cc Good

CURRENCY

New confidence in sterling rise

The weakness of the European economy is helping to restore confidence in the sterling's rise against the euro. The pound reached a year-long high of €1.18 but has yet to reach the benchmark €1.20 that many currency brokers are suggesting will be the tipping point for UK investors to return en masse to the continent.

Recent reports suggest that Europe's financial institutions have a long way to go before recovery. The financial analysis firm Standard & Poor's has given a negative assessment of more than half of the continent's biggest banks, while the European Central Bank's latest Financial Stability Review stated that eurozone banks might still have to write down $283 billion worth of loans by the end of 2010.

In sight | Weaknesses in Europe's economy may help sterling to reach €1.20

"Things are getting progressively worse in Europe and the news is continually bad," said Mark O'Sullivan (*pictured*), director of dealing at Currencies Direct. "The eurozone is made up of 16 different economies, each with their own problems. It's going to be a long hard slog for the Europeans. But if you're a cash buyer looking at Europe, you're going to do well."

David Lamb, head of treasury services at No 1 Currency, said: "Over the last few weeks, it's definitely been the view that investors are seeing value in the UK currency. But we're still waiting for the €1.20 trigger point – we've got clients waiting for that figure before they get into property."

Dollar rebound

The single currency is making headway against the dollar, however, having rebounded to $1.38 after falling to $1.23 from a high of around $1.60 last year. "It's done almost a complete U-turn," said Stephen Hughes, director of Foreign Currency Direct. "This has been a really poor time for the US, mainly due to the high unemployment rates."

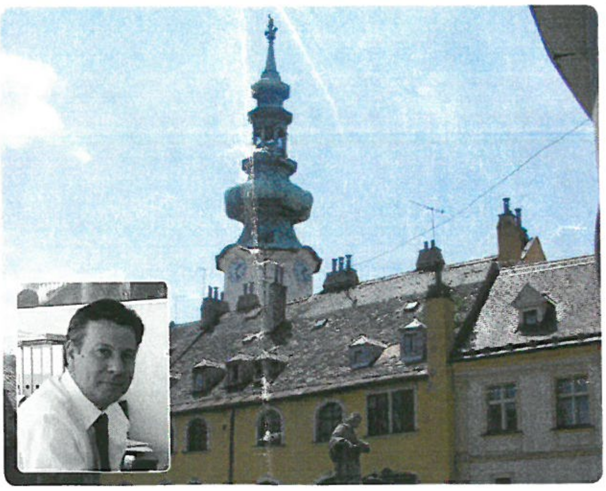
American investors have shown some interest in Europe but are still being very cagey, said Lamb. "It will take more stability and more lending before we see more dollars coming into the market."

FUNDS

Fund targets distressed CEE

M&A Property Investors, the real estate and property division of Swiss finance firm M&A Investors SA has regrouped under Swiss-Italian financier Marc E. Cottino (*pictured*) to invest in European and other real estate assets.

Before joining M&A, Cottino was co-founder of Luxembourg-based private equity real estate investment company Millenium Capital, and directly involved in sourcing 22 real estate projects across Europe totaling €320m of equity capital investments. Cottino will lead a team of seven experienced analysts in Lugano, Geneva and Paris "to target value-added, opportunistic and distressed real estate".



Eastern promise | Around 60% of the fund will go towards CEE cities such as Bratislava

'Below the radar' deals

Outlining its aims in a statement, the firm said it was looking to invest in opportunities that fall "below the radar screen" of larger funds where it can "inject both capital and development or operational expertise".

Typical investments will range between €10m and €20m, with 60% due to be invested in distressed or non-performing real estate and property investments in Central and Eastern Europe (primarily residential and commercial). The remainder will be invested in renewable energy (solar, wind) projects in North Africa, particularly in Morocco where it has identified high domestic demand for new residential property.

NEWS IN BRIEF

£200m fund targets retirement parks

A £200million UK-based equity fund has made its first investment in a mobile retirement home company. Frogmore Real Estate Partners II paid approximately £17 million for Britannia Parks' portfolio of 20 freehold retirement parks located across the south of England. The fund was sourced from pension funds and other institutional investors, three quarters of which came from North America, with the rest from Europe. The parks contain a total of around 1,200 bungalow-style properties worth an average of £150,000 each. Residents own the homes but pay a monthly groundrent-style fee to the park, which owns the land and also takes 10% of the sale of each property.

Exit for EU non-listed investors

The majority of European non-listed real estate funds are designed to allow investors to exit their investments, according to the INREV Liquidity Provisions Study – which found that 89% of institutional funds offered investors an exit route whether through redemptions or trading or a combination of both. Value added funds offer the most liquidity with around 94% including exit options but core funds are not far behind at 84%. Opportunity funds are the most illiquid style with 3% offering exit options. "The results refute the view that non-listed funds cannot provide liquidity for investors," says Lisette van Doorn, CEO of INREV.

UK fund closes with £300m

UK property fund and asset manager Mountgrange Investment Management last month announced the closure of its first fund with a total of £300 million of committed equity. With debt, the fund will have £850 million of acquisition capacity, having attracted over 30 investors from around the world including the US, Canada, the UK, Europe, the Middle East and Australia. Capital came from a number of sources including endowment and pension funds, sovereign wealth funds and high net worth individuals. The fund is focused on the United Kingdom and is expected to take advantage of depressed valuations.

Deyaar to buy back distressed

Dubai developer Deyaar has secured Dh200 million for a distressed asset fund to buy back property from investors who default on payments. It will take advantage of recent changes to the law that will allow Deyaar to keep a percentage of defaulting investors' money and so sell the properties below market value to the fund. The properties will be held for several years and resold at a profit.