

PROPERTYEU

Madison, Søylen create Oslo retail JV

Date: **30 October 2013** | Category: **Deal Watch, Top Stories**



US investor Madison International Realty and Norway's Søylen Eiendom have formed a joint venture to own nine properties in Oslo's premier shopping district.

The properties, valued at NOK 3 bn (€370 mln), are all on and or around Karl Johan, the main street in the Norwegian capital.

Under the terms of the transaction, New York-based Madison will acquire 30% of the equity in the new company for NOK 310 mln, with Søylen holding the rest. This brings the total amount of equity held by the new company to NOK 1 bn.

Søylen Eiendom and related companies previously had 100% ownership of the assets.

The joint venture's portfolio includes the shopping centre Eger Karl Johan as well as Posthallen, a place reportedly much beloved by food and wine aficionados. Søylen's 50% share of a 92,000 m² Steen & Strøm shopping centre will also be part of the portfolio.

Madison is a private equity business founded in 1996 and specialising in the ownership of interests or fractions of buildings with a core investment profile. The company manages €1.3 bn of capital and has European offices in Frankfurt and London.

Since the establishment of Eger in 2009, Søylen has concentrated on building up retail properties with prestigious brands. Their current tenants include Gucci, Hamleys, Bottega Veneta, Hermes and Marc by Marc Jacobs.

Commenting on the transaction, Carl Erik Krefting, chairman of Søylen Eiendom and the newly established company said: 'We have acquired a very competent and solid partner as a shareholder in the new company.'

He notes that Søylen perceived at an early stage that a disparity existed between the purchasing power of Norwegians and the number of shops in the country which fell into the luxury segment.

Derek Jacobson, managing director for European investment at Madison International Realty, added: 'The macroeconomic outlook in Norway is unmatched in Europe and retail is experiencing increased demand, particularly in the luxury segment.'

Søylen Eiendom will use part of the proceeds from the transaction to repay the seller credit related to the purchase of Steen & Strøm. Søylen Eiendom was assisted in the transaction by Arctic Securities. Madison was advised by Malling & Co. in assessing the market.

This transaction represents Madison's second investment in the Norwegian property market following the purchase in late 2012 of a 35% holding in Statoil's newly built regional office at Fornebu outside Oslo for NOK 392 mln. The deal was understood to reflect a net initial yield of 6%. In conjunction with the acquisition, a group of local investors have acquired another 35% stake in the property.

The asset was sold by IT Fornebu (ITF), a Norwegian public limited company which owned the entirety of the building.

The nine-storey Class A office building provides 65,770 m² of space and 846 parking spaces in the Fornebu sub-market of Oslo. The property is 100% with a 15-year rental agreement to energy group Statoil. As of October 2012, the property is fully occupied by the tenant and is in full operation.

'Madison is an ideal partner for owners and developers seeking to monetize equity embedded in their assets,' Madison's Jacobson recently told PropertyEU. 'As real estate fundamentals in core markets continue to improve, owners, especially developers seek creative ways to extract capital from their existing portfolios in order to pursue other opportunities.'

Madison came into the spotlight last year with the acquisition of the 56.9% stake held by Morgan Stanley's P2 Value fund in the Trianon office tower in Frankfurt. The sale was part of the liquidation of the P2 Value fund.