



Correction of real estate stocks almost over – What next?

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Correction depresses real estate stocks to below intrinsic value (NAV)

Even though the European real estate sector was not directly affected by the crisis in the US housing market, real estate stocks came under heavy pressure. International institutional investors pulled out of the sector without analyzing the fundamental data for the CEE region more precisely in some cases, triggering a steep price decline. Currently, Austrian real estate companies are trading far below their recent net asset values (NAVs), which have no fundamental justification in our view.

We expect the sector to recover over the medium term, but this recovery will probably be quite volatile. Erste Bank Group Research recommends concentrating investments on companies with a focus on project development, as this sector is less affected by higher refinancing costs. Of the real estate companies listed on Wiener Börse, we assess Immoeast (Buy, target price: EUR 11.7) and CA Immo International (Accumulate, target price: EUR 16.0), as the most attractive, and of the companies listed on the CEE exchanges, our top recommendations are Polish Globe Trade Centre (Buy, target price: PLN 57.5) and the Orco Property Group listed in Prague (Buy, target price: EUR 129).

Now, Erste Bank der oesterreichischen Sparkassen AG offers simple and inexpensive market access to real estate. The indices calculated by Wiener Börse, IATX (Immobilien Austrian Traded Index) and CERX (CEE-Real Estate Traded Index) are the ideal underlying instruments for investments in real estate. While the IATX includes the real estate stocks listed on the prime market of Wiener Börse and can therefore be referred to as the Austrian real estate index, the CERX comprises real estate companies with their principal activities in the CEE region. For this reason, it is referred to as the CEE real estate index. The top recommendations of Erste Bank Group Research are all heavyweights in the two indices.

The new investment certificates on the IATX and on the CERX issued by Erste Bank open up many investment opportunities. The two new open-ended index certificates closely track the trends of the respective indices IATX and CERX. There are no management fees or any other regular costs. The two index certificates are open-ended, which means that they do not have any maturity limitation and investors can decide how long they want to remain invested.

10 new discount certificates with safety cushion

Investors that would like a bit more security can invest in one of the 10 discount certificates on the IATX and the CERX. Discount certificates mean giving up the chance to earn maximum profits, but offer an inexpensive entry opportunity in comparison to index investments. The highest amount fixed (cap) determines the maximum payout amount. The maturity date of the real estate discount certificates is 30 September 2008 for both.

To complete the product range, investors with a short-term orientation also have a choice of warrants and turbo certificates exempt from capital yields tax. Turbo certificates and warrants help investors to take advantage of short-term market fluctuations to earn excellent profits. All of the products are traded on the exchanges of Vienna and Stuttgart (EUWAX).