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## German real estate firms consider merger to create market leader

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Germany's Aroundtown and TLG Immobilien are examining a merger to create a pan-European commercial real estate market leader worth 25 billion euros (\$28 billion).

As a booming market encourages expansion, TLG Immobilien on Sunday said it bought a 9.99% stake in rival Aroundtown from its largest shareholder, Avisco Group for about 1.02 billion euros, adding the deal would immediately add to its funds from operations per share.

TLG, which had properties worth 4.6 billion euros in its portfolio at the end of June, also entered into an option to acquire up to 4.99% additional stake in Aroundtown from Avisco that could be exercised prior to the end of February 2020.

"Today's announcement is the first step to enable the potential creation of a pan-European commercial real estate market leader, focused on Germany and the Netherlands and geared towards offices and hotels, which are the most attractive segments in commercial real estate," Avisco said in a statement. After this sale, its stake in Aroundtown was reduced to 17%.

In a separate statement, Aroundtown said it welcomed TLG as an investor and would start evaluating a potential merger.

The initial purchase will be financed with 700 million euros in cash and a short-term credit line from Avisco, a spokeswoman for TLG said on Monday, adding that TLG was not planning for a capital increase after the stake purchase.

Shares in the two real estate companies rose on the news with Aroundtown hitting a record at 7.95 euros and TLG up 1.1%.

TLG's largest shareholder, Ouram, also issued a statement in support of a deal and said it was committed to back the company's management to advance the merger discussions with Aroundtown.

TLG said it intends to seek representation on Aroundtown's board as soon as possible.

In July, Aroundtown announced an increase in its capital to 600 million euros to fund

its growth strategy.

UBS is serving TLG as its financial adviser on the deal and Sullivan & Cromwell is the company's legal adviser.

**(Reuters)**