

Email: firstname.surname@ubm.com

Telephone numbers begin +44 (0)20 7921
(unless otherwise stated)

Editor Lucy Scott 8578

News correspondents
Laura Chesters 8573
Deirdre Hipwell 8583
Jennifer Rigby 8749

Spotlight correspondents

Americas and France Mark Shepherd 8579

Asia-Pacific and Middle East Sean McAllister 8568

Central and eastern Europe Christine Eade 8572

Germany David Hatcher 8574

India Aditi Shah

+44 (0)20 7955 3941

Southern Europe Hardeep Sandher

+44 (0)20 7955 3925

Chief sub-editor Daniel Blackburn 8580

Art editor Tina Smith 8671

Group art director Richard Krzyzak 8581

Publisher Chris Kilbee 8350

Global advertising manager Niki Kyriacou 8255

Classified and recruitment manager Sarah Humphreys 8474

Divisional production manager Julian Creber 8043

Subscriptions +44 (0)20 8955 7064

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Portfolio

LEADER

London's calling to investors the world over



ONCE AGAIN THE UK, AND ITS capital city, represent great value for dollar- and euro-denominated investors.

For cross-border investors, the rapid fall in prices that has taken place since the summer of 2007, plus the recent drop in the value of the pound, have made the country, and its capital, more attractive than they have been in years. This has made London affordable once more for many who could not previously justify the expense.

INREV, the European association for investors in non-listed real estate vehicles, says global fund managers regard London (news, p7) as their top pick across the world, as Middle East funds also start to see value (spotlight Q+A, p46). INREV's latest investor intentions survey shows that the UK is likely to be the first to reap the rewards when the market becomes active. That is thanks to its transparent approach to valuations.

Meanwhile, emerging markets are emerging no longer. At the peak of the boom years, Brazil, Russia, India and China were the hottest locations for cross-border investors. But now, they have fallen a long way from view.

Thanks, but no banks

European property fund managers are also beginning to see that investors around the globe are now prepared to put their money into bricks and mortar - because they are unhappy with the low returns from putting their cash in the bank.

If you can buy now, it is likely that in the short term you may suffer from further falls in capital values. But for long-term investors, this will be of little concern. Playing today in a market with few buyers is better than waiting for things to hit rock bottom. Because, by then, it might not be so easy to get your hands on great deals.

Lucy Scott,
editor, Property Week Global

Bank launches closed-ended fund for Riyadh residential

KSB CAPITAL GROUP IS SEEKING TO develop and invest in housing in the Saudi Arabian capital, Riyadh, through a public closed-ended fund.

The Saudi Arabian bank will seek to raise SR200m (£37m) for the three-year vehicle and will use the equity to build 48 villas.

Saudi Arabia faces a shortage of homes. Jones Lang LaSalle estimates that the country has 3.95 million homes, but experts say it will need 5 million over the next 10 years to meet its shortage and cope with population growth.

KSB said stasis in the local stock market and a drop in construction costs would encourage investors to subscribe to the fund.

Ahmad bin-Saedan, KSB executive in charge of business development, said: 'A lot of people who wanted to build over the past few years have had to delay their plans because of the rise in construction costs.'

'The prices of villas that are now available for sale are too high because they were built at a time when costs were too high. Now the prices of building materials have declined, but demand is still there.'

Subscription to the fund will be open to individuals and institutions from Gulf Cooperation Council countries until 11 March.

The minimum subscription is SR10,000 (£1,850).

● Middle East spotlight, p33-p46

Little Britain offers big deals as funds look to cash in on crash

● INREV says UK's dramatic market correction is attracting fund managers

BY LUCY SCOTT

THE UK HAS OVERTAKEN FRANCE and Germany as Europe's most preferred location for investment by non-listed property funds.

An investment intentions survey by INREV, the European Association for Investors in Non-Listed Real Estate Vehicles, reported that the UK was the top pick for non-listed property funds over 2008 favourites France and Germany.

INREV interviewed 30 investors, 12 fund of funds managers and 71 fund managers. It says institutions prefer the UK's office and retail sectors because of the dramatic fall in property prices that resulted from the global financial crisis.

The UK-based Investment Property Databank says that between June 2007 and January 2009, property values in the UK fell by 37.4%. The retail sector fell by 38.9% and offices by 37.5%.

Numerous vehicles have already been set up to take advantage of the UK market.

However, INREV's acting CEO, Andrea Carpenter, said that even **more fund managers may be looking to raise fresh equity for vehicles targetting the UK. The fact that there was such a strong change in preferences to the UK, compared with last year's results, would indicate that for some investors**



London pride: ING's Lee says mature markets like the UK capital present opportunities

there would be a new or increased allocation to that market,' she said.

Last month Marc Mogull, managing partner of Benson Elliot Capital Management and former fund manager at Doughty Hanson, said he had secured more than €2bn (£1.8bn) to spend on property in the UK, Germany and France.

The UK is also becoming popular with global fund managers, in a move away from emerging markets. RREEF's third global opportunity fund, launched in December, is seeking deals in London, New York, Tokyo and Paris.

ING Real Estate Investment Management is seeking to raise \$1bn

(€697m) for a global opportunity fund. Managing director Wilson Lee said: 'In the global context, we can see interesting opportunities because of value declines in mature markets like the UK, US and Japan. This is a change from 18 months ago, when everyone was looking at emerging markets like India and Brazil.'

Andy Rofe, managing director for Europe at Invesco, which has €250m (£224m) of equity to invest in the UK, says the market is the 'most interesting' for investors because the price correction has made sterling assets attractive for euro- or dollar-denominated investors.

● leader, p3

... FANNIE MAE LESS THAN ZERO. .

Fannie Mae will draw more than \$15bn (£10.6bn) of assistance from the US Treasury after a sixth consecutive quarterly loss - of \$25.2bn (£17.8bn) in the fourth quarter - drove its net worth below zero. It predicts more losses in 2009. *Financial Times*

INDIAN MARKET COOLS.

Real estate prices across India have fallen by 10%-40%, amid indications that the earlier price surge created by speculation has petered out. Developers are still not cutting prices, but re-sales could lead much the same thing. *Hindustan Times*

LEND LEASE CUTS AND LOSSES.

Lend Lease is to cut 2,000 jobs and A\$2bn (£900m) of projects after booking an interim after-tax loss of A\$596.4m (£269m). It has cut its dividend from 43 cents to 25 cents a share. The loss follows asset writedowns of A\$780m (£352m). *The Australian*