



## German Funds Increase U.K. Property Investments as Values Fall

By Simon Packard

March 31 (Bloomberg) -- Cash-rich German real estate funds are investing more in U.K. office buildings, malls and warehouses to take advantage of a slump in prices and the euro's strength, **Property Data** said.

In the first 10 weeks of the year, German asset managers spent 567 million pounds (\$1.1 billion) on commercial real estate in the U.K., the Stafford, England-based research firm said. That's almost half the total of gross investments made in the whole of last year by German institutions, currently the biggest investors from mainland Europe.

Germans ploughed 1.38 billion euros (\$2.2 billion) into real estate mutual funds in January, double the previous month's total, according to investment-management organization **BVI**. Many of the fund managers are targeting the U.K. after commercial real estate prices fell in 2007 by the most in 17 years.

"The U.K. is an obvious destination," said Michael Haddock, head of investment research for Europe, the Middle East and Africa at CB Richard Ellis Inc. in London. "There are forced sellers here at what are perceived to be bargain prices and the U.K. is Europe's largest and most liquid market."

The biggest transaction in the first 10 weeks of the year was HansaInvest GmbH's 136 million-pound purchase of One London Wall, an office building in London's main financial district, according to Property Data. Credit Suisse's Euroreal fund for German investors bought Plantation Place South, also in the City of London district, for 126 million pounds, while Deka Immobilien AG paid 115 million pounds for 50 Finsbury Square,

### Stronger Euro

U.K. commercial property values have declined **almost 15 percent** since the end of June, according to CB Richard Ellis Inc. At the same time, the euro has appreciated about 18 percent against the pound, increasing the purchasing power of investors in mainland Europe.

The slide in U.K. property values has lifted the average capitalization rate, or rental income as a proportion of a building's net purchase price, to 5.36 percent for offices in central London, Property Data estimates. The rate was 4.42 percent in the second quarter of 2007, when values probably peaked, and compares with the current 3.91 percent yield for a German 10-year government bond.

Germany's 43 open-ended real estate mutual funds managed 84 billion euros at the end of January, according to BVI. Net investment by German investors in the U.K. increased to 790 million pounds last year, reversing three years of declines, Property Data estimates.

Overseas investors account for about a third of all commercial property transactions in the U.K.

To contact the reporter on this story: **Simon Packard** in London at [packard@bloomberg.net](mailto:packard@bloomberg.net).

*Last Updated: March 31, 2008 05:34 EDT*

