By William Kemble-Diaz Reuters.com

EXCLUSIVE: EX-UNIBAIL HEAD, PERELLA READY EUROPE PROPERTY FUND

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LONDON (Reuters)

Leon Bressler, who oversaw Unibail's rise as one of Europe's biggest property firms, is poised to make his long-awaited market comeback, armed with more than 1 billion euros ($1.56 billion) in fund money.

A partner at private equity firm Perella Weinberg Partner since 2006, after 15 years at Unibail -- now Unibail-Rodamco, Europe's biggest real estate investment trust (REIT) -- Bressler stuck to the sidelines, waiting for Europe's property markets to turn sour after a long boom.

But in an interview with Reuters late on Thursday Bressler said his new fund would start to invest in real estate "in a material way" by the summer.

"As a citizen one hopes things do not deteriorate too much, but as a fund that is ready to seize the opportunities and which has not yet invested, it is a great market," Bressler said.

Perella Weinberg Real Estate's fund has a European focus and a mandate to invest in physical property, property firms, and debt. It is targetting annual returns of 20 percent and its final closing is in the second quarter after a successful first closing in October.

"We have taken our time to invest because of the expected decline, but still we see opportunities even if the market has some way to go down in the UK, but in other places too," Bressler said.

Despite that and the fact commercial property prices had fallen more -- much more -- than elsewhere in Europe, the UK was likely to remain out of bounds for the fund in 2008.

"There are more promising markets than the UK, like Germany where the office market is very sound and more broadly based," he said.

Also unlike the UK, Germany had not seen a property bubble for 15 years. Its households were less indebted and its economy was based on manufacturing exports not services.

"The UK is vulnerable because of its dependency on the financial services industry, its fragile currency, and service-sector inflationary pressures," Bressler said.

INSIGNIFICANT

He said he doubted UK commercial property would recover meaningfully in 2009, even though 13 percent to 14 percent had already been lopped off average capital values since the market peaked in the summer to the end of January.

"The drop in capital values we've seen reflects the transparency and sophistication of the UK market but that's from irrational, completely artificial levels and is not significant really," Bressler said.

"It's clear to me that the UK occupier market will deteriorate and this will cause a third wave of declines in property values," he said.

The first wave was in early 2007 as equity investors sensed trouble ahead and European REIT share prices took a hammering, while the second wave was unleashed after the summer, as the U.S. subprime crisis led to a global credit crunch and debt-finded property investment shrivelled.

Bressler warned against "ghettoised" real estate thinking because positive property market fundamentals such as low vacancy rates had the potential change in the UK.

"Every cycle is different and this will be the first real estate crisis in a fully financially integrated and globalised world," he said. "This time we started with a financial crisis but we will end with a real estate crisis because a quasi-recessionary environment means jobs will be eliminated and companies will become tougher on costs and therefore demand for space will be substantially reduced."

He stressed the importance of being flexible.

"Things are changing very fast. Distressed sellers could pop up anywhere," he said.

(Editing by Leslie Gevirtz)