

Rodamco's Asset Value Increases on Mall Prices, Rents (Update2)
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(Adds comment from chief executive in third paragraph,
shares in first, last paragraphs.)

By Peter Woodifield

Aug. 14 (Bloomberg) -- Rodamco Europe NV, the largest shopping-center owner in Europe, said the net value of its assets rose 11 percent in the second quarter as malls gained in price and rents increased. The shares rose to the highest in three months. Net asset value, used by analysts and investors to gauge real estate company performance, rose to 67.27 euros (\$85.7) per share at June 30 from 60.44 euros at March 31, the Rotterdam, Netherlands-based company said today. First-half profit rose 63 percent to 669.1 million euros on valuation gains of 544.5 million euros.

``Last year we said the drop in yields was exceptional,`` Chief Executive Officer Maarten Hulshoff said in an interview.

``This year seems to be equally exceptional.``

Rodamco has sold offices and smaller retail premises to focus on shopping centers in major European cities. The company opened six malls last year in cities including Madrid and Prague and plans to complete one in Warsaw this year to gain from faster retail growth in central Europe as well as one in the Netherlands. Shares of Rodamco gained as much as 1.50 euros, or 1.8 percent, to 84.40 euros, the highest since May 15. The stock traded at 83.8 euros at 10:45 a.m. in Amsterdam, giving Rodamco a market value of 7.51 billion euros.

Increased Spending

Net rental income rose about 15 percent to 278.7 million euros in the first half, Rodamco said. On a so-called like-for-like basis, net rental income increased 4.3 percent.

Revenue at Rodamco's centers was up around 5 percent in most countries where Rodamco operates, rising 10 percent in the Netherlands and about 1 percent in France, Hulshoff said.

Consumer confidence, which led to more spending in shops, was more closely linked to employment than interest rates, he said.

``For the time being, the employment numbers are good.``

The company's so-called direct result, which excludes gains from rising asset prices and from disposals, increased 9.7 percent to 186.5 million euros.

The first-half increase in the direct result was ``not representative`` for 2006, said Rodamco. The company maintained

its full-year forecast of more than 7 percent growth.

Asset Sales

Valuation gains totaled 544.5 million euros in the first six months, helping the so-called indirect result, which includes valuation gains and profit on asset sales, to double to 482.6 million euros.

That helped cut the yield on its 9.9 billion euros of assets to 5.7 percent at June 30, compared with 6.1 percent at the end of 2005 and 6.9 percent at the end of 2004.

The drop in yield was stronger than expected, according to Remco Vinck, an analyst at Kempen & Co. in Amsterdam. ``The company's strategy is clearly paying off,' ' Vinck said in a note to investors. He has a ``neutral' ' rating on the stock.

Rodamco sold assets in the Netherlands last month for a total of 128 million euros.

The company's shares have gained 22 percent in the past year, outpacing the 15 percent gain by Liberty International Plc, the U.K.'s largest shopping-center company. AME Capital's Eurozone Retail Index, which tracks the performance of retail-focused real estate companies in the 12 countries that share the euro, gained 18 percent in the year through Aug. 11.

--Editor: Blackman

Story illustration: {RCEA NA <Equity> COMP D <GO>} to track the performance of Rodamco's shares over the past year.

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