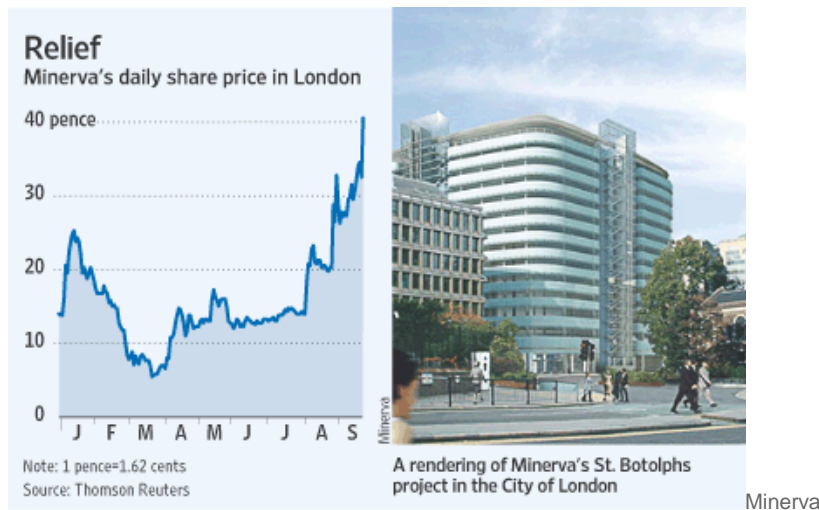


# After Brushes With Death, Real-Estate Firms Rebound

By WILLIAM BOSTON | SPECIAL TO THE WSJ

Only a few months ago, many of Europe's listed property companies seemed headed for a train wreck. But now there is almost daily news to confirm the industry is returning to health.

Nowhere is the change in the economic climate clearer than in the U.K., where property values have plummeted more than 40% since the peak. The market there is now showing tender shoots of growth.



The latest signs of a turnaround in the U.K. came Tuesday, when Minerva PLC, the U.K. development company, revealed it had restructured £812 million (\$1.32 billion) of debt, and Land Securities Group, the largest U.K. real-estate investment trust, said it had paid back £1.5 billion of debt ahead of schedule.

In February, it was a much different story. Minerva warned that the slide in property valuations had put its loan-to-value and debt covenants under such duress that the company might be forced to go out of business if there was no change in the market soon. The company was struggling with about £1 billion in debt, much of that linked to the financing of two major construction projects in London's City financial district, the office towers St. Botolphs and Walbrook.

But now Minerva has worked out a deal with its lenders to extend the loan and reduce it by £54 million through partial repayment. The banks also agreed to make the terms of the loans more flexible, and Minerva provided additional security and agreed to pay higher fees. The restructuring is another indication of how banks are trying to help keep property investors afloat and avoid major insolvencies.

Nearly a third of Minerva's debt was set to mature by the end of 2010, but the deal to reschedule put off any maturities until after June 2011 and allows the company to continue work on its main City developments. Minerva's investment-property portfolio was valued at £520.6 million at the end of December, down 26.5% from June 2008. "Financial distress for listed property companies is generally over, and when it is not, the banks have been very helpful in many cases, such as with Minerva," said Harm Meijer, head of European property research at J.P. Morgan Chase in London.

Another sign of recovery came when Land Securities announced it would pay down £1.5 billion of its debt ahead of schedule and would repay other facilities by the end of the year. Land Securities was expected to pay off debt after it raised £756 million in cash from shareholders. But it has done so earlier than planned. The move shows how quickly the company has turned itself around and that Land Securities could be positioned to start acquiring distressed assets soon.