

Emiliano Russo, head of legal, corporate and regulatory affairs at Beni Stabili Gestioni, began to set up the Italian fund management company's legal team in September 2007. There are now five lawyers on the Beni Stabili Gestioni team, with more lawyers set to join in the near future. Mr Russo had previously been head of legal affairs for Beni Stabili Gestioni's parent company, Beni Stabili, a position he had held since March 2001. Before going in-house, his curriculum included a four-year stint with Chiomenti, one of Italy's leading corporate law firms. Beni Stabili Gestioni manages both institutional and retail property funds and, unlike some other Italian property players, has been quite active of late in both buying and selling properties.

Mr Russo, how would you describe the current market environment for Italian property funds?

I believe that the market for Italian real estate funds is an interesting one and even more so now that the traditional real estate market is in difficulty. First of all, it's a transparent market.

INTERVIEW | EMILIANO RUSSO, BENI STABILI

A SAFER HAVEN

Italian property funds continue to attract investors. Beni Stabili Gestioni's legal chief talks about the sector, his work and the in-house issues

BY HEATHER O'BRIAN

A third-party expert must certify that a transaction price is fair and this is a positive thing. Our depository bank also serves as a further check on operations and legitimises our activities. Secondly, there's an advantageous tax regime for property funds. Thirdly, funds are doing better in the crisis due to the fact that the companies that manage these funds are highly specialised. For this reason, there are many banks

and insurers that have decided to transfer their properties to us. They continue to exercise an indirect control and we manage the property.

What sort of work are you involved with at the moment?

In the legal field, we are involved with a number of property acquisitions and disposals. In the last month alone, we have done some 20 transactions. At the same time,

as far as regulatory work is concerned, we are also setting up a number of new real estate funds.

Are there any worries about bringing new funds to the market or financing transactions given the difficult conditions for financial markets?

It's a difficult moment for everyone. Our company has always had a good reputation with banks and as a result has always been able to obtain financing. Let's hope that the market stabilises and in the next six months or year we'll be able to know truly what the financing conditions are. At the moment, one never knows what financing conditions will be available; they are constantly changing. In any case, we are currently able to finance [transactions] without problems.

What about the underlying real estate market in Italy?

While it is a well-known fact that prices continue to be quite high, my personal opinion is that there are opportunities. You just need to be quite careful. There's less tolerance [for mistakes] and more difficulty in selling. Before, when the market was constantly going up, it was possible to repair any damage done when an acquisition was made at too high a price by just waiting until the market went up even higher. Now the market has selected the market players and they, in turn, are selective in choosing properties. There's been somewhat of a decline in value but the market is holding out. In Italy, property has always been seen as a value. Also in light of the fact that the stock market is falling sharply, this has helped its status as a safe haven investment.

Has the credit crunch had any effect on contracts for transac-

tions? Are you seeking more guarantees than you normally would, for example?

Once you get to the legal contract for an acquisition, the problem of financing has already been dealt with. The legal part — the legal protections — doesn't change. They are always high. We had a high standard of protection before and we continue to do so now.

How big is your legal team? Do you expect to grow further in the near future?

Until last year, legal questions involving Beni Stabili Gestioni were always managed by Beni Stabili

requires that everything be done in extremely close contact with the finance area. Nonetheless we work a lot with firms like Bonelli Erede Pappalardo, Gianni Origoni Grippo and Chiomenti. We also work with Studio Legale Bisogni, a boutique law firm.

Are there any particular characteristics of Italian real estate law?

For real estate transactions, the norms in the property field are quite varied and are not taught in universities. There's not a course on real estate law, for example. It's necessary to learn it with first-hand experience. It's part cor-



[the fund manager's parent company, ed.]. Then the business grew so much that it was necessary to create an internal legal structure. Confirmation of this growth can be seen by the fact that we created a team of five lawyers in just one year. The idea is to grow further in 2009 with the addition of new lawyers.

Do you do work much with external law firms? Which firms do you instruct?

We do a lot of work internally because the real estate market

incorporate, part administrative, part civil and also part antitrust law. A certain versatility or flexibility is needed in studying this subject matter.

You have also taught Masters classes for in-house counsel. What are some of the important themes for in-house lawyers to study?

In terms of topics taught, one of the important things the market is interested in is knowing how to draft a contract and being able to analyse a contract.

What are some of the broader issues on the minds of Italian in-house counsel right now?

Lawyers have worked for Italian companies for the last twenty years but the regulatory framework doesn't take this account. If you go from working at a law firm to working within a company, you have to cancel your membership in the Italian Bar Association.

And in theory, it's no longer necessary to follow the bar rules although, of course, we in-house lawyers still consider ourselves bound by them. It's necessary to realise that there are thousands of lawyers that work in companies and it's important that there is equal consideration for the role of in-house lawyers and those who work for law firms. One im-

portant theme is legal privilege. In-house lawyers don't have the same benefit of confidentiality in their correspondence with clients as other lawyers do. Another issue is that an external lawyer can authenticate the signature of his client but an in-house lawyer can't. I maintain I'm a lawyer — whether or not I work in a law firm. ■

BEST IN THE ASSET CLASS

Italian property funds are outperforming other financial instruments with assets managed increasing over 15 per cent on the year

SENTIMENT on global financial markets started out on a decidedly negative footing this autumn, with stock exchanges throughout Europe and the world heading southwards. In this environment, finding a safe haven for investments has become an increasingly difficult task as nervous investors have punished many stocks, even those with solid fundamentals.

Italy, of course, has not been immune from the negative sentiment seen elsewhere. Yet, relatively upbeat figures recently released by fund management association Assogestioni suggest that the country's property funds might represent at least a safer haven than many other financial instruments, particularly for the institutional investors for whom they tend to be reserved. Italy's property market has not seen the re-pricing evident in a country like the UK and property funds come with a string of tax and other advantages.

According to Assogestioni figures for the first six months of 2008, 13 new property funds were established in the period, bringing the total up to 122. Assets under management surpassed the €20bn mark, up 5.6 per cent on the semester and 15.7 per cent on the year. Assogestioni cited both the revaluation of property portfolios and a gross inflow of €1.2bn into property funds in the period. In terms of the geographical location of property investments made by Italian property funds, only three per cent of investments were outside Italy. The lack of geographical diversification may not be such a bad strategy right now, as Luca Dondi of Nomisma Real Es-

tate notes the few funds with significant foreign investments have done worse.

When all the banks, insurers and other companies that have spun off their property into funds, Mr Dondi points to a universe of some 200-220 property funds. Only a small minority of these funds is aimed at retail investors, and indeed the benefits may be clearest for institutional investors. The 22 retail property funds quoted on the stock exchange have not been immune from the broader depressed market. Despite generally solid balance sheet figures, Mr Dondi says they continue to trade at discounts of about 30-40 per cent to net asset value (NAV).

While there are concerns tied to funds selling properties, Mr Dondi says most funds have a long-enough time horizon so that they can hold off on property disposals for now. As some players sit on the sidelines, one positive factor looking forward is the fact that property valuations made by independent experts have tended to be quite prudent. In the meantime, the latest figures from the Italian property fund index compiled by BNL Fondi Immobiliari nonetheless show Italian property funds outperforming other asset classes (H.O.B). ■

