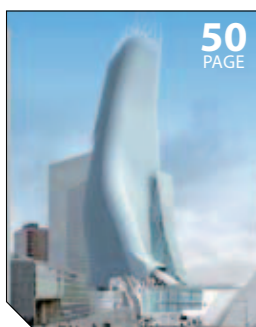
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Sonae Sierra will not quit the projects and will announce the new terms when it is '100% sure', the Property Xpress portal reported. Sonae needs €350m to €400m from banks to build Park Lake in Bucharest and the project in Ploiesti. It gave no details of whether this was achieved.

Sonae Sierra entered the Romanian market in 2007, acquiring River Mall Ramnicu Valcea and purchasing

two plots in Ploiesti and Craiova. In the latter, Sonae has started development of a €140m shopping complex, while in Ploiesti, it plans to invest around €153m in a 64,000 sq.m. shopping centre. It is also involved in developing the Park Lake Plaza project in partnership with Irish developer Caelum Development in Bucharest's Titan quarter. ■ pie

## GUEST COLUMN

### Russian real estate investment calls for logic, not panic

by Andreas Schiller

This time last year, Russia was still at the top of many investors' rankings as a destination for real estate development and investment. But on a ranking of risk, the country unfortunately took the same position. With the worldwide financial crisis, the situation has changed now. Some global investors have disappeared, while others have reduced or halted activities. Many investment dreams – on the Russian side as well – have been replaced, due to the reality of a totally changed economic situation. But remembering not only many that Russia produces many world-class chess players but that analytical and structural thinking has a deep tradition in the nation, it is more realistic and promising to analyse the present situation with logic instead of panic. Yes, it is true there are problems in the underlying economy. Although the crisis was not made in Russia, its 2008 GDP growth slid to 5.6% – but this was still growth, and an impressive figure compared to many other countries. Still, the rouble devalued and the danger of inflation is growing. As well, unemployment soared by 1.1m from October through last month. In this situation, its high dependence on resources like oil and gas is both a boon and bane.

Yet investors should keep in mind that Russia is the biggest country in the world; its capital Moscow comprises more than 10m inhabitants, followed by St Petersburg with more than 4.5m – while over 1m live in Ekatarinburg and Kazan. In total, the nation encompasses 15 cities with 1m residents – the so-called 'millioniki' – and 25

with over 500,000. And Russian foreign exchange reserves, although diminished, still comprise third biggest in the world. As well, enormous governmental support mechanisms exist, especially for the banking sector but also for infrastructure. These four valid premises are a good basis to review the problems that exist in a more logical fashion. In Russian real estate, the immediate outcome of the crisis has been exactly the same as in many other places: a decline in demand, reduced development, growing vacancy rates, and falling rents. But the fact that Russian and some international companies have halted projects or cancelled the start of others does not mean the market has vanished; it has only changed perspective.

Leaving big inside-Russia investments aside and looking only at cross-border flows, deals that took place in 2008 included the 50% stake in AKM Logistic Centre in St. Petersburg by UK's Raven Russia and the purchase of Kellermann business centre by Finnish Evli – as well as the Azart confectionary plant bought by Israel's Menorah Mivtachim in cooperation with GTC Real Estate. In Moscow we saw the purchase of shopping centre Vremena Goda at Kutuzovsky Prospekt, a deal Canadian shopping centre owner and developer Ivanhoe Cambridge announced with Austrian fund manager Europolis – for both, their first purchase in Russia. Munich's KanAm Grund acquired parts of Citydel business centre at Moscow's Garden Ring from project developer Tema – after it earlier signed a forward purchase

for Paveletskaya office complex that may yet cost €900m. Developer is Otkritie. The last two deals represent something special. Both were done for KanAm's open-end fund grundinvest, and German open funds are known for their core (if not even hardcore!) investment strategies. Most are unprepared to purchase only land lease or building rights but not the land itself, as is usual in Moscow. This definitely shows new confidence in Russian real estate.

CBRE in 2008 recorded the greatest delivery of new office space since Russian data collection started. In Moscow new supply reached 1.8m sq.m., taking stock up to 9.3m. Yet opportunities still exist. Just mentioning the need for hotels in the 2 and 3-star segments, logistics and other infrastructure, or the big challenges in housing regarding refurbishment or replacement of existing stock. MIPIM this year will showcase projects such as the restoration of Moscow's historically unique 17th century Peter's Road Palace with a hotel. Instead of moving with panic therefore, it is more logical to keep Russia on the investment radar screen and to realise that Russian cities and companies are improving their situations despite the crisis. Sure, business will no longer be the investment 'gold rush' of recent years where brains were left at the border. But to do business step by step and take Russian partners seriously is all they ask from the West. ■ as

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