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German IFM's 6% Frankfurt purchase shows operating strength – SRC

The ability of the Heidelberg-based listed property developer and investor IFM Immobilien to raise 80% of the €59m purchase price of a recent Frankfurt retailing complex shows its strong operating strength and financial stability, according to analyst SRC Research.

IFM recently announced the acquisition of Frankfurt's downtown Zeilgalerie shopping centre from the Florida-based Signature Capital venture capital company at a current rental yield of more than 6%.

SRC founder Stefan Scharff wrote in an analysis: "About 80% of purchase price was financed by a bank loan with very cheap conditions, speaking a clear language for IFM's operational strength and financial stability." He retains his buy-rating and lifts the target price to €17.30 per share from €17. IFM stock was last trading around €11, giving total market cap of €95m.

Built in 1992, the Zeilgalerie has 43 commercial tenants on floor space of 12,400 sq.m., and occupancy is 95%. The deal was carried out by purchasing 94.8% of the project company that owns Zeilgalerie; the seller retains a 5.2% minority interest. Some €8m is set aside for refurbishment.

IFM a few weeks ago carried through a capital increase, raising €9.35m before transaction costs by placing shares with German and European institutional investors. The 849,999 shares were sold for €11 apiece in an accelerated book-building process in which existing stockholders received no drawing rights. The capital increase was substantially oversubscribed. pfe