DIRK

Deutscher
Investor Relations
Verband e.V.

The history of exchange-listed real estate companies is comparatively short and little academic research has been published on financial market communication in this sector in recent years. But are there significant distinctions in Investor Relations between real estate and other companies? How does the interaction of PR and IR work in day-to-day business? What are typical job descriptions and career perspectives? How do German (real estate) companies measure successful IR?

"Financial Market Communication of Real Estate Companies" was the title of a project course at the European Business School (EBS) in the summer term 2007, in which the students undertook to find answers to these and further questions. This book – published as volume 11 of the "DIRK Forschungsreihe des Deutscher Investor Relations Verbandes e.V." – is a compilation of articles presenting the findings of their research. It covers a wide range of financial communication topics from a presentation of the conceptual design of Investor Relations departments and an analysis of communication strategies to an empirical validation of the theoretical concepts.

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Investor Relations management

Mark Mietzner, Dirk Schierek (Editors)

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IM DIALOG MIT DEN KAPITALMÄRKTEN

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Preface of the president of the DIRK

In recent years, little academic research has been published on financial market communication of real estate companies. One reason might be that the history of that sector is not that long. Apparently, most companies still believe that an active communication with capital market can not exert sustainable influence on market performance. Traditional finance theory claims, all that exchange-listed companies can do – and have to do – is to provide all share-price-relevant information in a timely and accurate manner. However, as modern behavioral finance tells us, besides pure content the framing of information substantially determines the company perception from the financial analysts' perspective. Consequently, this changes the requirements for Investor Relations – traditionally assumed to only reduce asymmetric information between corporate insiders and outsiders.

Although the book does not aspire to be comprehensive in its coverage, it covers a majority of facets of modern Investor Relation activities. It is a compilation of articles which emerged from the "Project Course - Financial Market Communication of Real Estate Companies" in the summer term 2007, a course offered to 8th semester students at the European Business School (EBS). The design of this project course has a special character. The course objective consisted in making participants to deal with a numbers of different perspectives on today's challenges for investor relations officers. A special emphasis is placed on the real estate industry and the questions:

I. What are typical job descriptions and career perspectives of IR managers?
II. How does the interaction of PR and IR work in day-to-day business of stock exchange listed property companies?
III. Are there divergences in financial market communication strategies in cross-country com-parison?
IV. How do German (real estate) companies measure successful investor relation management?
V. How do institutional investors evaluate the financial communication of German (real estate) companies?
VI. What are the specific challenges of an IPO?

Due to the underlying concept, the articles in this book cover a wide range of financial communication topics attributable to three main areas: It starts with a presentation of the conceptual design of investor relation departments and their day-to-day business. Secondly, we proceed with an analysis of communication strategies. And finally, the third section of the book is focused on an empirical validation of the theoretical concepts. By this multidisciplinary perspectives and its methodological multiplicity, this book provides insights into investor relation activities which can hardly be found in one single source and in this compactness.

Special thanks to Mark Mietzner and Dirk Schiereck and their team who put light on IR in real estate companies with a profitfull combination of academic knowledge and best practice from the IR practitioners. I highly recommend this book to academic researchers and IR practitioners and wish that it will gain a broad circulation in IR practice.

Hamburg, May 2008

Bernhard Wolf
President of the DIRK – Deutscher Investor Relations Verband
(German Investor Relations Association)

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Organizational design of IR departments and the role of CFO and CEO

Rachna Chopra, Philip Heimbach, Matthias Holitzer, Bogdan Jaworski, Karsten Kloebbe, Jens Uhlenbrock

1. Introduction

1.1 Real Estate – A changing business

Deutsche Bank Research stated on 4th April, 2007 that: "Rental yields attractive on a European comparison: Initial yields on offices in prime locations are still well above long-term government bond yields."

This statement explains the growing interest of foreign as well as domestic investors in the German real estate business. Nevertheless the German market for real estate funds took a big hit in 2005 when Deutsche Bank had to close down several of their real estate funds due to valuation problems of the assets.[1] But from this development the market seems to have recovered and today Germany is the biggest real estate market in Europe. The vacancy rates are falling and rents are increasing.[2] In addition, the Handelsblatt titled on the 16th of March: "Immobilien gefragt wie noch nie".[3] Having these favorable market conditions in mind it is very clear that investors are looking for new investment opportunities and want to be convinced by real estate companies and their portfolio.

But who is able to encourage hedge fund managers or bank analysts to invest. This is the task of the Investor Relations Manager who is in charge of the communication between

1) Cf. Handelsblatt.biz (2005).
2) Cf. Colonia Real Estate (2007), p. 4.
3) Cf. Wiktorin (2007), p. 4.

the financial market and the company. Whereas as in other industries like banking or pharmaceuticals Investor Relations Managers already have a established role within the company and on the market, Investor Relations Managers in the real estate business are not that common. This might be due to the fact that the German stock exchange just announced to open up a new segment just for listed real estate companies[4] or due to the fact that the real estate industry still seems not to be willing to disclose all information in order to create transparency.[5]
The Investor Relations Manager therefore has to have special skills to be able to work in the industry of real estate. This paper will investigate into those specific skills and requirements the employee has to have and which personal circumstances and background are in favor of a successful work with the financial market. But one further question remains. Since the Investor Relations Department is part of a bigger organization how does it have to be organized and connected to other functions such as Public Relation (PR) and to the board management? The paper will also investigate of how this organization is set up in practice and which role the board of management takes, in particular the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to assist or work in close cooperation with the Investor Relations Manager. It will give a holistic view of how the function is perceived in current practice and how it will or has to change in order to create value for the company in the future.

1.2 Way of investigation

In order to be able to understand the importance of the Investor Relations Manager and his department an introduction will be given. It explains the terms used and gives an overview of the basic theoretical ideas of an Investor Relation Manager and his tasks and duties. This will be followed by an explanation of how this function is set up in a bigger organization. A special focus is drawn upon the connection of the investor relation function with the board of management and especially the CEO and CFO. Different organizational designs are presented with their special characteristics.
The section will be followed by part 2.5 which will form the basis of the investigation as it gives an introduction to the real estate industry, developments of the same and special issues which are important for the understanding of the following part.
As a result, since both theory and industry have been introduced, an investigation of the investor relations function in two listed real estate companies will be conducted. Through personal interviews and research the day-to-day business shall be analyzed and industry specifics concerning investor relations shall be discovered.
The paper concludes with the summary of the practical key findings of the research.

2. Fundamentals

2.1 Investor Relations: Tasks Description

Investor relations is the activity of communicating information regarding the financial status of the company in order to comply with regulatory standards and to enable potential debt or equity investors as well as the wider public to evaluate the financial status of the company. However, other definitions may distort from this one in three different aspects. Firstly, originally the focus was only laid on the shareholders (equity investors) of the company whereas recent work has consistently included the debt part as well. Including debt investors makes sense because they are a crucial group of investors that have gained increasing importance in practical Investor Relations (IR) work. Secondly, some scientific definitions have put an emphasis on the voluntary aspect of investor relations excluding the communication that is required due to regulatory standards. Indeed, in practice such prerequisites are one important component of the work in investor relations divisions which is why they should also be included. And thirdly, some other definitions stress the notion that investor relations can be seen as a vital part of the overall marketing strategy and should go hand in hand with market research and the company's product, price, location and distribution policy. Nevertheless, the last aspect could only require a large extent of collaboration between the marketing and IR divisions and might not be a crucial factor of investor relations itself.[6]
Apart from complying with regulatory standards, having good investor relations offers a number of benefits for the company. The overall aim is to lower the costs of equity as well as the costs of debt by increasing stock liquidity and minimizing the stock's volatility. In order to achieve this, the investor relations manager has to fulfill strategic as well as operational tasks in his work. As one of the main strategic tasks, there has to be a consistent equity story for the capital markets. The equity story should establish the company's stock as a successful brand on the stock market. Like in marketing any other product, building an equity story is a very complex task that deserves a lot of devotion. Investors are to be convinced (not persuaded) to buy this special stock. In order to do so the unique selling point of the company has to be communicated well and all information has to be given in time. Similarly, for fixed-income investors, there has to be a coherent fixed-income-story. Even though the informational overlap is generally substantial there are some particularities that have to be taken into account (e.g. with an increase in share capital which is beneficial for fixed-income investors while it depends for shareholders). Another important aspect is the so called one-voice-policy. It states that there must be one coherent communication strategy for the equity story for both public relations and investor relations. Deviating from this will cause disruptions in the company's stock performance. This also happens if potentially bad news are held back and not communicated openly. That is why transparency is one key aspect of successful work with investors. This aspect will be discussed again.
The operational tasks of the investor relations manager involve supplying relevant information to the markets and also listening to the perceptions of the financial community. The IR manager should also have clear expectations about future developments in order to be able to react upon them or to change them in favor of the company.[7]
During the attempt to confine the functions of the investor relations division from the marketing and public relations divisions' two main aspects have to be mentioned. The first aspect relates to the different target groups of each division. The second aspect deals with the different aims and goals that the communication strategies pursue. While IR is targeting the financial community and the capital market, PR is addressing all kinds of stakeholders and the wider public. Finally the marketing activities aim at all potential customers in the market. Whereas the IR departments are trying to communicate financial data regarding the company, PR focuses on the transmission of a positive corporate image and

4) Cf. Handelsblatt.com (2007).
5) Cf. Reichel (2007), p. 4.
6) Cf. Allendorf (1996), pp. 6-9.
7) Cf. Deutscher Investor Relations Verband e.V. (w/o date), pp. 23-38.

marketing is trying to build a brand image and enhance the market position of the company's products and services. Accordingly, the mentioned differentiation can be systematized in the following table:[8]

	Investor Relations	Public Relations	Marketing
Target Groups	Financial Community, Capital Markets	General Public, Internal/ External Stakeholders	Sales Market, Customers of Products/Services
Aims	Transmission of Financial Information	Transmission of a Positive Corporate Image	Improving Market Position, Building Brand Images
Instruments	Financial Reports, Meetings with Analysts, Road Shows etc.	Press Conferences, Image Brochures etc.	Advertisement, Event Marketing, Distribution, Pricing Policy etc.

Table 1: *Differentiation of Investor Relations, Public Relations and Marketing*
Source: Kirchhoff (2001), p. 33.

Nevertheless, the side effects of successful IR are most of the time that by raising public awareness for the company it also fulfils different functions of traditional PR as well as of marketing for the company's products. Furthermore, news that are to be communicated may be relevant for all three functions of the company. Considering the example of a real estate company, the customers of its product namely the portfolio of private or business units are generally to be found in the financial community and its sales market is equal to the capital market or other real estate companies which might be themselves listed. As can be seen, for the real estate industry there is a substantial overlap between good investor relations, a good work in public relations, and a sound marketing strategy. Thus, it can be stated that these three divisions are closely interrelated and their functions are often complementary and therefore have to be coordinated.

2.2 Development of Investor Relations in General

The concept of investor relations was first developed in the United States of America in 1953 when General Electric started to attract private investors with a special communication strategy. In Germany the term investor relations was first used in a dissertation in 1967 that was mainly focusing the US market. Because of the historically larger importance of capital markets in the United States compared to Germany the practice of communicating information to a set of investors was first institutionalized in the US as well. The German system, which was much more based on few large investors (e.g. families, institutional investors) and was very bank centered concerning debt financing, did not provide large incentives to create an investor relations division since the communication with few investors and creditors could already be handled by the CEO or the CFO.[9] This is a situation that has effects up till today where the average German company still has a comparatively large amount of dept and the German household portfolio a comparatively low portion of equity.

8) Cf. Kirchhoff (2001), pp. 32-34.

9) Cf. Deutscher Investor Relations Verband e.V. (w/o date), pp. 2-5.

As the importance of institutional investors and later private investors was growing, also German companies were starting to address them as potential targets. Consequently, in the 1980s the first IR departments were formed that first targeted institutional investors and have since gradually increased their awareness of private investors. This is largely due to the rising popularity of stocks as a means of investment for private clients. The mentioned development was incited by the German government's attempt to privatize large state-owned enterprises. These firms were too big for single investors so they had to be sold on the capital market and in order to gain the consent of large parts of the voters for their privatization efforts, the government let the voters participate in the gains from privatization through a good Initial Public Offering (IPO) performance. An example could be the IPO of Deutsche Telekom in 1996 with approximately 700 million stocks.[10] Then, after the bubble of the new economy burst investors were overly cautious to invest and companies had to regain their trust through a higher level of transparency and the provision of more information. This development was accompanied by a new regulatory framework that stipulated a higher standard of financial communication and aligned German law with international standards. Last but not least, the rising demands of investors (institutional and private) who are themselves under pressure to perform require the companies to professionalize their IR activities and provide more detailed financial information.[11]

2.3 The Role of the CFO and the Investor Relations Organizational Design

With the growing overall importance of investor relations its organizational function has changed as well. The communication of financial information almost naturally originated as one of the many tasks of the CFO. His role was traditionally just the compilation of all relevant financial information for the profit and loss statement as well as the balance sheet. Since the pattern of his work changed he additionally has to communicate the results to the investors. This role evolved as the IR manager also has to listen to the perceptions of the financial community and therefore not only distributes information but receives it. All in all, in the past decade, there have been several changes in the landscape of the CFO function. It is essentially because of recent fraudulent issues of some businesses (for example, ENRON), especially due to the actions of some corporate officers, that investors have been realizing the importance of being able to trust their corporate officers and having confidence particularly in the financial information provided. No longer is the role of the CFO limited to accounting, taxes and financial reporting, but is extended to be a good communicator to his primary audience, that is the investor community and the financial market. This is being exacerbated by the world's changing IT landscape which leads to ever faster information flows. In demanding more real-time information on the company's financial status the investor community has forced the CFO to be a company visionary and to develop leadership, as well as to have excellent communication skills.[12] All of this can be argued no matter if the CFO is directly responsible for IR communication or if there is a specialized subdivision.

The following section will talk about the role of the CFO as he supervises the IR division or is fulfilling the IR function as one of his tasks. It is also to be noted that the content of the information provided to the investor is particularly important. It is necessary for the IR communication to be consistent with the PR communication. From an organizational standpoint, this would imply close collaboration between the IR and the PR unit.

10) Cf. Bundesfinanzministerium (2007).

11) Cf. Deutscher Investor Relations Verband e.V. (w/o date), pp. 5-10.

12) Cf. Hess (2005); The Daniel Group (2003), p. 2.

Moreover, the CFO needs to first analyze what the capital market is telling about the company and then tailor his response according to the situation. So, whereas previously only being on the outskirts of the financial function, the IR is becoming increasingly part of the CFO's core work.[13] (See Annex 1: Time CFO spends on IR on a monthly basis).
Therefore, it is the current trend that the IR department is under the responsibility of the CFO, amongst the various other traditional financial departments that he has to coordinate, such as controlling, accounting, taxes, Mergers & Acquisition (M&A), treasury/finance and internal audit as can be seen in the diagram below:

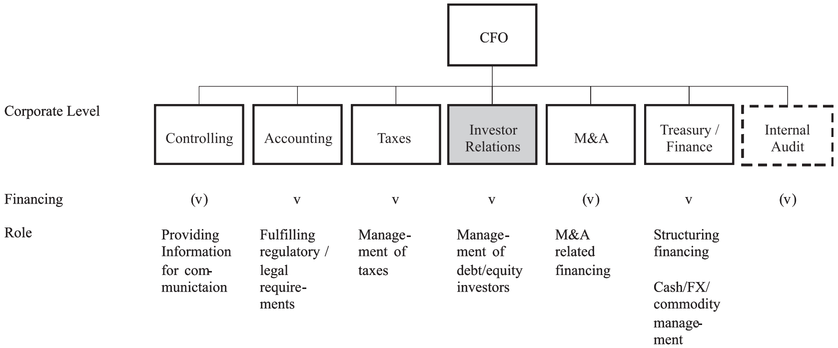

Figure 1: *Investor Relations evolved as one task of the CFO*
Source: Pohl (2007).

Three kinds of organizational structures can actually be differentiated: (1) the traditional design where the IR is directly under the responsibility of the CFO; (2) the IR department is the responsibility of the PR unit; (3) the IR is directly under the responsibility of the CEO. These three types of design will be presented more thoroughly.
As shown in the following diagram, the first type consists of the CFO being responsible of the IR. This has several advantages. First of all, it allows IR alignment with the CFO

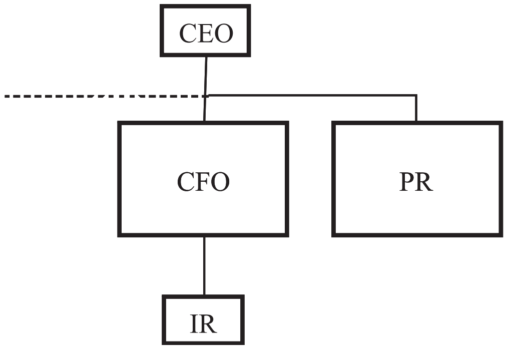

Figure 2: *CFO being responsible for IR*
Source: Pohl (2007).

13) Cf. Brannen (2007).

and all other tasks or divisions he supervises. Additionally, the IR manager will have an easier access to the numerical data that is collected and calculated under the responsibility of the CFO. The CFO in such an organizational form will have to closely work together with the PR department to ensure that both communications departments are aligned. However, it also implies limited influence on strategic decisions as it does not have direct access to the CEO and other departments (see ***Figure 2***, p. 15).

The second organizational design consists of the IR being under the responsibility of the general communication unit. Such an organizational form facilitates consistent communication between public and investor relations. Financial markets and media therefore receive consistent information and shared events such as the annual general meeting will be easier to conduct. However, the CFO is less engaged in the IR activities leading to restricted access to financial information. The CFO's role should therefore be to internally provide information and have fewer public appearances than in the first organizational form as it is difficult to have a coherent communication strategy with corporate officers from functional departments. Last but not least, the IR still has a limited influence on strategic decisions as it does not have direct access to the CEO.

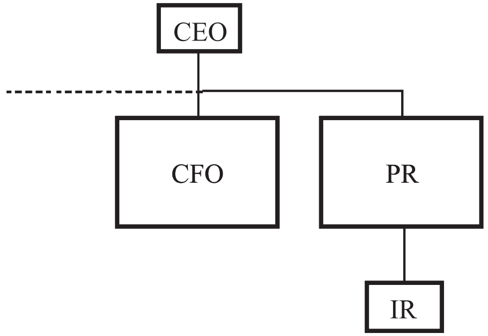

Figure 3: *IR being a subdivision of PR*
Source: Pohl (2007).

The third and final design consists of having the IR directly under the responsibility of the CEO, as can be observed in the following diagram. This enables the IR department to have a similar importance to the other functions and to have an impact on strategic decisions. Access to strategic decisions might be important in the real estate industry as the IR target audience is very much identical to the target audience of the marketing department – financial investors. However, in this design the IR is very distant from the CFO and the PR units. Again, the CFO will have to focus on internal matters and leave the communication to investors to the IR department which would have to coordinate its efforts with the CFO and the PR. (see ***Figure 4***, p. 16)
In conclusion, the evolution of the role of the CFO is mainly a reflection of what happened on the marketplace. The introduction of corporate raiders, shareholder activists, the private equity, the Sarbanes-Oxley Act and International Financial Reporting Standards (IFRS) has triggered the need for good investor communications. This is becoming more

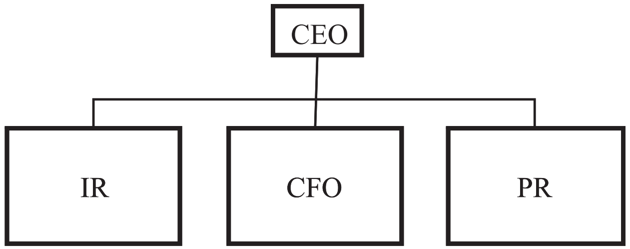

Figure 4: *IR being a separate department with direct access to the CEO*
Source: Pohl (2007).

important as the capital markets have become one of the major financing sources for all kinds of industries. In the standard organizational form in continental Europe, the CFO will have to fulfil large parts of the job. Therefore, he must not only be an accountant, but also a partner and strategist to the business. Depending on the nature and priorities of a company, it will decide on one of the three organizational designs, the major traditional trend being putting the IR under the direct responsibility of the CFO.

2.4 The CEO's role and perception of Investor Relations

The CEO being the top communicator of the organization, it is interesting to analyze what role the CEO actually plays in the process of IR communication and structuring the function. Based on a study conducted by Petersen B. and Martin H. (1996), one can understand that the individual characteristics and perception of the CEO largely influences the ultimate decision regarding the organizational design of the IR department, and whether it is directly related to the CEO itself, to PR or finance.
Even though theoretically, one may think that IR being a communication function, it should be logically directly located with PR, the study shows that most of the CEOs questioned, considered IR to be under the responsibility of the senior management, more specifically the CFO or the CEO. In other words, CEOs consider IR to be primarily a financial function rather than a PR one. This is also reflected in the fact that one of the main skills for effective IR perceived by most CEOs is the financial experience and knowledge of capital markets. Public relations knowledge may also be quite necessary as it is also required in order to effectively manage IR. Consequently, it is basically a mix of PR and corporate finance that is the key to good IR. However, it is the CEO and the CFO which are in most cases responsible for supervising and conducting IR.
Moreover, some IR communication may be considered to be more important than others depending on the specific targeted investor publics. Analysts, brokers and investors seem to be the most highly ranked in terms of importance.
The important involvement of the CEO, more specifically, in IR, is largely due to the fact that the CEO is the top executive and wants to be the organization's main external spokesperson. The CEOs perceive themselves to be "just as likely as the CFO to supervise the release of information affecting stock prices"[14]. This may especially be the case in smaller companies, as these can allow more direct and easier contact between the CFO and the IR activities. The size can therefore be an important consideration to be taken into account when

14) Petersen B. and Martin H. (1996), p. 200.

opting for a certain organizational design of IR. Moreover, IR being heavily regulated, complying with these regulations is utmost important for any firm's communication. It is therefore mainly the CEO who takes up this primary responsibility in the IR process.
In conclusion, from a practical point of view, CEOs perceive the IR function to be highly specialized in finance and tend to set IR under their own supervision and sharing the task with the CFO. This seems to be also true for the real estate industry and the companies investigated in this paper. In addition, discussion about the importance of financial skills and communication leads us further to understand the fact that many CEOs actually have been CFOs.

2.5 The Real Estate industry

2.5.1 Characteristics of the real estate industry

During the last twenty years there was a change regarding the different segments in the real estate industry. Traditionally the ownership, the usage and the operation of real estate was offered in one business model. Today however a disaggregation of these different functions can be observed. Thus different business models are apparent with companies which specialize in one specific segment of the market. Depending on which function a company focuses on four different segments can be identified in the real estate industry: (1) developer, (2) real estate investment management firms, (3) corporate real estate services and (4) facility management.[15]

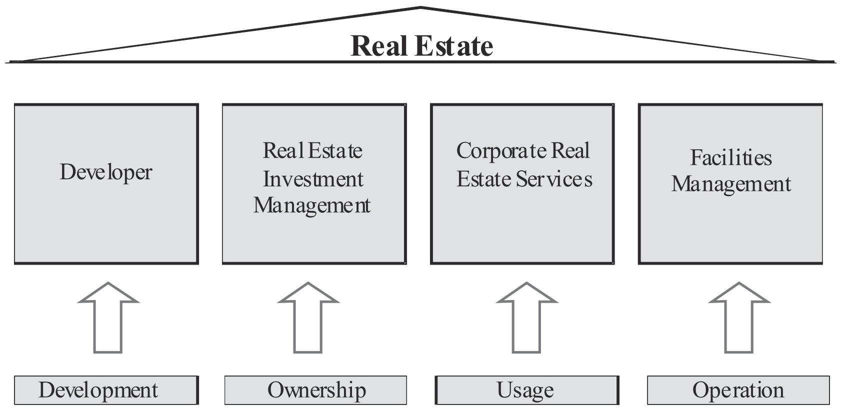

Figure 5: *The Real Estate Industry*
Source: MIK AG (2007).

Due to the structural changes the real estate market is not considered primary as the basis for the production of goods and services. More and more it is also viewed as an investment opportunity. Thus there are many property companies in the market holding real estate portfolios and specializing on asset management and transaction management.[16] These firms can be located within the group of real estate investment management firms within the above mentioned model. As these property companies play a major role in today's real estate industry, they are the focus of this paper.

15) Cf. MIK AG (2007).

16) Cf. PricewaterhouseCoopers (2007a).

2.5.2 Trends in the real estate market

Europe

A recent study on emerging trends in the European real estate market paints a quite positive picture for the development of the industry. According to the survey the European real estate industry is near the top of the investment cycle. The experts anticipate that the market will stabilize in the year 2007. It is expected that the investments calm down and will normalize from a double-digit growth to a rather average performance. However, the profitability of real estate firms is assumed to remain good, even a little bit better then in 2006.[17] This is due to the positive development in Gross Domestic Product (GDP) growth during the last time. Nevertheless there is some fear that the high oil prices, an increase in interest rates and also the increase in value-added tax in Germany might have some damping effect.[18]

When we look at the cross-border real estate investments in Europe, it is expected that they will continue to grow. One reason for this is the elimination of currency risks due to the introduction of the Euro which made trading simpler across 13 markets. The main focus of international investors is on United Kingdom, France and Germany, however they are also looking at the emerging markets in central and Eastern Europe.[19] The leading investors in the real estate market are opportunity funds, private investors, pension funds and private property vehicles.[20]

Another very important aspect concerning the European real estate sector is related to the Real Estate Investment Trust (REITs) structure that is running in several countries across Europe. This form of Real Estate Company is very tax-efficient and thus it is assumed that it may lead to a continuing growth in the market for publicly traded real estate.[21]

Regarding the different property sectors the experts interviewed in the survey expect improving prospects for total return in eight out of ten sectors. According to them, shopping centers offer the best prospects for the future, followed by hotels, mixed-use properties and city centre offices. Retail parks, together with warehousing/distribution, residential, and street retail are located in the middle part of the ranking. Business parks/ out-of-town offices and manufacturing are lagging the other sectors.[22]

Germany

The German real estate market is the biggest market in Europe. However in comparison to the other European countries the prices are still underperforming. Moreover the industry is characterized by a very small increase in marginal costs. In the last time there is a really positive development in the industry. A decline of vacancies for the commercial real estate can be observed and the top rents are increasing. One other aspect concerning Germany is the still existing positive spread between long-term government bonds and the income through real estate portfolios as mentioned earlier. The optimistic trend is also reflected by the labor market. There is the highest number of jobs available in the industry since the year 2000.[23]

All these facts make the market also very attractive for investors. In the year 2006 the amount of direct investments in the German market reached approximately €153bn, compared to €151bn in 2005. As mentioned above the investment volume is expected to calm down a little bit with regard to the whole European market. Germany however should allocate the

18) Cf. PricewaterhouseCoopers / Urban Land Institute (2007), p. 5.
19) Cf. PricewaterhouseCoopers / Urban Land Institute (2007), p. 8.
20) Cf. PricewaterhouseCoopers / Urban Land Institute (2007), p. 16.
21) Cf. PricewaterhouseCoopers / Urban Land Institute (2007), p. 20.
22) Cf. PricewaterhouseCoopers / Urban Land Institute (2007), p. 46.
23) Cf. Colonia Real Estate (2006), p. 4.

major part of the investments. In the last two years the crossboarder investments in the German market amounted approx. €41bn. In the first half of 2006 these cross-boarder investments had a volume of €17bn which is about 25% of all international investments in Europe.[24]

Experts estimate an even more positive development for the German market. Here it is assumed that the year 2007 is going to be a "boom-year" for the real estate industry.[25] This optimistic prognosis is due to several positive aspects taking place in the German market. First of all the overall economic environment is very favorable. The economic growth for the year 2007 is expected to be between 2.5% and 2.8% which allows good premises also for the real estate sector.[26] Another issue is the introduction of the Real Estate Investment Trusts in Germany (G-REITs). The German national parliament (Bundestag) passed the law on March 23rd 2007, which was also approved by the Federal Council (Bundesrat). Retroactively as of January 1st 2007 these tax-efficient vehicles are introduced in the German real estate market. The G-REITs are also expected to have a positive influence on the market. Lastly the intended amendment of the investment law (Investmentgesetz) is also supposed to give a positive impulse concerning the investing activity in Germany and thus also in the real estate sector.[27]

3 Investor Relations in the Real Estate Business

In order to present the actuality of the topic and to discover new trends, industry specifics and may be shortcomings of the current organization of investor relations departments in the real estate industry two companies were researched and interviews with each head of investor relations were conducted.

3.1 Researched Companies

The first company researched in detail is Deutsche Wohnen AG. The company is one of the largest listed real estate companies on the German market in terms of market value of owned real estate and market capitalization. The company concentrates on portfolio management, residential property management and selling houses unit-wise primarily to owner-buyers. It owns 1.5m m² of leasable space located in North Rhine – Westphalia, Rhineland – Palatinate, Hesse as well as Bavaria and has a net asset value of €725m (figures as of December 31st 2006). The holding company has six subsidiaries and employs a total of 271 people (including subsidiaries). In June 2006 Deutsche Wohnen was deconsolidated from Deutsche Bank Group. A control agreement with Deutsche Bank's subsidiary DB Real Estate Management GmbH that has been in place since 1998 was terminated. This was followed by a temporary decline in trading volume which the company attributes to the deconsolidation process. By March 2007 trading volume has recovered again reaching an average daily trading volume of 2.3 million shares per day on XETRA. Currently there are 20m shares outstanding. Approximately 80% of the shares are held by institutional investors, of which about 70% are foreign (mainly USA, UK and France). The remaining 20% are held by private investors

In contrast to this the second company researched is Colonia Real Estate AG. The company is a relatively new player on the market. Colonia Real Estate was founded in more

24) Cf. PricewaterhouseCoopers (2007b).
25) Cf. PricewaterhouseCoopers (2007b).
26) Cf. Colonia Real Estate (2006), p. 4.
27) Cf. PricewaterhouseCoopers (2007b).

2003 by the Fortman Kline Group. The Assets that were used to found the company came out of the Küppersbusch Hausgeräte AG and the Küppersbusch Großküchentechnik GmbH owned by the Teka Group. Today Colonia Real Estate is among the 10 largest companies in the DIMAX as already mentioned with 19100 residential Units in their portfolio. They offer transaction and asset management and have Assets under Management worth 2.3 bn. dollars. The group only employs 27 people but works together with 61 specialists in Cologne, Frankfurt, Stuttgart, Munich and Berlin. The stock is listed in the SDAX and has a market capitalization of €797m. The stockholder structure is divided into three main sections. Swiss Real Estate holds 38%, Fortman Cline holds approximately 1% and the rest of over 60% is free-float (see ***Figure 6***).

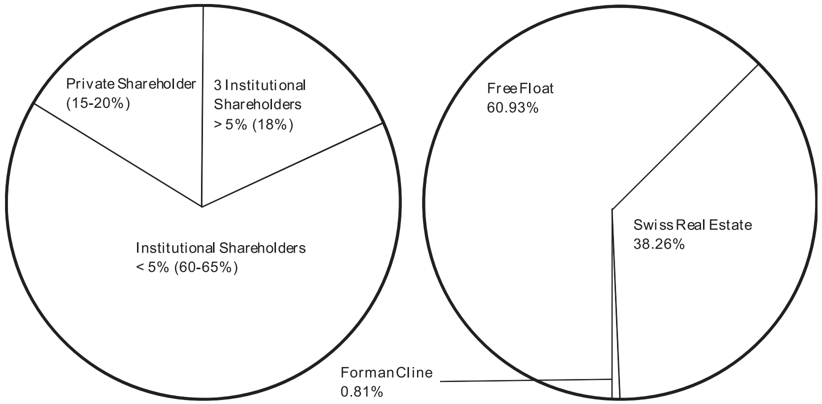

Figure 6: *Comparison of shareholder structure*
Source: Colonia Real Estate AG (2006); Deutsche Wohnen AG (2007).

3.2 Experts Interviewed and Organizational Design

The information been given in the following parts is based on the two interviews both noted in the appendix.

The interview partner from Deutsche Wohnen AG was Hubert Bonn. He had no prior experience in Investor Relations when he joined DB Real Estate which became Deutsche Wohnen as already mentioned.

For Colonia Real Estate AG was Christoph Kauter the Interview partner. He as well had no prior experience within the investor relations function but has a strong financial background. He worked in Mergers and Acquisitions for Deutsche Bank and in Trading for Dresdner Kleinwort Wasserstein. Before he joined Colonia Real Estate in 2006 he worked for MAN as a commodities broker.

Deutsche Wohnen went public on November 3rd 1999 and has an investor relations department since then. Until now the company only offers equity, no debt has been issued yet. As a consequence the investor relations department mainly focuses on institutional investors as well as analysts from investment banks providing ongoing coverage for the company (Kempen & Co, UBS, HSBC, WestLB, Sal. Oppenheim, Merrill Lynch as well as HSH Nordbank).[28]

28) Cf. Deutsche Wohnen (2007) – Company Presentation, p. 10.

Since Mr. Kauter joined Colonia Real Estate AG as Head of IR and Corporate Finance he was the first person who exclusively dedicates his time to the work with investors. Because of the young history of the company the investor structure is relatively simple but might change while the company is growing. Having issued only equity so far Colonia Real Estate issued its first bond, specifically a convertible bond to substitute bank debt. This increases the need for a specialized IR function in the company. Mr. Kauter as well addresses mainly institutional investors also due to the fact that it is more profitable to convince two institutional investors that will each invest €100m compared to private investors who might only buy a couple of stocks. This might change in the future when real estate investments also become more accepted and interesting for the securities mass market.

Regarding organizational design at Deutsche Wohnen there are no separate IR and PR departments, both tasks are currently fulfilled by Mr. Bonn. This underlines the importance of the "one-voice" principle when communicating with stakeholders, i.e. all information provided to outside parties should be coordinated appropriately to deliver a uniform message. This view is shared by Mr. Kauter. Nevertheless he thinks that some of the PR work would be unwise to do for the company because it requires resources that are costly. The outsourcing of activities such as the organization of a press conference or the shareholder meeting in terms of the event can be done more professionally by specialized agencies. He thinks that this is a key advantage when talking about profitability. But both Mr. Bonn and Mr. Kauter mention that support in the IR department has to be recruited in the near future, though, as taking care of the interests of institutional investors involves much traveling to conferences, road shows etc. Mr. Kauter mentioned 150 meetings within the last six months and that he had worked eight weeks in a row throughout the weekends. Nevertheless currently it is possible both for Mr. Bonn and Mr. Kauter to do the work on their own.

At Deutsche Wohnen the IR department reports directly to the CEO. The company has no CFO at the moment, however, usually the CFO also fulfils some of the tasks related to investor relations like e.g. participating in road shows. Nonetheless the CEO is responsible for IR and regularly concerns himself with IR matters which seems logical from the point of view that the CEO represents the company and has an important function when it comes to "selling" the company to investors.[29] Mr. Kauter also reports directly to the CEO and works with him not only on financial but also on strategic matters of how the company should pursue its investor relations activities in the future. The role of the CEO according to IR is therefore very strong out of the already mentioned rational. Mr. Rind the CEO also has a strong financial background which helps him to deal with the IR specific matters easily on a day to day basis, as he spends approximately 40% of his time with IR related issues. The CFO of Colonia Real Estate plays a more traditional role as he is more of an accounting and controlling type. This helps the company as well when talking to banks, attorneys and the building authorities for the different objects. His contribution for the IR activities is rather small and does not exceed the supply with numbers and figures and books to be delivered for shareholder or investor meetings.

According to Mr. Bonn the organizational design in its current form functions very well as the CEO is accessible most of the time and the proximity of the offices facilitates the exchange of information and ensures decisions can be made quickly. Communication takes place in a rather informal manner as Mr. Bonn talks directly to the CEO which

29) Cf. Wachtel, Sabina (w/o date).

gives him flexibility and the possibility to quickly react to new circumstances. Mr. Kauter as well mentioned the informal direct line to his CEO. Nevertheless he said that due to the fact that the IR function does not exist for a very long time within the company there are still organizational aspects to be optimized. Since only he and his secretary are doing the work he is often held up with work that is purely administrational and could be done from someone less educated or someone who is not as involved in other projects. But after more workforce will be employed exclusively for IR in the future this might change.
As already mentioned in the beginning one of the main tasks of the IR department is stock market communication, i.e. communicating information to outside parties like analysts, brokers and journalists. In general external reporting is the common denominator for all activities. Some of them are preparation of teleconferences, press conferences, annual meetings or road shows. This underlines the role of the investor relations department as an interface between the company and its owners, the shareholders in the sense that the IR department is responsible for delivering all relevant information to concerned parties. This is especially true for the Real Estate business. The close connection between company purpose or core business and the capital markets is very strong. This specific characteristic leads to an even higher importance of a well functioned IR department.
External support is required for a variety of tasks which is not surprising when considering that Mr. Bonn and Mr. Kauter are are alone in their respecitive IR department at the moment. A lot of the operational functions that have to be done are provided by external parties, the IR manager has a more supervisory role. A specialized agency is providing help in preparing annual reports. Usually data like e.g. the balance sheet and the profit-and-loss statement is sent to the agency which then designs an appropriate layout for the final report that is released. Typically road shows require cooperation with outside partners as well. External legal support is used to consult the company on different topics and ensure it stays up-to-date with changing legal regulations. Translation agencies and external technical support (e.g. for carrying out teleconferences) are involved as well. Finally Deutsche Wohnen has designated sponsors (Seydler AG, Sal. Oppenheim, WestLB) at the stock exchange which provide liquidity to the stock and are required for obtaining the premium standard at the XETRA stock exchange.[30] A designated sponsor is a market maker who commits to providing quotes for buying or selling a stock. This is important especially for less liquid stocks as measured by the XETRA Liquidity Measure and the average daily order-book turnover which have to be at least ≤ 100 basis points and ≥ €2.5m respectively for a stock to be considered liquid.[31] Mr. Kauter mentioned as well that it is very important to have an ear for the market in order to be able to react upon certain movements of the stock. Since he knows most hedge fund managers and analysts in Germany he is able to call somebody close to the market and can ask them why the stock is under pressure. This gives him the opportunity to support the stock when it is under pressure. Working together with outside resources has several important advantages. They are:

- External partners have an outside view of the company which serves as an objective regulator and are not involved in any inner company unspoken problem set. The cooperation is beneficial for smaller companies which could not afford a separate IR function.

30) Deutsche Wohnen (2007) – Deutsche Wohnen Share – In General.

31) Deutsche Börse (2007) – Designated Sponsor Erfordernis.

- Resources can be bought flexible according to the market environment.
- Most of the time PR-Agencies have higher standards and work more professionally than in house departments.
- Full-Service-Agencies are able to offer everything out of one hand and therefore reduce transaction costs.

For Deutsche Wohnen AG the annual budget for investor relations amounts to €500,000. As is the case with any company listed on a stock exchange, regulatory issues play a very important role for the IR department. There are numerous company and stock corporation laws the company must abide by. Moreover Deutsche Wohnen, as only other listed company, has to keep track of and adapt to changes in regulations which as stated before is one of the reasons for hiring external legal support. Mr. Kauter mentioned the Handelsgesetzbuch and Bürgerliches Gesetzbuch as important influences but most of all the accounting standards IFRS and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). BaFin has several purposes and tasks that are highly relevant especially for real estate companies.
Banks have to announce all security transactions to the BaFin and companies like Colonia Real Estate have to transmit all Ad-hoc Publications there as well. BaFin therefore tries to research any insider trading or any violation by the companies. It is the goal to assure the functionality of the financial markets.[32]
During the interview Mr. Bonn has mentioned several important guidelines to good investor relations. Continuity and transparency in reporting are very important issues. That means the company must be willing to report bad news as well, even if this might be followed by negative reactions of financial markets. Also communication should be flexible and customer (= shareholder) oriented meaning that the IR department has to provide shareholders and other stakeholders the information they require.

3.3 Key findings of the interviews

Regarding the real estate industry there are no substantial differences when compared to other industries. This leads to the first key finding which resulted out of the lacking IR activities of the real estate business up to now. Therefore it is derived:

> The investor relations departments of listed real estate companies are not yet as far developed as the average of other industries.

The next important issue that was concluded out of the research was the fact that due to the core business of a real estate company to manage a portfolio of private or business units with steady cash flows the connection to the capital markets is very strong. Therefore it is derived:

> The influence / importance of the capital markets for real estate companies is stronger / higher than for the average of other industries.

32) Bafin (2007).

Coming to the next key finding both Mr. Bonn and Mr. Kauter did not have any prior experience in investor relations departments or as Head of Investor Relations. Both said consistently that a strong financial background is more important to have in order to be a successful investor relations manager than to have deep knowledge of the real estate industry and specific terms and figures. Therefore it can be derived:

> Extensive work experience in and a strong financial know how of financial markets is key for a successful IR-Manager in the real estate business.

The last key finding relates to the valuation of real estate companies and how their value and development is measured and compared. Mr. Bonn stated that the high importance of the net asset value is the most important measure in order to compare and assess real estate companies. The net asset value is calculated as the

Fair value of real estate (core business) + Other long and short-term assets - Liabilities and present value of overheads = Net asset value.

This is comprehensible quite easily since this figure evaluates the asset in this case the residential or business units which are the core business and the source of future income for the real estate business. Therefore in can be derived:

> The Net Asset Value is the key measure for the real estate industry.

When it comes to the role for the CEO and CFO there do not seem to be any particular influences that have an impact on this function and make it especially important in the real estate business. As stated earlier the CEO especially has to create a brand for the company and has to sell it on a daily basis. This will make the IR department even more valuable in the future when interest in the real estate business rises. Then a well functioning IR department together with a CEO who knows of the importance of financial markets will be successful and will create value for the company.[33]

33) Wachtel, Sabina (w/o date).

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Interaction of PR and IR in the day-to-day business of exchange listed property companies

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1. Introduction

In the United States, real estate investing has always been of common interest. About 25% of the worth of US listed companies is attributed to these companies' investments in real estate.[34] Issues concerning real estate have therefore been of high interest to many different parties such as individual investors, institutional investors and also to corporations, who own a lot of real estate property as a part of their business.[35]
Also in Germany, real estate is an important issue and especially the recent introduction of REITs in the German market could lead to drastic changes in the German real estate sector.[36]
An increased complexity of the capital markets, in this case especially in the real estate segment of the capital market, also means an increased necessity for investor relations,[37] following the assumption that the market is not efficient. Approximately 97.8% of 80 large European companies interviewed by Marston and Straker in 2001 perceive investor relations

34) Cf. Johnson (2006), p. 953.
35) Cf. Johnson (2006), p. 953.
36) Cf. KPMG (2005), p. 1.
37) Cf. Marston (1996), cited in Hong / Ki (2007), p. 199.

as very important.[38] According to this study, the importance of investor relations has increased steadily whereby in 1991 only 6.8% considered investor relations as very important.[39] Deephouse also highlights that financial reputation is of increasing importance to stakeholders.[40]
After the Enron scandal, also public relations professionals began to see financial communication capabilities as very important and became more concerned about the convergence between investor relations and public relations.[41]
Up to now, there has been limited research about how public relations professionals perceive investor relations and therefore limited research on the interaction of investor relations and public relations.[42]
This paper examines the interaction of public relations and investor relations in the day-to-day business of exchange listed property companies. First, an overview of the literature will be provided. To address questions that could not be answered via literature research, a survey was carried out and the results are presented subsequently.

2. Literature Review

2.1 Definition "Public Relations"
Public relations is defined as "the management of communication between an organization and its publics."[43] Moreover, the management of public relations and communication "describe the overall planning, execution, and evaluation of an organization's communication with both external and internal publics."[44]

2.2 Definition "Investor Relations"
Marston and Straker define investor relations as "the communication of information relating to the company to the financial community, analysts, investors and potential investors."[45]
Dolphin understands investor relations as marketing activities which are continuous, planned, deliberate and sustained and which have the objective to identify, establish, maintain and enhance not only short term relationships, but also long term relationships between a company and its current and potential investors, other financial analysts and other stakeholders.[46]

2.3. Organization and interaction of Public Relations and Investor Relations
2.3.1. Investor Relations are supposed to be part of Public Relations
In 1996, the National Investor Relations Institute (NIRI)[47] defined investor relations as "[a] corporate marketing activity combining the disciplines of communication and finance, and providing present and potential investors with an accurate portrayal of a company's performance and prospects. Conducted effectively, investor relations can have a positive effect on a company's total value relative to the overall market and a company's cost of capital."[48]
Hong and Ki found out that NIRI modified its definition of investor relations in 2003 as

38) Cf. Marston / Straker (2001), p. 88.
39) Cf. Marston / Straker (2001), p. 88.
40) Cf. Deephouse (1997), cited in Dolphin (2004), p. 26.
41) Cf. Petrecca (2002), p. 17.
42) Cf. Hong / Ki (2007), p. 200.
43) Grunig (1992), p. 4.
44) Grunig (1992), p. 4.
45) Marston / Straker (2001), p. 82.
46) Cf. Dolphin (2004), p. 26.
47) Cf. www.niri.org.
48) NIRI (1996), cited in Petersen / Martin (1996), p. 177.

"[a] strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation."[49]
The task of investor relations has therefore changed from only providing the financial community with financial information in a one-way direction to a form of two-way-communication between investor relations and the financial community. This focus on the two-way-communication implies that investor relations have now shifted towards a perspective, which focuses more on the public relations perspective. Hong and Ki conclude from this development that investor relations should be a part of public relations.[50]
Also Cutlip et al. see investor relations as "a specialized part of corporate public relations."[51] Taking a logical conclusion, investor relations has to be considered as a communication function and should therefore theoretically be located in the department of public relations or with other communication functions in the corporation.[52]

2.3.2. Corporate reality concerning the integration until 2001
Grunig and Hunt describe investor relations as a "hybrid of public relations and corporate finance."[53] This would imply that the investor relations professionals have either a public relations or finance background and that these two functions equally supervise investor relations.[54]
Petersen and Martin found out that the corporate reality is very different. Compared with theoretical assumptions the function of investor relations only very rarely reports to executives of public relations. Often, the top management has taken the decision to align investor relations with the financial functions or the legal functions of a company and not with the public relations function.[55]
This is also confirmed by Farragher et al. as well as by Marston, who also found out that investor relations activities are mostly realized either by the department of financial affairs or by an independent investor relations department, which is separated from the public relations department.[56] Lusterman as well as McGrath also discovered that the investor relations activities are not supervised by public relations, but primarily by the financial department or the CEO.[57]
Various studies cited by Petersen and Martin confirm, that investor relations are often not linked to public relations, but rather to the finance function in a company.
A study from Lusterman in 1987 showed that in 70% of the interviewed companies, the professionals responsible for external relations and communications did not report to the public relations function.[58] Other studies also outline that typically investor relations reports to the finance function and not to the public relations function.[59]
The investor relations professional Brown also found out that about 52% of the investor relations professionals report to the CFO and another 35% report to the president or to the CEO.[60] Rao and Sivakumar outlined that even more than 65% of the investor relations executives report their issues to the top management, the CEO or the

49) NIRI (2003), quoted by Hong / Ki (2007), p. 200.
50) Cf. Hong / Ki (2007), pp. 200-201.
51) Cutlip et al. (1999), p. 21.
52) Cf. Petersen / Martin (1996), p. 180.
53) Grunig / Hunt (1984), p. 352, cited in Petersen / Martin (1996), pp. 177-178.
54) Cf. Petersen / Martin (1996), p. 178.
55) Cf. Petersen / Martin (1996), pp. 173-174.
56) Cf. Farragher et al. (1994), Marston (1996), cited in Hong / Ki (2007), p. 200.
57) Cf. Lusterman (1987), McGrath (1974), cited in Petersen / Martin (1996), p. 200.
58) Cf. Lusterman (1987), p. 5, cited in Petersen / Martin (1996), p. 178.
59) Cf. McGrath (1974), cited in Petersen / Martin (1996), p. 178.
60) Cf. Brown (1995), p. 44, cited in Petersen / Martin (1996), p. 178.

CFO.[61] According to Petersen and Martin, in only 13% of the companies, the chief of public relations is supervising the investor relations activities.[62]
Petersen and Martin also conclude that it is the CEO who ultimately decides the structure of the investor relations and public relations functions.[63]
The following research results by Petersen and Martin concerning the question of who supervises the release of information affecting stock prices, confirm the aforementioned statements, as depicted in ***Table I***. It is obvious that in most cases, the top management supervises investor relations, especially the executives with financial or legal backgrounds or the CEOs.

Who supervises release of information affecting stock prices?	
Supervisor	Percentage of CEO Responses
Chief financial officer	37%
Chief executive officer	37%
Chief legal officer	11%
Chief public relations officer	9%
Chief investor relations officer	2%
Chief operating officer	1%
Director	1%
VP corporate planning	1%
VP corporate relations/communications	1%
Other, not specified	1%
	100%

Table 1: *Who supervises release of information affecting stock prices?*
Source: Adapted from: Petersen / Martin (1996), p.187.

Research conducted by Marston / Straker also confirms that in the majority of cases, investor relations is a part of the finance department or a separate department. (see ***Table 2***, p. 33)

Coming to a conclusion regarding this paragraph, the reality in listed companies regarding the integration of investor relations in the organization of the company differs from where this function should be located following logical assumptions made in the prior paragraph. As investor relations is considered a communication function, it should be located together with the function of public relations or as a part of it, supervised by this corporate function. Instead, we could find out that it has been located with the financial or legal functions of the company, supervised either by these functions or by members of the board.

2.3.3. Experts call for more convergence after the Enron scandal
The Enron scandal had an impact on the discussion about the relevance of financial communication capabilities.[64] This scandal has lead to a dramatic loss of shareholder trust.[65] After this scandal, 43% of all active individual investors now have less trust and confidence

61) Cf. Rao / Sivakumar (1999), cited in Hong / Ki (2007), p. 201.
62) Cf. Petersen / Martin (1996), p. 188.
63) Cf. Petersen / Martin (1996), p. 180.
64) Cf. Petrecca (2002), p. 17.
65) Cf. Allen (2002), p. 206.

The postion of the Investor Relations function	
Departments	Percent
Separate department	54%
Finance director's department	31%
Section of public relations department	5%
Company secretary's department	2%
Company executives with no central department	2%
No investor relations function department	0%
Other	8%
	100%

Table 2: *Position of investor relations function within the organization*
Source: Adapted from: Petersen / Martin (1996), p. 87.

in the stock market.[66] Professionals from the area of public relations are now more concerned about the convergence between investor relations and public relations.[67] As stated before, investor relations can be considered as a communications function which can therefore be considered as a key part of public relations.[68] As already detected, the function of investor relations had been assigned in most companies to the finance function or to the legal function of a company.
Hong and Ki state that the Enron scandal began to extend investor relations more to the public relations function.[69]
Silver found out that combining public relations and investor relations not only helps to boost stock prices, but also the company's reputation can be improved on a long-term basis. This could also lead to higher confidence in the company and therefore integrating these two corporate functions seems to be beneficial for public companies.[70]
Marston and Straker stress the communication aspect of investor relations. They define investor relations as communication of financial information between the company and the financial community.[71] Hong and Ki infer from this that the call for convergence also implies that communication skills of investor relations professionals have gained importance. They stress that the professionals in the area of investor relations, who mostly have a financial background, also need to have very good communication skills to allow the aforementioned convergence.[72]
So once again, experts call for a stronger integration of investor relations in the public relations function.

2.3.4 Today's reality in 2006 compared with the situation in 1996
Even the call for convergence between investor relations and public relations does not seem to have had a significant impact on the organizational structure of investor relations in public companies. Table III shows who is conducting investor relations in the company. There has been a shift towards an independent investor relations department. The percentage of companies who conduct investor relations within the department of

66) Cf. Allen (2002), p. 206.
67) Cf. Silver (2004), cited in Hong / Ki (2007), p. 200.
68) Cf. Cutlip et al. (1999), p. 21.
69) Cf. Hong / Ki (2007), p. 200.
70) Cf. Silver (2004), cited in Hong / Ki (2007), p. 202.
71) Cf. Marston / Straker (2001), p. 82.
72) Cf. Hong / Ki (2007), p. 202.

public relations has not changed significantly during the last ten years.

Who conducts investor relations activities		
Department	CEO Responses (1996)	CEO Responses (2006)
Investor relations department	21%	49% ↑
Financial affairs department	37%	10% ↓
Chief executive officer	13%	2% ↓
Legal affairs department	8%	2% ↓
Public relations department	7%	11% ↑
Marketing department	4%	6% ↑
Other	10%	21% ↑
Total	100%	100%

Table 3: *Who conducts investor relations activities?*
Source: Petersen / Martin (1996), p. 188; Hong / Ki (2006), p. 205.

2.3.5 Possible explanation for the divergence between theory and practice

It could be found out that investor relations can be considered as "a specialized part of corporate public relations."[73] Therefore, this function should be located with other communication functions within the corporation. Experts call for more convergence between investor relations and public relations.

As recent studies show, there still does not seem to be a lot of interaction between investor relations and public relations.

The important questions now are why the finance and law functions are preferred by the top management as the ones carrying out and supervising investor relations for a long time and why there is now the tendency to have an independent investor relations department, rather then integrating investor relations in the public relations department.

The study conducted by Petersen and Martin comes to the conclusion that CEOs tend to perceive investor relations as a highly specialized finance function. According to their study, CEOs do not believe that public relations professionals have the required qualifications to carry out the tasks of investor relations professionals. Because of this, the CEOs also do not consider investor relations a public relations function.[74]

According to Miller, investor relations can be considered as the interface between the top management and influential financial groups.[75] Through their study, Petersen and Martin found out that CEOs assign a different function to public relations. Following their results, public relations are responsible for developing a good company image, responding to public concerns and contributing to good corporate citizenship, which can be seen in ***Table IV*** (p. 37).[76]

The CEOs which were interviewed by Petersen and Martin in order to come up with these results, tend to see most of the tasks of public relations as tasks which mostly focus on one-way-communication. Only in few cases was feedback obtained, but then it was

73) Cutlip et al. (1999), p. 21.
74) Cf. Petersen / Martin (1996), pp. 203-205.
75) Cf. Miller (1991), cited in Petersen / Martin (1996), p. 176.
76) Cf. Petersen / Martin (1996), p. 199.

Using Public Relations	
Statement: My company works best when ...	%
We use public relations as part of an ongoing effort to be a good corporate citizen.	36.1%
We use public relations to make our point of view available to interested parties, and to develop a good image.	26.4%
We integrate public relations into our business by trying to understand and respond to public concerns.	26.4%
We use public relations primarily to develop a good company image.	11.1%
	100%

Table 4: *Using Public Relations*
Source: Petersen / Martin (1996), p. 199.

only used to even better adapt the message to the target group.[77]

But according to Grunig and Grunig, only public relations, which are communicating based on a two-way symmetric model, are able to build relationships and promote excellence.[78]

Based on these findings, Petersen and Martin argue that if investor relations is a part of public relations, investor relations is an extremely demanding task. They also argue that public relations practioners would then need a very sound education and comprehensive experience not only in business, but also in management and law to fulfill even very basic investor relations tasks.[79]

Petersen and Martin conclude that public relations professionals can only be successful in the area of investor relations if they also extensively study other areas besides communication. They raise the question, that if training these public relations professionals in a way that CEOs would believe they are also suited to carry out investor relations tasks, this training will then also change the job classification of these professionals.[80]

It can be concluded that the main reason for the divergence between theory and practice is that the majority of top executives does not believe public relations professionals have the necessary qualifications to carry out investor relations tasks. Furthermore, it can be concluded that training these public relations professionals would then change their job classification; they would probably still not be accepted as investor relations professionals, but they would have different qualifications than a "normal" public relations professional.

2.4 Conclusion of Literature Review

It could be found out that there is a call from the scientific community to integrate investor relations and public relations, since investor relations is considered to be a public relations function. Especially after the Enron scandal, there are many experts who call for convergence of investor relations and public relations.

For various reasons, investor relations is still not integrated within public relations. The lack of necessary financial skills from public relations professionals is the main argument against the integration, since CEOs consider investor relations to be a highly specialized finance function. According to them, public relations have a different focus in their daily tasks, which can be seen in the ***Table 4*** above.[81]

Comparing two studies from 1996 and 2006, we discovered that there has been a shift towards an independent investor relations department away from realizing investor relations within the finance department. The number of companies who realize investor

77) Cf. Petersen / Martin (1996), p. 205.
78) Cf. Grunig / Grunig (1992), cited in Petersen / Martin (1996), p. 205.
79) Cf. Petersen / Martin (1996), p. 205.
80) Cf. Petersen / Martin (1996), p.205.

relations within the department of public relations has not changed significantly. In 2006, only 11% of the companies located investor relations tasks in the department of public relations.[82] While the low percentage in 1996 can be explained by the fact that only about 25% of all companies had an independent public relations department at that time, this explanation cannot be considered valid for 2006.[83]
So the abovementioned reasons for not integrating investor relations and public relations still tend to apply today.
Maybe a solution to achieve more of the demanded convergence of public relations and investor relations could be to train investor relations professionals in the area of public relations.
In addition, providing a public relations expert in every office where investor relations are carried out could enhance the necessary dialogue between these expert groups which is necessary to come up with better communication results for the company.

3. Research

3.1 Design / Methodology / Approach

Since there is such a discrepancy between theory and practice, we cannot clearly state how the interaction of investor relations and public relations in the day-to-day business is probably organized within exchange listed property companies in Germany or how the interactions should be organized to achieve optimum results.
Therefore, it was considered indispensable to conduct an empirical study to find out how this interaction of public relations and investor relations in the day-to-day business is carried out in exchange listed property companies in Germany.
For the empirical study, a questionnaire was developed.
The first two questions were only asked to get a general picture of the interviewed companies.
Question three is based on the research of Petersen/Martin and Hong/Ki. This question is based on this research to compare the status quo in German exchange listed property companies with the general findings concerning who is conducting investor relations, which are displayed in ***Table 3***.
Question four is also based on the research of Petersen/Martin. By finding out who is supervising the investor relations and/or public relations professionals, one can also determine where the professionals are orientated towards if investor relations and/or public relations are an independent department.
Question five was considered to be of high relevance to find out the main focus of the daily work of investor relations professionals as well as of public relations professionals. This question helps determine whether the tasks of investor relations increasingly include tasks which need sound communication skills besides specialized finance knowledge.
Question six intends to find out whether there is a day-to-day interaction of investor relations and public relations in case these two departments are not integrated. By asking the interviewees to give a justification in case of non-frequent interaction, it is possible to find out more reasons why there is no convergence between investor relations and public relations.

81) Cf. Petersen / Martin (1996), pp. 203-205.
82) Cf. Petersen / Martin (1996), p. 188 and Hong / Ki (2007), p. 205.
83) Cf. Petersen / Martin (1996), p. 205.

Question seven was designed to come up with findings for why the interviewees considered a frequent interaction of investor relations and public relations as beneficial. This question is significant since prior research found that top executives oftentimes do not considerer convergence of these two functions as beneficial.
The last question, question eight, was intended to find out if the interviewees considered various aspects of investor relations and public relations, such as the organization, the structure, the interaction and the tasks, in exchange listed property companies to be different than in other listed companies. This question is of high importance since this paper focused on the day-to-day interaction of public relations and investor relations in exchange listed property companies.
The questionnaire was then sent to either investor relations or public relations professionals of various exchange listed property companies to complete, or the answers were conducted by telephone interviews.
Due to a lack of disposition to cooperate on behalf of the listed property companies asked to take part in the survey, the following analysis is based on only four filled out questionnaires.
Due to time restrictions, company A and B were only able to fill out the questionnaire. With company C and D, the questions could be answered by conducting a telephone interview.

3.2 Findings / Results

The results of this survey do not claim to be statistically valid, due to the relatively small sample. Nevertheless, the survey does outline some general tendencies.
As all results presented on the following pages are based on the intellectual property of the interviewees, excluding interpretations made, not all statements are indicated by quotation marks. All answers can be found and checked in the typed interviews in the appendix.
On average, the companies interviewed have a turnover between €93m and €534m and between six and 2,713 employees. Since there are large differences in turnover and the number of employees, it was not considered reasonable to calculate the average of these two variables.
For the interview purpose, it is interesting to have companies of different sizes, so the results cannot be considered invalid due to not integrating different companies from this sector. (see ***Table 5***, p. 38)
Company A is one of the leading international real estate banks with its head office in Wiesbaden, Germany. They have branches in 14 different European countries as well as in the United States and in Singapore. Company B is specialized in investments in shopping centers. Its headquarters is located in Hamburg, Germany and it has a stake in 16 shopping centers in Germany, Austria, Poland and Hungary with a market value of approximately €2.3bn. Company C is a real estate corporation, which concentrates on the operative management of apartment complexes, management of portfolios and privatization of apartments. The real estate portfolio contains 21,780 apartments in Germany. Company D is a large real estate company with its headquarters in Bonn, Germany. The real estate property is split between German and European metropolises.

	Company A	Company B	Company C	Company D
Turnover in m.€	534	92.9	153	446.2
Employees	2,713	6	271	815
Investor Relations	4	2	1	3
Public Relations	2*			13**

* PR is realised in corporate communication department. One of these persons is responsible for PR.
** PR is realised in marketing department, 13 is the number of employees in the marketing department

Table 5: *The four interviewed companies.*

3.2.1 Organizational structure
Investor Relations
Out of the four companies, companies A and D have an independent department only realizing investor relations, whereas companies B and C claim to have an independent department which realizes both investor relations tasks and public relations tasks. Company D also states that external consultants or agencies are involved when working on bigger projects.
From these results, it can be concluded that the convergence of investor relations and public relations is already at an advanced stage in the listed companies working in the property sector, since 50% of the interviewed companies have integrated these two functions within one department.
The two companies who have an independent investor relations department only realizing investor relations tasks name various reasons for this organizational structure, of which some have been addressed before.
Capital market communication is considered as very important and as an independent domain. Since the target groups of this communication are investors and financial analysts, these two companies do not consider investor relations a public relations function. Company A clearly stated that capital market communication differs from public relations since the target group of public relations is not the financial community, but the press, journalists or the general public.
The focus of investor relations of companies B and C, who stated to have an integrated investor relations and public relations department, is not only on figures, but also on events, road shows and the marketing of the own share. Therefore, the integration of investor relations and public relations seems to be reasonable, since these two functions can complement each other to achieve these goals. Moreover, company C stated that following a one–voice-policy is the reason to integrate these two departments. To avoid differences in the communication and to assure that all figures and information communicated to the outside is identical, integrating investor relations and public relations is considered the more efficient structure.

The structure of the departments, regardless if this department only realizes investor relations or also public relations, is very similar as all departments are very small.
In the companies A, B and D, there is a head of the department and then between one and three additional employees: company A has three further employees, company B has one further employee and company D has two further employees. In company C, only one person is responsible for all investor relations and public relations tasks.

Public Relations
As mentioned before, companies B and C have one department realizing both investor relations and public relations tasks. In companies A and D, public relations is integrated in departments that have a focus on communicating other information than financial information. In company A, public relations tasks are realized in the communication department. In company D these tasks are realized in the marketing department.
Company A stated to have chosen this organizational structure of public relations to ensure an integrative corporate communication, an integrative and efficient communication mix and an ideal coordination of all communication instruments such as internal communication, external communication and marketing communication. Company D additionally states that public relations definitely is a marketing task and should therefore be located in this department.
These findings reflect what has also been identified by Petersen and Martin, that CEOs assign different functions to public relations than to investor relations.[84]
Since public relations is not an independent department in companies A and D, it is integrated into other departments. In company A, public relations is integrated within the department of communications, which consists of the head of corporate communication and the public relations manager. In company D, public relations tasks are realized within the marketing department, which consists of one department head and twelve further employees.
It can be observed that the two companies who only have a rather small number of employees have integrated investor relations and public relations within one department. Therefore, whether companies favor convergence of these two functions does not only depend on qualitative reasons such as tasks and qualifications, but also on the size of the company and the company structure resulting from this size. This is a very interesting result and there should be further research to find out how important this factor really is compared with other factors.

3.2.2 Reporting and communication structure
Investor Relations
In companies A and D, which have an independent investor relations department, the investor relations professionals report to the CFO and the public relations professionals report to the CEO.
In companies B and C, which have an integrated department realizing both functions, all professionals of this department report to the CEO.
Companies A and D stress to have chosen this structure, because the focus of reporting is figure-related, having a strong focus on capital markets and finance communication and therefore strong ties to finance and accounting, which are the CFO's resorts.
Also company C, which has integrated investor relations and public relations into one department states that in the day-to-day business, there is not only a frequent communication with the CEO, but also with the CFO. This frequent interaction takes place, because the offices of the CFO and the department are located close to one another.
Company B states that communication with the CEO has been chosen to assure the shortest way possible for information flow, since this information is of high relevance.

84) Cf. Petersen / Martin (1996), p. 199.

Public Relations
The reasons for the companies A and D to let the public relations professionals report to the CEO are similar in both companies: The CEO is responsible for the corporate communication and is the key representative of the company, taking a centre stage in the public. Also, the strong ties to strategy and corporate development are a reason for choosing this reporting structure.

3.2.3 Typical tasks

Investor Relations
Investor relations has many different tasks, very similar in all interviewed companies. Typical tasks of investor relations in exchange listed property companies are:

- Intensive financial communication to international equity investors and bank analysts, either via phone or in personal meetings. The communication with the analysts is often carried out in a proactive way by daily telephone calls to provide them with optimum information.
- Some investor relations professionals also organize internal telephone conference calls, which can also be listened to online.
- Relationship management.
- Benchmark analysis.
- Creation of equity story.
- Organization of and attendance at (international) road shows, investor meetings and investor relations conferences. At these events: presentation of the company's business strategy, financial targets, etc. At some road shows, also one-to-one / one-to-ones communication is applied to ensure more personal and individual presentations to banks.
- Analyze share development.
- Create group management reports, financial reports, reports concerning share performance, annual reports, quarterly reports, reports about investors' attitudes, and reports about the capital market situation in general and reports about the activities of investor relations. Investor relations also has to coordinate the interim report.
- Preparation of Annual General Meeting; the preparation of this meeting can also include the establishment of an expert team responsible for answering all questions raised during the meeting. In advance of this meeting, this expert team also needs to establish an IT data pool for all possible questions which could occur during the meeting.
- Managing the contacts to both institutional and private investors.
- Organization of conferences held by banks.
- Prepare and present capital market communication.
- Provide all required information for long-term equity rating agency; investor relations as a contact partner within all external rating processes.
- Interface to most bank departments, discussion partner for treasury department in equity investment affairs.

Public Relations
Also the tasks realized by public relations are similar in all companies:

- In general, managing and communication of all topics which are less finance related Managing the contacts to the press community, also the financial press community:
  - o Editorial Office
  - o Coordination and placement of all press information and releases for all business units, like steering press activities, journalists, etc.
  - o Press research and transmission
  - o Organization of press conferences
  - o Calling journalists and giving them certain information to make sure that certain information is printed in the newspaper (proactive).
  - o Organization of interviews between CEO and newspapers and magazines.
  - o Attendance at events of the company in order to control the press information and placement in various newspapers or other media.
- Steering of sponsoring and donation activities.
- Responsible for company brochures and ad-hoc releases.

It can be concluded that tasks realized by investor relations professionals still have a strong finance focus and tasks realized by public relations professionals have a strong focus on shaping the company's image.

3.2.4 Day-to-day interaction between Investor Relations and Public Relations
All interviewed companies claim that there is frequent interaction between investor relations and public relations in their company.
In the case of companies B and C this is logical, since investor relations and public relations are combined within the same department.
Company D claims that there is a frequent interaction on a day-to-day basis, but that this interaction is not following any formal procedures. Both investor relations professionals and public relations professionals are represented in all key meetings.
Company A states that it is very important to coordinate the communication of investor relations and public relations in order to ensure a common message and in order to avoid communication discrepancies. This coordination takes place within a "one-voice-policy". All communication contents of press releases and financial reports are double-checked to guarantee unity of communication to the financial press and financial analysts. Also ad-hoc releases are double-checked by both parties. Moreover, investor relations professionals and public relations professionals meet regularly to exchange corporate news, events and to give each other an overview of current external and internal communications topics. The investor relations professionals also act as consultants for public relations concerning financial press releases.
Avoiding communicating different things to different interest groups seems to be the major reason for either integrating both departments or for ensuring a frequent interaction between the two areas.

3.2.5 Benefits of a frequent interaction of Public Relations and Investor Relations
Ensuring a one-voice-policy seems to be the major benefit companies see in a frequent day-to-day interaction of investor relations and public relations because a one-voice-policy ensures clear, consistent and transparent external communication. Congruency of all information communicated by the company is very important to the companies. A day-to-day interaction of investor relations and public relations saves the company from worrying about different departments giving out different information or information that is confidential. This is especially important because of high outside expenditures. Integrative processes between investor relations and public relations also increase internal efficiency and create a direct linkage between all relevant communication topics. Current topics are discussed together and a company wide communication concept can be created.

3.2.6 Differences of abovementioned topics in exchange listed property companies
Unfortunately, three out of four companies did not understand this question in the way it should have been understood and later on it was not possible to reach the interview partners again to clarify the question. So unfortunately there are no findings to this interesting question.

3.3 Research limitations and implications
The answers provide a general overview about tendencies of various aspects concerning investor relations and public relations in exchange listed property companies. Unfortunately, the sample for conducting these results has been rather small. To fully validate the found results, further research with a bigger sample should be carried out.

4. Conclusion

By analyzing the interaction of public relations and investor relations on the day-to-day business of exchange listed property companies, many interesting findings could be compiled.
Through an extensive literature review, it could be found out that investor relations are considered "a specialized part of corporate public relations"[85], but that in the majority of companies investor relations are carried out within a separate department or within the finance department, not within the public relations department.
This situation has not changed significantly after the Enron scandal, even if more experts have been calling for convergence of these two departments after this event.
Nevertheless it could be found out that all interviewed professionals from four German exchange listed property companies consider a frequent interaction of these two departments as beneficial for their company. The realization of a one-voice-policy and as a result of this a clear, consistent and transparent external communication is considered the most important benefit, followed by an increased efficiency and the possibility to link all relevant communication topics and create a company wide communication concept.
As the interviewed professionals assign that many benefits to a frequent interaction of public relations and investor relations, it is not surprising that 50% of the interviewed companies have integrated these two functions within one department. The convergence

85) Cutlip et al. (1999), p. 21.

of public relations and investor relations in exchange listed property companies in Germany has therefore already reached an advanced stage, but our research also implicates, that the decision to integrate these two function does not only depend on qualitative reasons but also highly on the size of the company.
As the tasks carried out by investor relations and public relations in exchange listed property companies in Germany do not vary from the tasks of investor relations and public relations in other listed companies, further research should be conducted to find out whether the high percentage of integrated investor relations and public relations departments is caused by the size of the companies interviewed, or if this is a phenomenon of exchange listed property companies in Germany.
In any case, following the evolution of the real estate segment in Germany is and will be very interesting, since many changes have been happening in the German real estate sector recently and it is hard to predict where the path may lead.

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Appendix

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'Interaction of PR and IR in the day-to-day business of exchange listed property companies'

We developed this questionnaire for a research project within the context of the course 'Finance Communication' at the European Business School.
Only with your cooperation, we can come up with relevant answers concerning our research topic, so we thank you in advance for your cooperation!

Xavier Dorveaux
Patricia Kavanaugh
Laetitia Prak
Luise Pauline Sommer
Pauline v. Marcard
Marie-Alice v. Klot-Heydenfeldt

Name of the company: ……………………………………………………

Name of the interviewee: ………………………………………………….

Position of the interviewee: ……………………………………………..

Date and time of interview: ……………………………………………….

Turnover of company: …………………………………………………….

Number of employees: ……………………………………………………..

ORGANISATIONAL STRUCTURE

a. Where are the Investor Relations (IR) activities located within your company's organizational structure?

- ☐ Independent IR department
- ☐ Financial department
- ☐ Legal affairs department
- ☐ Public Relations (PR) department
- ☐ Marketing
- ☐ Located outside the company / realized by external consultants
- ☐ Others (please specify)

____

____

b. For what reason did you locate the IR in this department / way?

____

____

____

____

c. How does the structure of the IR look like?

____

____

____

____

d. **Where are the Public Relations (PR) activities located within your company's organizational structure?**

- [ ] Independent PR department
- [ ] Communication department
- [ ] Marketing
- [ ] Located outside the company / realized by external consultants
- [ ] Others (please specify)

e. **For what reason did you locate the PR in this department / way?**

f. **How does the structure of the PR look like?**

REPORTING/COMMUNICATION STRUCTURE

a. **To which executive are the IR professionals reporting / communicating to?**

- [ ] Chief executive officer
- [ ] Chief financial officer
- [ ] Chief legal officer
- [ ] Chief public relations officer
- [ ] Chief investor relations officer
- [ ] Chief operating officer
- [ ] Others (please specify)

b. **Why did you choose to organize your reporting in this way?**

c. **To which executive are the PR professionals reporting / communicating to?**

- [ ] Chief executive officer
- [ ] Chief financial officer
- [ ] Chief legal officer
- [ ] Chief public relations officer
- [ ] Chief investor relations officer
- [ ] Chief operating officer
- [ ] Others (please specify)

d. **Why did you choose to organize your reporting in this way?**

TYPICAL TASKS

a. **What are typical tasks of your IR?**

b. **What are typical tasks of your PR?**

Is there a frequent day-to-day interaction?
a. IF YES: How does this interaction look like in practice? Please describe between IR and PR?!

b. IF NO: Why did your company decide to not let these two departments interact on a frequent basis?

Why do you think, a frequent interaction of IR and PR could be beneficial / is beneficial for your company?

Do you think that…

- the organization of IR and PR
- the structure of IR and PR
- the interaction of IR and PR
- the tasks of IR and PR

… in an exchange listed property company are different than in other listed companies?

Please justify your answer and describe why!

Thank you very much for your cooperation!

Job Descriptions and Career Perspectives of IR Managers

Valentin Braun, Sven Herting, Philippe Hoett, Thomas Leinberger, Arnim Zinken

1. Introduction

1.1 Scope of the paper

Although the Real Estate (RE) sector has had exposure to capital markets for decades through its open- and closed-end RE funds as well as listed companies such as GAGFAH

group, communication with investors was less in the focus of the RE sector's attention. As in other industries, few dedicated departments existed and often firms only disclosed information they were legally obliged to. In recent years however, this attitude underwent significant changes. Increasing competition for investors' funds and the need for greater transparency to appease investors' fears after scandals such as Worldcom and Enron led companies to the formation of dedicated Investor Relations (IR) departments and the hiring of specialists in the field. Due to the regency of these measures, discrepancies and confusion remain in terms of what an IR Manager job consists of and which qualifications an applicant should possess.
This study aims to clarify theses issues by developing a general job description for IR professionals. Additionally, the typical career perspectives of IR Managers will be highlighted. Finally, along these two core parts, the study also tries to discern whether differences exit between RE and other industries when it comes to the tasks and requirements for IR jobs.

1.2 Procedure of the analysis

After this short introduction, the conceptual framework gives a definition and a general overview of IR, the latter being important to grasp the role of an IR Manager.
The first core part of the study then analyses job descriptions included in job advertisements for IR Managers. Using job advertisements as a data basis for the study makes sense as it yields first hand opinions on which tasks an IR position consists of and which competencies are required to be successful in this field. The gained insights are summarized into a general job description.
The second core part uses expert interviews to validate the findings of the job advertisement study and to discern the career perspectives a typical IR Manager can expect within his sector but also his broader opportunities, for instance the possibility to become CEO of a subsidiary of the parent company.
Finally, the conclusion summarizes the findings of the study and tries to give an outlook regarding the future of the IR Manager job profile.

2. Conceptual framework

2.1. A short definition of investor relations

A company's IR department is dedicated to communication with the company's investors. It keeps them informed on management's strategy, the firm's dealings with capital markets such as bond offerings but also answers specific questions raised by current and potential future investors.[86]
The need for such a department stems from the large information asymmetries prevailing between the management which has a thorough knowledge and understanding of the company and its investors who typically lack this knowledge.[87] Such asymmetries entail a risk premium which can represent a noticeable part of the company's cost of capital. Hence the central aim of IR is to reduce this risk premium by ensuring current and potential future investors receive the information they require and can value the company at a fair price. This central aim can be broken down into intermediate targets. IR needs

86) Cf. DIRK (2007).

87) Cf. Huber (2004), p. 37; Ridder (2006), p. 44; Streuer (2004a), pp. 30-31.

to communicate a realistic and reliable self-opinion on the firm's future. This part is typically called guidance. Investors also need to have thorough information on the company in order to make their own assessment of its future earnings potential. This second intermediate target is usually dubbed transparency. Further, albeit less important intermediate targets include the increase of the company's coverage by analysts or improving the awareness of the firm's stock and bonds in the market.[88]
Note that IR not only targets the shareholders but also the holders of the company's bonds, its creditors. Although these two groups are sometimes taken care of by separate departments, this paper will apply a distinction between the two only if necessary. In all other cases, IR refers to shareholders as well as bondholders.[89] Following this definition, an IR Manager is the person in charge of the above mentioned link between his company and capital markets.

2.2 IR within the company's organization

There are two basic approaches to positioning the IR team within the company's organigram. The most common is to set up the team as part of the finance department. Although this allows the team to tap into a large pool of specialist financial knowledge, the hierarchical distance between the IR team and top management makes efficient communication between the two difficult. The other main approach tries to remedy this issue by having an IR department which reports directly to the board of directors. A third alternative would be to appoint the IR Manager directly to the board. Although the latter gives a strong signal to the public about the seriousness of the company's IR efforts, it makes no substantial difference whether IR is situated directly below or on the board of directors.[90]
The choice between an IR team within the finance department or an independent IR department reporting directly to the board is not clear-cut. Generally speaking, one can say that the larger the company is, the worse the hierarchy issues of the first choice will weigh. Hence while in a small company an IR team within the finance department is the best way to go because of the available expert knowledge, large companies should opt for a dedicated department, especially as adding financial experts to the team is less costly for them.[91]

2.3 Counterparties and their specific needs

A company's investor base does not form a homogenous group. A rough break-up yields institutional investors such as pension funds, insurances or investment funds on the one hand and private retail investors on the other. While the latter typically take their information from intermediaries such as brokers, the former require direct contact with their target companies and expect more detailed information because their investment decisions are based on sophisticated models and due diligence.[92]
Both groups take the opinions and advices of intermediaries into account for their investment decisions which in turn makes intermediaries a prime target for IR Managers. The first intermediates are financial analysts, either sell-side or buy-side. Sell-side analysts work for brokers or investment banks and produce research reports which are distributed to their bank's clients. If IR Managers succeed in convincing these analysts of

88) Cf. Böhm (2003), p. 82; Alphéus (2004), p. 269; Streuer (2004a), pp. 30-34.

89) Cf. Lowis/Streuer (2006), p. 8.

90) Cf. Streuer (2004b), pp. 68-72.

91) Cf. Streuer (2004b), p. 70.

92) Cf. DIRK (2006), pp. 53-54.

the company's potential, this will generate multiplicity effects onto the investors reading these reports. Buy-side analysts are employed by large institutional investors which only use their findings internally. Nevertheless, a buy-side analyst has still great influence as a positive opinion can lead to a substantial investment.[93]
Rating agencies play a comparable role viewed from the IR perspective. The credit ratings they issue show potential bond investors how risky a company's bonds are. As such credit ratings directly influence the costs of borrowing funds, rating agencies are a very important counter-party for the IR Manager.[94]
Finally, the media are of importance as well. For retail investors, magazines and dedicated TV programs represent the primary source of information for investment decisions. Additionally, the company's overall image in the media has at least some influence on institutional investors as well.[95]

2.4 Tools for investor relations

The tools an IR Manager can use are grouped into two main categories, impersonal and personal ways of communication or as they are sometimes called, pull and push tools. The most important tool of the first category is the company's annual report which is the most common source of information investors turn to. The widespread attention it receives from capital markets turns it into an excellent platform to communicate the company's strategy and to provide past performance data and expectations for the future. The internet in the form of the company's corporate website as well as newsletters is gaining in importance as well as it is a cheap, fast and very efficient way of delivering information to any interested counterparty. Other impersonal means include the financial press or marketing efforts such as advertisements campaigns.[96]
The main drawback of these tools is their lack of interactivity. Investors, analysts and journalists who do not find the information they are looking for in such publications have to turn to other, more personal means. Here the most important role is played by one-on-one meetings, either in person or by phone. As the number of such meetings an IR team can cope with is obviously restrained, its use is restricted to high profile counterparties, typically key institutional investors and multipliers such as analysts and journalists. For them, such meetings are highly valuable as they allow in-depth discussions of the firm's strategy and past/future performance. On a broader scale, the personal tools include the general meeting which offers current investors a way of making their voice heard and road shows as well as analyst conferences. The latter two are typically more detailed as they target a more sophisticated audience.[97]
Empirical studies such as the one performed by Nix/Wolbert (2005) show that investors as well as financial analysts prefer the personal ways of communication, especially the one-on-one meetings. Internet has now become accepted as the most important impersonal tool.

3. Study of Job Advertisements

3.1 Sample and Methodology

This part of the paper examines a sample of IR job descriptions gathered from job advertisements. The sample consists of 31 job advertisements. In order to derive a general

93) Cf. Frank (2004), pp. 305-308.
94) Cf. Everling (2004), pp. 331-333.
95) Cf. Everling (2004), pp. 331-333.
96) Cf. Nix/Wolbert (2005), pp. 16-17; Nix (2004), pp. 97-98.
97) Cf. Nix/Wolbert (2005), pp. 16-17; DIRK (2006), pp. 94-96.

IR job description the adverts, after categorizing them into junior, senior and leadership level positions, are examined statistically according to different factors. A general job description for IR is then derived.
In a next step the same method is used to analyze IR positions advertised by companies in the RE sector. Once the two descriptions have been finalized, they can be compared to highlight potential specificities of the RE sector with respect to its IR requirements. After having defined the tasks, the skill set and profile which IR Managers need to possess in order to be successful in their job are assessed. This is also done on the basis of the job advertisements in the sample.

3.2 Empirical Findings

The following table shows the results for the tasks mentioned as part of an IR Manager's duties. For this analysis all 31 job advertisements were examined regardless of their specification (RE or other). The aspect of seniority is not included in the following table either as it will be examined in separate tables.

	yes	no
Presentation	84%	16%
Investor Questions	81%	19%
Investor Contact	81%	19%
Report Analysis	77%	23%
Text Creation	74%	26%
Background Information	55%	45%
Board Reports	45%	55%
Capital Market Requirements	35%	65%
Research	23%	77%

Table 1: *overview general tasks for IR Managers.*

The tasks are ranked by frequency of positive answers to the question of whether the task is mentioned in the job advertisement. According to the results, the primary role of IR Managers is the preparation of presentations for various events such as road shows, analyst and shareholder meetings. 84% of all companies considered this task to be of high importance.
Another important task is answering investors' questions, especially questions of institutional investors. This task is closely linked to keeping in contact with these investors which is also considered to be of high importance. These two tasks have been mentioned by 81% of all companies' job advertisements as a major role. Analyzing reports, balance sheets and other data was regarded as a duty of an IR Manager by 77% of all firms. But not only the analysis of such data was considered to be of high importance but also the writing of texts such as ad-hoc news, news articles and website publications. 74% of all companies mentioned this task in their advertisements.
In addition, 55% of all companies expect IR Managers to prepare background information and 45% involve IR Managers in the creation of board reports. Fulfilling capital market requirements seems to be of minor importance as it is mentioned only by 35%. Finally, only 23% of the companies see extensive research as a major task. In order to discern the

differences in the roles of IR Managers at junior, senior and leadership level, the following tables display the results for each of the tasks mentioned above separately and broken down by different seniority levels.

seniority	no	yes	total
junior	4	8	12
senior	2	14	16
leadership		3	3
total	6	25	31

***Table 2:** Importance of keeping in contact with investor.*

According to the table above, keeping in contact with investors is of higher importance for senior than for junior level positions as it is mentioned in 85% of adverts for the former while only in 66% of adverts for the latter.
A similar tendency can be observed with the tasks “keeping in line with capital market requirements”, “creation of reports for the board”, “answering investors’ questions”, “creation of topic related texts”, “preparation of presentations” and “analysis of reports”.
But looking at the importance of “research” and “preparation of background information” the opposite trend can be observed. These tasks lose in importance when rising in the hierarchy of an IR department.

seniority	no	yes	total
junior	1	11	12
senior	4	12	16
leadership		3	3
total	5	26	31

***Table 3:** Importance of preparing presentations.*

Analyzing the data in more detail shows that the importance of preparing presentations decreases slightly when climbing from junior level to senior level. Nevertheless, this task becomes a major requirement for leaders in the IR department. This phenomenon is explained by the different tasks on each hierarchy level. As a junior, IR Managers are required to prepare the presentation slides, whereas senior IR Managers delegate this duty to their subordinates. Being the leader of an IR team, the responsible manager often has to hold presentations for investors or board members but does not create the presentation himself.

seniority	no	yes	total
junior	5	7	12
senior	6	10	16
leadership	3		3
total	14	17	31

***Table 4:** Importance of preparing background information.*

As this data shows, most of the background information has to be prepared by juniors. Job advertisements for this level show the highest percentage of mentioning and with increasing seniority, the responsibility for preparing background information declines.

seniority	no	yes	total
junior	9	3	12
senior	13	3	16
leadership	2	1	3
total	24	7	31

***Table 5:** importance of doing research for each hierarchy level.*

Research shows a different scenario. Overall, this task seems to be less important to IR departments. Only 33% of all junior job descriptions require this skill from their potential employees. Senior positions pay even less attention to that skill, whereas one third of all leadership job advertisements want their future employees to have that skill. Statistically the task seems to be taken care of by other departments than IR.

seniority	no	yes	total
junior	4	8	12
senior	3	13	16
leadership		3	3
total	7	24	31

***Table 6:** importance of analyzing reports.*

The task “Analyzing reports” shows an increasing importance with respect to IR Managers’ responsibility in the department. Starting as a junior, around 66% of the job advertisements mention it as a major task of the job. Rising in the hierarchy, the job descriptions focus more and more on the significance of the task. 100% of all job descriptions addressing leadership positions require the ability to analyze reports.

seniority	no	yes	total
junior	5	7	12
senior	3	13	16
leadership		3	3
total	8	23	31

***Table 7:** – importance of creating topic related texts.*

The importance attributed to the creation of topic related texts such as ad-hoc news, newspaper articles and website content increases in line with seniority from 58% for juniors to 81% for seniors and 100% for leaders. (see ***Table 8***, p. 60)
The same picture holds true for the task “Answering of Investors’ Questions”. The responsibility for IR Managers to fulfil this task increases with their position in the hierarchy. (see ***Table 9***, p. 60)

seniority	no	yes	total
junior	3	9	12
senior	3	13	16
leadership		3	3
total	6	25	31

Table 8: *– importance of answering investors' questions.*

The same tendency of importance for the task "Creation of Reports" can be seen as for "Answering of Investors' Questions". Being required by 33% of all junior job descriptions, the frequency of this task being a requirement increases to 50% at senior level and to 100% for leadership positions.

seniority	no	yes	total
junior	9	3	12
senior	8	8	16
leadership		3	3
total	17	14	31

Table 9: *– importance of creating reports for the board*

Just as the tasks "Creation of Reports" and "Answering of Investors' Questions", the importance of the task "fulfilling capital market requirements" rises constantly from junior to leadership level.

seniority	no	yes	total
junior	10	2	12
senior	10	6	16
leadership		3	3
total	20	11	31

Table 10: *– importance of creating reports for the board.*

3.3 Job Description of an IR Manager

From the findings above one can derive a general job description for IR Managers according to their hierarchy level. When starting as a junior in an IR department the main task is the preparation of presentations. Additionally juniors are responsible for preparing background information and doing the research needed for presentations.

When moving into a senior level position of the IR department, research and preparation of background information become less important. Instead managers at this level take care of specific questions from investors and start to build up a network in order to keep in contact with investors and analysts. Additionally, they start to create own topic related texts like ad-hoc news. The longer they stay in the department the more they take over additional tasks such as ensuring that capital market requirements are met and the analysis of reports gets more important as well.

When entering a leading position within the IR department the importance of networking and keeping in contact with investors increases. Furthermore, a main duty consists of

ensuring that all capital market requirements and regulations are met. Thus, they need in-depth knowledge of these regulations and requirements. Additionally the leading of the IR department can be considered as a managerial task in itself.

3.4 Are there any Real Estate Specific IR Job Descriptions?

Looking at the three RE specific job advertisements that are included in the sample one cannot discover any discrepancies from the job descriptions of other industries. In general almost no industry specific requirements can be found in the examined job descriptions. It does not seem to matter which industry an IR Manager works in. The tasks seem to be very similar in all industries and the industry-specific knowledge differs only slightly.

This can be backed up by the required working experience for senior and leading positions. Only working experience in the field of IR is required but not necessarily in the same or a related industry. There seems to be only a slight difference between listed and private companies. This can be explained by the different and more severe requirements and regulations for companies which are exchange-listed.

Overall, one can conclude that the general job description of an IR Manager which has been derived previously also holds true for an IR Manager working at a RE company. Thus all general conclusions which will be drawn in the following are also likely to hold for IR Managers who work for a RE company.

	yes	no
English	97%	3%
University	97%	3%
Team and Communication	84%	16%
MS-Office	74%	26%
Analytical Skills	71%	29%
Flexible	52%	48%
Independent	52%	48%
Knowledge of Regulations	39%	61%
Pressure Resistant	39%	61%
Reliable	35%	65%
Other languages	13%	87%

Table 11: *– general skills requirements for IR manger positions.*

3.5 Skills and Profile of an IR Manager

After having derived the job description of an IR Manager the career perspectives IR offers will be analyzed. The skills and profile of an IR Manager represent the basis for this analysis as these variables significantly influence future career opportunities. The profile

and skills can be divided into two categories. The first category is skills which are necessary in order to become an IR Manager and the second is skills which an IR Manager acquires during his career within the IR department. The first category can be derived from the previously used sample as job advertisements indicate the required profile. For the second category it is more difficult to find empirical evidence and thus acquired skills have to be derived from the tasks an IR Manager performs.
For a first overview the table above shows the required skills needed to become an IR Manager. (see ***Table 11***, p. 61)
This table does not consider any differences in seniority but gives a first idea about which skills are required to become IR Manager. English and a university degree seem to be an absolute must. Additionally communication skills and being a team player are very important. For these skills one can conclude that all IR Managers with a high seniority who envisage leaving IR in order to pursue their career in new fields possess them. The remaining skills may only be required for junior staff and could therefore be at least partially absent at senior level. Thus, it is necessary to break down the required skills by seniority level in order to discern which skills are required for entering an IR department and which ones are developed over time and can be attributed to more senior staff that might pursue a different career later on.
When entering a career as IR Manager in a junior position, companies require the following skills from applicants:

	%-yes	%-no	%-internship	%-nice to have
English	100%	0%	0%	0%
University	91%	9%	0%	0%
Team and Communication Skills	73%	27%	0%	0%
MS-Office	73%	27%	0%	0%
Independent	64%	36%	0%	0%
Reliable	55%	45%	0%	0%
Analyitical Skills	45%	55%	0%	0%
Knowldge about Regulations/Balance Sheet Analysis	18%	82%	0%	0%
Flexible	18%	82%	0%	0%
Pressure Resistant	18%	82%	0%	0%
Other languages	9%	91%	0%	0%
Years of Experience	0%	73%	9%	18%

Table 12: *– skill requirements for junior level positions.*

For junior level positions English remains a sine-qua-non requirement. All examined companies agree on this factor. Additionally, potential employees need a university degree in order to be considered for an entry level position as an IR Manager. Team and communication as well as MS-Office skills are also obligatory for more than 70% of all companies. In addition, reliability and independence as well as analytical skills seem to be important for candidates in order to be considered for a job opening in an IR department.
Of minor importance for junior level positions are knowledge about regulations and balance sheet analysis. In line with this skill, the ability of candidates to be flexible and pressure resistant can be found. All three skills are mentioned as a requirement for possible employees in average by only 18% of the examined job descriptions.
In contrast to English, other languages show very low relevancy with only 9%. Job experience is also not required by most companies for entry level positions and 73% of the job descriptions do not mention it as necessary.

The requirements described for senior level positions in the examined job descriptions show a very different picture of the skills possible employees need to have. Hence one can assume that juniors acquire these skills during their first years of job experience on their career path to senior positions.

	%-yes	%-no	%-internship	%-nice to have	%-several	%-1 to 3	%-min 2	%-2 to 3	%-min 5	%-min 3
English	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
University	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Team and Communication Skills	88%	13%	0%	0%	0%	0%	0%	0%	0%	0%
Analyitical Skills	88%	13%	0%	0%	0%	0%	0%	0%	0%	0%
MS-Office	75%	25%	0%	0%	0%	0%	0%	0%	0%	0%
Flexible	69%	31%	0%	0%	0%	0%	0%	0%	0%	0%
Pressure Resistant	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%
Independent	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%
Knowldge about Regulations/Balance Sheet Analysis	44%	56%	0%	0%	0%	0%	0%	0%	0%	0%
Reliable	25%	75%	0%	0%	0%	0%	0%	0%	0%	0%
Other languages	6%	94%	0%	0%	0%	0%	0%	0%	0%	0%
Years of Experience	0%	0%	0%	0%	50%	6%	13%	13%	13%	6%

Table 13: *– skill requirements for senior level positions.*

At first glance, the figures for senior job descriptions seem to be very familiar. Again, English is required by 100% of all job descriptions for this level. The requirement to have a university degree is even higher for these positions as any successful candidate must have one. The importance of being able to work in teams and to have good communication skills increases slightly from junior level to senior level job openings. Additionally, 88% of all senior job positions require good analytical skills. This is a dramatic increase from junior to senior level. Apparently, people with good analytical skills have better chances to become seniors by either climbing the career ladder inside a company or by filling open positions from outside the company.
MS-Office skills are required by junior and senior level position equally. Around 75% of all job openings on both levels require possible job candidates to be familiar with MS-Office.
A huge increase in the requirements for flexibility can be seen when comparing junior to senior level job openings. While only 18% of all junior level positions require their employees to be flexible, 69% of all job descriptions for senior level positions describe flexibility of their future employees as a necessity. Similar to flexibility, the requirement of pressure resistance increases dramatically from 18% at junior level to 64% at senior level positions.
Another important requirement for senior level applicants is independence. 50% of all job descriptions require this skill from their future employees. In contrast, 64% of all junior level positions require applicants to be able to work independently. This decrease is likely to be based on the implicit assumption that an applicant to a senior position has already acquired this skill during his career path since it is one of the major requirements for junior positions.
44% of senior job descriptions mention knowledge about regulations and balance sheet analysis as a requirement for future employees. This is a huge increase in comparison to junior level positions. This increase results from the larger responsibility ensued by progressing to

senior level. Other foreign languages next to English are also a minor requirement for senior level job applicants. This result is very similar to junior level job openings.
As the designation senior level already implies, several years of experience are required by most job openings. 50% of all job descriptions do not explicitly state a specific number of years though. Nevertheless, most job openings that explicitly state the years of experience lie in a range from minimum 2 years to minimum 5 years. 45% of all open jobs require their possible candidates to fulfil this requirement for senior level positions.
The last of the three categories of job descriptions examines job openings for leadership positions. The required skills for these positions will then be compared to junior and senior level positions.

	%-yes	%-no	%-internship	%-nice to have	%-several
English	100%	0%	0%	0%	0%
University	100%	0%	0%	0%	0%
Team and Communication Skills	100%	0%	0%	0%	0%
Knowldge about Regulations/BalanceSheet Analysis	100%	0%	0%	0%	0%
Flexible	100%	0%	0%	0%	0%
Other languages	67%	33%	0%	0%	0%
MS-Office	67%	33%	0%	0%	0%
Analyitical Skills	67%	33%	0%	0%	0%
Pressure Resistant	67%	33%	0%	0%	0%
Reliable	33%	67%	0%	0%	0%
Years of Experience	0%	0%	0%	0%	100%
Independent	0%	100%	0%	0%	0%

Table 14: *– skill requirements for leadership positions.*

Very similar to senior level job openings, 100% of all examined job descriptions require possible candidates to be fluent in English and have a university degree. The ability to work in teams and to have good communications skills become even more important when rising from senior to leadership level. Comparing all three levels of job descriptions, one can see a constant increase of the importance of team and communication skills. In addition all job openings on leadership level want candidates to be familiar with regulations and balance sheet analysis. In comparison, only 44% of the job descriptions for senior level positions require applicants to have knowledge about these topics. All open leadership positions also expect future possible employees to be very flexible. This was also a statistically significant requirement for senior job levels (69%) but only a minor detail in junior level job descriptions (18%).
Another huge difference from leadership positions to senior level job openings is the requirement to be able to speak another foreign language than English. 67% of the leadership positions oblige future employees to do so whereas only 6% of senior and 9% of junior level job openings need to have this particular skill. On the other hand, the ability to use MS-Office is mentioned only by 67% of the examined job descriptions for leadership positions, but by nearly 75% of all senior and junior level positions. This decrease comes from the fact that leadership positions are normally taken by people with significant work experience who have already worked as juniors and seniors and have acquired this skill during their career path. 100% of all leadership job descriptions want possible candidates to have several years of experience. So there is no need to mention this skill explicitly in leadership job descriptions. In addition, 67% of the leadership job openings want future employees to have analytical skills. This is a slight decrease in comparison to senior level positions, but it is still significant. Pressure resistance is required by 67% of all leadership job descriptions which shows a slight increase in comparison to senior level positions. Reliability is not mentioned in many leadership job descriptions (33%) because future employers implicitly assume that candidates have proven such skills during their career path. This can normally be seen from a candidate's track record and references by his former employers.

3.6 Career path

Bringing the findings from the analysis of required skills for each level together, an interesting setting emerges. Skills that are required for junior level positions are on average less important than for senior level positions. The same picture holds true for senior and leadership positions. Overall, the importance of skills from junior to leadership positions increases inversely to peoples' career paths.
The statistically significant requirements for junior level positions loose their significance once higher hierarchy levels are considered. They are simply mentioned less in job descriptions when the job opening is for a higher job level.
But the statistical argumentation of requirements being mentioned in job descriptions is only one aspect. An alternative argumentation would be that the authors of the job adverts implicitly assume certain skills and competencies when writing senior and leadership job adverts. Candidates applying for senior job positions are not required to have fewer skills than junior level job candidates. The difference is that the skills that are required for juniors are simply not mentioned explicitly for senior level positions any more because interviewers believe that possible candidates have already acquired these skills while working in a junior level job. Hence one could say that the requirements for senior job level positions are the junior level requirements plus additional ones. Only the additional requirements for senior level job openings are printed in the job description. That means that senior level job descriptions are accumulations of junior level requirements and additional senior specific requirements. The same logic holds true for leadership job openings. They are accumulations of junior, senior and additional leadership-specific requirements. This logic can explain the statistical difference of requirements for each individual job level.

4. A Practical Approach: Opinions out of the Industry

4.1 Interviewees and methodology

As a complement to the results of the job advertisement research, interviews with key IR agents of the RE sector have been carried out. In total, six interview partners explained their views on the topic. Thereof three are IR Managers in national RE corporations, two are active in the HR related field of RE executive research, and one is employee of a real estate consultant firm, responsible for financial communication. They all have either finance or RE related training or academic background. One interview partner is holding the Certified Investor Relations Officer (CIRO) title. The career tracks of all interviewees are dominated by experience in the RE industry.

The interviews were conducted as structured interviews. Prior to each interview, questionnaires were sent to the interviewees. The questions covered three main fields. After a short introduction of the interview partner and their employers, part one asked for the interviewee's understanding of a job description for IR Managers in the RE sector. Part two then covered required profile and skills of the applicants. Finally part three covered their opinion on career perspectives of IR Managers. The results will be explained in the following sections.

4.2 Job Description

The results concerning the job description are in line with the statistical results of the previous investigation of job advertisements. Generally speaking the communication with capital markets is considered as the main task of an IR Manager. Here communication may be broken down into internal and external.

Internal communication comprises the creation of transparency within the organization itself. The IR Manager needs to be up to date with the concerns and decisions of the so called technical departments creating marketable vehicles. Hereby a clear communication strategy has to be defined, in line with the views and wishes of the technical personnel as well as the directors.

However, external communication represents the largest share of IR efforts. These dialogues concern actual as well as potential shareholders, analysts and the media in general as well as rating agencies. The main tools applied in this context are push tools such as road shows, one-on-ones, Thompson presentations and conference calls, ad-hoc publications and annual general meetings. They also include pull tools such as annual reports, financial statements and corporate websites, besides daily telephone conversations and the exchange of information via email.

None of the interviewees sees a significant discrepancy between the tasks of IR Managers in the RE industry and their colleagues in other sectors. Still, sector specificities and knowledge about tools is necessary, but can be learned. All interview partners indicated that during the past years, IR in the RE industry underwent significant changes. Since local RE markets gained international relevance, the degree of international focus of IR activities increased. Due to the upcoming number of competitors the intensity of professionalism as well as the prominence of IR also rose.

4.3 Required Profile and Skills

The interviews show that successful IR Managers need two different types of skills: an appropriate professional background as well as the adequate personality.

Since IR mainly addresses market participants with an academic background in business administration and finance, the academic and professional background of an IR candidate for the RE sector should show similar expertise in this field. Hence business administration and finance related studies are typically considered beneficial for applicants.

Nevertheless skills and knowledge in this field may also arise from experience and training. Communication studies or an in-depth knowledge of the legal context are also perceived as advantageous. Reliable negotiation skills in English are mandatory. In general, the interviewees see only a few possibilities to train IR skills directly. Usually, unless the applicant studied abroad, he was not able to study IR as a full time degree and at best had some exposure to the subject in finance-related courses. In Germany, the CIRO offered by the "Deutscher Investor Relations Kreis" (DIRK), is considered to be the only relevant degree specialized in investor relations.

These hard facts of a proper academic background were already mentioned in the job advertisements included in the study. On the other hand, soft skills are an actor that cannot be assessed objectively and are therefore left to the subjective opinion of the interviewer during the hiring interviews.

As one might expect, all interviewees agreed that communicational skills are essential for IR. The IR Manager should communicate naturally, in a clear and short manner, objectively and independently of his emotional situation. He should appear open, nice and bright. In addition, an IR Manager should be in the position to express even highly critical topics in the right manner and with the right words without creating disaffirmation. Besides being an ideal spokesperson, an IR Manager must be able to listen and to feel the needs and sorrows of his counterparties. In addition, an experienced IR Manager may be networked in a way beneficial to his future employer. Nevertheless, such qualifications are not considered indispensable and may develop with the time of employment.

Considering the development of the required profile there is a clear link to the development of the job description. With the increasing internationalization as well as professionalism, the demand for sufficient language skills and an appropriate academic background are also increasing. It is very likely that this trend will continue and probably with further technological developments the demand for electronic media will increase, as seen with the ongoing improvement of websites as information sources and annual general meetings provided as live web casts and Thompson presentations. This in turn will increase the demand for applicants skilled in using these communication methods efficiently.

4.4 Career Perspectives

All interviewed IR Managers indicated that they are the first in their organization to serve this specific function. In conclusion, this implies that the typical career path of an IR Manager is yet undefined.

All interviewees agreed that IR Managers will always be able to follow this position in another organization even including a switch from listed to private companies. However, such possibilities appear natural. Beyond this, having an academic background and extensive communication skills as a representative, the necessary skills of IR Managers may qualify them for the position of CFO or CEO. Nevertheless, a pure investor relations involvement may not present a sufficient background for such aims. It will be beneficial for candidates to acquire additional qualifications, for instance through a position in the finance department. With increasing demand for IR departments as well as managers, this trend needs to be assessed within a longer period of time.

5. Conclusion

The empirical analysis of job requirements as well as the conducted interviews with industry experts yielded no fundamental differences between tasks and requirements of IR professionals in the RE sector and those in other industries. The main responsibility of an IR Manager in the RE sector lies in the definition and implementation of a clear communication strategy towards current and potential future investors, analysts, rating agencies, the media and other actors of capital markets. While this central role is shared by all three hierarchy levels, the latter differ when it comes to the intermediate roles. Juniors spend a considerable portion of their working time preparing presentations and researching background information. Seniors do less preparation and focus more on analyzing reports, answering counterparties' questions and fulfilling capital market requirements. In a leadership position, preparation looses even more in importance and the focus clearly lies on answering specific questions of the counterparties and ensuring that capital market requirements are met. Additionally, leading the department is a significant task in itself.
When it comes to the qualifications of an IR Manager in the German RE market, the analysis showed that profound language skills in English as well as a tertiary education in a business or finance related subject are crucial to succeed. As one might expect, communication skills are also highly important and team orientation completes the list of key factors. Further qualifications depend mainly on the level of seniority the applicant is applying to. Indeed senior positions require much more resistance to pressure, flexibility and analytical skills than junior ones. For leadership positions, thorough knowledge of regulations is an additional criterion. When it comes to soft skills, the ideal RE IR Manager should communicate naturally, in a clear and precise manner and have a professional and objective attitude displaying no emotional overreactions. As he deals with highly trained professionals on a daily basis, he should be in a position to express even the most complex topics in a smart but comprehensible manner and understand his counterparties' needs.
The interviews with RE IR experts have shown that due to its early stage, the IR sector does not have its typical career progressions yet. Nevertheless, mastering the challenges involved in leading an IR department including the need for outstanding communication skills qualify IR Managers for a wide array of careers in other fields. This can even lead to a CFO or CEO position if additional experiences in other fields were gained as well. Asked about their opinions on the future of IR in the RE sector, all interviewees expressed confidence that the ongoing maturing process of the German RE market will push IR to unforeseen importance. Many companies are likely to go public within the next few years and thus create a significant demand for IR Managers. The maturing process will also improve further the industry's degree of professionalism, for instance through dedicated university programs as can be observed abroad. Overall, the future for IR looks very bright and should encourage more and more students to consider it as a viable area to begin their professional careers in.

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Fixed Income Investor Relations – How to Communicate with Debt Holders?

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1. Introduction

1.1 Problem Definition

Fixed Income is increasingly gaining importance for the real estate sector: In search of new sources for financing, real estate companies have recently begun turning to the capital markets and employ advanced financing instruments into their projects. The debt capital markets are especially of relevance for the real estate sector since both markets share medium- to long-term orientation, a relatively low degree of risk and moderate return expectations. However, the exposure to capital markets brings about new challenges for real estate companies.

A higher exposure to capital markets requires an increased communication due to the much larger scope of potential investors. Accordingly, real estate must increase the investor relation endeavors to appeal to their customers and the new markets they are acting on. Other market participants have obviously had the chance to optimize their communication with investors. The question arises, what the real estate sector can learn from other's past experiences and in how far it can implement measures proven to be successful in the past.

The aim of this paper thus is to set a basis for Fixed Income Investor Relations in real estate from a methodological point of view. The decisive factors of Fixed Income in general and in the real estate context are described and the respective communicative structures are presented and analyzed with regard to their effectiveness. It is not, however, in the scope of this paper, to develop an optimal communicative strategy for real estate companies. Nor will the paper relate to possible company internal aspects such conflicts related to ramifications for Investor Relations effort or internal communicative structures, but rather concentrate on the outside communication.

1.2 Course of Investigation

This paper will start of with an introduction to fixed income and place it in the greater context of the capital markets as well as the respective business intending to issue a fixed income product. Afterwards, the fixed income products relevant in the real estate context will be presented and their characteristics will be outlined. The main part of this paper will then establish a communicative structure to further the issuer's main target of creating trust in the issued product as well as attractiveness on the market. The main investor groups will be described and their different investment approaches will be shown. Besides, the communicative target groups not directly investing in the products but nevertheless of great relevance for the investors' investment decision will be depicted. In the following, the communicative strategies to bring the ideally positive appearance across to the different communicative target groups will be pictured. Lastly, a brief conclusion will sum up the findings of this paper and provide a critical outlook.

2. The Relevance of Fixed Income Investor Relations

This chapter serves as basis for the subsequent analysis of fixed income investor relations. It will first highlight the increasing relevance of debt markets and then focus on the rationale of fixed income investor relations. Finally, a juxtaposition of fixed income and equity story puts the analysis of fixed income investor relations into a broader context and addresses the issue of whether the communication with equity and debt holders should differ.

2.1 The Importance of Debt Markets

Legislative and institutional changes, the cyclical development of the world economy at the beginning of the 21st century, such as recent developments on the stock markets significantly affected financial markets. Nowadays, transparency, liquidity on commercial markets, and the assessment of risk factors increasingly impact the investment decisions of economic actors.[98] This trend causes enterprises to modify their financial management. Moreover, traditional loan provision by house banks will be increasingly substituted by market oriented financing such as bond flotation and other credit instruments. The Basel II Accord, and the growing importance of ratings corroborate this development.[99]

The financing through the issuance of fixed income instruments is a very complex and progressively more important segment of the capital market. Notable in this regard is that the German fixed income market is significantly larger than the equity market. In 2003 for example, the volume of bond issuances added up to €347bn, whereas the share issuances were significantly lower with a volume of € 222 bn.[100] The unprecedented demand for transparency on today's financial markets paired with the keen competition in winning new debt investors triggers the necessity for effective, goal oriented, and sustainable fixed income investor relations.[101] However, despite the high relevance of the debt side for corporate finance, many companies still underestimate the information requirements of fixed income investors.[102]

2.2 The Rationale behind Fixed Income IR

Fixed income investor relations denominate the continuous dialogue between issuers of fixed income financing instruments and the current as well as potential debt holders, both private an institutional. In addition, fixed income IR managers should constantly communicate with rating agencies and their debt analysts. Continuous means that communication should not only take place when new bonds are being issued, new credits are being raised or credit lines are being negotiated. To pave the way for an outright process of communication, fixed income IR should not exclusively focus on actual bondholders, but also on lending banks, which are of special importance for companies that are not listed on the stock exchange.[103] In a more general sense, companies should aspire to conduct proactive communication by providing their potential and current debt holders with all the information that may be of significance.

Grunow/Oehm (2004) define the major goals of fixed income IR as the creation of sustainable mutual trust and the establishment of a long-term oriented target to improve the investor's and the rating agencies perception of the company's creditworthiness.[104] A survey of investors, fixed income IR managers, credit analysts and rating agencies, conducted by Lowis/Streuer (2006) identifies the reduction of the cost of debt as the major goal of fixed income IR of banks and industrial enterprises.[105] Apart from that, fixed income IR should serve to provide a basis for stable demand for new bond issues by preparing and communicating new bond floats, negotiating new credit lines, and attracting new investors.

In general, fixed income IR should be conducted by every company, which uses debt products. In this regard, there should be a positive correlation between the extent of debt

98) Cf. Grunow/Oehm (2004), p. 1.
99) Cf. Grunow/Oehm (2004), p. 2.
100) Cf. Alphéus (2004), p. 5.
101) Cf. Grunow/Oehm (2004), p. 2.
102) Cf. Lowis/Streuer (2006), p. 4.
103) Cf. Lowis/Streuer (2006), p.8.
104) Cf. Grunow/Oehm (2004), p. 3.
105) Cf. Lowis/Streuer (2006), p. 8.

financing and the intensity of fixed income IR. Besides, the financial strength and especially the creditworthiness of a company highly impact the content and the extent of the communication activities. The lower a company's creditworthiness is rated the higher is the necessity for continuous and transparent communication to mutual trust with the potential investors and to set the course for an upgrade of the rating.[106]

2.3 Equity Story versus Fixed Income Story

Debt and equity financing offer manifold opportunities for raising funds; a commercially adequate ratio between debt and equity financing should be maintained. In this regard, there should also be a balanced ratio between fixed income IR and IR for the equity side. However, concerning capital market communication the importance of the debt side is often underestimated by enterprises.[107] The principal rationale behind fixed income IR should be congruent with the communication with equity investors. Focus has to be placed on open, credible, sustainable and transparent communication.[108]

In the light of the difference between equity and debt investors, however, the issue of whether enterprises have to develop different capital market stories has to be addressed. In principle, the capital market perceives a company as an entity and therefore a company's communication should also be consistent. Vivid communication between equity- and credit analysts, as well as equity and bond investors and the fact that all capital market actors pay high attention to the assessments of rating agencies corroborate the requirement of a consistent capital market story. Significantly deviating fixed income and equity stories will likely confound investors and will thus trigger contradicting interpretations and speculations.[109] With regard to the business model, strategy, and the risk- and profit situation of the company the information requirements of equity- and debt holders are largely identical: The survey of Lowis/Streuer (2006) delivers the estimate that 80 to 90% of the information requirements of equity- and debt holders are concordant.[110] The diverging information requirements are largely attributable to differing investment rationales.

In general, it can be said that the volatility of stock prices accommodates an upside- as well as a downside potential for the equity holders. Debt holders on the other hand have an asymmetric profit and loss profile. While their upside potential is limited to interest payments and the repayment of the nominal value of their investment, they face a downside potential in the form of problems with the settlement of bond issues or the omission of interest payments, and thus can incur a total loss.[111] This indicates that debt holders are primarily interested in information that allows them to derive to conclusions for their downside potential.[112] Generally, equity holders are keener on information about the growth-story of the company, whereas debt holders are more interested in information on the stability-story of the company.[113] With regard to certain debt instruments such as covered bonds, asset- and mortgage backed securities, which are especially relevant for real estate companies, the emphasize is rather placed on the quality of the guaranteed assets than on the creditworthiness of the debt issuing company.[114]

The different investment rationales also accommodate conflicts of interest between debt- and equity investors. In this regard it is the task of IR managers to communicate certain sensitive topics with the required circumspection. A fixed-income investor would gene-

106) Cf. Lowis/Streuer (2004), p. 9.
107) Cf. Lowis/Streuer (2006), p. 4.
108) Cf. Lowis/Streuer (2006), p. 19.
109) Cf. CIRO (2006), p. 26.
110) Cf. Lowis/Streuer (2006), p. 10.
111) Cf. Lowis/Streuer (2006), p. 21.
112) Cf. Lowis/Streuer (2006), p. 10.
113) Cf. CIRO (2006), p. 26.
114) Cf. CIRO (2006), p. 26.

rally welcome a capital increase since it would increase the debts issuer's ability to meet financial obligations. The equity holder on the other hand might disfavor a capital increase since a capital increase can have a dilutive impact on the share price and thus a negative impact on return on equity and earnings per share. On the other hand an equity investor should welcome share repurchases since the reduction of the number of shares outstanding could be earnings per share accretive and thus positively impact the share price. The debt holder on the other hand would negatively value the liquidity loss related to the share repurchase. The same rationale holds for an increase in dividend payments, which generally should be welcomed by the equity holders. In the course of the different investment rationales of equity and fixed income investors it is important to communicate sensitive topics with the required discretion.[115] The summarizing remark for this section of the paper is that fixed income and equity specific topics have to be identified and communicated transparently. However, there should be no deviation in the story lines of fixed income and equity (One-voice-Policy).[116]

3. Fixed Income in Real Estate

3.1 Overview

Fixed Income has become a major source of financing in real estate. There are a number of reasons for this development. In general, the real estate sector appears to be particularly well suited for fixed income products as the real estate industry is considered more stable compared to other industries, in particular because cash flows are of recurring nature and typically less cyclical. This makes projections easier and also more accurate. Moreover, as real estate investments have been growing in size, the necessity for larger amounts of financing has also been increasing accordingly. Since bank loans as well as syndicated bank loans often do not provide sufficient funding and banks act cyclically in their loan granting policies, larger real estate companies have turned to the capital markets for their financing needs. Also, financing through fixed income securities seems even more attractive as capital markets not only provide a relatively liquid but also a cheap source of financing when compared to bank syndicates.[117] As securitization in most cases requires a certain financing volume to be worthwhile, it is mostly larger real estate companies that are able to issue these securities. Apart from these companies, real estate banks have also been making use of the capital markets in order to refinance their outstanding bank loans.[118] Hence, it is not surprising, that particular fixed income products have evolved that are used explicitly in the real estate context. In order to understand the importance of fixed income investor relations for real estate it is necessary to look at these products in more detail. In the following a brief overview will be given on fixed income products that are particularly suited for real estate investments.

3.2 Asset-Backed Securities (ABS)

One of the major fixed income products used for real estate investments are Asset-backed Securities (ABS). In the real estate context, the evolvement of ABS transactions is a rather new development. Particularly in Germany most real estate investments were traditionally financed through covered bonds or banks loans.[119] The German real estate market has

115) Cf. CIRO (2006); p. 27.
166) Cf. Lowis/Streuer (2006), p. 22.
117) Cf. Damaske/Kretschmar (2006), p. 576, 592.
118) Cf. Damaske/Kretschmar (2006), p. 584f.
119) Cf. Damaske/Kretschmar (2006), p. 584f.
120) Cf. Interview of May 26th, 2007 with Bernd Heuer.

witnessed an inflow of new innovative financing methods. In consideration of the long-term development of the market, this trend towards more complex financing and less focus on the respective object is regarded critically.[120] A real estate project is inevitably connected with a certain amount of risk. With the emergence of ABS, banks were given the possibility to eject the credit risk of the respective transaction from their balance sheets. What followed was a boom of securitization.[121] Further discussion falls outside the scope of this paper, but it remains to be noted that the question arises, to what extend the risk of a project can be transferred into a risk in financing and how the latter – depending on how advanced the financing structure becomes – is again spread on other parties involved.[122]

ABS are bonds, which are collateralized with assets on the balance sheet of the issuing company. The asset types used as collateral are typically real estate or loans. In many cases the collateral provides investors with more security than the overall creditworthiness of the issuer. Accordingly interest payments on the bond are therefore usually cheaper than on bonds without collateral. In the real estate context a specific type of ABS is often used where the collateral consists of receivables from mortgages. These types of ABS are also referred to as Mortgage-backed Securities. Usually the securities are issued through a separate legal entity, which is formed for this special purpose ("special purpose vehicle" – SPV). Once the SPV is formed the collateral asset is then sold to the SPV, which then issues the securities. The investors are then repaid through the mortgage repayments. By using a special purpose vehicle the risk for the investors of not being repaid equates to the risk of the non-payment of the mortgages. Also the use of a special purpose vehicle enhances the transparency for investors as well as rating agencies as it encourages a thorough risk analysis.[123]

Mortgage-backed Securities can be classified into different categories. First of all a classification can be made with regard to the duration of the securities. Short-term securities are called Commercial Papers, while middle- and long-term securities are called Term Notes. As real estate financing is generally long-term oriented it is not surprising that Term Notes are of rather greater importance. Another classification can be made between Residential Mortgage-backed Securities (RMBS) and Commercial Mortgage-backed Securities (CMBS). In the case of RMBS the securitized assets consist of mortgages for private customers that are used to finance freehold flats, one-family houses or small more-family houses. Residential Mortgage-backed Securities are regarded as rather safe investments and are often receive rating of AAA. On the other hand the securitized assets for CMBS consist of mortgages for companies. In this case the collateral usually consists of mortgages for offices commercial real estate. Compared to residential buildings the fluctuation in the commercial setting is much higher and therefore CMBS are not as stable as RMBS.[124]

3.3 Covered Bonds

The issuance of Covered Bonds is a form of financing that is also particularly relevant in the real estate context. Covered Bonds function similar to Asset-backed Securities. Yet, there are a number of significant differences. In general, Covered Bonds can be characterized as debt securities, which are covered by assets, typically mortgages. However, unlike with ABS the collateral assets stay within the balance sheet of the issuing company

121) Cf. Damaske/Kretschmar (2006), p. 584f.
122) Cf. Interview of May 26th, 2007 with Bernd Heuer.
123) Cf. Damaske/Kretschmar (2006), p. 576.
124) Cf. Damaske/Kretschmar (2006), p. 583f.

and thus also the credit risk stays with this legal entity. Another significant difference is the fact that only in the case of insolvency of the issuing company the collateral will be used to pay off the investors. In that case the investor will have access to the pool of assets that cover the bond. Covered Bonds have a long history in Germany. In the real estate sector the so-called "Hypothekenpfandbriefe" play an important role in particular.[125] Similar to MBS, the collateral in this case consists of mortgages on property. Hence, they are seen as rather safe investments. To provide for additional safety the issuing banks (Hypothekenbanken) typically only use portfolios of high quality mortgages as collateral to provide for a very low probability of default and thus offer an attractive opportunity for bond investors.[126]

The overview has shown that fixed income products play a significant role as a source of financing in the real estate sector. It becomes apparent why the use of fixed income in real estate makes sense. Hence, it is not surprising to find tailor-made real estate specific fixed income products.[127] Most of these products are secured through collaterals, which makes them safe and therefore attractive to bond investors. The fact that there are particularly well-suited products for real estate makes an effective communication to the investor even more important. In the following, the different types of investors and communicative target groups will be presented and communicative patterns will be analyzed. It is crucial to understand the underlying motives of the concerned participants before discussing the communicative patterns in detail.

4. Communicative Channels and Measures

4.1 Overview

Investor Relations has the aim of creating and ensuring demand for the offered Fixed Income product. In order to do so, the issuer faces a range of channels and target groups for communication. The main target groups can be summed up as follows:

- Private Investors
- Institutional Investors
- Creditor Banks
- Banks (Sell-Side Analysts)
- Rating Agencies.

All communication endeavors are eventually targeted to have effect on the final investor. To emphasize the communicative paths, the major Investor Relation target groups are therefore divided up into direct and indirect communicative channels with regard to their approach to the final investor as can be seen in the following figure (see ***Figure 1***, p. 78). On the one hand, it is crucial for the issuer to establish a sustainable basis of trust with the investor, which can best be realized by direct communication with the respective investor group.[128] The relevant investor groups can be classified as three major groups: private investors, institutional Investors and Banks. The different investor groups will be further introduced and characterized in light of their investment behavior and informational demand in the following part. On the other hand, the investors gather informa-

125) Cf. interview of May 15th 2007 with Ute Schmidt-Klauer, EuroHypo.
126) Cf. interview of May 15th 2007 with Ute Schmidt-Klauer, EuroHypo.
127) Cf. interview of May 15th 2007 with Ute Schmidt-Klauer, EuroHypo.
128) Cf. Grunow/Oehm (2004), p. 3.

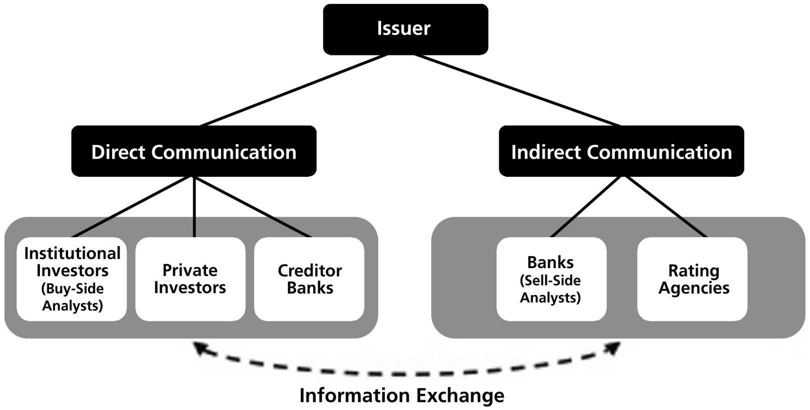

Figure 1: *Communicative Channels from the Investor's Perspective.*

tion from the market by themselves to evaluate investment decisions. In the case of Fixed Income products, they turn towards ratings executed by well-established rating agencies, such as Standard & Poor's and Moody's. Ratings are of substantial importance for all issuers, as ratings allow for simple comparison of products in the market and at the same time, investors for large parts base their decisions primarily on external ratings. Besides, they gather information from investment recommendations that can be found in market reports conducted by large investment banks (respectively their analysts). In turn – even though to much lesser extend – rating agencies and investment banks monitor the investment behavior of investors concerning a respective investment product. Different investment strategies may draw conclusions about i.e. a products volatility that may in turn affect the rating. The indirect channel of communication is of substantial importance since investors tend to rely on and trust external professional opinions as well as appreciate increased comparability. Therefore, Investor Relations must be aimed at closing in on the investor "on all fronts" by aligning the different interests and shaping attractiveness.

4.2 The Importance of Individualized Communication

Generally, it is important that contact with and information flow to the important groups of investors exists on a regular basis in order to build up trust, decrease a product's volatility and stabilize the credit spreads. This is also of particular importance if the company is planning the emission of new bonds, since those efforts will attract new and old investors. In order to achieve those goals, it is important to provide various information for the investors, which can be divided into information relating to the investment product and information on the issuer of the product. Information on the investment product should contain the duration, the interest and the risk profile of the relevant product. On the other hand, information on the issuer should consist of strategic information, especially on planned investments, financial data that is important to investors, the quality of the company's management, and external credit ratings. A special focus should lie on the "Track Record" and the quality of the overall company, in order to built and increase trust among investors. In this context a survey conducted by the DIRK (2005), also showed that investors

want to be informed about the content of rating meetings, changes in the rating and rating commitment, risk management, cash flow outlook, financial policies and others.
Even though the informational demand by the different groups of investors are quite similar, a distinction between private investors, institutional investors and banks has to be made, and it is still necessary to prepare and present information differently in terms of format as well as content, to differing groups of investors.
The following section shall show the individual requirements of the three investor groups, depending on the objectives and differing investment horizons and interest they have. Also the particular importance for investors in real estate companies shall be laid out.

4.3 Direct Communication

The major groups of investors that were identified and shall be focused on in this paper are private investors, institutional investors and banks. Within the institutional investors a further separation into different investors can be made, as will be shown in this section. Besides the three major groups of investors identified, another important communicative target group mentioned are rating agencies or credit analysts, so called multiples. Even though the multiples will be focused on in the following section of this paper, it has to be stressed out that the work of fixed income investor relations has to suit the individual requirements of the different communicative target group.[129]

4.3.1 Private Investors

Private investors generally invest into bonds on a relatively low level. One reason is the relatively low volatility of debt investments. Bonds offer less chance of a high return and are therefore often less attractive to the private investor group than stocks. Besides, as bonds are in contrast to stocks not as strongly represented in the media, they do not attract a great deal of attention. Although companies target their bond floats mainly at institutional investors, private investors, at the same time, buy-and-sell bonds through the secondary market, which in turn has an effect on bond prices.[130] Real estate fixed income products are a good alternative to other asset classes from the investor's point of view: Due to the stable industry and the recurring cash flows, the investment products can be considered as rather safe.[131] Safety is a major determinant for many private investors. Besides, private investors interested in spreading the risk within their portfolio by means of diversification may consider buying real estate fixed income products.
Private Investors represent a heterogeneous and relatively big group among the different investor groups. Contacting private investors confronts companies with a challenge: the usage of communication channels for contacting them is relatively time and cost intensive. At the same time, private investors represent the target group with the smallest invested capital compared to the other investor groups.[132] Therefore a high effort in cost and time is related to a relatively small amount of invested capital. Companies should be aware of this relation to evaluate the time and cost effort they are willing to engage. This has to be kept in mind to ensure an efficient allocation of their resources and avoid inefficient behavior within their strategy of issuing bonds.
However, private investors constitute an interesting target group for companies. They have proven to show persistence in their investment strategy due to the fact that they often do not have such high-performance pressure as institutional investors do. When

129) Cf. Kirchhoff (2005), p. 38.
130) Cf. CIRO (2006), p. 20.
131) See 3.
132) Cf. Krystek/Müller (1993), p. 1788.

problematic situations occur, private investors tend to behave more loyal in comparison to other investor groups.[133] This effect may help issuers to prevent large capital outflows in changing market conditions and keep the volatility as low as possible in striving for stability.
Private investors are generally not as knowledgeable about an investment opportunity as i.e. institutional investors. Therefore they expect structured and easily understandable information concerning the bond emission to avoid complexity and a lack of understanding. The objective should be to clearly demonstrate the relevance of the investment and provide the investor with the most important facts concerning the actual bond float and besides basic background information on the real estate sector to provide a better understanding of the product offered and create confidence in the investment decision.[134] One point especially of interest to private investors concerns the withholding tax, since the amount of tax has a great impact on the interest earnings. Details concerning information on advanced paybacks should be included as well to enforce the private investor's confidence in investing into the bond.[135] An open communication policy can enhance the level of trust that private investors have towards the company. Therefore it is necessary to realize the objectives of credit relations, meaning reducing cost of capital and risk premium.[136] Nevertheless, companies need to keep in mind that investing into communication to contact potential private investors should not lead to an unbalance according to the relatively small amount of capital that is generally invested by private investors.

4.3.2 Institutional Investors

Institutional Investors have increasingly gained importance in Germany during the 1980s and 1990s, among them especially investment funds. The institutional investors are usually in the focus of IR efforts, since their investment volumes are much higher than the investments of private investors. As a consequence, institutional investors have the highest investment potential, and accordingly expect a higher level of information.[137]
The group of institutional investors in fixed income products of real estate companies can further be subdivided and specified into different kinds of funds like pension funds, public funds, hedge funds, and also insurance companies. Due to their investment objectives, motivation, and investment horizons, these investors also have differing information requirements, which have to be taken into consideration by the IR department. This paper gives a brief overview of the differing informational demands within the group of institutional investors. Obviously, not all different types of investors as well as a most detailed listing of the sometimes subtle differences in information requirements will be described, since those mostly depend on the individual investor as well as the exact investment product. Nevertheless a generalized view is presented in the following.[138]
Insurance companies mostly pursue so called "buy and hold" strategies, meaning that they buy the product (bond) and hold it for a long period of time. Insurance companies usually pursue this long-term investment strategy (time range between five and 30 years)[139] in order to match their long-term liabilities. Accordingly, insurance companies are very much interested in continuous information on the overall development of the company, and usually take the credit rating or the coupon into consideration when making the investment decision.[140] As a result, it seems logical to put a focus on this information when

133) Cf. Kirchhoff (2005), p. 40-41.
134) Cf. Grunow/Oehm (2004), p. 220.
135) Cf. Mann (2007), p. 37.
136) Cf. Grunow/Oehm (2004), p. 2-3.
137) Cf. Kirchhoff (2005), p. 41f.
138) Cf. Lowis/Streuer (2005), p. 10; Grunow/Oehm (2004), p. 62.
139) Cf. Alphois/Lois (2005), p. 23.
140) Cf. Lowis/Streuer (2005), p. 10; Alphois/Lois (2005), p. 22.

communicating with insurance companies, especially on the credit rating or coupon if a new emission shall be placed.
Similar to insurance companies are pension funds, which have a long-term investment horizon (ten to 30 years)[141] and also pursue a "buy and hold" strategy. Pension funds as well have to match their long-term liabilities, try to diversify their portfolio and generate a higher return by adding corporate bonds. The similarity to insurance companies further exists in the information requirements, which are regular and constant information on the overall development of the issuing business.[142]
Public funds can be observed as being more active than the previous mentioned institutional investors, and they have a higher focus on receiving a higher return as compared to investing into government bonds. This type of fund invests into all kinds of durations and products and is not only interested on constant and regular information on the development of the overall company, but also on particular events that influence the development of the bonds. Finally, Hedge funds are the most active of all institutional investors considered in this section. Generating a maximum return is basically the primary investment motivation of this investor. Accordingly hedge funds are very short term orientated and especially interested on short-term developments and current events that influence the development of the bond.[143]
Generally it can be noted, that institutional investors are less interested in past developments, than in the strategic orientation and current developments of the issuing company.[144] The management and the recent development of the company, as well as the level of debt, are at the centre of attention and consequently have to be a main part in the communication with these investors.[145]

4.3.3 Banks

Banks are another major investor in fixed income products and hence target group for communicative endeavors, since they are not only able to invest into bonds, but also provide loans to real estate companies. In this matter, corporate bonds can be seen as substitutes for loans and can represent an excellent alternative. The motivations behind the investment for banks are accordingly stable and save revenues from loans or additional income through the investment into bonds. Consequently, banks are also interested in the long-term development of the debtor and want to be informed on the overall development of the company on a regular basis.[146]
If a company plans on receiving a loan, the information requirements have strongly increased since the implementation of the Basel II Accord. Loans over €1m now require an intensive rating through the bank, which is comparable to the process of a rating agency.[147] This includes a quantitative part comprising the annual accounts of the previous three years, as well as a forecast for the coming three years. Besides the quantitative part there is also a qualitative part, focusing on strategic issues like the various business areas, the market position, the management and others. This is in many terms similar to the information the bank and other investors would require before investing into bonds. Considering information on a regular basis, Basel II requires a yearly update on this information.[148]

141) Cf. Alphois/Lois (2005), p. 23.
142) Cf. Lowis/Streuer (2005), p. 10; Grunow/Oehm (2004), p. 62.
143) Cf. Lowis/Streuer (2005), p. 10.
144) Cf. Kirchhoff (2005), p. 41.
145) Cf. Grunow/Oehm (2004), p. 221.
146) Cf. Lowis/Streuer (2005), p. 10; Grunow/Oehm (2004), p. 62.
147) For further discussion of the rating process see 4.3.2.
148) Cf. Lowis/Streuer (2005), p.22.

Summing up, it can be said that the information requirements for banks are similar to those of other institutional investors, unless the company wishes to receive a loan, in which case the requirements and efforts are clearly higher in light of the Basel II Accord.

4.4 Indirect Communication

In light of the permanent introduction of new innovative financing products, investors are in need of orientation on the capital market. They seek for unbiased professional opinion on a product they are considering investing into. Therefore, the most important target groups for Investor Relations are Rating Agencies and Buy-Side Analysts. Both rating agencies and market reports of Investment Banks reap a very high credibility by the market.

4.4.1 Sell-Side Analysts (Investment Banks and Funds)

Sell-Side Analysts mostly work in the research department of banks. Their focus lies on the analysis of relevant information and the release of buy or sell recommendations that are mostly publicized. The Buy-Side-Analysts are their direct customers. From the issuer's point of view, they therefore act as a multiple.[149]

However, there are two types of sell-side analysts. On the one hand, there is the "classical" sell-side analyst that publishes his or her investment recommendations in form of research that is accessible to the broad public. On the other hand, there is the "desk analyst". He or she does not publish research data but supports the bond trader of the own bank concerning investment decisions. Besides, they provide information on their assessment of certain bonds or issuers upon investor inquiry. However, a true multiple function can only be attributed to the "classical" sell-side analyst.

The informational demand of sell-side-analysts aligns with their role of advisors for investors. They are interested in all information relevant for a thorough assessment of the issuer and the product emitted. Some of the most important aspects are the respective investment policy, ratings, cash flow projections and maturity profile.[150]

4.4.2 Rating Agencies

Indirect communication with the investor through rating agencies is one of the most powerful communicative channels. Investors, especially banks and institutional investors, put a great deal of trust into the professional opinion of rating agencies. The most prominent and most relied on rating agencies are Standard & Poor's and Moody's.[151]

The increasing variety of innovative financing products enhances the capital market's dynamic overall; in course the quality of the "right" rating in the credit and bond business becomes ever more essential to provide means of orientation for investors. Apart from investors' interest in bonds, the rating of the relatively new asset class of Asset Backed Securities will gain larger attention in line with higher inflows of money into that asset class. The presently used rating methods for ABS, mostly bank internal, do not provide for the necessary objectivity and transparency to ensure a high degree of accuracy in evaluation.[152]

Looking at the issuer's perspective, the Debt Story is part of its' larger Capital Market story. All communication should therefore be handled according to the "One-Voice-Policy" to prevent mistakes and deliver a thorough image with all communication partners.[153] In order to generate trust among rating agencies and indirectly among investors, the creation of a positive market history or "track record" is crucial. Due to its large impact on the

149) Cf. Lowis/Streuer (2006), p. 29.
150) Cf. Lowis/Streuer (2006), p. 22.
151) Cf. Lowis/Streuer (2006), p. 35.
152) Cf. Grunow/Oehm (2004), p. 27.
153) Cf. Lowis/Streuer (2006), p. 35.

perception of a product on the market, rating agencies have to be informed about every important aspect. Besides, the rating of a certain fixed income product significantly influences its costs of issuing and the risk premium.[154] Taking the shift of the investor's attention towards ratings into account,[155] the issuer must gasp the full scope of the importance of a proper rating.

The informational demand of rating agencies is substantially beyond the demand of all other communicative interest groups; their accessed information is for large parts confidential. In general, rating agencies do not want to be surprised by any news surrounding the rated company. In the case of i.e. a significant acquisition the acquirer should notify the rating agency prior to disclosing the acquisition. The financial reports should be provided to the rating agencies before disclosure as well. In any case, letting the rating agency know before the market does gives the rating agency a confident informational lead which it requires for conduct thorough ratings.[156] In light of a most realistic and thorough rating of a company, agencies take all measures to get the best impression possible. As a part of that, they are likely to visit the company side upon their first rating.[157]

The process of a first-time rating in general is broad and follows a Top-Down-Analysis. Such an analysis moves from a macro nation-wide perspective over an analysis of sectors and industries into further detail until the company or product level is reached.[158] After the gathering of data, both team and singular analyses revise the data. In a team analysis, a few analysts agree on an opinion about the quality of the offered product. Before final disclosure of the rating, a preliminary assessment is made by the rating committee which is discussed with the concerning company. Once the company has agreed, the rating will be published and regularly reviewed.

Transmission Channel	Active Communication	Passive Communication
Electronic Transmission	• E-Mail • Newsfeeds, such as Bloomberg	• Informational Web Page
"Traditional" Transmission	• Mailing • Fax	• Faxback
Telephonically Transmission	• Telephone Call	• Informational Service
Personal Transmission	• One-on-One • Presentation, Workshop • Roadshow, Conference	• Press Conversation with Q&A
Publication in the Press	• Determined, Initiative Reporting of Selective Areas and Special News	• Regularly General Reporting

Figure 2: *Communicative Measures*
Source: Grunow/Oehm (2004), p. 199.

4.5 Communicative Measures

Target oriented, sustainable and clear communicative concepts allow for successful addressing of traditional as well as new investor groups. Generally speaking, the more professional the appearance of an issuer on the market is, the more positive the perception

154) Cf. Lowis/Streuer (2006), p. 27.
155) Cf. Grunow/Oehm (2004), p. 27.
156) Cf. Lowis/Streuer (2006), p. 36.
157) Cf. Lowis/Streuer (2006), p. 35.
158) Cf. Lowis/Streuer (2006), p. 36.

by the latter will be.[159] Active communication is typically more effective than passive, it does not, however, dispense it. Current, singular and substantial issues must be submitted to all investors, analysts, as well as intermediaries and opinion leaders actively. In contrast, fundamental, statistical, and regular information is better distributed to the interested audience in a passive way to be available on specified demand.[160] The range of communicative instruments is broad. There are traditional transmission mechanisms such as one-on-one meetings and innovative techniques based on the advancement such as E-Mail and Internet. Generally, the over time proven instruments still show the most effect today. With the use of all today available communicative measures, their success can again be substantially increased.[161] In the following, the main communication instruments are described and arranged to their best use. (see ***Figure 2***, p. 83)

The preferred and most effective instruments for communication are personally transmitted, among them especially one-on-one meetings with investors and road shows.[162] In one-on-one meetings, Investors can be provided with detailed information and concepts; the information exchange is intensive and the setting provides for discussion.[163] Aside from a sound strategy and working numbers, investors consider the subjective assessment of credibility and competence of the management as a decisive factor.[164] Road shows obviously require a much larger scale of operations and therefore are more complex. Exclusive road shows for the Fixed Income side only, mostly interesting for larger scale originators, expresses investor orientation and trigger acceptance advantages among the target group. Besides one-on-one meetings and road shows, conferences are an also highly frequented interactive media as well. They should ideally cover both equity and debt investors. In light of a thorough capital market story, such events sufficiently cover both interest groups.[165] Conferences and road shows are especially useful to analysts in case of the presentation of a longer or more complex circumstance. They do allow for direct response to the product or news presented: Ideally, the contact that develops between the participants in course of an event will shed a positive light on the conference and therewith the company and product in general. In turn, issuers should nevertheless be aware of the possible potential of multiplying a negative sentiment.[166] Presentations, another interactive media, are suited for the introduction of new concepts and strategies, as well as financial results. With an increasing number of presentations being held nowadays, high emphasis should therefore be placed on delivering interesting and attractive contents.

A telephone call is a possible substitute for a personal meeting. Decision makers appreciate personal contact as long as it is used moderately. Analysts are i.e. informed about current events by phone the most efficient way. The telephone call as a communicative measure is however not suitable for longer analyses or circumstances.[167]

The traditional transmission channels of fax transmission and direct mailing have lost their importance in the past years. However, direct mailing is still used to provide investors with studies and analyses of interest to them. Analysts, in turn, demand rather comprehensive information sent by mail. Looking at private investors, direct mailing is primarily useful for sending invitations to events.[168]

On the side of innovative transmission channels, the transmission by E-Mail has become an excellent means for contacting investors and analysts. In light of the issuers' striving for professional appearance, it is crucial that the content of an E-Mail is of high quality and limited in complexity. E-Mails are predominantly used to keep analysts informed about the numbers and hard facts. Even though electronic communication is becoming increasingly important, not all communication target groups use it on a regular basis. Investors do not necessarily follow news feeds, such as Bloomberg and Reuters. More frequent users would again be analysts; they retrieve information concerning i.e. the development of business or financial structure. The Internet is nowadays referred to as a source of recent information by private investors only, even though larger issuers have implemented information offerings relevant to investors into their Internet presence to further the impression of transparency.[169] Live feeds of press conferences and live presentations aired on the Internet are however highly frequented by all communication interest groups.[170] Apart from that, the Internet is increasingly being used for data research, providing that the necessary soundness has been acquired by long-term acceptance as basis.[171]

Press publications only impose a notification and possible reminder effect with the investor. They do not have any influence decisions. They could only (accidentally) be of interest to journalists that deduce further information from publication patterns (concerning i.e. the preparation of a merger or acquisition).[172]

5. Conclusion

Real estate companies are increasingly turning towards capital markets for their project financing. Accordingly, the real estate sector and the market participants are becoming exposed to capital market related issues. Such exposure requires a stringent appearance on the market, namely a thorough capital market story. The long-term and stable nature of the real estate business makes it especially interesting for the fixed income sector. Fixed income products in turn are appealing to relatively risk-averse investors, ranging from private investors over institutional investors to banks, which do not only invest into bonds but also grant loans to real estate companies.

Entering the fixed income market, new demands and strategies concerning communication are crucial for succeeding and building up trust, acceptance and attractiveness. Fixed Income Investor Relations gain recognition as an important factor for success – the advancement among real estate companies is however still relatively limited. Such companies have to distribute a positive image through all channels, be it of trust with the investor or of stability and solid performance with rating agencies and investment banks. Rating agencies' assessments of companies and issued products as professional opinions are valued the highest by the market which can be attributed to their confidentiality, their most complete information and informational advantage.

Generally proven methods of communication such as road shows, presentations and one-on-one meetings are the most efficient ones – they are most useful when complex situations and information should reach as many investors as possible.[173] The best communication with the investor generally speaking is the direct, personal approach. Analysts are mostly interested in hard facts, which can best be delivered through presentations and the

159) Cf. Grunow/Oehm (2004), p. 198.
160) For example financial reports available for downloading on the company's homepage.
161) Cf. Grunow/Oehm (2004), 198 f.
162) Cf. Leinberger (2007), p. 35f.
163) Cf. Grunow/Oehm (2004), 200.
164) Cf. Lowis/Streuer (2006), p. 25.
165) Cf. Lowis/Streuer (2006), p. 25.
166) Cf. Grunow/Oehm (2004), p. 200.
167) Cf. Grunow/Oehm (2004), p. 204.
168) Cf. Grunow/Oehm (2004), p. 204.
169) Cf. Leinberger (2007), p. 35.
170) Cf. PricewaterhouseCoopers (2001), p. 18.
171) Cf. Grunow/Oehm (2004), p. 208 f.
172) Cf. Grunow/Oehm (2004), p. 209.
173) Cf. Grunow/Oehm (2004), p. 204.

modern forms of submission of news. Representatives of the media, in turn, are interested in exclusive, catchy information.[174] Institutional Investors are, like analysts and representatives of the press, most safely and effectively reachable by direct and indirect communicative channels. Private Investors, in contrast, are more susceptive to journalistic and public instruments of communication.[175]

The exposure to debt capital markets transfers real estate aspects to the world of capital markets and away from simply object or project related problems. On the one hand, this allows real estate companies to free themselves from the dependence of procyclically acting banks and gather capital from other sources. The cyclical behavior is undoubtedly often of disadvantage to actors on the real estate markets as it inevitably ties their hands. However, great and unquestionably promising projects have over the long run in the past (without advanced financing) never faced serious problems gathering financing. It were the rather more risky or qualitative less sophisticated projects pushed forward in a positive market notion that enjoyed profiting from more lax credit granting banks in such phases. The years after many of those projects fail, increasing the pressure on the financing banks, which are at that time already caught in the economical downswing. Easier access to financing may therefore occasionally lead to less preferable results over the medium and long run. The transmission of real estate risks to the financial markets and therefore away from the object or project should be regarded with caution.[176]

174) Cf. Grunow/Oehm (2004), p. 212.
175) Cf. Grunow/Oehm (2004), p. 213.
176) Cf. Interview of May 26th, 2007 with Bernd Heuer.

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List of interviews

To support the practical relevance of this paper and the findings about the methodological aspects of communication and its structures, two interviews were conducted. Both interviews were held openly and with mutual consent without recordings and protocol. The interview partners were as follows:

Ms. Ute Schmidt-Klauer, a Fixed Income Investor Relation manager of EuroHypo. EuroHypo is the leading provider for property and public sector finance as well as bonds in Europe with total assets of almost € 240bn.

Mr. Bernd Heuer has been a real estate consultant for more than thirty years. Mr. Heuer has constantly shown great intellectual understanding of developments in all parts of the real estate industry as well as initiated many trends, especially in the area of urban planning and real estate education.

Financial market communication strategies in a multi-country comparison

Yangiong Huang, Jukka Parkkamäki, Jean de la Rochebrochard, Joshua Wright

1. Introduction

1.1 Motivation

The real estate investment market has faced different developmental steps during the last years. With the capital market being integrated into the real estate investment market, and new investment products being introduced, the environment has become more global and transparent. Different types of investors meet different types of sellers, where the internal financial communication, plays a key role in the negotiation process.

The tendency towards more transaction-based procedures, demands new behavioral models from the market players. Special knowledge is required in the different steps of a transaction process. A real estate transaction may be a long process where different specialists are needed in regard to the valuation, legal issues, technical issues and environmental issues.

Special knowledge is also required when speaking about acquisitions of real estate companies. Every real estate company is heterogeneous, due to the differences in the assessed portfolios. IPOs and transactions of real estate companies are increasing in number. For IPOs, the financial communication is different that for normal portfolio transactions. Differences in financial communication after an acquisition, differentiate these two cases. As mentioned above, special knowledge is needed in this area, and due to this fact, new consulting companies that are getting more specialized in their respective areas, can be found in the market. Negotiation skills have been playing a central role when speaking about real estate promotions. In the past, when the transactions were smaller in size and the number of buyers was limited, the negotiation and finance communication had totally different requisites. Today, in a transaction process, the number of individuals involved is larger than before, which directly affects the whole promotion and negotiation process from both, the point of view of the seller and the buyer. The transparency of the market encourages more and more individuals to invest in real estate.

1.2 Course of the investigation

The financial communications can be divided in two different parts. On one hand, financial communication refers to the communication between the company and the equity providers. On the other hand, the communication between the real estate promoter and the buyer represents a different perspective.

In framework of this case study, the comparison is done on the financial communication in the context of real estate portfolio promotions. However, a literature overview is presented for the financial communication processes between the company and the equity provider to make the overview of the financial communication more comprehensive. The first part of the paper goes into detail with this process.

In order to understand the finance communication process from the seller's point of view, it needs to be understood who the investors are, and how a transaction process is structured. The second part will delve into detail regarding the promotion process and different types of auction processes. Auction processes can be seen as a central part of the promotion process.

To be able to do a comparison regarding finance communication in different countries, a questionnaire was sent to investors in the respective countries of origin for each group member. The third part of this paper will compare the different financial market communication strategies in China, Finland and France. All of the three countries are in different market situations, and have different backgrounds regarding real estate investments. Short facts about each real estate market (e.g. market phase, size, etc.) are presented due to the fact that real estate cycles affect the promotion strategy as well as the negotiation position of the seller. The centre of this part consists of a comparison between the different countries. There are differences in cultural factors, in market cycles and in the size of the markets. The answers from the questionnaire are analyzed and the differences are highlighted.

2 Literature overview - Communication processes

2.1 Communication with shareholders

In financial markets, management communication is becoming increasingly important as financial institutions are investing more in complex products and portfolios. Communication

with investors can be useful because managers typically have better information about their firm's current and expected performance than the outside analysts and investors. By communicating effectively with investors, management can potentially reduce this information gap, lowering the likelihood that the stock will be mispriced or unnecessarily volatile. This can be important for firms that wish to raise new capital, avoid takeovers, or whose management is concerned that its true job performance is not reflected in the firm's stock.

The typical way for firms to communicate with investors is through financial reporting. Accounting standards and auditing make the reporting process a way for managers to not only provide information about the firm's current performance, but to indicate, through accounting estimates, where they believe the firm is heading in the future. However, financial reports are not always able to convey these types of forward looking information that investors require. Accounting standards often do not permit firms to capitalize outlays that provide significant future benefits to the firm, such as R&D.

A second way that management can communicate with investors is through non-accounting means. Some mechanisms were discussed, these include: meeting with financial analysts to further explain the firm's strategy, current performance and outlook; disclosing additional information, both quantitative and qualitative, to provide investors with similar information as management's; and using financial policies (such as stock repurchases, dividend increases, and hedging) to help signal management's optimism about the firm's future performance.

Communication through financial reporting

Financial reports are the least costly, and the most popular format for management communication. However, the role of financial reporting as a means of investor communication, because of the institutions that make accounting information credible, in turn can potentially render it ineffective.

Accounting as a means of Management Communication

Financial reports are an important medium for management communication with external investors. Reports provide investors with an explanation of how their money has been invested, a summary of the performance of those investments, and a discussion of how current performance fits within the firm's overall philosophy and strategy.[177]

Accounting reports not only provide a record of past transactions, they also reflect management estimates and forecasts of the future. For example, they include estimates of bad debts, forecasts of the lives of tangible assets, and implicit forecasts of how outlays will generate future cash flow benefits in order to exceed their costs. Since management is likely to be in a position to make forecasts of these future events that are more accurate than those of external investors, financial reports are a potentially useful form of communicating with investors. However, investors are also likely to be skeptical of reports prepared by management, as managers have conflicts of interest in providing information that will be used to assess their own performance.

Limitations of Financial Reporting for Investor Communication

While accounting standards, auditing, monitoring of management by financial analysts, and management concerns about their reputations, increase the credibility and informa-

177) For example, George Foster, "Rambo IX: Briloff and the Capital Market," Journal of Accounting, Auditing & Finance 2, No. 4 (Fall 1987): 409–429, finds firms that are criticized for their accounting by Abraham J. Briloff on average suffer a 5% decline in their stock price.

tiveness of financial reports, these mechanisms are far from perfect. Consequently, there are times when financial reporting breaks down as a means for management to communicate with external investors. These breakdowns can arise when: (1) there are no accounting rules to guide practices, or the existing rules do not distinguish between poor and successful performers, (2) auditors and analysts do not have the expertise to judge new products or business opportunities, or (3) management faces credibility problems due to past history.

2.2 Other forms of communicating with investors

Given the limitations of financial reporting, firms that wish to communicate effectively with external investors are often forced to use alternative media. Below we will discuss three alternative ways that managers can communicate with external investors and analysts: meetings with analysts to publicize the firm, expanded voluntary disclosure, and using financing policies to signal management expectations. These forms of communication are typically not mutually exclusive. For example, at meetings with analysts, management usually discloses additional information that is helpful in valuing the firm.

Analyst Meetings

One popular way for managers to help mitigate communication problems is to meet regularly with financial analysts that follow the firm. At these meetings, management will field questions about the firm's current financial performance, as well discuss the future business plans of the company. As noted above, management typically provides additional disclosures to analysts at these meetings. In addition to holding analyst meetings, many firms appoint a director of public relations to provide regular contact points with analysts seeking more information on the firm.

In the last five years, conference calls have become a popular forum for management to communicate with financial analysts. Recent research finds that firms are more likely to host calls if they are in industries where financial statement data fail to capture key business fundamentals on a timely basis[178]. In addition, conference calls themselves appear to provide new information to analysts about a firm's performance and future prospects[179].

Additional Voluntary Disclosure

One way for managers to improve the credibility of their financial reporting is through additional voluntary disclosure. Accounting rules usually prescribe minimum disclosure requirements, but they do not restrict managers from voluntarily providing additional information. This can include articulations of the company's long-term strategy, specifications of non-financial leading indicators useful in judging the effectiveness of the strategy implementation, explanations of the relation between the leading indicators and future profits, and forecasts of future performance. Voluntary disclosures can be reported in the firm's annual report, in brochures created to describe the firm to investors, in management meetings with analysts, or in response to investor relations requests for information[180].

178) See Sarah Tasker, "Voluntary Disclosure as a Response to Low Accounting Quality: Evidence from Quarterly Conference Call Usage," Review of Accounting Studies, forthcoming.

179) See Richard Frankel, Marilyn Johnson, and Douglas Skinner, "An Empirical Examination of Conference Calls as a Voluntary Disclosure Medium," working paper, University of Michigan, 1997.

180) Mark Lang and Russell Lundholm, "Cross-Sectional Determinants of Analysts' Ratings of Corporate Disclosures," Journal of Accounting Research 31 (Autumn 1993): 246–271.

One constraint for expanded disclosure, is the competitive dynamic in product markets. Disclosure of proprietary information on strategies and their expected economic consequences, may hurt the firm's competitive position. A second constraint is management's legal liability. Forecasts and voluntary disclosures can potentially be used by dissatisfied shareholders to bring civil action against management for providing misleading information. Finally, management credibility can limit a firm's incentives to provide voluntary disclosures.

Selected Financial Policies

Managers can also use financing policies to communicate effectively with external investors. Financial policies that are useful in this respect include dividend payouts, stock repurchases, financing choices, and hedging strategies. One important difference between this type of communication and additional disclosure becomes apparent when the firm does not provide potentially proprietary information to competitors. The signal, therefore, only indicates to competitors that a firm's management is bullish on their future, but it does not provide any details.

3 Real estate promotion process

3.1 Different steps in the promotion process

Different steps have to be taken into account when promoting a real estate portfolio. The first step in promoting real estate portfolios is to identify the properties that should be sold. A vendor due diligence has to be done; it can be made by the company itself or by an external advisor.

The second step is to do a so called short list of potential buyers. Potential investors are divided into different segments in regards to their investment strategy and their nationality. Domestic and foreign investors have different requirements concerning specific needs for information of the promoted portfolio due to legal and tax issues.

The next step in the promotion process, is to write teasers for potential investors. The aim of teasers is to briefly present the offering in order to attract the interest of the potential investors. Interested investors have to sign a confidentiality contract and receive a memorandum on the promoted asset. A memorandum is a detailed description of the market, the promoted real estate and the schedule and description of the bidding process.

The fourth step is marketing the promoted asset. In this phase, the financial communication becomes increasingly important. An active communication with potential buyers can be observed. More detailed information is provided by a request from the investor's side, inspections are done and problems with the potential buyers are solved. The finance communication in this phase plays a very important role and is crucial for the success of the whole promotions process.

The fifth step is obtaining the indicative bids. Every interested investor gives an indicative bid before the stated deadline in the memorandum details. Based on the bids, the highest ones are invited to the next phase. Among other things, access to the data room can potentially be granted.

Finance communication is present during of all these steps, but in the fifth step the com-

munication can add value for both sides. Here the bids are done and issues that come up during the process are solved[181].
The chart below illustrates a standard real estate transaction process. The total time of a transaction can differ consistently.

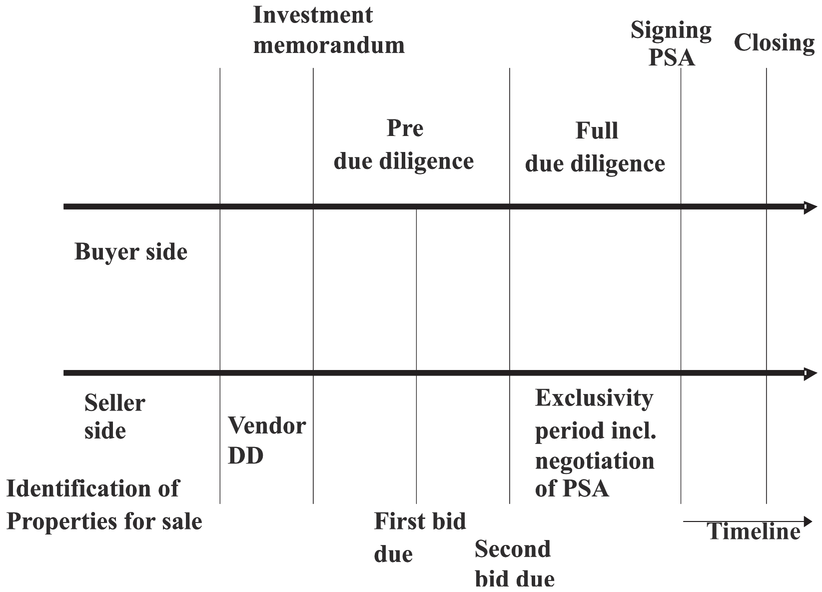

Figure 1: *Clemes Schäfer: Lecture at European business school November 1, 2006.*

3.2 Auction processes

3.2.1 Exclusive investor procedures

In an exclusive investor procedure, the seller addresses only a few potential clients. By doing so, the confidentiality level remains very high. This can be seen as an advantage. On the other hand the bidder competition is very limited, which can affect the purchase price negatively. Throughout this procedure, the investors who do not want to participate in more complex processes can be reached, even in cases where costs are extremely volatile, and where the probability of success is significantly lower. If, in an "exclusive" investor procedure the asset is not sold, the seller still has got the possibility to sell the asset with another selling strategy (e.g. by making an auction). The process also has some drawbacks. However, under certain legal restrictions, this method is not allowed. For example, in many countries where the public sector is involved as the selling entity, a structured bidder process has to be carried out, due to the legislation[182].

3.2.2 Limited bidder procedures

The limited bidder procedure is a little less confidential than the "exclusive" investor procedure. The aim of this process is to segment and analyze the investors. Only potential investors are addressed with a teaser and an investment memorandum. In this procedure,

181) Newsec Oy, Finland.

182) Rottke (2007), Class in Real estate Investment Banking.

the confidentiality is on a relatively high level, although the number of bidders increase relative to the "exclusive" strategy. A high degree of both confidentiality and competition can be seen as important advantages within this auction procedure. The drawbacks are similar to those of the "exclusive" investor procedure. Additionally the procedure takes longer period of time to complete[183].

3.2.3 Structured bidder procedure

One of the most common auction procedures is the structured bidder procedure. The size of the promoted portfolios is larger than in limited and exclusive bidder procedures. The seller wants to attract as many investors as possible to achieve the highest price. This particular procedure has several advantages compared to other auction methods; all investors are addressed, legally it is not restricted, and the transparency is high. This is a signal that the seller is really interested in finder a buyer.
The high transparency can also be seen as a disadvantage. Internal information is made public. Also, the time issue is a problem for this type of procedure. The seller tries to make the selling process shorter in order to get a higher price. When investors do not have enough time to perform a due diligence, it can discourage them and make them feel that they are not able to value the portfolio properly. Some investors do not attend larger auctions due to the fact that due diligence steps increase and raise the costs. At the same time, the probability to acquire the portfolio decreases due to the large number of bidders. Failed sales processes can have dramatic damages on the reputation of the seller[184].

3.2.4 Off-market deals

In so called "off-market" deals, the buyer contacts the seller and makes him an offer. For example, in Finland a real estate portfolio (a fund managed by CapMan) worth almost €130m was sold in the beginning of this year. It is beneficial to mention in the context of this type of deal. In the case of this sold portfolio, a structured bidder procedure was already set up when the advisor of an investor contacted the seller and made a considerably higher offer.

4 Multinational comparison

In this paper, the financial communications in three different real estate markets are compared. France, China and Finland differ widely and present their own distinct characteristics. All of the countries have different cultures, which also affects financial communication. France is one of the biggest real estate markets in Europe, China is a fast growing market with great potential for the future, and Finland is a small but quickly growing market. To be able to carry out this comparison, a questionnaire was sent to one investor in respective country. The comparison is concerned mainly with the following issues:

- The most important steps in a portfolio promotion
- How do cultural factors affect financial communications
- How are the relationships with the investors maintained
- The development process of financial communication in recent years
- The education concerning financial skills

183) Rottke (2007), Class in Real estate Investment Banking.

184) Rottke (2007), Class in Real estate Investment Banking.

4.1 Financial market communication in France

We are going to focus our study of the French, non-listed real estate investment companies or SCPIs (Société civile de placement immobilier), which are collective investments schemes (CIS). The SCPIs are regulated "sociétés civiles", and require an authorization delivered by the French Financial Markets Authority (Autorité des marchés financiers, AMF) when they solicit investors through public offerings (appel public à l'épargne). Until 2003, due to reforms, the SCPI could not be considered a limited liability vehicle. Each investor in an SCPI incurs a maximum liability corresponding to double its' capital investment. Because of this reform, SCPI bilaws can adopt a limited liability mechanism whereby each investor's risk is capped at the level of its investment.

The sole purpose of the SCPI is the acquisition and management of real estate assets for letting. This limited purpose excludes real estate developments, and limits the amount of money that can be invested in capital expenditures, such as for refurbishment. In addition, the SCPI cannot sell buildings within six years of their purchase, or dispose of more than 15% of its assets each year.

The SCPI is managed by an AMF-approved and regulated management company. Although the management company looks after the SCPI, the general meeting of the SCPI's investors considerably limits its discretionary powers. For instance, the management company can only enter into credit agreements or assume debts within a maximum limit, set by the general meeting. In addition, general meetings of SCPI investors have the power to revoke the management company responsibilities.

A supervisory board elected by the general meeting of SCPI investors (and comprising SCPI investors), assists the management company in the performance of its duties, and can carry out inspections and validations that are deemed appropriate. SCPIs can be open-ended or closed-ended funds. Most SCPI are closed-ended vehicles. In 2006, € 23bn have been invested in Offices Portfolios by SCPI investors.

Promoting priority

There are two main categories of SCPI, the one composed of offices and commercial property (90%), and the one composed of residential assets (10%). Offices provide highest returns for the following reasons:

- Larger Surfaces
- Geographical diversification
- Management of rental risks
- Low rate of vacancy because of longer leases
- Regulation being oriented with the market

When comparing the promotion processes of office portfolios and residential portfolios some differences can be found. The due diligence process takes a longer time in promotion of office portfolios. Tenant risk is higher, so more due diligence must be done. In office portfolios there are usually an anchor tenant, who affects the valuation. In residential portfolios no anchor tenants can be observed.

Impact of portfolio sizes

By definition, the size of residential portfolios is less significant than that of office or commercial portfolios. Residential portfolios are promoted to individuals and local investors while foreign investors and professionals invest in offices and commercial properties. Larger portfolios are, in general, easier to promote. However, the size does not change the method of promoting products. It is more about the characteristics of the product itself because different benefits can be realized when investing in residential portfolios relative to office portfolios.

Cultural factors affecting financial communication

There are no major cultural factors that affect the financial communications in France. However, environmental issues are considered as increasingly more important by the investors. Handling environmental issues is an important part of risk management today and will only become a more important issue in the future.

Laws and regulations concerning land and real estate

SCPIs are fiscally transparent. Companies declare their revenues as corporation tax and individuals as income tax.

The key factors regarding SCPI.

SCPI must provide the following information:

- Rate of Return: This has to evolve in parallel to the share's price. It is better to have the history of the previous incomes distributed during last years by the company, as well as have the evolution of the portfolio. This is only possible with a SCPI which already has certain "seniority".
- Carry-forward: This is a provision of dividend for future years, which can compensate a fall in income. This reserve, having been already taxed, serves to stabilize, and to even increase the return for future years. Most importantly, the higher the carry-forward is the more the future income is protected.
- Provision for important repairs: This integrated into the provisional balance sheet of the company. It includes those provisions that enable the company to assess the quality of the assets and the durability of the goods involved.
- Value of execution: Every year, all the assets composing the SCPI are assessed by an independent expert accredited by the AMF. The net asset value is a base to compare the real value of the SCPI with the amount of capitalization.
- Charges: The initiation fees vary between 5 and 12% of the transaction. They incorporate in the event that a right of entry is up to 5%. The management fees vary between 8 and 10%. The session fees, in anticipation or not, are usually covered by the buyer.

4.2 Financial communications in China

China has made a huge progression forward since it opened its' doors to the outside world in late 1970's. It has embraced a market-oriented econmy after being ruled under a centrally-controlled system for almost 30 years. The real estate market has witnessed an incredible and unprecedented development in both transaction volume and investment environment. Currently, there are approximately 25,000 real estate brokerage agencies employing over 200,000 agents. In addition, an estimated 20,000 property management companies employing over 2 million people exist in China. Recently the Chinese real estate market has been heading for a globalize investment base, where private equity has been playing an active role, in order to exhibit a much stronger position than ever.

Global real estate investments
So far, the impact of economic reforms that have been taking place in the world's fourth largest economy, has impressed a large number of global funds. It is believed that significant foreign direct investment in the Chinese economy is vital for its' continued growth and development, and to look forward to playing an integral role in that process. The real estate industry has steered much of this investment and represents a significant percentage in the traditional Chinese economy.

Private Equity Financing
Private equity investments in Chinese real estate companies has become an irreversible trend. After File 171 was put into force, many foreign private equity funds have focused their strategy on investing in real estate companies or equity investments in real estate projects, rather than purely purchasing investments. Foreign private equity funds are accelerating their paces forging into China due to three main opportunities; Beijing Olympic Games, Shanghai World Exhibition, and the anticipation of RMB appreciation. Apparently, the increasing economic globalization and the improvement of the investment environment in China would provide huge possibilities for more foreign private equities funds entering the Chinese real estate market. Also, the large population base in mainland, and the high-speed domestic economy implies a booming market for investment in Chinese real estate market.
Despite the large volume of transactions and investments, there exists some problems in financial communication which are very difficult to deal with. Compared with U.S. and other developed markets, China's real estate industry is less experienced and immature in terms of investor relationship management. Besides cultural differences, the concerns facing investors may range between the lack of transparency laws and minimal regulations, the bureaucracy of agencies, and the complicated taxation system.

Promoting priority
Generally speaking, the sequence of promotion intensity is office, commercial, and residential respectively. Due to the strong growth of the fundamentals of the economy in China and FDI in the tertiary industry, the demand for Grade A office space has become quite robust and the high-end real estate always receives the most attention and concern.
In China, due to some cultural reasons, the residential real estate is always on the buyside market and faces a surplus purchasing power. Family savings were the main financing resources, which stood at about 6700 billion RMB (1 trillion U.S. dollars in 2000). However, government funding and bank loans were also among the favorite alternatives. Due to these facts real estate companies do not need to expend a lot of energy to promote their residential portfolios.

Impact of portfolio sizes
The larger the portfolio size is, the better it is for the promotion. For the institutional and foreign investors, reliance on the quality of the portfolio, on the size, and on the location

drive decision to invest. For some state-backed projects, the size is as large as the whole area involved, and brings in a new forms of investment-private equity (also referred to as industry funds). For example, as a strategic hallmark, Tianjin Bohai District founded a regional private equity fund, which attracted billions in investments, to support the whole area's real estate market development. However, the larger the size is, the more restrictions it faces. These challenges range from government policy, public concerns, and other kinds of social forces. For example, due to rising worries about the real estate "bubble", China announced new rules in May 2006, to curb accelerating foreign investment in its' real-estate market. This can be viewed as the government's latest effort to rein in the fast-growing economy. Under such a background, investors are more cautious to invest in the super sized and luxurious real estate available.

Cultural factors affecting financial communication
Culture factors are leading to many headaches for Chinese real estate companies to communicate with foreign investors, especially in the context of increased globalization.
According to the statistical data of Chinese private equity market research, from January to November in 2006, the Chinese real estate industry has absorbed an investment amount of 2.398 billion USD of foreign private equity, which account for 42.6% of the total investment amount in traditional industries (5.624 billion USD). This figure refers also to 20.4% of the whole amount invested in the Chinese private equity investment market as a whole (11.773 billion USD). The large amount of foreign investments and increasing number of market players denotes that the Chinese real estate market is open to the international trend. When foreign investment becomes indispensable in domestic markets, local real estate companies are making efforts to overcome some cultural gaps and create an international image for investors.
During the process of promotion, in general, real estate companies or real estate funds will adopt different methods for different targets. For example, Japanese backed projects should be careful of US/Euro/Asia backed projects as they are being highlighted by their high-end positioning.

Laws and regulations concerning land and real estate
Compared to other country's real estate markets, it should be noted that the central role the government plays in the Chinese real estate market is an essential consideration. It is always quite important for investors to determine the impact of the government regulations and relations will have on real estate companies before entering the market. The rules regulating the real estate business conducted by foreign investors consist of two levels, central government and local authorities. The central government has provided several guidelines to regulate land administration. Local authorities (provinces, cities and/or counties) have also posted some regional regulations and policies that are applied only in particular local jurisdictions. Often local authorities offer some incentives designed to attract foreign investors. The State Council is empowered to act on behalf of the State to administer owned-land. These rules, unveiled recently, target property speculation, and could potentially reduce investment from overseas. But their effect on the overall market is likely to be primarily psychological because foreign money accounts for a relatively small share of total spending on property in China. Furthermore, in recent

months, the government has raised interest rates, reduced the share that deposit banks can lend, and set limits on new investments in luxury real-estate projects.
Although some efforts have been made, the lack of transparency in administrative procedures, and arbitrary application of regulations and laws remain one of the main problems that have discouraged foreign companies to invest in China. This situation has changed a lot since China's WTO accession, and some entry barriers have disappeared for all kinds of market participants.

Measurement and control of the effect on the communication management process
Normally funds hire a financial expert that we call CFO for the CFO, which means we will do a periodic site inspection on the portfolio company. Also, there should be a quarterly financial report from portfolios. The reports should be reconciled with the financial budget included in their business plan. Large fluctuations are not acceptable over 5% compared to committed budgets.

Balancing relationships through an effective financial communication system
It is difficult to balance all parties including the general public, share-holders, employees, government institutions, and investors, as each of them have different concerns. Therefore it become apparent that promotions should have specific targets and priorities. One important factor determining priority, is the stage of the project. In regards to real estate, if the projects are on the way to government approval, it is important to stay quiet and let it happen. If the project has reached the sales stage, the target is the investors. This is also the phase for intensive investor communication through press conferences, bulletin boards, use of marketing tools. After the sales phase of the project, the general public will be the potential targets in order to maintain customer bases and build a good brand reputation.
This exception falls when the source of funding is from the public market (not private placement), the shareholders will never become the target of media policy, as they can receive sufficient internal information from the board upon request.

What kind of investors do you target when promoting different sizes of investment?
Companies always have a short list targeting potential investors when promoting different types of real estate. The establishment of more MNC regional headquarters in China, particularly the further expansion of the foreign financial institutions, brought sustained and strong demand. For example, in Q1 2007, robust demand pushed the vacancy rate of Grade A offices in Shanghai down to 3.5%.

Problems with local partners
For investors as new entrants into the Chinese real estate market, the problem of developing and maintaining relationships with local partners and governments, stands out as one of the most crucial drivers of success. Usually foreign companies or funds will hire someone to be a regional representative, who can deal with the multidimensional relationships with local partners, investors, and government. For example, this January, Blackstone announced plans to open a private equity office in Hong Kong to expand their investment activities in the Asia Pacific region. At the same time, it is announced that Antony Leung had joined the firm as a Senior Managing Director and Chairman of Blackstone for Greater China. This former Financial Secretary of Hong Kong from 2001 to 2003, had over 30 years of financial services and public sector experience within the market.
Also, there are some third-party companies like consulting companies and professional IR companies that taking over the responsibility of managing customer's investor relationship by targeting potential investors, conveying necessary information and keeping regular contact with the investor base.

Development of financial communication
Real estate firms in China are facing more financing choices from various channels. To rephrase this, even if the firms have problems communicating with external investors, they may be able to use financing choices to reduce them. For example, a firm that is unwilling to provide proprietary information to help public investors with valuation, it may be possible to provide such information to a knowledgeable private investor, who can become a large stockholder/creditor, or a bank that agrees to provide the company with a significant new loan. A firm with credibility problems in financial reporting can sell stock or issue debt to an informed private investor such as a large customer who has superior information about the quality of its product or service.

4.3 Financial communications in Finland
During recent years, the number of international investors has increased rapidly in Finland. In 2006, over 50% of invested capital came from foreign investors, compared to one year earlier, when the number was only 39%. The total real estate investment volume reached over €5bn in 2006, while in the previous year was only 2.75. Before 2002, hardly any foreign investors invested in Finland. Therefore, the globalization of real estate investment market is a relatively new phenomenon in this region. Furthermore, it must be mentioned that local investors started to invest in real estate more heavily at the end of the 90's. When speaking about financial communication in the Finnish real estate market, these facts affect the dimensions of financial communication.
There are approximately 30 to 40 larger domestic and foreign real estate companies, which own a total volume of real estate worth almost €20bn. The biggest property owners are institutional investors and non-property companies. There are only a few of listed property companies.
Due to the short investment history for the Finnish market, real estate investors have not been actively doing exits. It has mainly been insurance companies and other companies who do not have real estate as their core business, who have sold properties. The first foreign investors who came at the beginning of the 21st century are now going exit after an assessing time period of 5 years.
To be able to analyze the level of financial communications in the Finnish real estate market, a local private equity investor by name CapMan has been interviewed. CapMan has been active on the Finnish real estate market for only a couple of years, and during this time, they have only done one exit.
Capman is a capital investor. The company was founded in 1989. In year 2005 the turn over was €28.7m. In the end of year 2005 Capman had 87 employees. Two-thirds of all

the real estate transactions in Finland are portfolio transactions. Most of the transactions are either retail or office portfolios. Only a small number of residential portfolios can be seen in this market. Due to the short history of real estate investments, no standard ways of promoting different types of portfolios have been implemented. What CapMan stated was that there are general promotion strategies that can be implemented to all asset classes. The experience of CapMan in exit transactions is still too limited to get more into further details. CapMan does not have a specific strategy for different property types, instead they apply the exit strategy that generates the highest value. Additionally the market situation, the market cycles, and the level of secrecy affect this decision. For the moment, the market situation in Finland favors portfolio transactions, but they can potentially turn against the seller due to their development. Some potential investors systematically avoid auctions, due to increasing costs and to low probability of getting the portfolio.

Promotion priority
For Capman the most important steps in promoting a real estate portfolio are; short lists where they map out the potential buyers, the contact people of the buyers, teasers and memorandums, inspections and due diligences (vendor and legal DD) and some additional analysis of the environmental and technical issues. The aim of the process is to get all necessary information to the potential buyers in order to sell the portfolio.
In the Finnish market, the seller usually uses a local advisor for the promotion process to show credibility to the potential buyers. Due to this, it is very important to choose the right advisor. The price is not the main criteria; one looks more at the strength of the advisory company. In Finland, there are several good advisory companies, but the number is still lacking. Due to this fact, investors establish local organizations to implement their investment strategies.

Impact of portfolio sizes
Foreign investors, especially those who do not have a local platform, are more interested in larger portfolios. The interest in big portfolios among local investors is limited. For smaller portfolios, it is more or less the opposite. The size of the portfolio affects the out-mapping of the potential buyers. In smaller portfolio transactions, the costs can raise relatively high and it can be discussed whether an auction is the best way of promoting it. The most important factors are the geographical distribution and the type of property. CapMan puts a lot of effort into mapping potential buyers. Usually they use a consultant to help create a long list and a short list. Every investor is analyzed very carefully. They can also be divided into different segments in order to offer the portfolio only to selected investors.

Cultural factors
Finland is moving towards a more international environment, which also affects the sales process. Among other things, the quality of memorandums has developed especially during the last few years. When promoting to foreign buyers, the memorandum has to follow international standards, a nice layout, specific information about the sale process, the provision process, among other things. When promoting to local investors, a memorandum in Finnish is recommended. Due to the increasing requirements, it is motivational for the seller to use a local advisor in the promotion process. These companies have core strengths in promoting to the local market, and they have the resources to make the memorandums according to the standards.

Financial communication with customers, investors, and shareholders
The funds of CapMan are a part of the whole CapMan picture, which is listed on the Stock Exchange of Helsinki. Due to the listing, there are strict regulations concerning communications of their real estate investment operations. The communication to CapMan's fund investors are defined in fund contracts.

The differentiation between the levels of individual communication partners
CapMan does not distinguish between the level of individual partners, or the shareholders. It is hard to predict the needs of individuals. It is much easier to predict the needs of corporations. If they want directly affect the decision makers, direct communication via personal contacts is preferred. However, to keep up their reputation it is wiser to stick to consistent processes.

The investor relationship process
CapMan attempts to follow clear procedures to build a confidential relationship with the buyers. This includes giving the potential buyers required information quickly and precisely. During a sales process, the seller must respond to informational requirements from the buyer's side, so he or she can provide an understanding of the property, and consequently inspire the completion of the deal without fears. The end of the process, of course, is the signing the deed of purchase, which includes answers to all issues from the partner's side. It is extremely important that the relationship to the buyer remains good, so further deals can be made later on. When speaking about foreign investors, CapMan can also provide management services for a certain period of time.
As already stated, the Finish real estate market is very small. Due to this "everybody knows everybody". This affects the investor relationship especially. Many investor have personal relationships to sellers, which makes the transaction process faster and easier.

Development of the financial communication
The development of financial communication has become more international. Communication as the international investors want to receive it provides many challenges for Finnish companies. In sales memo one includes market reports, tax issues, environment analysis, and an attractive and efficiently designed layout to ensure the investors have everything they need to come to a decision.

Training of finance communication skills
Due to the importance of the finance communication the personnel of CapMan go regularly for educational courses, and try to integrate into international networks. When looking at whole of Finland, a lack of education possibilities can be found.

5 Conclusion

It is interesting to compare the Real Estate financial communication in China, Finland and France, as the characteristics of each market is very different.

Four major elements compose the real market financial communication: the size of the market, the regulation and the structure of the market, the maturity (in terms of size, regulation and growth), and the type of investors.

So, China is a fast growing market with a structure which would need to be well framed. Furthermore, the Real Estate market is not mature yet and need serious improvements in terms of transparency and regulations. Thus, the communication is based on the general opportunity of investing in China and clearly Professional investors oriented.

On the contrary, France is a large market in Europe, still growing, where the communication is based on more realistic returns in order to keep the market stable. The regulation, already well framed, is constantly improved. Thus, the structure of the market is more and more market-oriented with private as professional investors.

Finland is a medium size market which tends to be developed. However, its structure is very limited and what is necessary to framed in certain country is not in Finland. Thus, the communication is more business-to-business oriented.

IPO and equity story – How to convince the financial community

Marius Hamer, Philipp Hartmann,
Julia Novaes Fernandes, Robert Fischer

1. Introduction

Real Estate firms going public face a number of challenges, as they have to apply to certain regulatory standards, follow disclosure requirements in publicizing a number of documents and restructure their organization in terms of transparency standards. Beyond the scope of these mentioned aspects, the overall IPO success highly depends on the investor interest and willingness to participate in the offering. In this setting, the concept of the equity story is of crucial importance.

The equity story does not derive from a theoretical model applied to practice; it is rather a concept developed by practitioners. Very generally, the equity story can be defined as a comprehensive presentation of a listed company with regard to a perspective on their future chances and risks.[185] Therein, the operative and financial performance measures as well as the strategy and the vision are put under observation. The equity story is based on the notion, that the company's history can be used to evaluate its future. Practitioners often translate the equity story into the "Why Buy Story" of an IPO aspirant.[186] This refers to the fact, that the equity story is used to generate investor interest in the IPO share, versus inducing investors to purchase the share at a later point in time. Concluding, the equity story serves two distinct functions, depending on the perspective: Firstly, it is employed by the Real Estate firm going public to generate interest of the financial community and to attract in-

185) Cf. Interview with Mr. Christian Dose, Equinet AG.

186) Cf. Interview with Mr. Martin, Ergo Kommunikation GmbH.

vestors to participate in the IPO. From the investor's perspective, it can be regarded as a mean of information and communication to evaluate the actual attractiveness of the IPO.
For generating a better understanding on the exigencies of the matter, it is expedient to place it into a temporal context. Before the IPO is executed, in the pre-IPO phase, the equity story faces the challenge of generating investor interest for the IPO shares. Doing so, it must highlight the unique selling proposition (USP) for mastering benchmark comparisons. However, during the IPO, a whole lot different function gets the center stage: The equity story is used to maximize the IPO proceeds and avoid unwanted initial share price reactions (a share price drop in particular). In the post-IPO time, share price sustainability is key, where the Equity story is employed to ensure continuing interest in the share.
Since there is no normative definition of the Equity story concept, the analysis at hand is based on a variety of alternative sources. Besides the implementation of relevant studies and surveys, information from the respective IPO candidates in the form of IPO prospectuses, investor & analyst presentations and the information publicized on the company web pages are taken into account. Also, investor relations agencies are analyzed with respect to their scope of services offered and their approach in assisting the company with some of equity story functions. As previously mentioned, the equity story concept stems from practitioners, that is why 10 interviews were performed with the IR officers of IPO firms and IR agency representatives.[187]
The structure of the paper is as follows: It starts with a detailed view on the theoretic methods on how equity stories can be elaborated, where the special importance of IR agencies is stressed. In this context, a line of crucial success factors and potential dangers are highlighted. In the next step, the requirements to the content of an equity story are exposed, where a detailed comparison to recent Real Estate IPOs is performed. The paper concludes with a view on the communication possibilities under the perspective of alternative recipients.

2. Creating the Equity Story

So far, this paper has highlighted the main characteristics of the equity story concept. A view on its two basic functions creates the basis for further observations. In this setting, it is noteworthy to mention that an IPO deal is mostly anticipated for several months by the financial community and prepared by the company under the assistance of numerous external specialists involved. This part of the paper will now analyze the methods as well as the structural concept for establishing an equity story and present the role of external as well as internal equity story experts.
As mentioned in the previous section, an equity story has to be prepared diligently in the process of an IPO. It is therefore an element or document of investor relations experts. The very first step of preparing an equity story takes place at the company that is planning to float their shares. Experts assess the value, both strategically and economically, of the respective company. In order to yield most promising and highly reliable results, interviewed practitioner mentioned two dominant methods of analysis. (see ***Figure 1***, p. 111)
This SWOT matrix measures the strengths and weaknesses, as well as the opportunities and threads of the company on an internal as well as external perspective. In the case of real estate companies, such strengths include highly effective portfolio management sys-

187) A full list of interview partners and their respective functions is exposed in the appendix.

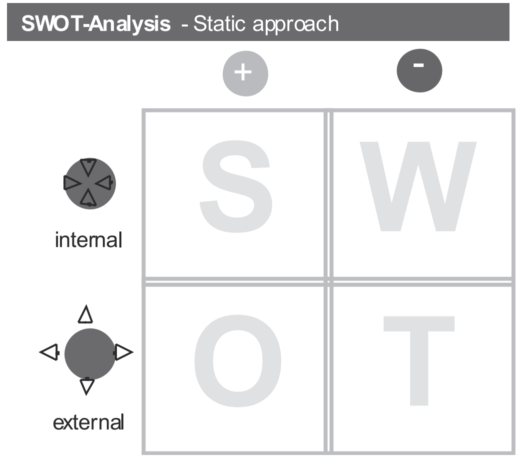

Figure 1: *SWOT-analysis.*

tems or highly experienced management members. Potential weaknesses, in this respect, could include rather slow deal closing procedures or strong influence by advisory board members that further slow down daily business.[188]
The SWOT-analysis also considers the position of the company relative to its competitive peers. Market opportunities could for instance include large investment volumes in booming economies or a fairly sized amount of luxury housing. On the hand, potential outside threats are also taken into consideration. Such real estate market related threats could include being exposed to many high-yield investments or holding old, hard to sell objects within the investment portfolio.
Generally speaking, the SWOT-analysis is a rather straightforward approach to analyze the current situation of a company and estimating probable risks and opportunities for the future. As this approach is of more static nature, a second method to analyze real estate companies in particular was mentioned by equity story practitioners: scenario planning. (see ***Figure 2***, p. 112)
The scenario planning technique is of more complex nature. In contrast to a rather static SWOT-analysis, scenario analysis takes a more dynamic approach in order to fully assess a company's structure and future standing. While performing a scenario planning technique, the researcher develops certain scenarios in order to extrapolate the future of a company. Starting with a look in the company's individual history, the researcher then creates a number of potential scenarios for the future. These different set-ups could be as follows: invest 30% of the new investment fund in Chinese real estate; split the investment into 4 equal portions and invest in all four BRIC countries; or finally, only invest in European projects where the outcome seems more secure and the risk structure is not that volatile.
The main purpose of either analytical tool is to assess the company's current situation and estimate a realistic future for the years to come. Most importantly, the equity story expert should finally come up with a list of potential weaknesses and abilities. These

188) The applicability of the SWOT analysis is particularly promoted by Netfederation Interactive Media GmbH as well as Ergo Komunikation.

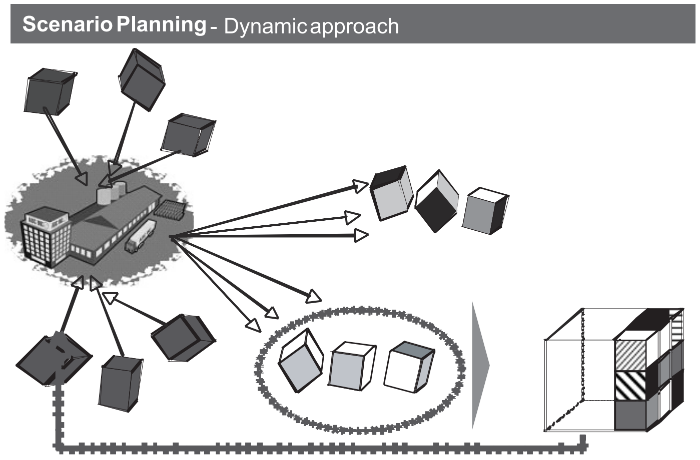

Figure 2: *Scenario Planning Method.*

pieces of information then form a pool of relevant company information. From this pool, the investor relations' specialist will have to derive each entities individual unique selling proposition. Since the equity story may be considered to be the "Why Buy Story" of the share, the information processed through tools like SWOT and scenario planning is predominantly used to find the USP and main points of attractiveness. The more the aspirant contributes during this process the better the results of the analysis. Withholding information will not benefit the company that is preparing the equity story.[189] Most analysts take hard accounting facts as a starting point for their investigation. Therefore, potential hidden skeletons will not remain undiscovered.

Company Success Factors
In order to increase the value that is created during an IPO, it is extremely important to take special consideration concerning certain aspects of a company. A scheme that has proven to be useful while assessing a real estate company's overall set-up is outlined below. These company success factors are clustered into six different categories.

Management
The degree of experience and skills are main valuation drivers in this category. Managers are believed to be more successful, if they provide an impressive, industry-specific track record. Visionary abilities of members of the management board are further valuation drivers. In the discussion about preferences to external versus internal management, most analysts continue to prefer internal and independent managers.

Portfolio Structure
Specialized portfolios with respect to asset class and geographical focus are currently preferred. Quite rationally, large investment volumes in highly attractive markets lead to increasing premia being paid. The overall tenant structure should be well balanced.

189) Cf. Interview Mrs. Gestetner, Gagfah S.A.

Strategy and Return
The underlying real estate business model should be convincing. A clear and credible approach is appreciated. If the company's cash flow history is stable and projected cash flows do not fluctuate intensely, further premia may be offered for good cash flow management. Analysts may reward a further bonus if dividend policy is consistent and well communicated.

Capital Structure
Depending on the individual portfolio structure, different leverage strategies apply. If a company has already adjusted their capital structure in order to optimize company proceeds, an analyst will reward this. Especially among institutional investors, tax transparent structures are highly appreciated.

Size & Liquidity
Markets reward certain company sizes and liquidity with premia. The amount of free float becomes increasingly important in the German real estate market.

Transparency & Governance
The management as well as the company's board should ideally be strong and credible. They should provide their shareholders with a consistent and detailed financial reporting. External valuation should be made transparent in order to increase the firm's outside attractiveness. Valuations should be communicated in a concise and easy to understand way to attract new investors.
These six success factors are very useful to assess a real estate company's strength and weaknesses. Yet, how good is the collected data if it is not but in a more competitive perspective? In order to create a complete picture, these success factors should be analyzed diligently with respect to the performance levels of competing companies within the peer group.
Beyond these basic success factors, the interview with practitioners revealed that there are four further key considerations to attend to:

Market Conditions
The German real estate market is changing drastically. Recent IPO-deals (Gagfah, Patricia, etc.) have heated up the market and created string attention among the real estate community. However, the time of blind purchasing is perceived to be over, and equity stories must reflect the current market conditions.[190]

Key Event Studies
Since the market awareness has reached peak position, it is extremely important to position a company relative to other equity stories from the recent past. The USP will have to adapt to the message communicated by another competitor who has floated his shares just months ago. An investor will not buy a company with the same USP, especially not, if this investor has already rejected investing in such a company a couple of months ago.

Benchmarking
In order to evaluate the relevant business best, benchmarking techniques were further tools mentioned by equity story practitioners. In order to precisely formulate each com-

190) Cf. Interview with Mrs. Gestetner, Gagfah S.A.

pany's USP and key attractiveness points, it is crucial to benchmark with equity stories from different investment focuses. This way, investor relations officers remain ahead of the game and offer highest quality results to their clients.

Consistency in the Message
Fourth and final point ranked very important by practitioners was the consistency of the message. As previously mentioned, the analysts derive a certain pool of information through their research methods (SWOT-analysis, scenario planning, benchmarking, etc.). This information pool is unalienable and may not be altered. The skillful combination of information to comply with both legal aspects as well as communication goals is what makes the equity story such a complex task. Since not all companies have their individual equity story experts, many external service providers have specialized on this very market segment. Four of the main market participants were interviewed in connection to this study. The results are summarized in the following section.

Internal vs. External Investor Relations
The very first step in preparing an equity story is answering the question: Does our business have the right people and resources to fulfill such a demanding task in-house, or will we have to externalize this assignment? This question is generally known under the keyword "Make or Buy". The following chart depicts the four companies that took place in this study's interviews. The sample represents a random selection of both, large market players and boutique advisories.

Company	Key Tasks
NETFEDERATION	▪ Online Corporate Communication ▪ Full-Service provider ▪ Internet solutions for medium-sized businesses
ergo ▪ Kommunikation	▪ Result-oriented consulting agency ▪ Network with long-term industry experience ▪ Focus on Public and Investor Relations
equinet	▪ Specialized on clients with financial, economic and political background ▪ Leading German Communication and PR Agency
PvF Investor Relations	▪ Specialized on Investor Relations services ▪ Focus on Equity Story, Analyst Communications, and CEO-Coaching

***Figure 3:** External Equity Story ExpertsSource: Pohl (2007).*

The four companies as well as their key tasks are illustrated in the table above. The main use of brining in external advisors is that they automatically view the individual business form a different perspective, the outside perspective. This way, most external professionals will provide realistic feedback to the company that is preparing an equity story. Some internal managers may underestimate certain market risk in order to let their company

shine in a brighter light and reach higher IPO valuation levels. Given fully transparent markets, disguising deficiency will only have a temporary effect. Sooner or later, capital markets will detect these shortcomings and adjust their valuation levels.
So bringing in external advisors may be beneficial to the company. This benefit may be further increased if these external professionals stem from the real estate world. Combining solid real estate know-how with profound experience as an investor relations advisor might be the ideal solution for this problem. Yet, since the German market is just beginning to realize more IPO transactions, there are very few IR consultants actually specialized on this very narrow market segment. The increasing market awareness as well as the rising demand for good investor relations managers (especially in connection with the creation of equity stories) will further fuel the interest in this topic.

3. Content of the Equity Story

Threefold structure of the Equity Story
The equity story plays an essential role in an IPO process. It encompasses not only the communicative features or marketing milestone of the IPO process, but also aims at convincing investors to buy the share of the company which is going public. A coherent, consistent and persuasive equity story helps funds manager or private investors to answer the question why should they invest in that particular share. The main requirement to formulate a "Why Buy Story" is the understanding of the fundamental strengths and chances of the company going public in comparison to its competitors and knowledge about the investment criteria used by institutional and private investors in capital markets. The efficiency of the communication instruments used to promote a credible and attractive equity story depends absolutely on the consistency of the story.
According to results obtained by expert interviews, this analysis developed a theoretical model for the creation of an equity story. An optimal equity story shall be formulated in accordance to three main pillars: (A) Fundamentals; (B) Imagination; and (C) Condition. The first pillar – Fundamentals – shall ideally include all actual strength of the company, which is considered by investors as the main requirements for going public such as track record, earning potential, financial security, market and technological position, array of products and client base, quality management, risk management, corporate governance and accounting. The creation of a consistent and substantial equity story must follow the simplicity principle. The more complex business systems and the greatest distance between products and last consumer, there is an increasing need for a striking and simple equity story. Moreover, it is preliminary to position the company in accordance to reality, meaning pointing out its real core competences, comparative advantages and market strength.
The second pillar – Imagination – is defined as the subjective anticipation of future development based on the firm strategy. It is important to note that the use of the imagination pillar is only plausible in connection to the fundaments of the equity story. The subjective evaluation on the company's strategy can only gain credibility if company's strengths and chances are presented in an appropriated and accurate way. A resilient business structure and concrete milestones allow for the strategy creation and implementation. This sets a strictly dependency between the first and second theoretical pillar. Moreover,

the prognosis on the future strategic development of the company shall be aligned with market conditions such as IPO listing conditions. The imagination pillar must be based on realistic estimation of chances. Therefore, the focus of company's analysis lies often on management quality, historical returns and company's risk profile. Companies commonly use two main strategies for enhancing the credibility factor of their future development estimations: (A) use of theoretical models like risk management evaluation and scoring model; and (B) referring to past acquisitions, process of internationalization, strategic alliances and product innovation.[191]
The third and last pillar – Condition – outlines the reasoning for the participation in an IPO transaction. The most important aspects for formulating a consistent and persuasive equity story are: equitable price and deliver of information about the utilization of IPO proceeds. Concerning these two factors, equity stories shall focus on the share price / initial return (IPO underpricing) and on the plausibility of employment of IPO proceeds for financial growth (Real Estate pipeline). Both data are considered as essential for the share commercialization as a solid company's history. The first impression about the company going public is composed by detailed information about actual strength of the company, its chances and clear strategy as well as information about share pricing and on how to employ the capital generated by the IPO. Therefore, this last pillar is also in a closely relation to the first and second one. Further important aspects to be described in detail in the equity story are: shareholder structure (free float vs. market cap), dividend policy and IPO specific risks such as lock up expirations.
Potential investors shall ideally assume an integrative and sequential approach when considering these three pillars, meaning that one will only consider the strategic aspects outlined in the Imagination pillar if the Fundaments of the equity story are coherent and consistent. Adopting the same logic, the existence of a precise and well structure strategic anticipation of future development allows the evaluation of IPO specific conditions such as share price and IPO proceeds, which are analyzed in the Condition pillar.

Recent Real Estate IPO Transactions

Real Estate Companies	Market Segment	Emission Price	Quotation	Issuing Volume	MarketCap
Gagfah S.A.	OM	19.00	15.90	852.90	4893.80
Patrizia Immobilien	OM	18.50	20.65	402.70	1212.00
IFM Immobilien	OM	11.00	13.65	80.30	89.01
Hahn Immobilien	RM	10.00	12.89	35.00	170.81
Alta Fides	RM	17.00	17.07	34.00	122.70
Ariston Real Estate	RM	7.50	7.40	24.30	69.20
FranconoRheinMain	OM	3.10	2.95	23.70	90.20
IC Immobilien	IM	14.00	17.60	17.80	45.80
GWB Immobilien	RM	12.50	15.30	17.60	61.50
Helma Eigenheimbau	OM	20.00	19.96	15.80	62.50
HII Hanseat. Immobilien	OM	18.00	14.92	10.50	29.50
Magnat Real Estate	OM	1.45	2.33	9.40	75.00
Primag	OM	4.45	3.96	3.90	16.10
CWI Real Estate	OM	9.50	13.84	3.40	24.00

Table 1: *Recent Real Estate IPOs Source: Institutional Investment, Real Estate Magazine (02/07).*

191) Cf. Interview with Klaudia Kellert, Patrizia AG.

The second part of value creation of this section is related to the analysis of some equity stories. The table above depicts the most recent and most relevant Real Estate IPO transactions. (see ***Table 1***, p. 116)
This paper focuses on seven particular Real Estate companies listed in the table above: Gagfah S.A., Patrizia Immobilien, Alta Fides, IC Immobilien, GWB Immobilien, Primag and CWI Real Estate. These companies have been selected based on two main reasons – business participation in different market segment and diverse approach to the development of equity story.
For the Real Estate companies Gagfah S.A., Patrizia Immobilien, Alta Fides and IC Immobilien the interesting aspect of the comparison between these four companies lies in the fact that all four are active in different market segments, including acquisition / management / ownership; apartment privatization / revitalization / project development; asset management; and deals with non performing property loans.
The last two companies included in this study – Primag and CWI Real Estate – have very similar business structures, being both Real Estate traders and smaller companies. Their business similarity influence the way equity story is structured, i.e. companies' strengths and chances are presented in a very comparable way.
In the last step of this section, the approach to equity story adopted by the seven companies will be analyzed in accordance to the theoretical framework of the three pillars.

Threefold structure of the Equity Story - Fundamentals
The Real Estate companies Gagfah S.A., Patrizia Immobilien, Alta Fides, IC Immobilien and GWB Real Estate have been positively evaluated regarding the structure and consistency of their equity story, which is in line with the requirements of the Fundamental pillar. All five IPO prospects and analyst researches are precisely formulated, containing all relevant information for the equity story such as risk factors, offering description, use of IPO proceeds, financial information, company's profile, information about the market / competitors, shareholder structure and dividend policy. Their structure varies just minimally, i.e. Alta Fides developed an earning potential analysis, whereas GWB Real Estate based most of its analysis on financial measures such as balance sheet, income statement and cash flow analysis. The large extend of information contributes to credibility enhancement and uniformity of the equity story.
The remaining two Real Estate companies, Primag and CWI Real Estate, presented less detailed information about company's operational and financial strengths. Most relevant information for the equity story is based on the IPO process itself and, therefore, there is a lack of substance in the equity story construction.

Threefold structure of the Equity Story – Imagination
In the case of the Imagination pillar, Gagfah S.A., Patrizia Immobilien, IC Immobilien and GWB Immobilien presented a very realistic estimation of future development for their companies. This estimation was done using analytical-based instruments such as risk management studies, company valuation report, DCF valuation, share price calculation, SWOT analysis and calculation of the faire value. The use of financial models allows the development of a future prognosis for each company, a very pragmatic estimation of their chances and outline of a clear strategic structure. The other three Real Estate

companies – Alta Fides, Primag and CWI Real Estate – provide IPO information, however with a certain lack of analytical data. The first two companies still address issues like quality management, company's risk profile and strategic orientation, but without using analytical models to provide empirical evidence on their estimations. The company CWI Real Estate does not present any information about the aspects mentioned above and analytical studies. The structure of its equity story does not match with the requirements of the second theoretical pillar, Imagination.

Threefold structure of the Equity Story – Condition
The evaluation of the equity story of these seven companies in relation to the third pillar – Condition – has a positive outcome, in which most Real Estate companies have been positively evaluated. Gagfah S.A., Patrizia Immobilien, IC Immobilien, Alta Fides and Primag provide extensive information about their share price and the utilization of IPO proceeds, as well as additional information such as dividend policy, description of share capital and information about principal and selling shareholders. The Real Estate company GWB Immobilien does not provide detailed information about the IPO resource allocation. Instead of that, all information relevant for the equity story is more focused on detailed financial data and company's strengths. The lack of information required by the Condition pillar leads to a lower degree of credibility and persuasiveness for the equity story. CWI Real Estate has been evaluated in the same way as in the case of the Imagination pillar, in which structure of its equity story does not match with the requirements of the third theoretical pillar, Condition.

4. Ways of communicating the Equity Story

After the equity story is constructed following the guidelines laid out in the previous chapters, the following task is communicating it to the envisioned target groups. Even though investors are not consumers of a company's product in the traditional sense, marketing theory can be used to enhance communication with the relevant target groups.

Selection Criteria for Communication Channels
When assessing the communication channels of a company special attention must be paid as there is a strong interdependency between the inside corporate culture, the communication channels and the target audience. Not paying attention to the internal peculiarities of the company leads to a strategic misfit that inhibits efficient investor communication. Regarding the communication of the equity story three internal factors are of utter importance to determine the communication channels.
The company must be conscious about its outside image and asses its representation in mass media before taking further communicative effort. The perception of a company in public is shaped by media coverage, information or news issued through different channels to the peer group. In order to efficiently representing a company and its corporate identity, which not only mirrors the corporate structure, but most of all, the brand and its USP, the public relations division must actively manage information issued to press and other mass media.

Regarding the IPO process and the communication of the equity story the current publicity profile must be consistent with future communicative channels to display a stringent and logic image of the company. The amount of public interest in the company determines also the amount of unmanageable information. Independent investment banks, analysts and stock brokers write and issue reports about companies to provide investors with a basis for decision for investments.
The second factor that needs to be taken into account is the company's shareholder structure. As said before, the share holders are the target group of a public company. The IPO is this case represents a product launch that is designed to fit the needs of a particular interest group. Every interest group, depending on its agenda has different needs and intentions that need to be emphasized by the communication channels. Thus the shareholder structure has important implications not only regarding the construction of the equity story but also about its communication. The information demands and needs of different share holder categories will be further analyzed later in this chapter.
The third factor that needs to be taken into account is the company size. Large IPOs generate more buzz in the media, reputed investment banks tend to analyze rather large than small companies. Variations in company size also attract different kinds of investors and leave a margin for supportive action accompanying the IPO and communicating the equity story to a broader public.
These three characteristics form an individual communication profile for the company as unique as a fingerprint. In order to decide on the right channels not only the inside perspective of the company is necessary also the different target groups must be thoroughly evaluated. Investors in real estate IPOs can be classified into three key categories.

Institutional Investors
An institutional investor is an investor, such as a bank, insurance company, retirement fund, hedge fund, fund advisers, insurance/-finance/-securities firm, or bank-managed personal trust, that is financially sophisticated and makes large investments, often held in very large portfolios of investments. Because of their sophistication, institutional investors may often participate in private placements of securities. Even though institutional investors are backed up by large amounts of investment capital it is hard to identify an overall readiness to assume risk as every institutional investor has his very own risk aversion. One key characteristic is that they are very experienced in fund management and have longer term relationships with key investment bankers. This enables large institutional investors to generate information one retail investor is not able to obtain. This gives the insight, that for institutional investors, the publicly available information plays a subordinate role, replaced by the better information source of insiders in the bank consortium.

Corporations
Over the past 20 years, corporate property owners in several industries have reviewed the advisability of directly owning the commercial real estate they occupy. Financial firms, such as banks and insurance companies, have largely determined that direct ownership of real estate is not an efficient use of their capital. Thus, in the 1980s, many commercial

banks sold much of their real estate, choosing to lease space instead. Similarly, in the 1990s, insurance companies began to sell their real estate in favor of more liquid holdings, such as REIT stocks and Commercial Mortgage-Backed Securities.

Retail Investors
Retail investors are distinguished by their lower investment capital and high risk aversion. They make up the part of retail investors in real estate IPOs. Even though the overall risk aversion is high more capital is invested into B-class real estate. This is caused by the lack of A-class real estate and the significant higher ROIs of B-class property. Also, this investor group is characterized by a limited supply of information, mostly publicly available from specialist magazines and newspapers.
Synchronizing the corporate profile with the envisioned target group results in communication channels that not only correspond efficiently with the clients but also send a meta message about the company's brand, corporate culture and unique selling proposition and underline the equity story.

Communication Media
After having decided on communication channels the information is pre processed to fit the needs of the different target groups identified in the antecedent step. The different communication media present an information cascade breaking down information from a large scope to concise, striking message that is persuasive and easy to understand.
The basis for IPO and equity story communication is the IPO prospectus, a formal legal document describing details of a corporation. The prospectus is initially created for a proposed offering, but it can still be obtained from listed businesses as well. The prospectus includes company facts that are vitally important to potential investors. It is comprised by lawyers with a very large scope of information and makes investors aware of the risks of an investment. It is directed at professionals with deep inside into the mode of operation of the real estate market, its information is practically not understandable for outsiders. Large institutional investors have the prospectus thoroughly analyzed in order to estimate the potential risk and return as good as possible.
The investor presentation, targeted at potential investors, is less substantial and presents the equity story in a condensed way focusing on important performance figures, graphs and calculations. The investor presentation is the most important means to communicate and persuade the financial community and is often exercised together with the road show, used to create awareness about a forthcoming IPO. Investors targeted with the investor presentation are either institutional, from corporations as well as large non corporate investors, highly professional and experienced.
The analyst presentation is aimed at analysts that will write reports on the companies they are supposed to cover, trying to describe the businesses and their opinion of the company's investment potential, usually from a fundamental analysis standpoint. They also summarize that report with a rating, such as "buy", "sell", "market perform", "overweight", "hold", etc. The analyst presentation is not the only source of information. The analysts also get their information by studying public records of the company and by participating in public conference calls where they can ask direct questions to the management. The advantage of the analyst presentation is that corporations can actively

control the information they pass on, so the company can direct also the information that is conveyed to third parties as a basis for decision.
The most abstract form of communicating the equity story is via mass media. The company obtains awareness among the public through thorough media coverage. Supportive measures, such as the road show or an IPO marketing event create a buzz. Media coverage per se is not designed to attract investors; it is a positive side effect that retail investors use publicity campaigns as a basis for their investment decision. Apart from that, media coverage is mostly used to improve or change the image of the company and to keep the financial community informed about the actions that the company undertakes to create growth and revenue.
In closing the importance of target group oriented communication must be underlined again. The best equity story is useless unless it is not properly conveyed to the target group using the tone of voice that the audience anticipates.

5. Conclusion

The analysis performed gives very detailed insights into the basics of a successful equity story.
The elaboration of an ideal structure of an equity story suggests, that the alignment of the fundamentals of the IPO firm and its presented future ambitions is key. Herein, it is crucial to anticipate the investor perception in order to find that exact balance between staying close to reality on the one hand and communicating prosperity on the other hand. Overall, the message must be striking, yet it must be consistent with future messages in order to establish longer term investor relationships.
In outlining the key characteristics and measuring those at a number of recent Real Estate IPOs, a comprehensive evaluation of recent equity stories is performed. The results of the analysis arrive at the conclusion that in particular the equity stories of Patricia and Gagfah prove to be very convincing. However, these two IPOs exhibit by far the largest market capitalizations. This result may be surprising to some analyst, because one may argue that smaller IPO firms should have an even more convincing equity story than larger, because they do not get the benefit of entering an index, thereby being purchased by index investors. On the other hand, large IPOs are performed with the services of large and experienced investment banks, in the case of the two mentioned IPOs JP Morgan. The experience of the investment bankers can have the effect, that the content of the equity story fits to the investor's expectations in a better way, and it is plausible that large investment banks have greater ability to market the shares directly to their long-term clients. However, obtaining information about the details of such direct-marketing is not possible.
Concluding, the equity story of a Real Estate IPO firm serves as a powerful communication tool, which must be elaborated very individually. With regard to the final goal, in attracting interest in the offering by the financial community, it is a unique opportunity, because there is no second chance to make a first impression on the capital market.

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The IPO as a marketing event – A survey

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1. Introduction

1.1 Motivation and Scope of Analysis

After the crash of the capital markets in 2001, the number of companies going public decreased drastically in all segments of the market. This also holds true for the real estate sector, even though the companies are usually backed up by a strong portfolio of tangible assets and therefore should not have been as affected by speculation bubbles in the dot-com sector. However there has been a significant increase in number and volume of initial public offerings (IPOs) during the last three years, setting a new high almost every quarter.
An initial public offering poses a great deal of challenges to all parties involved. When going public, the affected company is interested to gather financial support from potential stockholders. On the other hand, investors want to be informed about the company, its current status and its potential development, to decide whether to enter the deal or not.
To achieve a broad interest from those investors, a variety of marketing tools is available to the emitters. These range from the obligatory road shows for potential institutional investors to attention-grabbing marketing events for the general public and private investors.
Analyzing IPOs in the German real estate market, the companies are focused on institutional investors. This kind of investor needs to be approached differently. For instance they are solely interested in financial factors of the company going public and not in marketing events, which are used to attract private investors.
This paper aims to give a broad overview over the IPO and its usage as a marketing event, both for institutional and private investors. Special importance will be set upon the role of marketing of IPOs in the real estate sector.

1.2 Methodology and Structure

Chapter 2 gives a brief introduction into the theoretical and conceptual frameworks examined in this paper, mainly applying current academic literature. Especial importance is paid to the process of an initial public offering and its decisive phases.
The following chapter depicts the theoretical foundation and practical application of an IPO as a marketing event and defines the role of the press relations (PR) and investor relations (IR) departments within the process of going public.
Chapter 4 lays the theoretical and practical foundations of the real estate business, clearly defining the possibilities of investment. It also defines the roles of private an institutional investors in general and specifically concerning the real estate sector.
An overview of the past IPOs in Germany's real estate business of the last 15 years is given in chapter 5. Moreover, the surveys and telephone interviews of professionals who accompanied one or more initial public offerings of a real estate company in Germany are analyzed.

2 Theoretical and Conceptual Framework

2.1 Fundamentals of the Initial Public Offering

An initial public offering is selling the first time corporation's common shares to the public on the stock exchange. The IPO provides capital for the cooperation from a broad segment

of the public, which is the main purpose of an IPO. Furthermore, having access to financial markets is advantageous for the company. In contrast, reporting requirements and regulatory compliances need to be fulfilled.
The IPO landscape has changed over time. First, only private companies with a solid financial background were listed. Due to the changes resulting from the internet boom at the beginning of 2001, prerequisites have changed for companies to get listed, which led to an increasing number of IPOs.
In order to illustrate the IPO in more detail, the different steps of the IPO process will be examined with its main characteristics in the following part.

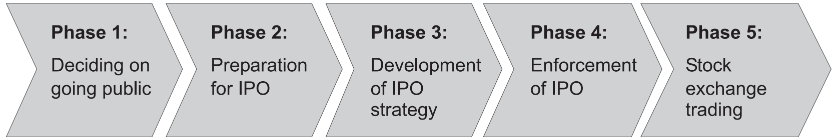

Figure 1: *IPO process*
Source: Own illustration.

2.2 IPO Process

The IPO process can be separated in five different steps, which will be explained in more detail.[192] At the beginning of the process the company needs to decide whereas an IPO is advantageous or disadvantageous for the company and also if an IPO is an appropriate instrument in order to raise capital. Secondly, the preparation phase for the IPO starts, which is followed by the development of the IPO strategy. The enforcement phase of the IPO is the time, in which investors can order the stocks. Afterwards, trading phase over secondary markets starts as well as investor relations activities are commencing.

2.2.1 Phase 1 – Decision on Going Public

In this first step of the process, the pros and cons of going public need to be taken at a glance from the company's perspective in order to discuss if an IPO should be undertaken. Furthermore, canvassing if the IPO is consistent with the goals and cooperation's strategy is of crucial importance. On the one hand, an IPO illustrates several advantages for a company but on the other hand, disadvantages also need to be taken into account, when deciding on this strategic move. Each company needs to analyze these issues, because no general statement can be made with respect to the utility value of an IPO.

Advantages

The main purpose of an IPO is to raise cash. This additional equity can be used for future projects or for financing growth strategies. The capital structure of the company can be improved by increasing the equity ratio, which then advanced debt financing due to better ratings. Additionally, further capital increase possibilities exist on capital markets, which is very attractive for a company. By implementing stocks, merger and acquisitions are more easily accessible. Concerning the marketing activity of a company going public, the degree of popularity and the awareness level can be increased by certain events[193]. Thus, the prestige level of a company can be increased. Additionally, introducing an em-

192) Different ways of separating the IPO process can be found in literature, cf. Wirtz/Salzer (2001), pp. 10-11.

193) Marketing activities will be illustrated in chapter 2.3 of the paper.

ployee involvement program supports the employee-company relationship. Also their motivation level increases and employees commit themselves to the company, which keeps them from switching to another firm.[194]

Disadvantages
In contrast, the disadvantages of IPOs also need to be discussed, when deciding on an IPO. Firstly, the company is attached to strict rules and regulations, which are predetermined by the stock exchange and differ. Additionally, the board of directors has to execute publicity rules. Even, the complexity of controlling augments. Concerning the return distribution, higher number of equity provider lead to smaller proportions of the return. By giving voting rights to the investors, the company and in especially the owner bears a loss of control. Acquiring the company is easier, because fractions of the company can be acquired easier over the stock exchange. Furthermore, the success of the IPO also greatly depends on the market situation and thus is influenced by several external factors.
Based on the owner's interest and the company situation the pros and cons of an IPO need to be analyzed and discussed for making a decision. Therefore, no general statement can be given.[195]

2.2.2 Phase 2 – Preparation for the IPO
Due Diligences
In the second phase, various forms of due diligences are applied in order to test if the company fulfils the prerequisites for being quoted.
Financial due diligence includes the identification of strengths and weaknesses in order to determine the future payout of dividends.[196] Legal and tax prerequisites are evaluated in the legal and tax due diligence. To get listed on the stock exchange, the corporate structure needs to be changed to the Aktiengesellschaft (AG). With the help of the commercial due diligence, the further development regarding opportunities and treads of the company can be assessed.[197] Furthermore, the market structure and potential barriers need to be identified.[198] The fourth due diligence concerning human resources is used to analyze the employee's motivation and future performance. This is even more important for companies, which operate in the media and telecommunication industry and thus highly depend on the customers' performance. The environmental due diligence examines the correlation between the environment and the company.
The findings are summarized in a final report with its prerequisites, which need to be arranged in order to get listed on the stock exchange. After the due diligence, deviations are abolished, which can be highly time and work intense.

Beauty contest and selection of lead manager
Going public needs to be accompanied by a consortia bank. During the beauty contest the most applicable lead manager is determined based on the transaction experience, branch expertise as well as research quality.[199] Furthermore, investment banks illustrate the advantage of having access to institutional investors, which is highly important for the company. Firstly, the company writes a bank exposé with the most important facts about the company such as perspectives, success factors, core competences, corporate strategy as well as market analysis. Based on this information, the banks decide on making

194) Cf. Jahrmann (2003), p. 249; Zacharias (2000), pp. 49-56.
195) Cf. Kramer (1999), pp. 171-174.
196) Cf. Picot (2001), p. 151.
197) Cf. Picot (2001), p. 153.
198) Cf. Rödl/ Zinser (1999), p. 148.
199) Cf. Hecht/ Frisch (2004), p. 50.

an offer and develop an emission concept. After a period of normally three months, the company chooses a lead manager.[200] This phase is closed by signing the contract between the consortia bank and the company.

2.2.3 Phase 3 – Development of IPO Concept
The emission concept includes the IPO strategy from the emitter's point of view, which illustrates each step of the IPO in great detail.[201]
The equity story includes the company's success factors and characteristics, wherefore the company is active for investors and differs from others.[202] The future-oriented equity story is applied for the emission's marketing as well as critical selection issue for potential investors.[203]
Additionally, the company chooses one out of three stock market segments, which differ by their admission and publicity prerequisites. These admission documents provide additional information for the investor.[204] Moreover, in this step of the process the type, the number and the stock's face value is determined. In this respect common and preferred stocks differ based on the different rights for the investors.
Furthermore, the emission volume, which illustrates the amount of traded equity on the stock exchange, is ascertained.[205] It is essential to choose the right emission phase by analyzing the current market structure, which should be undertaken in advance. Thus, if the company immediately has a demand for capital, an IPO is not possible.[206] Further, it is useful to determine the target investor groups according to the corporation's needs.[207]
Employees can also benefit from the company's success by implementing employees stock option programs. One opportunity could be that they get a discount on the share price or are favorably treaded by assigning shares in the signing phase of the IPO.[208] Additionally, in phase three, the company value is determined by two different methods, which are the discounted cash flow method and multiples method. The results illustrate a first estimated price range for the emission price.

2.2.4 Phase 4 – Execution of IPO
Then the subscription phase starts, in which the investors can make their orders, which are collected by the book runner. The orders are sorted by investor type, price and number of shares. The subscription phase ends one day before emission date.[209] At the end of the period, the final emission price is calculated as well as the distribution of shares is evaluated. Lead manager assigns stocks to the investors and to perform the transaction. Three days after the first trading day, the closing is taking place, where the emission proceeds are transferred.[210] By performing this transaction the emission is completed.

2.2.5 Phase 5 – Stock Exchange Trading
After the concluded primary trade and distribution of the shares (primary market), secondary markets are open for trading over the exchange without the consortia bank. The first days of trading are characterized by high numbers of trade, which result in high volatility. In order to limit the fluctuation, the emitter applies indirect and direct stabilization.[211] Direct stabilization is achieved by selling and buying own stocks. This activity is

200) Cf. Wirtz/ Salzer (2004), p. 105.
201) Cf. Jahrmann (2003), p. 250.
202) Cf. Rödl/ Zinser (1999), p. 113.
203) Cf. Weiler (2001), p. 86.
204) Cf. Zacharias (2000), p. 213.
205) Cf. Kramer (1999), p. 242.
206) Cf. Schlick (1997), p. 23.
207) Cf. Kramer (1999), pp. 257-258.
208) Cf. Kramer (1999), pp. 250-251.
209) Cf. Picot (2002), p. 259.
210) Cf. Picot (2002), p. 260.
211) Cf. Stolz (1998), p. 326.

only allowed within the IPO phase and is undertaken by the consortia bank.[212] Indirect stabilization is undertaken by the Investor Relations Management (IRM) in order to fulfill publicity duties. In this respect, it is of major importance to provide information to investors, rating agencies, advisor as well as the press regularly, which needs to be real time and truthfully in order to increase trust and even has positively effects on the share price.[213]

Moreover, the company needs to provide quarterly and yearly reports, ad-hoc announcements, and conferences with analysts as well as publishing the company calendar.[214] The obligations depend on the stock exchange segment and the stock exchange itself. After having given an overview of the various steps of an IPO, a marketing related view will be used in order to illustrate the marketing tools involved in an IPO process.

3 Marketing with respect to an IPO

3.1 Marketing Tools

Marketing is besides other factors an important issue when talking about the success of a product, a service or a company. In general the term Marketing implies all activities, which are able to boost sales and the publicity of a company. But marketing is more than that. It includes four strategic fields, the so called "4 P's": Product, Price, Place and Promotion.[215] Strategies in marketing basically can vary in their overall objectives. These can be client acquisition, customer loyalty or consumer recovery.[216] In all cases communication plays a significant role. Its goals mainly are to attract attention, enhance publicity, create image, increase knowledge or strengthen the incentive to buy as well as to release the purchase.[217]

For further use for the topic 'The IPO as a marketing event – a survey', the paper will take a closer look at the most communicative part in marketing, the promotion side.

Promotion as a whole deals with the question how the target group can be informed and educated best about the product, the service or the company. To achieve this task, marketing holds an amount of different tools, such as advertising, public relation, merchandising and many more. Focusing on advertising one has to differentiate between two techniques. "Above the line" is an advertising technique using mass media to promote the brands. These are generally television and radio advertising as well as print adverting and nowadays also internet banners. This conventional type of communication is considered to be impersonal to costumers, just made for the mass market. In contrast "below the line" techniques are using less conventional methods to promote products, service etc. Theses may include activities such as public relation, sales promotion, event marketing, sponsoring and many more.

Marketing events are regarded as innovative communication tools for complex products and services. Events can either be working-oriented, like trainings and seminars, or adventure-oriented.[218] Parties, incentive trips, sports and cultural events as well as press conferences, stockholders' meeting, kick-off meetings and so on are all activities which can be summarized under the term event.

212) Cf. Zacharias (2000), pp. 288-289.
213) Cf. Lindner (1999), pp. 232-233.
214) Cf. Kramer (1999), pp. 266-270.
215) Cf. BVWD (2007), p. 4
216) Cf. BVWD (2007), p. 6.
217) Cf. BVWD (2007), p. 5.
218) Cf. Bruhn (1997), p. 780.

An important part when deciding to realize an event is the identification of the focused target group. One has to keep in mind that different goals which are supposed to be achieved with an event, need to influence different target groups. Simplified, one can distinguish between five types of target groups: users, buyers, influencers, deciders, and gate keepers (***Figure 1***).[219] It is possible that one person holds more than one, sometimes even all parts. Therefore it is essential to know ones target groups, their needs and interest to guarantee a perfectly addressing event.[220]

3.2 IPO as a Marketing Event – Theoretical Foundation

During the IPO process there is an important marketing part which has to be carried out by every company which is going public. This marketing campaign is known as the road show. This is an event by executives of the IPO companies for institutional investors, which typically lasts several weeks. During the road show phase, there are two objectives: the creation of demand and the measurement of demand. The underwriter tries to generate demand by making potential investors aware of the company and also its upside potential. Sometimes by web cast, but usually in person, presentations are made to groups of institutional investors. "One-on-one"-meetings, in which IPO executives visit investors' offices and reply to questions in private are only offered to the most important institutional investors in special consideration.[221] Many practices concerning the IPO and in general made by investment-banking can be taken as attempts to create demand. Therefore the question how marketing influences the demand for IPO shares is often posed.[222] The IPO used to be seen as a financial phenomenon only, but for a few years, there is another focus which looks beyond financial aspects. The idea of the IPO as a marketing event is closely connected to the signaling model.[223] It is probable that more publicity is created by an IPO and this might induce further investor interest.

Besides enhancing general public awareness, developing credibility for the venture, improving knowledge of product and service characteristics and building an appreciation for future capabilities of the venture, an IPO is a communication opportunity which in addition showcases the management team.[224] For general public awareness a road show would be far too complex, expensive and too unspectacular or even boring.

To reach other target groups besides institutional investors an adventure-oriented marketing event is the best choice. Such adventure-oriented events are gaining more and more interest with companies going public. In 2004 the Deutsche Post AG planned the initial public offering of the Postbank. For that reason an event was created with the only purpose to gain as much attention and awareness as possible. Together with the agency videri and the PR experts of Leipziger & Partner PR GmbH they created the idea of a sailing ship, which symbolized and accompanied the IPO with a sailing tour from Bonn; headquarter of Postbank, to Frankfurt, domicile of the most important German stock exchange. The ship with its yellow sails and its nautical details symbolized a very solid and sympathetic impression, which corresponds to the image of Postbank.[225] The three-master had to overcome obstacles such as 50 bridges, rapids and narrow parts on its way from Bonn to Frankfurt on the Rhein and Main. The event was highly successful, because this boat with its yellow sails attracted much attention of newspapers, magazines and TV news. Concerning marketing, this event was a great way of informing and attracting potential private investors.

219) Cf. Diller (1992), p. 138.
220) Cf. Webster/Wind (1972), p. 77.
221) Cf. Ritter/Welch (2002), p. 288.
222) Cf. DuCharme et al. (2001).
223) Cf. Allen/Faulhaber (1989).
224) Cf. Song, et al. (2002), p. 4.
225) Cf. http://www.famab.de/eva/gewinner 2004/public. html.

3.3 PR and IR Department and their Role of the IPO

As the term may implicit, the investor relation department is responsible for all activities which relate to the ways in which a company announces information necessary for regulatory adherence and good investment judgment to bond and shareholder and the wider financial market.
Functions of an investor relations manager often includes the dissemination of information via press conferences, the collection of information on competitors, one-on-one briefings, investor relations sections of company websites, and company annual reports. He must be aware of current and up-coming topics which the company may face, and which may have an influence on the company, such as for example an initial public offering. Financial communication is the main task of every IR manager. During the IPO he is responsible for the road show, press conferences and the presentations for the institutional investors.
But not every company that goes public has an own investor relation manager, so the public relation manager take over the IR mangers task.[226] Otherwise the PR manager has to build up trust by press reports, arranging interviews with the board of chairmen and the organizing events for the kick-off.[227] Furthermore the PR department needs to build PR cooperation with the consortium banks and communicate special offerings. To follow up after the IPO and to support the share price the PR department must continue its PR presence and inform the public about the successful IPO.[228]

4 Real Estate

The interest of investors in real estate has been growing over the past years. In this context, several possibilities of investing into real estate be-come evident.[229] Traditionally, one could invest indirectly via the acquisition of stock belonging to a company dealing with real estate. Additionally the investor had the chance of investing his capital into closed or open property funds. Furthermore Real Estate Investment Trusts have become more and more important as a vehicle of real estate investment. These different possibilities of investment will be presented briefly in the following.

4.1 Possibilities of investment

4.1.1 Closed property funds

As the name "closed property funds" suggests, the investor can only invest his capital during a specific timeframe. Afterwards the fund gets closed, which means that the acquired shares are not for sale for fixed amount of time. Therefore the investor is committed through his share for the duration of the fund. Since the foundation of closed property fund is designed as a limited liability corporation, the investor becomes a limited partner including the various chances and risks. The investor takes a stake in the corporation paying a fixed price. The minimum amount of this investment is usually relatively high, being often €5,000 plus a premium of 5 %.
Because of these reasons the trading of the share at the stock exchange does not become possible; therefore there exist a limited liquidity of shares. Another disadvantage is that a daily fixing of the price combined with the chance of returning the share to the initiator is

226) Cf. DVFA (2006), p. 8.
227) Cf. Göttgens (2000), p. 23.
228) Cf. Göttgens (2000), pp. 32-38.
229) Cf. Hoesli/Macgregor (1997), p. 5.

also not possible, there exists no secondary market. Relatively high returns and tax advantages can compensate these shortages. Since this kind of investment into real estate is not tradable on a daily basis they do not represent a serious competitor to the real estate stock.[230]

4.1.2 Open property funds

In comparison to the closed property fund, the investor can participate in these funds by buying a relatively small share of it. The determination of the market price takes place by ongoing emission and redemption of the open property fund certificates. The aim is to also involve small investors who can buy and sell their shares on a daily basis at the stock exchange.
The open property fund involves special estate with a minimum of 15 sites of which a capital investment company takes care. Open-ended funds mainly buy commercial real estate and generate profits via rental revenues as well as via value enhancements of the estates. Because of the possibility of daily trading the open property funds can be viewed as a serious competitor to stock invested in real estate companies quoted on the stock exchange.[231]

4.1.3 Property Listed Companies

The third possibility of investing capital into real estate is via the acquisition of stock belonging to a real estate company. Unlike the other two asset classes, mentioned above, which primarily focus on commercial real estate, property listed companies involve all real estate classes, commercial and residential.[232] In financial markets, stock is the capital raised by a company through the issuance and distribution of shares. This represents a more indirect way of real estate investment. The investor does not have the possibility of really determining in which part of the company he invests his money, tax transparency is also almost not given.[233] Therefore this type of investment can be viewed as being of indirect nature.
The companies in Germany which conduct IPO's in order to get capital via selling a certain amount of stock transform themselves usually to a joint stock company or an association limited by shares. Private as well as institutional investors participate in the daily stock exchange. In comparison to other types of investments in real estate such as the closed property fund, the private person can easily buy and sell stock on a daily basis. Since the specific IPO's conducted by companies, which will be presented later on, all involved the issuance of stock, this type of investment will be the focus of this paper.[234]

4.1.4 Real Estate Investment Trusts

Real Estate Investment Trusts in contrast to the "traditional" issuance of stock are fairly new to the German financial market. They just have been recently introduced in the beginning of 2007.[235] Generally REITs can be described as quoted companies whose stocks are tax transparent. They have to earn almost all of their income from direct or indirect investment into Real Estate (e.g. property development, management etc.) and have to distribute nearly their entire profit to the shareholders (80-100%).[236]
The drive for the development of REITs mainly lies in the motivation to effectively deal with the problem of liquidity, large lot sizes and the creation of a new risk-return class vehicle in order to provide an adequate investment for households and small investors

230) Cf. Centre for European Economic Research (2005), p. 115; Bone-Winkel/Becker (2005), p. 42.
231) Cf. Centre for European Economic Research (2005), pp. 104-106; Bone-Winkel/Becker (2005), p. 43.
232) Cf. Deutsche Börse AG (2007), p. 4.
233) Cf. Centre for European Economic Research (2005) pp. 99-100; Bone-Winkel/Becker (2005), p. 41.
234) Cf. Centre for European Economic Research (2005), pp. 95-96; Bone-Winkel/Becker(2005), p.40; IVG (2005); Land Securities (2006).
235) Cf. Steinbach (2006), p. 74.
236) Cf. Jarchow (1988), pp. 75-85.

into the real estate markets.[237] REITs can be divided into Private REITs that normally raise capital from individuals, trusts or other entities, and into publicly registered REITs that hence raise equity from a much broader investor base.[238]
The development of REITs in Germany can, according to § 8 to § 13 of the bill, be done by all German corporations quoted on the stock exchange. The companies' activities are limited to letting, leasing and auxiliary of real estate. Sideline activities like property development are only "allowed" if they play a minor role. Having the explanations of the bill in mind, it is important to note that Private REITs are viewed as being not necessary for Germany, because other adequate asset classes, as mentioned above, already exist.[239]
Since the IPOs examined within the scope of this paper are only concerned with companies which have transformed into joint stock corporations or an association limited by shares the empirical analysis will be focused on the past development. The future outlook though will also involve G-REITs which will play a major role in the prospective development of financial markets.

4.2 Target group

The target group has to be divided into private and institutional investors due to the fact that they both have different interests and behaviors. Therefore a company has to be aware of its main target group because it has to be addressed in a different way.

4.2.1 Private Investors

Private investors are private individuals who generally invest a small amount of their personal means into stock. Most of the times, instead of being concerned with numbers and facts, private investors are interested in the image of a company. Therefore it can be stated that oftentimes irrational causes are the reasons for private investment in certain companies rather than into others.
Because of the reasons mentioned above, the private investor defines the main target group for adventure-oriented events. As illustrated above, the five different types of target groups: users, buyers, influencers, deciders, and gate keepers are in this case often combined into one person.[240] Before this person uses this "product", respectively the revenues of the stock, he informs himself in an either rational or irrational way. This search of information could be positively influenced by an adventure-oriented marketing event. After the collection of the kind of information he needs he decides of which company he wants to buy the stock. After he has made his decision about the company, he decides upon how many shares he wishes to acquire and at which point in time.
As the description shows, the private investor evidently combines these different user groups in one person. Oftentimes though, other persons can be involved, such as family members, friends or even bank advisors. These groups might carry out parts of the de-scribed roles or even fill out whole roles. As mentioned above the general interest of private investors addresses the irrational attributes of a company. Therefore it is essential to exactly know how create awareness among the potential customer and plan the "perfect" event especially designed for the aimed target groups, their needs and interests. Because of these reasons marketing events attracting private investors focus on image building rather than on trust building.

237) Cf. Deutsch Leasing (2006).
238) Cf. Centre for European Economic Research (2005), pp. 1-2.
239) Cf. Ernst & Young (2006), p. 5; Initiative Finanzstandort Deutschland (2005), p. 2; Bundesministerium für Finanzen (2006), § 15 (3).
240) Cp. Diller (1992), p. 138.

4.2.2 Institutional Investors

Institutional investors are characterized by large and sophisticated investments which are often incorporated into large portfolios of investments. Several types of investors are institutional investors such as broker dealers, investment advisors, investment companies, insurance companies, banks, trusts and government agencies among others. Usually this type of investor is better informed than the private investor. These investors are more concerned with numbers and facts about the company rather than with the image. The target groups mentioned above, users, buyers, influencers, deciders, and gate keepers, are herewith usually not combined into one person.[241]
Normally the various roles are undertaken by different persons. This fact can easily be explained when analyzing the road shows described above. When road shows are undertaken in order to create demand and measure it, the presentations are not usually conducted in front of the deciders. These types of persons normally do not have the time to participate in such events and wait for their gate keepers and influencers to give them the necessary information. The deciders are usually the heads of the company such as the CEO or the general management and made their decision according to the value of the collected information. The buyer in this case is the executor of the final decision. Due to the large investments undertaken by a company, it obviously buys much greater amounts of stock. The user of the product is not, as described above, one single person, but the company as a whole. Because of these reasons marketing events addressing institutional investors focus on the building of trust rather than image creation.

5 Empirical Analysis

5.1 The German Real Estate Market – Last IPOs

Over the last ten years there has been a constantly growing number of IPOs in the real estate business. The number rose from only four IPOs in 1994 up to 42 in 2006 on a European level. Germany had a total of ten real estate companies issuing, 2006 being by far the strongest year with six IPOs.
The total value of German real estate IPOs amounts to €1.94bn within the last five years (2006: €1.27 bn). Another €1.53bn can be added from European companies with a very strong focus on the German market. This makes a total of €3.47bn in initial public offerings within the German real estate market.
As can be observed in Table 1, the German market has only recently developed some activity, as between 1994 and 2001 there were no IPOs in Germany or even strongly connected to the German market. (see ***Table1***, p. 136)
Another point that can be noted is that there is no IPO from a developer in Germany, only companies with a clear investmentonly strategy went public in the last 15 years. This is especially interesting when compared to the entire European market, where almost a third of the offerings were issued by a developer. What is also notable is that there were only three major IPOs in the German real estate market, totaling 91% of the entire volume of ten IPOs in the period between 1994 and 2006.

241) Cp. Diller (1992), p. 138.

Year	Quarter	Issuer	Country of Listing	Issue Size (million)	Property Class	Strategy
2006	Quarter 4	Alta Fides AG	GER	€ 47.60	Residential	Investment
2006	Quarter 4	Hahn Immobilien Beteiligungs AG	GER	€ 20.00	Commercial	Investment
2006	Quarter 4	GAGFAH Immobilien-Management	GER	€ 812.25	Residential	Investment
2006	Quarter 4	GWB Immobilien AG	GER	€ 17.63	Commercial	Investment
2006	Quarter 3	FranconoRheinMain	GER	€ 21.70	Residential	Investment
2006	Quarter 1	Patrizia Immobilien AG	GER	€ 353.72	Residential	Investment
2005	Quarter 4	VIB Vermögen	GER	€ 30.00	Commercial	Investment
2003	Quarter 3	AIG International Real Estate	GER	€ 29.96	Comm/Res	Investment
2002	Quarter 1	Uniprof Real Estate Holding AG	GER	€ 4.02	Comm/Res	Investment
2002	Quarter 1	Deutsche Euroshop	GER	€ 600.00	Commercial	Investment
				€ 1,936.88		
2006	Quarter 3	ProLogis European Properties (REIT)	NL	€ 650.00	Commercial	Investment
2006	Quarter 2	SummitGermany Limited	UK	€ 96.91	Commercial	Investment
2006	Quarter 2	Deutsche Lang PLC	UK	€ 144.39	Commercial	Investment
2006	Quarter 1	Speymill Deutsche Immobilen	UK	€ 244.89	Residential	Investment
2005	Quarter 4	Dawnay Day Treveria PLC	UK	€ 375.00	Commercial	Investment
2004	Quarter 2	Eurocastle Investment Ltd	UK	€ 18.00	Commercial	Investment
				€ 1,529.19		
				€ 3,466.07		

Table 1: *IPOs in the German real estate market*
Source: own illustration.

5.2 Survey Results

During the conceptual phase of the paper several expert interviews were conducted. In addition, a number of questionnaires were sent out, with two answered surveys and two relevant interviews entering the analysis. All experts have had a significant involvement in at least one IPO of a German real estate company. And even though the absolute number of experts involved is quite low, the results could not be much clearer. When retrieving the questionnaires which were sent out and during the expert interviews, a clear message came across: The initial public offering has – up until now – not been used as a marketing tool, much less as a marketing event, for a German or European real estate company. The only incitement for going public was in all cases a financial one, e.g. the increase in equity, the reach for the capital market or growth considerations.

Marketing was not considered as even a partial reason for going public, and to the knowledge of the experts has not been during the IPO of any real estate company in Europe. Of course, there have been marketing measures to promote the IPO, but these were in all cases the mandatory and closed-to-public investor road shows and other investor-relations tools, e.g. equity story, TV spots and newspaper announces. These were brought across through constant communication with investors, analysts, banks and the media, but in a broad sense were always targeted at institutional investors and of a working-oriented character.

According to the experts involved, the exact timing of the IPO is mainly determined by medium-term company strategy and the decision to go public. Of course favorable market conditions foster these decisions.

When asked whether internal or external factors tipped the scales towards an IPO, the experts could determine out a dominating factor, but issues like the current market performance or the possibility of internal growth were named. To guarantee a successful process of going public, a clearly defined company strategy and a strong IPO planning are necessary.[242] The focus usually in communication to stake- and future shareholders lies in reliability, solidity and profitability.

242) Cf. Chapter 2.2.

6 Concluding remark

This paper achieved to demonstrate relevant aspects of an IPO as a marketing event in general and the specific challenges in the real estate market. A theoretical foundation was laid in terms of an IPO, followed by the relevant marketing tools and the specifics of the real estate sector.

As could be derived in Chapter 5, the real estate sector is not and has not been using the IPO as a marketing event in the sense of an adventure-driven marketing approach. This is largely due to the strong focus on institutional investors and their clear orientation towards working-oriented marketing events, where they can gather the significant financial data in order to create an accurate assessment of the targeted company.

With the introduction of the REITs in Germany and the potential focus-shift towards private investors, marketing-driven IPOs and adventure-oriented events during such a real-estate IPO become much more likely.

During the research for this paper, we contacted Leipziger & Partner GmbH, which organized the event of the IPO Postbank with the boat sailing from Bonn to Frankfurt, in order to discuss possibilities with respect to the real estate market in Germany. Mr. Gehl from Leipziger & Partner GmbH conveyed a strongly growing potential for real estate companies in using their IPO as a marketing event to gain increased attention.

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Perceived communicative challenges of IPO candidates

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1. Introduction

1.1 Problem Definition and Objectives

An Initial Public Offering (IPO) is most probably one of the most important and most challenging events within the lifecycle of a company, potentially deciding on the future success or failure of a firm. Additionally, IPOs are one of the most public attention attracting financial events of all. Notably, especially in recent times the number of IPOs has increased significantly, especially in the real estate sector.[243]

However, despite the increasing popularity, it is very difficult and complex to turn an IPO into a complete success. The complete process of an IPO consists of various parts, steps and layers. As one of those parts, the communication to the potential investors is considered as one of the key success factors. According to Jack Welch, former CEO of General Electric, "a company that is misunderstood is a company that is undervalued. People usually avoid what they do not understand."[244] After all, the investor communication does not only help to attract potential investors but also to create an optimal shareholder structure and reduce the probability of a possible over- or undervaluation of the IPO, reducing the overall risk.[245] However, to take advantage of this apparently so powerful communication, several issues have to be taken into consideration and many communicative challenges have to be mastered.[246]

Taking these two findings, the increasing importance of real estate IPO candidates and the tremendous importance of investor communication within the scope of IPOs, into consideration, the following paper will exactly elaborate on this topic. What exactly are the perceived communicative challenges of real estate IPO candidates? How are they overcome, and what are the differences between real estate and non-real estate companies? All of these questions will be answered within the scope of the research, analyzing theoretical information as well as practical insights.

1.2 Course of Analysis

Having outlined the importance and relevance of investor communication in order to optimize the IPO process, the question of the major communicative challenges for IPO-candidates in the real estate sector is to be answered. Consequently, this paper is structured as follows.

Firstly, light is to be shed on the general process of an IPO, showing the different steps and stages. Within this scope, it will be illustrated in which parts of an IPO process communication to investors is taking place. Afterwards, the actual communication process is explained, giving details on which different steps are taken.

Secondly, the existing literature on IPO communication will be examined to lay the groundwork to analyze the major challenges for real estate companies. The focus in this par lies on illustrating what is communicated to whom and by which means and which communicative challenges might be implied for real estate companies due to their special characteristics. Thus, the equity story as the core of the communication process, the target groups and the communication instruments will be explained. This theoretical section will be based exclusively on a thorough literature review. Lastly, potential implications for real estate companies will be deduced and illustrated.

Thirdly, chapter four will analyze and challenge the previously gained information from

243) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley. See Annex, p. 27.
244) Enterprise.com (2007), p. 5.
245) Cf. Brau/Fawcett (2006), p. 414.
246) Cf. Lindner (1999), pp. 36-41.

a practical perspective. Qualitative interviews with leading communication advisors such as investment banks and consulting firms as well as investor relations departments of different real estate corporations will be analyzed and interpreted, showing the real perceived communicative challenges for real estate companies at hand. To do so, the communication process is analyzed stepwise, highlighting key challenges for each part of the process. The fifth and final chapter will summarize the major challenges identified within this research project and provide some guidance on how to address them adequately, critically reflecting the presented results.

2 Initial Public Offering Process

Out of many possible financing strategies, the IPO is probably the one with the highest legal, financial, fiscal and organizational impacts on a business. It is a complex, one-time process which in general involves a realignment of corporate strategy.[247] In order to get a clear understanding of the communication process at an IPO the following sections will first outline the IPO process in general followed by an examination of the different communication phases that an IPO candidate should consider when going public.

2.1 Process of IPOs

As the design of the process of an IPO depends to a large extent on the specific objectives and point of departure of the candidate as well as on the environment on the capital market, it must be highlighted that there is no standard approach to a successful public offering. Nevertheless, in general it can be said that every IPO candidate has to go through a number of defined steps before the initial listing. Ideally the IPO process can be divided into three different phases.

First of all there is the so called "structuring phase". Within this phase a project team has to be established in order to structure the IPO process from a conceptual and strategic point of view.[248] The main objective is to determine whether or not a company is ready for going public. In this context the existence of an adequate planning and reporting system as well as a prompt accounting system are key requirements that need to be fulfilled. In most cases, private companies, which are not listed at the stock exchange, do not report according to international standards. Consequently, these companies must first adjust their reporting systems to the requirements and expectations of the financial markets. Furthermore, it has to be assured that additional legal requirements such as a marketable legal form are fulfilled. Before contacting the banks, the readiness of the company for going public has to be verified and weaknesses have to be resolved. Another key component of the structuring phase is the development of the equity story, which aims at pointing out the attractiveness of the IPO candidate to potential investors.

The second phase within the IPO process is the so called "implementation phase". One of the most important tasks within this phase is the choice of a lead bank of the bank consortium. Within so called "beauty contests" selected banks present their concept for the realization of the public offering and give first indications for target valuations. To prepare for the beauty contests the banks have talks with the management and receive a fact book containing essential information on the company.

247) Cf. Bösl (2004), p. 11.
248) Cf. Bösl (2004), p. 28.

In order to create a solid base of information for all stakeholders as well as to reduce the risk of liability and negative image effects for the lead bank a due diligence is performed. This indepth analysis of the status quo usually focuses on the operative, financial and legal feasibility of the IPO. In the particular case of real estate companies the due diligence auditors also examine the estates of the candidate.[249]
The "placement phase" is the third and final phase of the IPO process. Within this phase the company is actively marketed within the financial community. In addition, essential placement documents, in particular the prospectus, are finalized and filed for admission at the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The prospectus is prepared by the IPO candidate and its legal advisors in cooperation with the banks and their legal advisors. The document is divided into several parts containing information on the company, the risk factors involved, the specific terms and conditions of the offering, financial data as well as an analysis of the asset and profitability situation of the candidate.[250]
Also within the placement phase the lead bank has to structure the transaction in cooperation with the candidate. In this context it has to be decided at which stock exchange and in which segment the candidate should be listed, how many shares should be issued and what their price should be. Furthermore, the type of offer (e.g. for institutional investors vs. private investors) and the lock-up period have to be determined.
Last but not least the offer has to be marketed. In this context the company has to decide which investors should be targeted, how they should be targeted and how often. A typical marketing strategy is subdivided into three stages. In the first stage the company targets only a few opinion leaders ("Pilot Fishing"), followed by a phase of "investor education" through one-on-ones and research reports and finalized by a number of road shows, where the top management presents the equity story to potential investors within group presentations and one-on-one talks.[251] The placement phase ends with a book building period within which the actual issuing price is determined.
It is important to highlight that the financial communication activities of an IPO candidate are by far not limited to the final marketing of the offering. The following section will give an overview of different communication activities during the IPO process.

2.2 IPO Communication Process

The right timing of the different communication activities is crucial for the success of an IPO.[252] Again it has to be stated that the design of the communication process always depends on the specific conditions of the IPO candidate. To give an example, a well established incumbent with a long history as a closely-held corporation will act differently than a newcomer to the market who might have to focus much more on building an image for itself. Despite the necessity of an individual process design, the following paragraphs will outline what a typical communication plan at an IPO might look like.
The communication process can be divided into three general phases. It starts with a "branding phase" which aims at increasing awareness for the IPO candidate and building a certain company image within the financial community without announcing the IPO, yet. Furthermore, the branding phase aims at preparing the different communication measures which follow at later stages. However, before the conceptualization of brochures and advertising campaigns a "positioning workshop" is organized. The objective of such

249) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
250) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
251) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
252) Cf. Schönborn/ Tschugg (2001), p. 22.

a workshop is to assure that the equity story is well integrated into the communication strategy. The participation of the directors, the IR-Manager, the lead bank, IPO consultants, and external communication experts assures that the different communication measures are based on a common understanding and unity about the core messages.[253]
In many cases the positioning workshop is followed by a corporate design and corporate identity branding. This might, for example, be the case when a company wants to change its name in the context of an IPO. Furthermore, a number of different communication measures need to be prepared during the branding phase. This includes the preparation of brochures (e.g. leaflets, image brochures, and annual reports), creation of IPO advertising (print, online, TV), setup of dialog communication channels (IR-website, hotline, mailings), internal communication towards employees, press work, and a media training for the top management.
The second phase within the communication process is the "offering phase", which starts with the announcement of the IPO. Within this phase the communication measures prepared in the branding phase become visible to the public. However, the main focus of communication is on the IPO press relations. Beside basic measures such as the mailing of press releases, the direct dialogue of the CEO with the media plays a key role in this context.
As mentioned above the communication efforts reach their peak within the "book building phase". In particular the media are very interested in interviews with the CEO. In some cases this might lead to conflicts, as the CEO's available time is quite limited since the road shows are also taking place during the book building phase.
This section has given an overview of the IPO communication process. Appendix 1 summarizes the communication process graphically. The following chapter will continue by presenting a detailed analysis of the IPO communication strategy in these phases.

3 IPO Communication Strategy

Subsequent to the general overview of an IPO communication process, this chapter reviews the existing literature on the IPO communication strategy and explains how the communication of the IPO is executed. First, the equity story as the core element of the communication strategy is examined. The second part deals with the selection process of potential investors to ensure that the right group is targeted with the communication policy. Thereafter, the various instruments, which are used to convey the communication policy to the market – differentiated in personal and nonpersonal instruments –, are illustrated. This chapter concludes by drawing potential implications for real estate IPOs which can then be challenged in practice in the subsequent chapter.

3.1 Equity Story

The equity story constitutes the core element of IPO communications as it is the message that the company ought to convey to the market.[254] It can be defined as the story comprising the "key competences, success factors and prospects of the company with regards to the floatation. Consequently, it is a summary of the corporate strategy in the investors' and analysts' language."[255] However, the second and equally important purpose of an equity story is to tell investors explicitly why they should purchase the shares.[256] As a result,

253) Cf. Schönborn/ Tschugg (2001), p. 25.
254) Cf. Bussmann (2001), p. 91.
255) Zuber (2004), p. 8.
256) Cf. Schönborn (2001), p. 47; Rödl/Zinser (1999), p. 113.

the equity story lays the groundwork for all further capital markets communications, i.e. all further communication has to be in accordance with the equity story.[257]
Empirical surveys of key success factors of IPOs have revealed that a convincing equity story, which succeeds in communicating the unique selling proposition (USP) of a company's shares, is the centerpiece of IPO communications. Achleitner et al. showed in their survey of IPOs at the Neuer Markt in Germany that a coherent growth strategy and an equity story are the two most important elements of a successful floatation.[258] A second survey by Kohtes/Klewes, a public relations agency, also confirmed this finding by highlighting the importance of a coherent equity story as 75% of the respondents identified it as a key success factor for an IPO.[259] One recent example for this was Pirelli Real Estate which had to be priced at the bottom of the range simply because the company had not been able to explain the complex business model and was consequently punished with lower than expected issue proceeds.[260]
In general, companies know well what they do best. However, before an IPO, only a few have really thought about their USP for potential investors. Moreover, even if equity stories exist in private companies, they do not exist in written form. Management might know all aspects it deems necessary to successfully run a company, but the IPO constitutes the first time that it has to be put in writing. A good method for realizing this is to really work out the strengths and weaknesses of the company, its core competences, value drivers and full potential.[261] This process and continuous selfreflection is often identified as the first major challenge of an IPO. All of a sudden, a closed-shop is transformed into a public entity and various stakeholders, among them most importantly the potential investors, demand comprehensible and comprehensive information.[262] To deliver all that, an equity story should include information on the market environment, the corporate structure, corporate strategy, management and personnel, customers, products, suppliers and lastly base all this on financial information.[263]
In the real estate sector, the equity story should especially stress the competency of the management to select good investment objects. As there is no research and development, this is of particular importance for real estate IPOs. Likewise, the company has to carefully elaborate on its USP as it is even harder in real estate to differentiate one's strategy from its competitors. Moreover, size does matter in the real estate industry as it is a high fixed cost business so that any advantages in efficiency are generally rewarded by investors.[264]
Moreover, apart from a simple description of the company and its business model, the story also needs to point to reasons for its attractiveness for potential investors. The company has to be able to explain what it plans to do with the proceeds from the flotation and that it really needs this money.[265] The last challenge that a good equity story has to live up to is the fact that it needs to be communicated in various forms. As all subsequent capital market communication has to be in accordance with the equity story, one should be able to deliver the equity story at an analysts' conference, in the prospectus as well as in a short commercial or press release.[266] The equity story should therefore be simple, concise, comprehensible and trustworthy yet still incorporate all elements identified above.[267] Thus, when drafting the equity story, careful attention has to be paid to keep it simple and comprehensible by using distinctive and memorable phrases.[268]

257) Cf. Frigge/Zemelka (2001), p. 521.
258) Cf. Achleitner/Bassen/Funke (2001), p. 34.
259) Cf. KohtesKlewes (2001), pp. 1-10.
260) Cf. Euromoney (2002), p. 1.
261) Cf. Bösl (2004), p. 61; Holdijk (2001), pp. 122-127.
262) Cf. Holdijk (2001), p. 117.
263) Cf. Schönborn (2001), p. 49.
264) Cf. Kirchhoff (2007), p. 8.
265) Cf. Schönborn (2001), p. 56.
266) Cf. Holdijk (2001), p. 116.
267) Cf. Holdijk (2001), p. 117.
268) Cf. Herbeck et al. (2001), p. 491.

Concluding, the equity story needs to make the company look as an attractive investment. Creating an equity story is not about telling tales or what the market wants to hear but rather exactly pointing out the business model, the USP and its potential for investors who – especially in the real estate sector – look for secure cash flows.[269] Once the company has gone through the often tedious process of developing an equity story, the target group for the further communication process has to be sought out. This task will be dealt with in the subsequent part.

3.2 Target Groups

Before determining how exactly the equity story can be communicated to the investors, a core question to be answered is how the adequate target groups or target investors are selected and contacted. Different investor types might urge for completely different communication measures and strategies, which is why the adaptation to the relevant investor groups is absolutely key.
Generally, all investors can be attributed to two different types, namely institutional or retail investors. However, for both types several sub-types can be identified, once more leading to different implications for the investor communication.
To start with the private investors, one generally might differentiate between different investment horizons, ranging from short-, over mid- to long-term investments. Additionally, one has to take into consideration that private investors might not be very knowledgeable in the field of real estate companies and its particularities. Typically, there is a high number of private investors, investing rather small amounts of money, having a pure return on investment objective. Normally, they heavily rely on external advice to take their investment decisions. A sub-group of the private investors, often forgotten in Europe but very present in the US, are the employees of the company going public. These so called internal investors are one of the most important stakeholders of a firm. Hence, they have to be included in the communication process, too.[270]
On the other hand, there are institutional investors, such as insurance companies, funds and banks, which are usually few in number but invest substantial amounts of money. Among those investors similar differentiations as for private investors, for example between long-, mid-, or short investment horizons, can be made. However, in addition to these aspects, further characteristics can be identified. Institutional investors can be considered as quite knowledgeable and sophisticated in the respective areas. They reach for abnormal returns, as they find themselves under high pressure as underperformance might lead to a substantial impediment of their reputation. Apart from the mere return objective, institutional investors might be significantly interested in gaining – at least to some extent – control of the companies in which they invest.[271]
Having these different types and characteristics of investors in mind, the next question is how to select the most adequate persons and/or institutions. In the case of institutional investors, the first way of communication is to contact so-called opinion leaders. These are potent institutional investors who are known to invest in successful companies and thus will raise the attention for the respective IPO. Additionally, track records of institutional investors will help to identify the most adequate institutions, which might be interested in the IPO of a certain company. These databases are generated and managed by several institutions, such as the SEC, and give detailed information about the investing

269) Cf. Holdijk (2001), pp. 134-135.
270) Cf. Lindner (1999), p. 212.
271) Cf. Lindner (1999), p. 215.

behavior. Both ways definitely will help to identify and select the most adequate institutional investors for an IPO.[272]
Talking about the private investors, a different approach has to be taken. In contrast to lead investors or opinion leaders, intermediaries are the most adequate institutions helping to select and thus target the most adequate investors. Such intermediaries could be represented by large institutions or banks being heavily active in the private sector.[273]

3.3 Personal Instruments

The application of personal instruments enables direct reach of a specific and also limited number of investors. This mainly includes institutional investors which are willing to buy large stock packages and also newsmen who can have a huge impact on the public's opinion. This direct reach is the main advantage of the personal instruments. Disadvantages are the huge costs and effort of the management and the company related with this personal way of communicating. The following chapters illustrate the main personal communication instruments used on the way to an IPO.[274]

3.3.1 Road Shows and One-on-Ones

The road show is a strong component and a very important part of the IPO process. The issuer informs the interested public with specific information about the company and the IPO.[275] In contrast to previous formal information, the road show is done personally by the management and consists of various presentations in front of different groups of potential investors. As mentioned above these presentations are given predominantly to institutional investors. In addition to the management and potential investors, the advising investment bankers are present at the presentation. The management of the issuing company reveals the details of the IPO and tries to emphasize the future chances and return expectations of the investors.[276] Usually, the road shows are done close to the end of the waiting period, which means the time before the registration statement is effective and the offering is priced.[277]
In most cases, the road show starts with a short company presentation of the management. Since most of the participants already have very detailed knowledge about the company from previous formal information, the important parts of the road show are the analysis of the financial statements, breakdown of past developments, the future perspectives and the open questions at the end. Naturally, the future expectations of the company are most interesting for potential investors and will be under critical observation.[278] In preparation for these presentations, which always end with often uncomfortable questions from analysts and investors, the management has specific communication advisors, trying to prepare for possible questions and the presentation speeches. These communication advisors become more and more important, since every word of the management can be decisive not only about the investment decisions but also about liability issues in certain cases. That is why before the road show the management goes through a very detailed training process in order to be ready to face the questions of the analysts and investors.[279] For the management the presentation in front of experts is one of the most

272) Cf. Interview from 25/05/2007 with Mr Hubert Bonn, Deutsche Wohnen.
273) Cf. Interview from 25/05/2007 with Mr Hubert Bonn, Deutsche Wohnen.
274) Cf. Lindner (1999), p. 161.
275) Cf. Arkebauer/Schulz (1994), p. 246.
276) Cf. Lindner (1999), p. 161.
277) Cf. Singh (1998), pp. 547-548.
278) Cf. Lindner (1999), p. 161.
279) Cf. Marken (2000), pp. 18-19.

challenging tasks which is mostly decisive when it comes to the investment decisions of the investors.
One-on-ones often go hand in hand with and are similar to the road show. These are interviews with single investors which are usually done after the company presentation or following a personal invitation.[280] Without having had these personal interviews many institutional investors decline the subscription of an emission. The frequency of personal contact is important to secure a good acceptance of the financial community which makes one-on-ones the most important IR measures according to the companies and investors. A study by PricewaterhouseCoopers found out that 75% of the interviewed companies speak personally with their investors and analysts more than 20 times a year.[281] The goal of these one-on-ones is giving selected investors the chance to talk personally and in private with the management.[282] On the one hand, specific issues and risks about the IPO can be discussed in privacy. On the other hand, the personal discussions help to enhance potential investors' trust in the company and also show the investors how far the management really stands behind the company and the future goals.[283] IR employees are also participating in the one-on-ones in order to ensure that the information from the personal interviews will also be disclosed to the public.[284]

3.3.2 Analyst Meetings and Press Conferences

Before the IPO, financial analysts conduct very detailed studies about the financial situation of the aspirant. Therefore the IR department discloses the financial statements, the envisaged use of the gained money, the future investment policies and the used accounting standards in order to reach a realistic picture of the company.[285] Therefore, not only latest but also honest and true information which reflects chances as well as risks is essential for a good analyst meeting.[286] With their studies about the company financial analysts come up with stock recommendations and hence can have a large impact on the emission number as well as the later stock price development. Consequently, convinced analysts are important to secure a successful and profit-yielding IPO and analyst meetings are seen as one of the most important parts of the IPO process together with above-named one-on-ones and road shows.[287]
General information concerning the IPO is disclosed in press conferences. In a first conference the plan of the upcoming IPO together with recent financial results and future developments of the company is disclosed.[288] The second conference addresses essential details of the IPO and focuses on the underwriting group, the underwriting period and the preliminary price range. The final press conference takes place after the underwriting period and discloses the final information about the emission and the gains from the emission.[289] In contrast to the previous instruments, mainly people from the financial press are invited to the press conference. They publicize the gained knowledge, reach a large group of potential investors and also influence the reputation of the issuing company.

3.3.3 Company Visits and Telephone / Video-Conferences

Especially, companies with production facilities often invite selected investors and people from the financial press to visit the company. This is a good chance for them to get an

280) Cf. Lindner (1999), p. 162.
281) Cf. PricewaterhouseCoopers (2001), p. 17, 20.
282) Cf. Guenther/Otterbein (1996), p. 409.
283) Cf. Paul (1993), p. 143.
284) Cf. Lindner (1999), pp. 162-163.
285) Cf. Lindner (1999), p. 163.
286) Cf. Sapienza/Korsgaard (1996), p. 570.
287) Cf. PricewaterhouseCoopers (2001), p. 20; Lindner (1999), p. 163.
288) Cf. Deutsche Börse AG (1999), p. 15.

own impression about the company and its products, which mostly is more convincing than gathering all the information out of huge bulks of paper. However, these visits are very time consuming and cost a lot of money. Therefore, company visits are not done very often in an IPO process but potential investors may be invited when a more defined and smaller group of investors has formed.[290]
In terms of time and cost savings, telephone and video conferences play a large role during the whole process of going public. All interested investors have the chance to get their questions answered and new developments of the issuers can be disclosed quickly without traveling long distances. This enables direct, instant and easy communication with potential investors around the world.[291] It is important that interested investors have a contact person who is easily accessible and has a thorough understanding of the company and the rules of disclosure.
After describing the personal communication instruments with direct contact to potential and mainly institutional investors, the following chapter will address the non-personal communication instruments.

3.4 Non-Personal Instruments

When using non-personal instruments the issuer does not go into direct contact with the target groups. Communication is only coming from the direction of the companies to the public and has the aim to reach a very broad range of people.[292] These instruments are especially helpful in reaching private investors which are difficult to reach personally. However, as mentioned in chapter 3.1, private investors play a smaller role and are mostly reached via print and TV media.[293]

3.4.1 Media Instruments

With the help of press releases the public can be kept up to date continuously with the latest developments in the IPO process. The released information is used by the press for further articles and comments.[294] Ad-hoc announcements are mostly conducted via electronic communication systems and play a big role, since relevant information can be disclosed close to the actual event.[295] Television is a very interesting communication instrument when it comes to reaching and informing a large number of private households.[296] In general the TV interview is similar to the road show or one-on-ones, since analogue topics are discussed and disclosed. However the questions are mostly not as tricky and complicated there. TV interviews also require long preparation periods for the management since every asked question has to be wisely answered.
Press releases are usually published in the financial and international press. They contain a short financial overview and are also used as an instrument to reach the large group of non-finance people and get them interested in the IPO as well.[297] Although the main focus lies on the institutional investors, a good image of the issuing company in the public is important and helpful since a positive reputation is also recognized by large institutional investors which are more likely to invest in well-known companies that have a good image in the general public.
A video presentation is also an interesting communication instrument. It is a good support to the road show and shows all relevant information. The positive aspects are the very easy and broad distribution range, the chance to visualize difficult facts and the low costs of distribution. Instruments like that are well accepted from the investors, however, they still focus on and prefer the personal discussion with the management.[298]

3.4.2 Prospectus and Fact Book

The prospectus constitutes the invitation or offer to the public to subscribe or buy stock of a company. The prospectus has to contain all relevant information to enable the investor to get a clear impression about the specific issuing company and a detailed knowledge about the IPO process.[299] This also includes potential risks that can occur with the IPO and in the future of the company, biographies of officers and directors together with their compensation, any litigation that is taking place and a list of the companies' properties. In addition to the obligatory knowledge transfer the prospectus is also used as form of advertisement to enhance the underwriting process.[300] The goal is to present the issuing company in the most attractive way in order to meet potential investors' expectations and to provide every interested investor with the same information. However the information given in the prospectus has to be very wisely chosen since the issuing company can be liable for aggrieved investors which relied on the prospectus when making their investment decision. The prospectus has to contain all information that has been disclosed since it is the basis for most of the analyses conducted by financial experts. This also includes information that has been derived from interviews with potential investors or analysts.
The fact book also includes information about the company, its financials and the future perspectives. However, it really concentrates on the key facts and is a lot less detailed than the prospectus. On the basis of the fact book, people interested in the floatation of a company also prepare first research reports and analyses. Especially important is the fact book at IPOs of smaller companies, which have not disclosed their financial statements so far, since it is hard for potential investors to gather information about them.[301] The interested public usually gets the fact book after the first press conference so that it can already prepare for future road shows and discussions. Therefore, fact books enhance the efficiency of discussions and lead to an equal level of initial information.[302]

3.5 Theoretical Implications for Real Estate Companies

In the real estate sector most of the instruments are used equally as in other sectors. However when trying to fascinate potential investors by the company future projects play an even larger role since there is no specific product which is sold most of the time. If an investor considers investing in a production company he can quite easily take a look at the manufactured products. In the real estate sector only the current and past projects can be observed but future activities can develop in very diverse directions. Additionally, it is important that the strategy of the issuing real estate company is clearly differentiated from the strategy of competitors. People know what real estate companies do but often do not know the many different areas of the real estate sector. Since there still are a lot of real estate inexperienced investors it is important to clearly explain your goals, what you do and want to do in future and also why you want to go public. Nevertheless, personal instruments play an important role in almost every sector. Investors look for and prefer the direct contact to the companies. It supports the relations between the two parties and enhances investors' trust in the management and the company in general.

290) Cf. Lindner (1999), p.
291) Cf. Lindner (1999), pp. 164-165.
292) Cf. Tiemann (1997), p. 26.
293) Cf. Lindner (1999), p. 165.
294) Cf. Lindner (1999), p. 165.
295) Cf. PricewaterhouseCoopers (2001), p. 17.
296) Cf. Lindner (1999), p. 166.
297) Cf. Lindner (1999), p. 167.
298) Cf. Lindner (1999), p. 169.
299) Cf. Pellegrini (2006), p. 1679.
300) Cf. Duerr (1994), p. 84.
301) Cf. Deutsche Boerse (1996), p. 34.
302) Cf. Lindner (1999), pp. 167-168.

As mentioned above for the personal instruments the non-personal instruments can also be used equally in the real estate sector. Since the trend that real estate companies go public is still quite new, the broad range of the non-personal instruments can be helpful to get the public interested in the IPOs. Since real estate companies also trade with the homes of other people, a good image is especially important for them. If people find out that their home will be bought by a large real estate company they are often afraid that their home will be sold or that they must anticipate higher rents in the near future since public real estate companies are also as much looking for maximized profits as companies in other sectors. The real estate companies therefore have to secure that they will not be compared to or designated as locusts since this leads to bad publicity and therewith to more obstacles in the IPO process. As the descriptions of the non-personal instruments show a lot of them are used as advertisement to get a good reputation which normally leads to better sales numbers of the issuer's stock. Real estate companies can also use their big and sometimes impressive projects to achieve a positive reputation. When investors take a look at previously large and still successful projects their trust in the future development of the company enhances which also increases the chance that they will finally buy huge stock packages and thereby increase the possibility of a successful IPO.

4 Perceived Communicative Challenges

The communicative challenges, that have been identified so far, were all derived from theoretical work and also mainly focused on general IPOs rather than real estate specific problems. The fourth chapter now constitutes the bridge between theory and practice in which the findings from the authors' interviews with leading real estate experts are contrasted with the literature review of chapter 3. Chapter four is structured into a concise description of the research design, where the interview process is explained. The subsequent structure resembles the previous chapter and follows the chronological IPO-process so that the findings can be compared. Subsequent to the research design, the perceived communicative challenges of the equity story as they are experienced in practice are elaborated; secondly, the challenges of the preparation phase, thirdly, the challenges of the commercialization phase and finally the importance of the after-IPO phase are explained.

4.1 Research Design

The authors have conducted several qualitative semi-structured interviews with leading professionals in the real estate IPO market ranging from investment banks (Morgan Stanley and Drueker) and communication agencies (A&B Kommunikationsagentur and Brunswick Group) over market research groups (Property Finance Europe) to real estate companies' investor relations departments (Colonia Real Estate, Deutsche Wohnen). The selection of the interviewees aimed at including the perspectives of a broad range of professionals that are associated with IPO communications. By including not only investor relations departments of real estate companies but also a variety of advisory firms around the IPO process, the results can be viewed as unbiased as possible. This holistic approach helps researchers alleviate the persistent problem of lacking representativeness when

conducting qualitative interviews.[303] In total, seven interviews have been conducted in person and over the phone where a predefined questionnaire was used to structure the interview. However, interviewers were also given a chance to deviate from the questionnaire if the need to enlarge the focus of the conversation was present and to help incorporate the special background knowledge of each respondent.[304] The summarized results of the interviews are the basis on which the anticipated challenges as derived in the previous chapter have been tested on. As a result, the following parts focus heavily on the interviews and less on existing literature.

4.2 Equity Story

As pointed out in 3.1, the literature review has highlighted the importance of a comprehensible equity story for any kind of new issue. Consequently, this was also a major theme for the interviews in which the interviewees were confronted with this hypothesis. The practitioners reinforced this notion by stating that the importance of the equity story and its clear communication cannot be overestimated. In practice, the capital market demands the following success factors from a new issue in the real estate sector that the equity story needs to address and put into the language of financial investors: Management with a track record, high-quality real estate portfolio, size & liquidity, transparency & governance, proven business model, manageable gearing ratio.[305] Having and communicating these points effectively to the markets is viewed as the major challenge.[306]

Those factors are to some extent similar to the general theoretical concept of a good equity story.[307] This does not come as a surprise as real estate companies are conceptually not very different from industrials. However, they are a separate asset class and, consequently, the interview partners stressed the importance of a management track record in managing real estate portfolios and the quality of a portfolio.[308] Investors will always prefer a real estate company with an experienced and proven management team that is able to demonstrate that they have been active in the real estate sector as one team over a considerable period of time and delivered high performance in the past. Ultimately, there is no research or development in the real estate market so that true differentiation and outperformance of competitors strongly rely on the management's ability to secure the best locations and obtain a good mixture of high quality assets. Therefore, a good management team goes hand in hand with the quality of the portfolio. Quality is hereby determined by the location of the real estate objects and the tenants' structure and lengths of contracts. This is also symbolic for the type of the real estate company as a company with a long-term tenant structure cannot credibly communicate to the market that they "actively manage" their portfolio. The factors size & liquidity as well as transparency & governance are also typical for the real estate market. Real estate management is a high fixed cost business so that there are real efficiency gains in scaling up the business.[309] With an increase in size, the company can also extend its "share of voice" in the real estate market and take on larger projects and generally create a larger awareness for itself in the real estate community. The transparency of the business and its governance are also key determinants of a successful IPO which need to be communicated clearly. Investors discount uncertainty so that it should be in the management's interest to disclose information as soon as possible.

303) Cf. Bortz/Döring (2006), pp. 201-205.
304) Cf. Schnell et al. (2005), pp. 322-323.
305) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
306) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
307) See part 3.1.1 for an overview of the general concept of a good equity story.
308) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
309) Cf. Interview from 18/05/2007 with Dr Kay Ullmann, Drueker.

The governance structure is concerned with the relationship between the management company and the real estate portfolio itself. In general, real estate companies with internal management (so that they do not rely on external companies with shrouded contractual relations) are favored by investors.
The remaining two important parts of the equity story are similar to an industrial IPO. All companies, and real estate businesses are no exception to this rule, have to prove a viable business model with past performance and promising future prospects. In real estate, that means that companies have to explain to the market what types of real estate objects they intend to purchase with the issue proceeds (commercial or residential, city or country) and what kind of tenants they want to rent out to.[310] The last point, the gearing ratio, stands for the management's ability to make use of the tax shield effect of gearing up the company without incurring special costs of financial distress.[311]
To sum it up, the real estate company has to position itself as an open market participant with a proven management team, owning a valuable portfolio and expanding the business in promising types. This has to be the central element of the equity story which needs to be communicated clearly and openly to all investors.
A further distinction in the development of an equity story for a real estate company compared to industrials lies in the target group for which it is designed. The asset class real estate is of little interest for retail investors so that the story does not have to address them specifically and rather focus on the needs of institutional investors.[312] Recent bad press coverage and strong interest groups such as the "Mieterbund" (Association of Tenants) lobbied against residential real estate companies becoming a REIT so that there are quite stern preconceptions about residential real estate companies almost similar to the "locust"-image of private equity funds. As a result, if a company wants to target the retail investors with its IPO, a lot of extra work needs to be done to deal with those allegations and overcome the "Miethai" (slumlord)-reputation. Thus far, most real estate IPOs have avoided the retail investors in Germany and are held institutionally by a very limited number of investors. The management needs to be very clear on this point when designing the communication strategy, otherwise communicative problems with regards to the mass media might arise that have not been anticipated and which could significantly prolong and delay the process.
However, to summarize this part, the major communicative challenge associated with the equity story – as identified by our interviewees – was to fulfill those requirements mentioned above and communicate this in simple, memorable and comprehensible messages. There is the temptation to use superlatives too frequently yet one has to stay serious. The equity story has to be true and trustworthy yet still entice the investors to subscribe to the shares.[313] Companies should not simply say what the market wants to hear but only what they truly embody. Thus, the theoretical challenges identified in 3.1 are also the gravest in practice.

4.3 Preparation Phase

As the previous chapter already stressed, the core of the communication lies within the development of a coherent and catchy equity story which addresses all relevant concerns

310) Cf. Interview from 18/05/2007 with Dr Kay Ullmann, Drueker.
311) For an overview of financial distress, see Damodaran (2006), pp. 1-10.
312) Cf. Interview from 21/05/2007 with Mr Christoph Kauter, Colonia.
313) Cf. Interview from 21/05/2007 with Mr Allan Saunderson, PFEurope. Inter-view from 25/05/2007 with Mrs Christine Graeff, Brunswick. Interview from 25/05/2007 with Mr Hubert Bonn, Deutsche Wohnen.

of the investors.[314] After the design of the equity story the next important challenge is to communicate this core message to the relevant target groups in an adequate way. According to the interviews that were held for this paper, companies, especially in the real estate sector, have less experience in the communication with capital markets and therefore great difficulties in meeting the demands of the investors.[315]

4.3.1 Cultural Fitness

The first important issue is the general disclosure culture of real estate companies. One of the major findings of the interviews is that in comparison to other sectors, real estate companies resist to disclose business specific data that investors require in order to define their interest.[316] The reason of this behavior can be found in the relatively short tradition of real estate IPOs in Germany. The problem of this behavior for the IPO lies in the fact that the lesser the willingness to disclose relevant information, the more difficult it is to convince investors of the potential of the company. Furthermore, it is a fact that professional investors always react on uncertain information with a discount. Therefore, it is essential to establish a culture of openness towards capital markets. This is normally done in cooperation with the investment banks that promulgate together with the senior management team and the investor relation department guidelines for the communication towards investors. Here it is important that the senior management teams understand what information is relevant for the investors and what can be handed out. Moreover, it is essential to brief the employees not to communicate anything to external market participants without the permission of the investor relations department.[317] This will ensure that capital markets do not receive unfavorable and incoherent information. To sum it up, the most important communicative challenges before entering in the commercialization process is to establish an open, disciplined and capital market oriented communication culture, in which investors receive only the relevant information.

4.3.2 Management Commitment

The creation of a capital markets oriented culture is not the only important task during the preparation phase. As already pointed out, the management team is one of the most important institutions of a real estate company. Only if it is able to convince professional investors of its performance it will evoke the interest of capital markets. Therefore, the next important challenge is to prepare the management team for the exhausting road show process that normally starts two weeks before the IPO and covers the most important capitals worldwide. For this international appearance it is important that the senior management team is able to communicate the key information in fluent English using a capital market oriented vocabulary.[318] Senior managers also have to be briefed to show a strong commitment for their company and to answer the entire set of critical questions that especially institutional investors ask, in a coherent and convincing manner.[319] Normally the management team is very knowledgeable in the respective area, but, according to the experience of the investment banks, it usually has some difficulties in articulating the key facts of the business. Therefore, investment banks and communication agencies, which

314) Cf. Interview from 21/05/2007 with Mrs Katja Marx, A&B, Interview from 21/05/2007 with Mr Allan Saunderson, PFEurope.
315) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley. Interview from 25/05/2007 with Mr Hubert Bonn, Deutsche Wohnen.
316) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.
317) Cf. Interview from 18/05/2007 with Dr Kay Ullmann, Drueker.
318) Cf. Interview from 21/05/2007 with Mr Christoph Kauter, Colonia.
319) Cf. Interview from 25/05/2007 with Mrs Christine Graeff, Brunswick.

have built up a certain competence in knowing what investors could ask, do have to brief the management team in how to respond to certain questions. As the management team is the face to the external world in the IPO process, it has to be assured that it appears in a professional, knowledgeable, motivated and convincing manner in order to attract investor attention.

4.4 Commercialization Phase

4.4.1 Opinion Leaders

Interviews with key experts in the real estate sector have shown that the main target group of a real estate IPOs are institutional investors rather than retail investors.[320] The reason is that the standard retail investor normally does not have any real estate assets in his portfolio, so that the demand of retail investors for real estate asset is currently relative low in comparison to the demand of institutional investors. As a result, the real estate commercialization should focus on the communication with the institutional investors. Here, the most important communication channels to reach institutional investors are analysts' reports and road shows. Concerning the analysts' reports it is essential for the company to invite a few exclusive opinion leaders to a corporate presentation with the management team. The communicative challenges lie in the detailed presentation of the corporate business model together with the key figures of the past financial and operational performance. Due to their extensive knowledge in the sector, analysts generally ask critical questions in every field of interest. Furthermore they try to develop a certain intuition whether the management team is competent and motivated to work for the company. It is important for the management team to show commitment and to present the USP of their company in a simple and comprehensive manner using adequate language. The management team should always focus on the core competences of the company and should not try to tell the investor the story he wants to hear. After the meetings, the analyst normally writes a detailed research report about the company which is used by potential investors to get the first insight. While the analyst is writing the report some questions may arise. Hence, for the company it is useful to stay in permanent contact with the analyst. If questions are answered quickly and in a satisfactory way, it will have a positive effect on the judgment of the analyst. That is the reason why the company should employ an investor relations manager who is in charge of answering all questions concerning the IPO.

4.4.2 Investors' Enthusiasm

The most important challenge is definitely the direct contact with the potential investors within the scope of the road shows, where the management teams together with the employed investment bank meet the interested investor. The main task is to convince the investor within 20-30 minutes of the potential of the management team and the company. It is important to communicate sustainable growth in a credible way.[321] Furthermore, the management team should not focus on the presentation of fancy pictures of the actual product portfolio. Investors in this sector are more interested in the cash flow profile of the company and in how to generate different growth rates with small adjustments.[322] It has to show that it is knowledgeable in the respective areas and that it seeks to keep a good relationship with the investors even after the IPO process, informing about the newest developments within the company. On the one hand, the management team has to present the information in a selfcritical perspective and, on the other hand, it has to demonstrate certain selfassuredness about what has been achieved and about what is expected to be achieved. To sum it up, the communicative challenge within the road shows lie in the task of convincing the investor of the future growth potential of the company as well as of the motivation and the capabilities of the senior management without making any false or imprecise promises.

320) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.

321) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley. Interview from 21/05/2007 with Mr Allan Saunderson, PFEurope.

322) Cf. Interview from 25/05/2007 with Mr Oliver Puhl, Morgan Stanley.

4.5 After IPO Phase

The last important challenges are the communication activities after the emission. Investors always seek to be informed about all the developments in the company so that in case of an important positive or negative change, they are able to adjust their portfolio. Therefore, the investor relations department has to be in close contact with the investors informing them about all the recent developments. The challenge lies in the timeliness and in the accuracy in which information is transmitted to the investor. If for example a changing market condition diminishes the cash flows for the investors, the company has to describe the new situation in a detailed way and clarify how it expects to improve the current situation. If the company succeeds in keeping in touch with the investor, he will not leave the company in bad times, putting further pressure on the stock price. Companies often underestimate these commitments. The reason is that the IPO process is a stressful process especial for the management team, which has to travel around the world trying to enthuse investors about the performance of the company. After the IPO process a lot of senior managers return to their daily business ignoring their communication commitment towards the investors. The anticipation of this behavior can have a lot of negative consequences for the IPO.

5 Summary and Critical Reflection

The superior aim of this paper was to identify and analyze the key communicative challenges of real estate IPO candidates. To discover and evaluate these, a theoretical analysis – mainly literature driven – as well as a thorough practical research based on interviews with leading investment banks, consultancies and real estate companies were performed, leading to partially surprising results.

Investor communication is an essential part of the very complex IPO procedure, accompanying the process from the beginning to the end. The quality and success of the communication can be considered a key success factor of an IPO, whereas the scope goes far beyond the mere attraction of investors. A carefully planned communication process can ensure realizing the right proceeds from the floatation and attracting the optimal shareholder structure.

The equity story can be considered the core and, thus, most important part of the communication, conveying the very strategy and USP of a company. It has to be designed in such a clear and coherent way that any potential investor understands immediately what the business of the IPO candidate is about, and what is so special about the particular

firm. Furthermore, it turned out to be essential to identify and target the right investors and investor groups. Different types of financiers might require completely different communication strategies, and reaching a certain investor structure can significantly influence the success of an IPO.
To communicate the equity story and reach different investor groups several measures and instruments are available, reaching from personal instruments, such as one-on-one interviews and road shows, to non-personal instruments, such as brochures or interviews.
Taking all these results together, the following potential implications for real estate companies, to be challenged within the scope of the practical research, were derived: Real estate IPO candidates might face the challenge to explain their business concept adequately, as it is substantially different from other industries. Also, differentiating the strategy clearly from other real estate companies might pose a problem. Furthermore, especially talking about private investors, the social-good characteristics of residential real estate might cause challenges due to the locust image of many investment companies. Lastly, creating awareness of the IPO candidate might turn out to be major problem, as most of the real estate firms are quite unknown.
After all, the previously gained information was challenged with the help of interviews with practitioners. Interestingly, it is not the previously theoretically derived challenges which cause problems for the real estate IPO candidates, but the very basics. The experience from the practitioners showed that basic communication facilities for investors, as call centers or e-mail in adequate languages (local and English) are often not provided. Furthermore, the most important point of the IPO communication, the equity story is often not designed in an adequate way, failing to convey the USP and the strategy.
Although this outcome can be considered as rather surprising, it can be reasonably explained. At the moment, most probably due to the still limited size of real estate IPOs, institutional investors are almost exclusively targeted by the respective companies. Those institutional investors do not care about fancy public events but need to see the hard facts and key information and apparently expect the provision of basic communication possibilities.
However, these requirements and challenges might change in the near future. As soon as IPOs of real estate companies reach a critical size, requiring the involvement of private investors, the initially derived potential implications and challenges have to be taken into account, possibly resolved by non-personal communication instruments and public promotion events.

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Appendix

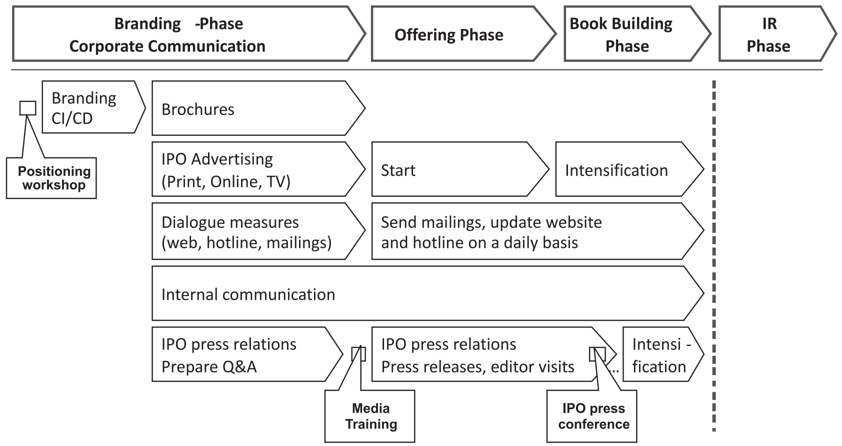

Figure 1: *The Process of IPO-Communication*
Source: Own illustration according to Schönborn/ Tschugg (2001), p. 24.

Stock Market Reactions on Ad-hoc Publications – An Event Study

Raphael Compagnion, Christoph Hadrys, Stephane Locatelli, Benedikt Rinio, Mathis Wilke

1. Introduction

1.1 Background and Motivation

This study deals with stock market reactions on ad-hoc publications of German Real Estate companies listed at E&G Dimax. In all economic cycles financial information is of high importance and can have a huge impact. Parties who have excess to information prior to other parties do have a competitive advantage. This is why this paper is looking at ad-hoc publications in Germany, which are a legal requirement for companies listed at the German

stock exchange. The analysis of the effects of ad-hoc publications is an interesting topic with high practical relevance for the financial communication[323] of the relatively young public Real Estate companies in Germany as every public company is obliged to inform market participants about new events (§15 Wertpapierhandelsgesetz – WpHG).
Another motivating factor is the lack of existing research in this field of study. There are various studies analyzing announcement effects of real estate companies or joint ventures and their impact on returns for stockholders.[324] However, the impact of ad-hoc publications of German Real Estate companies and the reaction of the stock market is not analyzed and discussed at this point in time. This is where this paper wants to conduct some insights and provide new knowledge for further research.

1.2 Research Question

This paper wants to shed light on the subject of stock market reactions on ad-hoc publication. The goal is to analyze the data and underlying excess returns in order to test it for significance to prove relationships among the publications. In order to derive solid and profound considerations, the underlying data sample (154 events by 35 different companies) is split into several sub-samples of which three are analyzed in greater detail. The first sample contains all ad-hoc publications covering announcements regarding positive financial statement information. The second sample includes all ad-hoc publications related to capital increases and changes of the financial structure of the respective real estate companies. The last sub-sample is again derived from the original sample and comprises all kinds of ad-hoc publications regarding acquisition announcements applicable to German real estate companies. These sub-samples are built in order to test for significance among announcements and stock market reactions dealing with specific information content. In case of detection of significances, the paper will try to explain why such announcements are important for the stock market and why they cause changes in the stock price. Furthermore, the empirical results will be an indicator for the relevance and importance of finance communication in the market, could help to stress this importance more and potentially have direct implications on the investor relations work of Real Estate companies.

1.3 Course of Analysis

This paper starts off with an explanation of ad-hoc publications and stock market re-turns. This set up is going to provide the fundamentals to understand the related literature and to allow the reader to completely understand the paper and its coherences. Afterwards a review of the existing work on the respective topic is presented. The findings of the previous studies will allow a framework in order to derive the hypotheses underlying this analysis. After defining the hypotheses, the empirical analysis starts with the description of the data sample used. The procedure of the determination of the proper Real Estate companies and relevant ad-hoc publications according to the facts of the announcement, as well as their gathering is described. Since the methodology of an event study and a multivariate regression are applied, the respective proceeding will be explained as well. Subsequently, the collected data is used to perform a univariate analysis. The findings of the univariate analysis are supported by the results of a multivariate regression analysis, using a modified set of variables. The paper ends with the review of all findings and tries to explain them by theoretical aspects and previous research. This review is followed by an outlook regarding ad-hoc publications, stock market reactions as well as implications for investor relations of Real Estate companies and tries to provide some topics for future research in this area.

323) Cf. DVFA (2006).

324) Cf. Elayan (1992), p. 13-26.

2 Basic Principles and Background

2.1 Ad-hoc Publications and Stock Market Reactions

Actual and accurate information lie at the very core of every good investment decision. To participate in stock markets, it is therefore important for participants to have access to the latest information on possible investments in particular as well as competitors and the market as a whole. As Kümpel (1995) points out, the absence of effective information flow creates information asymmetry that can lead to misuse through insider trading and harm capital markets. By publishing information per definition it can't be used for insider trading any longer. Furthermore companies that turn to stock markets as a source of capital are strongly interested to ensure harmonious communication with investors, clients, regulators, competitors etc. To control this natural behavior with a legal framework, in 1995 ad-hoc publications have been introduced to the German stock market. Since then listed companies are obliged to instantly communicate relevant information for the market value with the market. As Kümpel (1999) points out the main motivation is to ensure the functionality of the stock market as a whole. As Koch/Schmidt (1981) note, shareholder protection must be seen as a by-product of the increased stability of the stock market. As Mitchell/Netter (1994) point out, the detailed documentation of date and time of ad-hoc announcements offers an ideal foundation to apply an event study methodology.

2.2 Related Literature

So far there have been four event studies analyzing the effects of ad-hoc announcements on the German stock market. All studies reveal significant abnormal returns before, during and after the announcement date. Nowak (2001) provided an overview of the results which has been the basis for ***Table 1*** (see p. 160).

A fundamental difference between all four studies lies in the classification process into positive and negative events. Teichner (1996) as well as Nowak (2001) use an exante classification while Oerke (1999) and Röder (2000) classified expost. The time period covert is highly comparable, since all studies analyzed the first years since ad-hoc announcements are in place. A significant difference lies then in the calculation of abnormal returns. As Kaserer/Nowak (2001) note, the studies by Oerke (1999) and Röder (1999) exhibit methodological problems as their methodology should lead to significant results in most cases, even when random price movements are taken.[325] Furthermore, all studies differ with respect to their sub-samples as well as their selection criteria.

2.3 Hypotheses

As the related literature shows, ad-hoc publications are an important tool to communicate with the market. Since they are supposed to release critical information that is not reflected in the current share price, the following hypothesis is derived:

325) Cf. Kaserer/Novak (2001), p. 1355.

	Teichner (1999)	Oerke (1999)	Röder (2000)	Nowak (2001)	Own Research (2007)
Time:	01/95 until 07/95	01/95 until 07/95	07/96 until 06/97	01/95 until 12/96	01/05 until 05/07
Index: D	AFOX	DAFOX	DAX	FAZ-Index	E&G Dimax
Sample:	n=512 n=435		n=912 n=909		n=154
Return calculation:	CARês	CARês	Abnormal Performance Ind.	CARês CARês	
Market model:	MM	MM		MM	MM
Estimation window:	[-231;-15]	[-260;-10]		[-110;-11]	[-121;-21]
Event window:	[0];[-1];[-10,+15]	[0];[-1];[-10,+10]	[0];[-2,+3]	[0];[-1];[-10,+9]	[-1,+1];[-2,+2]; [-10,+10];
Classification +/- :	Ex ante	Ex post AR [t=0]	Ex post API [-3;+3]	Ex ante	Ex ante
Sub-Sample:	Annual report, Dividends, Acquisitions, Divestures, Joint-Ventures, Capital increases, Change in Employees	Annual report, Half year reports, Quarterly reports, Dividends, M&A activities, Joint-Ventures, Capital increases, Change in Employees, Multiple Contents, Others	Annual report, Half year reports, Quarterly reports, Dividends, Acquisitions, Joint-Ventures, Strategy, Capital increases, Change in Employees, Multiple Contents, Major order, shareholder structure, Law suits	Annual report, Interim reports, Dividends, Acquisitions, Divestures, Joint-Ventures, Capital increases, Change in Employees	Financial Statements, Capital increases, Acquisitions,

Table 1: *Event Studies analyzing Ad-hoc Publication Effects in Germany.*

Hypothesis I: Ad-hoc Publications cause significant changes in stock prices of German real estate companies.

Previous event studies analyzing stock price reaction on Financial Statement Announcements all showed – partially contradicting – significant results. While Röder (2006) found above average impact on the share price related to ad-hoc announcement concerning Financial Statements, Oerke (1999) observed lower impact on the share price then other ad-hoc announcements. Coenenberg/Henes (1995) furthermore found out, that the complexity of a Financial Statement Announcement has a strong influence on shareholder expectations. Nowak (2001) also observed that negative ad-hoc announcements concerning the annual report are reflected later in the share price, then positive announcements. Taking this into consideration it is therefore hypothesized:

Hypothesis II: Ad-hoc Publications related to positive Financial Statements Announcements have a significant influence on the stock price of German real estate companies.

Other ad-hoc publications that are analyzed are Capital Increase Announcements. In their study on the German stock market Heiden/Gebhardt/Burkhardt (1997) revealed significant reactions to Capital Increase Announcements. Myers (1997) and (1984) as well as Myer/Majluf (1984) found negative stock market reaction on Capital Increase Announcements. Brakmann (1993) and Zimmermann (1986) also remarked that due to small samples as well joint analysis of all types of Capital Increase Announcements significant results are very limited. Taking this into consideration the following hypothesis is to be tested:

Hypothesis III: Ad-hoc Publications related to Capital Increase Announcements have a significant influence on the stock price of German real estate companies.

The fourth sub-sample contains the publications that cover acquisition announcements applicable to German real estate companies. The sobering reality is that only about 20% of all mergers really succeed. Most mergers typically erode shareholder wealth -the cold, hard reality is that most mergers fail to achieve any real financial returns. Elayan and Young (1994) investigated the differential wealth effects of full and partial control acquisitions, non-real estate, real estate and REIT participants, and single- and multiple-bidder events. They found that target firms earn positive excess returns at the announcement of partial and full acquisitions, but acquisitions that result in control earn larger excess returns than non-control acquisitions. An examination of industry differences showed that real estate firms or REITs do not earn higher returns relative to non-real estate firms. There are three studies by Asquith, Bruner and Mullins (1983), Schipper and Thompson (1983) and Gregory (1997), which report that, when firms in general, not specialized on real estate industry, announce that they are undertaking a series of acquisitions in pursuit of some strategic objectives, their share price rises significantly. As a result of the value creation of these kinds of announcements, one can come to the conclusion that M&A generally creates value, and that the announcement is taken as a serious signal of value creation. Therefore, hypothesis IV is the following:

Hypothesis IV: Ad-hoc Publications related to Acquisition Announcements have a significant influence on the stock price of German real estate companies.

3 Design of the Analysis

3.1 Data Sample

In the empirical analysis, several sources are used in order to collect the data for the study at hand. First, quoted German real estate companies are identified by a decomposition of the first extensive real estate industry index in Germany which is the E&G Dimax. As a consequence, the initial sample achieved from this source consists of 71 companies. In the next step, all ad-hoc publications according to § 15 WpHG of this sample announced between 2005 and May 2007 are collected. As far as the publications are concerned, an electronic database is used which is widespread among the market participants as more than 95% of all announcements are made via electronic information systems. Hence, a holistic approach is followed by using the database of the Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP). By using this database, 218 ad-hoc announcements are identified for the analysis. Moreover, the market data that constitute the input for the analysis is exclusively drawn from Thomson Financial Datastream.
The starting point for the analysis is the categorization of ad-hoc publications according to the facts of the announcement. This is a compulsory subjective procedure as it is quiet impossible to clearly categorize some ad-hoc publications which contain confounding news or confounding events. Hence, confounding publications in the event window [-20;+20] and publications containing more than two different types of news are excluded. Furthermore, the resulting data set is adjusted for events, i.e. ad-hoc publications with missing data, e.g. stock prices are not available for the 100 days estimation window, and for which the data proves to be inconsistent is excluded to guarantee a high data quality.

As a result, the final sample consists of 154 events announced by 35 different companies. ***Figure 1*** shows the composition of the categorized sample using a similar methodology compared to Röder (2000) and Nowak (2001).

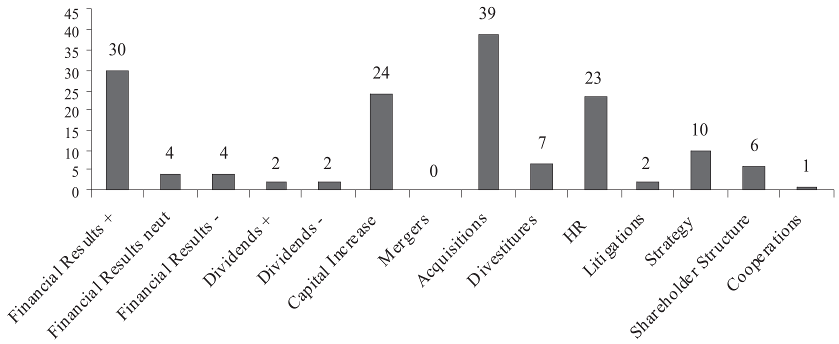

Figure 1: *Categorization of Ad.*

According to the hypothesis derived in section 2.3, the analysis will particularly focus on ad-hoc publications related to positive financial results, capital increase as well as acquisitions announcements. On the one hand the respective sample sizes allow for statistical significance tests and on the other hand these announcements are very likely to influence the stock prices significantly.

3.2 Event Study Methodology

To assess the market reaction to the different kind of issues, the event study methodology is employed to estimate the return expectations of the capital market using daily data. Abnormal returns are calculated according to the market model explained by Brown and Warner (1985)[326].

As the relevant market index, the Germany – DS Real Estate index is used.[327] To estimate the model parameters, a standard Ordinary Least Squares (OLS) regression model is used for each stock j with an estimation period between 121 and 21 trading days before the event date.[328] The event date, *t*0, is defined as the announcement date of the ad-hoc publication, according to the DGAP database.[329] For a security to be included in our sample, it must have at least 100 daily returns in the estimation period, and no missing data for the event window.

Applying the market model, the expected daily return is calculated as

$E(R_{jt}) = \alpha_i + \beta_i R_m$

Where $E(R_{jt})$: expected return of the company's stock j at time t; α_i: return on the market index at time t; β_i: intercept term; R_m: slope coefficient associated with the market return.

The abnormal return is calculated as the difference between actual return and expected return in the event window:

$AR_{i,t} = R_{i,t} - E(R_{it})$

Where $AR_{i,t}$: daily abnormal return of stock i of the company for event day t; $R_{i,t}$: actual return of the company's stock i for event day t and $E(R_{it})$: expected return of the company's stock i for event day t.

Concerning the event window for the observation of the return, the window from one trading day before the event to one trading day after, the [-1; 1] interval, is mainly used.[330] Besides, abnormal returns are also computed for the intervals [-20; 20], [-10; 10], [-5; 5], [-2; 2] to take into account stock price effects and deviations on a wider basis to include the information wide spreading.

The cumulated abnormal returns (CAR) for the different event windows $[t_1 ; t_2]$ and the average abnormal daily returns (AAR) for each event date t:

$$AAR_t = (\frac{1}{n})\sum_{i=1}^{n} AR_{it}$$

$$CAR = \sum_{t=t_1}^{t_1} AR_{it}$$

When the calculation of abnormal returns is realized, it is necessary to assess the significance of the results with test statistics. It makes possible to confirm and analyze the results for the whole sample of events. But variance shifts between estimation and event periods. Therefore to over-come statistical problems, standardized abnormal returns have been calculated according to the methodology employed by Dodd and Warner.[331]

$$SAR_t = \frac{AR_t}{SD_{AR} + \sqrt{1 + \frac{1}{T} + \frac{(R_{mt} - \overline{R}_m)^2}{\sum_{d=1}^{T}(R_{md} - \overline{R}_m)^2}}}$$

Where SAR_t = standardized abnormal return for the event date t; AR_t = abnormal return for the event date t; *SDAR*= estimated standard deviation of abnormal returns during the estimation period; T = number of days in the estimation period; R_{mt} = market return for the event date t; $\overline{R}_m$ = average market return during the event period and *Rmd*= market return for day d in the estimation period T.

As a result the significance of these results is calculated with the test statistics used by Boehmer et al. (1991).[332] Moreover, this test statistic is still powerful in case of event clustering.[333] The Z-Values are calculated using the standardized crosssectional method.

$$Z = \frac{\frac{1}{N}\sum_{j=1}^{N} SAR_{jt}}{\frac{1}{N(N-1)}\sum_{j=1}^{N}\left(SAR_{jt} - \sum_{j=1}^{N}\frac{SAR_{jt}}{N}\right)^2}$$

Where SAR_{jt} = standardized abnormal return for security j on the event date t and N = number of securities in the sample.

3.3 Multivariate Regression Methodology

As far as CARs of all ad-hoc publication events are concerned, they are assessed in the crosssection by analyzing the effect of different variables on the returns to explore factors

326) Cf. Brown/Warner (1985), p. 7.
327) Datastream code: RLESTBD.
328) The estimation period ends at day 21 before the announcement date in order to avoid bias with the event window beginning the day 20 before the announcement date of the transaction.
329) Cf. DGAP (2007).

330) This event window is the most common period of observation used in the research articles to carry out event studies.
331) Cf. Dodd/Warner (1983), p. 412-414.
332) Cf. Boehmer et al. (1991), p. 270.
333) Cf. Boehmer et al. (1991), p. 266-267.

having a significant influence on stock market reactions. The variables are largely based on the hypotheses that are tested in this study. Multivariate regression analyses are undertaken by using the following model in the empirical analysis:

$$CAR = \beta + \beta_1 AC_i - \beta_2 Cl - \beta_3 FRPlus_i + \beta_4 FRNeut_i + \beta_5 FRMinus_i + \beta_6 MarRet_i + \beta_7 MCap_i + \varepsilon_i$$

The dependent variables are CARs for various event windows which are calculated as explained in the previous section.

The explanatory variables of the model comprise several dummy variables. First, (AC) controls for ad-hoc publications relating to acquisitions of the respective company. It equals one in the case of an acquisition underlying the event and zero if not. Other dummy variable, which are defined in the same way, are (CI), relating to capital increases, (FRPlus), relating to positive announcements of financial results, (FRNeut), relating to neutral announcements of financial results, and finally (FRMinus), relating to negative announcements of financial results. According to the hypotheses, it is expected that all dummy variables have a significant effect on the CARs.

Furthermore, the model controls for market returns (MarRet) as it is assumed that they have a significant influence on the stock returns due to market effects such as market sentiment. For every event's CAR of the sample the equivalent market return is calculated using the same benchmark portfolio used for the calculation of abnormal returns over the same time period as outlined in section 3.2.

Finally, the model controls also for size effects through the log of the companies market value at the time of the announcement (MCap). Since the sample consists of various real estate companies which differ largely in value and popularity, one can expect that some stock price reactions can depend on the size of the respective company.

4 Empirical Analysis

4.1 Univariate Analyses and Results

(see ***Figure 2***, p. 171)

Do ad-hoc publications have an impact on the share price? In line with this question, it is investigated whether ad-hoc publications in general have an impact or not on the stock price. To that extent, absolute CARs of German real estates companies are considered in the beginning on an event window of [0; 5] around the announcement date of an ad-hoc publication. This is done in order to disregard the directional change as the whole sample consists of numerous types of ad-hoc publications with different information content. According to ***Figure 2***, it seems that the release of such information has a strong impact on the stock price. Indeed, on the [0; 1] period, absolute cumulative excess returns of 6.96% are observed, which is quite an important stock reaction compared to the day-to-day normal price fluctuation. The same fact can be acknowledged on larger event windows as the absolute price change on the [0; 2] period reaches 9.80% and the stock experiences a 17.03% absolute variation on the [0; 5] window. However, the study of the absolute value of CARs does not allow any statistical tests that would confirm the veracity of the ad-hoc publication's impact on the stock. Therefore, to assess the relevance of the hypothesis, the investigation of the real price movements, upwards and downwards, is required. (see ***Table 2***, p. 171)

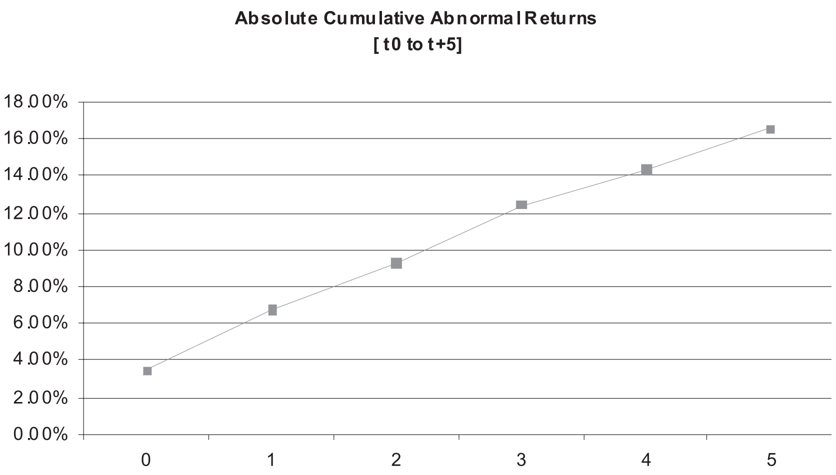

Figure 2: *Whole Publications Sample – Absolute Cumulative Abnormal Returns*

	Abnormal Retruns N=154				Cumulative Abnormal Returns N=154							
Event Day	AR	Z	p-Value	%Pos	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value
											t-20 to t20	
-20	-0.26%	1.42	0.16	37.0%								
-15	0.27%	0.98	0.33	48.1%					t-10 to t10			
-10	0.11%	1.02	0.31	44.2%								
-5	0.31%	0.66	0.51	42.9%								
-4	0.08%	0.54	0.59	38.3%								
-3	**-0.66%**	**2.11**	**0.04****	38.3%			t-2 to t2*					
-2	1.12%	1.57	0.12	44.8%	t-1 to t1							
-1	0.19%	0.45	0.65	46.1%								
0	0.96%	0.75	0.45	47.4%	1.55%	1.26	**2.71%**	**1.93**	1.77%	1.54	-2.79%	0.02
1	0.34%	1.22	0.23	44.8%		0.21		**0.06**		0.13		0.99
2	0.04%	0.12	0.90	44.2%								
3	0.55%	1.56	0.12	48.1%								
4	-0.56%	1.37	0.17	39.0%								
5	0.07%	0.80	0.42	44.8%								
10	-0.50%	1.54	0.13	38.3%								
15	-0.27%	0.01	0.99	44.2%								
20	-0.29%	0.87	0.39	36.4%								

Significance levels are denoted by ***for 1%, ** for 5% and *for 10%.

Table 2: *Whole Publications Sample – (Cumulative) Abnormal Returns.*

In the following step, the real (cumulative) abnormal returns on an event window [-20; 20] are estimated around the announcement date of an ad-hoc publication. Moreover, the significance tests as outlined in section 3.2 are feasible for whole sample with respect to hypothesis (H1) since deviations from zero are analyzed and the directional change is not used for any economic interpretation.

At first sight, it is interesting to notice that daily abnormal returns post announcement are generally positive, even if the only statistically significant abnormal return is -0.66% on day -3 with a p-Value of 0.04, while the abnormal returns post announcement tend to be negative, especially on the [10; 20] period. In addition, one observes that on short event windows around the announcement the CAR is positive. Moreover, the CAR of 2.71%

on the [-2;2] period has a strong statistical relevance and shows a high return, which comes principally from a high CAR of 0.94% on the announcement day. However, if ad-hoc publications seem to provide positive returns for companies in the short run, this is not true on a larger period. In fact, an important negative CAR of -2.79% on the [-20; 20] event window is found, but this result is not statistically supported, i.e. it is not significantly different from zero. Overall, it is concluded that ad-hoc publications have a significant impact on the stock price while the directional change is disregarded due to the different nature of the whole sample's ad-hoc publications. Hence, hypothesis (H1) can not be rejected.

	Abnormal Retruns N=30				Cumulative Abnormal Returns N=30							
Event Day	AR	Z	p-Value	%Pos	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value
											t-20 to t20	
-20	-0.29%	0.11	0.91	36.7%								
-15	-0.27%	0.12	0.91	63.3%					t-10 to t10			
-10	-0.22%	0.38	0.71	43.3%								
-5	**0.86%**	**1.97**	**0.06***	63.3%								
-4	-0.24%	0.13	0.90	46.7%								
-3	**-1.52%**	**3.13**	**0.00*****	33.3%			t-2 to t2					
-2	-0.24%	0.35	0.73	40.0%	t-1 to t1							
-1	0.07%	0.28	0.78	46.7%								
0	-0.30%	0.60	0.56	53.3%	0.24%	0.55	0.41%	0.32	-1.20%	0.77	-1.91%	0.89
1	0.43%	0.33	0.74	46.7%		0.59		0.75		0.45		0.38
2	0.56%	0.98	0.34	60.0%								
3	0.02%	0.16	0.87	53.3%								
4	-0.52%	1.48	0.15	40.0%								
5	0.55%	1.00	0.32	66.7%								
10	**-1.36%**	**2.14**	**0.04****	40.0%								
15	-0.52%	0.54	0.60	46.7%								
20	-0.29%	0.59	0.56	36.7%								

Significance levels are denoted by ***for 1%, ** for 5% and *for 10%.

Table 3: *Financial Statements Publications – (Cumulative) Abnormal Returns.*

In the following steps, the analysis will go into more detail as the three specified types of publications are assessed against the background of their impact on the stock price. (see ***Figure 3***, p. 173)

In this part, the hypothesis (H2), which is that ad-hoc publications related to positive financial statements have an influence on the stock price, is assessed. The studied sample contains 30 events and the results are reported in table three. As far as daily abnormal returns are concerned, the results here are much more significant from a statistical perspective since it is possible to identify three abnormal returns with relevant p and Z-Values, one positive on t -5 of 0.86%, two negatives on t -3 and -10 of respectively -1.52% and -1.36%. It seems therefore possible to argue that positive financial statements publications influence the stock price either positively or negatively at different times during the [-20; 20] period. However, the significant event days do not point towards a reasonable explanation with respect to the announcement of financial results. In addition, if the cumulative abnormal returns are considered, no statistically significant support is found. Hence, the relevant abnormal returns previously identified are rather erratic than part of a general trend. If the stock price performance over the study period is considered, which is outlined in ***Figure 3***, it is possible to notice that the CARs stay positive until t +10, which shows that the market anticipates positively the publication and react also positively when it is released as the CARs increase over the [0; 8] period. However, from t +8, the stock

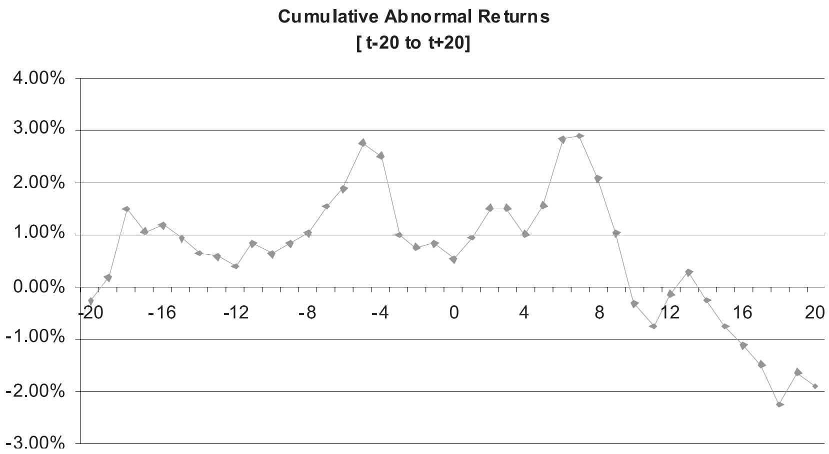

Figure 3: *Financial Statements Publications – Cumulative Abnormal Returns.*

price plunge, which result at the end of the day to a final CAR of around -2% on t +20. Therefore, the second hypothesis cannot be confirmed through the univariate analysis as too weak statistical support is shown on the CARs calculation. Nevertheless, it is interesting to look at the price variations over the period as even if there is no statistical relevance, it seems clear that the market in a first time anticipate these positive figures release as the stock price tends to rise and then, tends to penalize the stock price few days after the announcement. (see ***Figure 4***; p. 174)

	Abnormal Retruns N=25				Cumulative Abnormal Returns N=25							
Event Day	AR	Z	p-Value	%Pos	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value
											t-20 to t20	
-20	-0.84%	1.72	0.10	32.0%								
-15	0.55%	0.57	0.57	56.0%					t-10 to t10			
-10	-0.39%	0.14	0.89	48.0%								
-5	2.00%	1.06	0.30	40.0%								
-4	-0.10%	0.29	0.78	52.0%								
-3	1.38%	1.50	0.15	52.0%			t-2 to t2					
-2	0.83%	0.88	0.39	48.0%	t-1 to t1*							
-1	-0.59%	1.12	0.27	44.0%								
0	-1.05%	0.94	0.35	36.0%	**-2.96%**	**2.11**	-2.01%	1.12	-0.62%	0.09	-8.31%	1.08
1	-1.29%	0.94	0.36	32.0%		**0.05**		0.28		0.93		0.29
2	0.06%	0.95	0.35	60.0%								
3	0.51%	0.66	0.52	44.0%								
4	-0.22%	0.34	0.74	40.0%								
5	0.39%	0.69	0.49	52.0%								
10	-0.05%	0.38	0.71	48.0%								
15	**-0.90%**	**2.00**	**0.06***	44.0%								
20	-1.09%	1.36	0.18	24.0%								

Significance levels are denoted by ***for 1%, ** for 5% and *for 10%.

Table 4: *Capital Increase Publications – (Cumulative) Abnormal Returns.*

Do capital increase publications have an impact on the stock price? This is hypothesized by (H3). In line with the previous analysis, a sample of 25 ad-hoc publications is used for the investigation. The results are shown in ***Table 4***. Concerning the daily abnormal returns, one observes that most of them are negative. However, only one is statistically re-

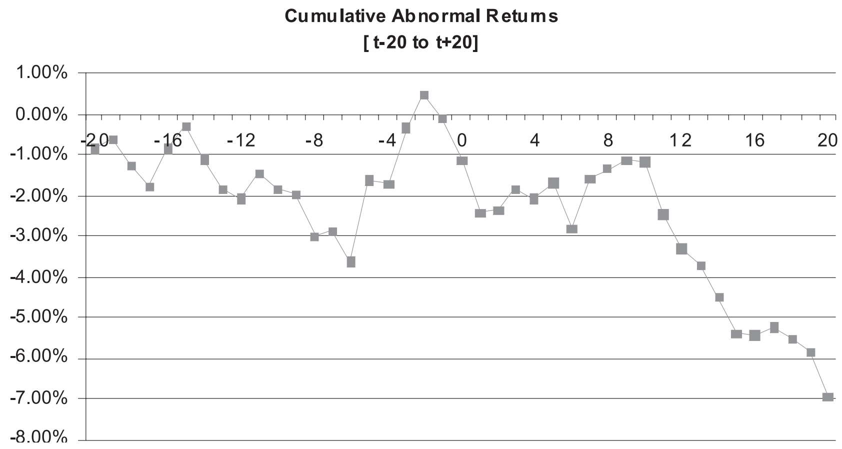

Figure 4: *Capital Increase Publications Sample – Cumulative Abnormal Returns.*

levant in t +15 with a value of -0.90%. With respect to CARs, one can acknowledge the same fact: capital increase publications impact negatively the stock price. In addition, on the event window [-1; 1], a statistically significant CAR of -2.96 is observed with a Z and p-Value respectively of 2.11 and 0.05. Moreover, negative CARs are found on the other event windows reported in ***Table 4***, but the results are not statistically significant according to the BMP test statistic. As far as the evolution of CARs is concerned over the period [-20; 20], reported in ***Figure 4***, one can see that the market anticipates negatively the announcement from the very beginning of the period. The stock price just seems to appreciate over the [-6; -2] period, but begins to drop from t -1 to t +1. There is then a negative announcement effect. If the stock price is maintained from t +1 till t +10, it plunges completely from this date until t +20 where one observes a CAR of -6%. To summarize, one can argue that on a short run like and long run, the publication of capital increase information impacts badly the stock price, while finding only statistically relevant results on a short event window. Hence, hypothesis (H3) can not be rejected. (see ***Table 5*** *&* ***Figure 5***, p. 175)
Hypothesis (H4) assumes that acquisition announcements should have a significant impact on the stock price. The respective sample for the analysis consists of 39 publications and the results of the analysis are disclosed in ***Table 5***. One finds three statistically relevant data when exploring the daily abnormal returns. As for the other kind of publications, there is a negative effect on t -3 with an abnormal return of -1.18%, sup-ported by a Z-Value of 2.45 and a p-Value of 0.02. Another relevant negative daily abnormal return of -1.19% is found on t +4 while we find a statistically significant abnormal return of 1.48% the day before. This shows that the price movement of the stock might be quite erratic. However, the point in time close to the publication date points towards the ad-hoc publication being the reason. With respect to the CARs, it is not possible to find any statistically significant results on the four event windows considered in the study. However, one can notice that the CARs are positive in general, with the exception of the [-20; 20] event window that shows a CAR of -0.56%. As far as the evolution of the CARs over the

	N=39				N=39							
Event Day	AR	Z	p-Value	%Pos	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value	CAR	Z p-Value
											t-20 to t20	
-20	-0.41%	1.00	0.32	41.0%								
-15	0.54%	0.64	0.53	33.3%					t-10 to t10			
-10	0.34%	0.91	0.37	38.5%								
-5	0.28%	0.27	0.79	48.7%								
-4	-0.45%	0.74	0.46	25.6%								
-3	**-1.18%**	**2.45**	**0.02****	30.8%			t-2 to t2					
-2	1.49%	1.33	0.19	51.3%	t-1 to t1							
-1	-0.07%	0.52	0.61	41.0%								
0	3.81%	1.38	0.18	53.8%	2.95%	1.53	5.22%	1.66	2.70%	1.10	-0.56%	0.53
1	-0.87%	0.61	0.54	43.6%		0.13		0.11		0.28		0.60
2	0.77%	0.21	0.83	41.0%								
3	**1.48%**	**1.74**	**0.09***	59.0%								
4	**-1.19%**	**1.77**	**0.08***	41.0%								
5	-0.46%	0.36	0.72	41.0%								
10	-0.23%	0.32	0.75	41.0%								
15	0.18%	0.77	0.44	51.3%								
20	-0.77%	0.96	0.34	35.9%								

Significance levels are denoted by ***for 1%, ** for 5% and *for 10%.

Table 5: *Acquisitions Publications – (Cumulative) Abnormal Returns.*

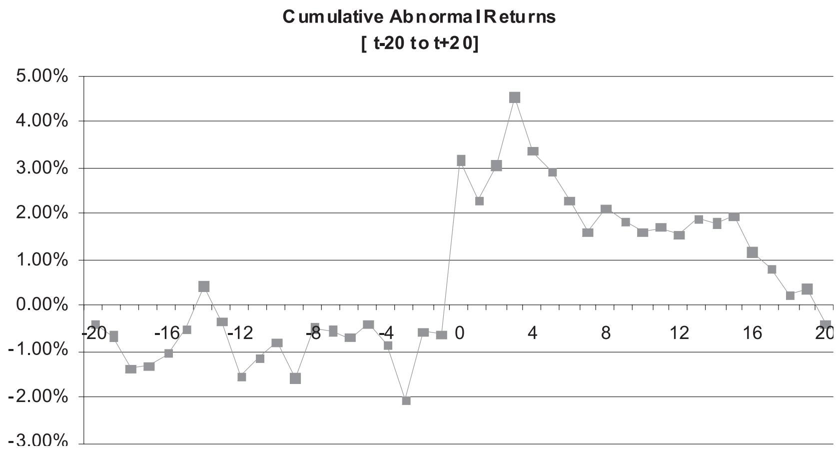

Figure 5: *Acquisitions Publications Sample – Cumulative Abnormal Returns.*

time is concerned, as it is disclosed in ***Figure 5***, one can easily see that the stock performs poorly on the [-20; -2] period and that, as soon as one gets closer to the announcement and that maybe some more precise rumors appear on the market, the stock price soar. Indeed, a CAR of -2% on t -3 passes to a CAR of over 4% on t +3. This shows that there is a positive effect at the announcement on the stock price. However, the graph indicates that once this announcement euphoria is over, investors seem to become more rational as the stock join again a more reasonable level to finally reach a CAR close to 0 in t +20. Nevertheless, hypothesis (H4) is not rejected.

Hypothesis (H4) assumes that acquisition announcements should have a significant impact on the stock price. The respective sample for the analysis consists of 39 publications and the results of the analysis are disclosed in ***Table 5***. One finds three statistically relevant data when exploring the daily abnormal returns. As for the other kind of publications, there is a negative effect on t -3 with an abnormal return of -1.18%, sup-ported by a Z-Value of 2.45 and a p-Value of 0.02. Another relevant negative daily abnormal return of -1.19% is found on t +4 while we find a statistically significant abnormal return of 1.48% the day before. This shows that the price movement of the stock might be quite erratic. However, the point in time close to the publication date points towards the ad-hoc publication being the reason. With respect to the CARs, it is not possible to find any statistically significant results on the four event windows considered in the study. However, one can notice that the CARs are positive in general, with the exception of the [-20; 20] event window that shows a CAR of -0.56%. As far as the evolution of the CARs over the time is concerned, as it is disclosed in ***Figure 5***, one can easily see that the stock performs poorly on the [-20; -2] period and that, as soon as one gets closer to the announcement and that maybe some more precise rumors appear on the market, the stock price soar. Indeed, a CAR of -2% on t -3 passes to a CAR of over 4% on t +3. This shows that there is a positive effect at the announcement on the stock price. However, the graph indicates that once this announcement euphoria is over, investors seem to become more rational as the stock join again a more reasonable level to finally reach a CAR close to 0 in t +20. Nevertheless, hypothesis (H4) is not rejected.

To conclude, it has been proven through this univariate analysis that most of the ad-hoc publications have an influence on the stock price of German real estate companies. Indeed, once the financial statement related publications are excluded as they do not provide any significant results, capital increase related publications show a significant negative return of -2.96% on the [-1; 1] window, ad-hoc publications on M&A activity provide a strong “announcement effect” with a significant return of 1.48% on t 3 and an almost 5.22% return on the [-2; 2] period. If the total sample is considered, the same short term significance is demonstrated on the [-2; 2] with a 2.71% return. It remains quite a shame that no statistically significant results are found on larger event windows.

4.2 Multivariate Analysis and Results

Independent of the respective category sample of ad-hoc publications, the whole sample’s CARs are assessed in the cross-section by analyzing the effect of different variables on the returns to explore factors having a significant influence on stock market reactions. Therefore, cross sectional OLS regression analyses are performed as described in section 3.3 and are outlined in ***Table 6*** (see p. 171).

First of all, the quality of the model is investigated. The regression shows an explanatory power of a relatively low adjusted R2 of approx. 6%, i.e. the proposed explanatory variables explain variations in the CARs to this extent. In addition, the model shows significance in accordance with the F-test. As a consequence, it is possible to observe a systematic interrelation between the dependent variable and the explanatory variables. The assumption of homoscedasticity is fulfilled through heteroscedasticity robust standard errors following White (1980). Moreover, autocorrelation can be ruled out according to the results of Durbin-

Whole Sample- OLS Regression

		Coefficients	t-Stat
?$_0$	Constant	**0.071**	**1.878***
?$_1$	AC_i	0.005	(0.070)
?$_2$	CI_i	**-0.054**	**(-2.730)*****
?$_3$	$FRPlus_i$	-0.013	(-1.005)
?$_4$	$FRNeut_i$	0.025	(0.454)
?$_5$	$FRMinus_i$	-0.003	(0.120)
?$_6$	$MarRet_i$	**-0.807**	**(-1.867)****
?$_7$	MCap	-0.021	(-1.455)
	R^2		0.100
	AdjustedR^2		0.057
	F-test		(2.321)**
	Jarque-Bera		768.710
	Durbin-Watson statistic		1.769
	N		154

OLS is based on White heteroscedasticity-consistent standard error estimates using EViews. Cumulative Abnormal Returns as calculated over the [-1;+1] estimation window in section 4.2.3 is used as dependent variable and tried to be explained by the following variables. AC is a dummy variable and equals one in the case of an acquisition ad-hoc publication and zero in the case of no M&A content. Other dummy variables consist of CI (Capital Increase), FRPlus (Positive Financial Results), FRNeut (Neutral Financial Results) and FRMinus (Negative Financial Results) which are defined in the same way. MarRet represents the respective market return used for the calculation of the CARs. MCap is the log of the market value of the respective company at time of the ad-hoc publication. T-statistics are in parentheses and statistically significant values are bold.

Significance levels are denoted by ***for 1%, ** for 5% and *for 10% .

Table 6: *OLS Regression for the Whole Sample – Cumulative Abnormal Returns.*

Watson tests. As the test results are within the range of 1.71 and 2.17, it is not possible to observe a significantly negative or positive autocorrelation. Finally, perfect multicollinearity is ruled out as well, fulfilling the last assumption to be investigated. This is partly based on the results presented in appendixes A.1, which outline relatively low variance inflation factors as well as condition indices below 20 . Hence, multicollinearity does not exist in all three models to such an extent which could bias the estimates of the OLS regressions and be problematic for the quality of the models. Subsequently, it is possible to go into detail and analyze the specific variables of the models.

In terms of the dependent variable, various event windows were tested using the model described in section 3.3. [-1;+1] is the only window, which can be applied with a sufficient explanatory power. As far as the event type dummy variables are concerned, the only ad-hoc publication category which appears to have a significantly negative influence on the CARs is the one related to capital increases of the respective German Real Estate companies. This is indicated by the t-test statistics of the CI dummy variable which indicates a p-Value below 1%. Consequently, hypothesis (H3), which proposes significant influence on stock price due to capital increase announcements, can not be rejected. In opposition to this result, hypotheses (H2) and (H4) can be rejected. This is due to the fact that the dummy variables FrPlus, FRNeut, FRMinus and AC appear to have no significant influence on the CARs of the whole sample. This is in line with the results of the univariate analysis which revealed that the CARs of the respective sample groups show no significant difference from zero.
Critically reviewing the results of the whole empirical analysis, the following factors cause a cautious interpretation of this study's results and limit the validity.

4.3 Limitations

First, the event study methodology based on the market model contains various assumptions and shortcomings which question the results of the abnormal returns calculation. This is for example the employed estimation window of one hundred days and the applied benchmark index. As a consequence, it influences massively the interpretations of the results. Another limitation of the applied methodology is the subjective classification of ad-hoc publications exante. This can be a major reason for insignificant results. An example is an event classified as a positive announcement of financial results which ex-post turns out to be under expectations and causes a decline in stock price.
Another limiting factor is the sample itself. It contains just all the listed real estate companies included in the E&G Dimax Index. Moreover, the sample contains just ad-hoc publications according to § 15 WpHG which were actually announced by the companies as well as announced via the DGAP between 2005 and May 2007. Hence, the results are just representative for this time frame and the companies involved. Further analysis could perform an extension of the timeframe including more events. All sample sizes of the various categories could be increased. In this case the analysis could be more differentiated.

5 Conclusion and Outlook

According to the empirical results, hypothesis (H1) could not be rejected. This is due to the fact that the analyzed ad-hoc publications change the outstanding information in the market to such an extent that the market reassesses the value of the respective company and ultimately leads to significant abnormal returns. The directional change is disregarded as far as this hypothesis is concerned, as the whole sample contains all 154 events which differ significantly in their nature and ultimately lead to different stock price reactions.
In addition, sub-samples were tested to analyze homogenous sets of events which also allow for an assessment of their directional change. As far as ad-hoc publications of positive financial results (H2) are concerned, no significant adjustment in the stock price could be observed as the abnormal returns were insignificant. This finding is not in line with literature. However, it can be mainly explained by the nature of this study's sample. Since the sub-sample of positive financial results was classified by the authors exante, the empirical results indicate that the "positive" announcements were actually in line with the markets' expectations and do not lead to a significant reassessment in the companies' market values. Hence, neither positive nor negative excess returns can be observed. Hypothesis (H3) could not be rejected, as capital increases cause significant negative abnormal returns around the announcement date. This is in line with previous literature which confirms this fact as well. In addition, they have the highest impact of all sub-samples. This result is underpinned by both, the univariate as well as the multivariate analysis. This finding seems to be in line with corporate finance theory. The unexpected announcement of capital increases, i.e. raising new equity, leads usually to a dilution of the existing shareholders' value. As a result, this causes a negative adjustment in the stock price by the market. Finally, hypothesis (H4) could also not be rejected as the ad-hoc publication of acquisitions by real estate companies, e.g. acquisition of a real estate portfolio, seems to cause significant abnormal returns around the announcement date. This result is in line with previous findings of significant positive excess returns around the announcement in different industries. However, a delayed reaction of three days can be observed. This can be possibly explained by the nature of this type of ad-hoc publications. In the event sample most publications of acquisitions do not contain any information about transaction prices. Hence, this points towards an intransparency within the real estate sector with respect to acquisitions. As a result, the market obviously needs some time until the acquisition is fully reflected in the stock price. Thereafter, one observes negative excess returns which points towards a rationalization of the market.
Overall against the background of the rising importance of real estate companies in Germany, this study makes a contribution to the scarce empirical literature of finance communication for this industry by applying an event study and analyzing the respective stock market reactions. It is the first one to apply the ad-hoc publications focus on real estate companies. As a result of the tested hypothesis, this study confirms the importance of finance communication for this special industry. It can be confirmed that effective information flow lowers information asymmetry as the new information announced via ad-hoc publications is priced into the market value subsequently and changes it significantly. Hence, also misuse through insider trading could be avoided through early and quick publications as it can't be used for insider trading any longer. Besides this early publication, another direct implication for the investor relations work in this industry is the potential to lower the intransparency as far as acquisitions are concerned through more comprehensive disclosures.
In terms of future research, the presented limitations of this study could be solved. In addition, an extension of the timeframe could be applied in order to draw conclusions on the basis of more events in the real estate scope.

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Appendix

Koeffizienten a

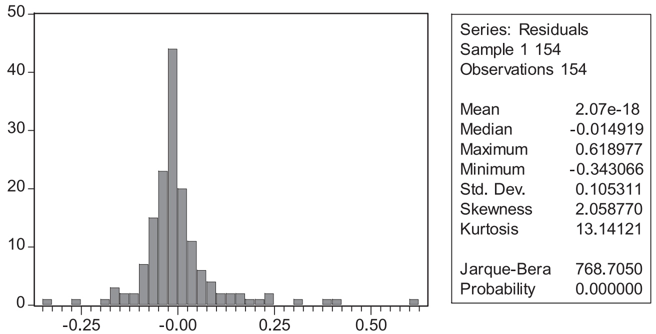
Modell		Nicht standardisierte Koeffizienten B	Nicht standardisierte Koeffizienten Standardfehler	Standardisierte Koeffizienten Beta	T	Signifikanz	95%-Konfidenzintervall für B Untergrenze	95%-Konfidenzintervall für B Obergrenze	Kollinearitätsstatistik Toleranz	Kollinearitätsstatistik VIF
1	(Konstante)	,070	,030		2,347	,020	,011	,130		
	Frplus	-,010	,025	-,034	-,378	,706	-,059	,040	,736	1,359
	Frn	,082	,063	,104	1,300	,196	-,043	,208	,961	1,040
	Frminus	,000	,055	,000	-,004	,997	-,110	,109	,946	1,058
	CI	-,050	,026	-,168	-1,910	,058	-,102	,002	,793	1,262
	AC	,008	,023	,032	,354	,724	-,037	,054	,738	1,355
	Mret	-,810	,316	-,202	-2,564	,011	-1,434	-,186	,983	1,017
	MCap	-,023	,015	-,128	-1,542	,125	-,052	,006	,889	1,124

a. Abhängige Variable: one

Kollinearitätsdiagnose[a]

Modell	Dimension	Eigenwert	Konditionsindex	Varianzanteile (Konstante)	Varianzanteile Frplus	Varianzanteile Frn	Varianzanteile Frminus	Varianzanteile CI	Varianzanteile AC	Varianzanteile Mret	Varianzanteile MCap
1	1	2,774	1,000	,01	,02	,00	,00	,02	,02	,01	,01
	2	1,067	1,613	,00	,20	,00	,00	,03	,12	,31	,00
	3	1,002	1,664	,00	,01	,01	,83	,01	,04	,00	,00
	4	1,000	1,666	,00	,02	,33	,06	,25	,10	,00	,00
	5	1,000	1,666	,00	,00	,58	,00	,22	,03	,00	,00
	6	,884	1,772	,00	,19	,00	,00	,00	,05	,67	,00
	7	,232	3,461	,06	,55	,08	,08	,48	,64	,00	,05
	8	,043	8,072	,93	,01	,00	,03	,00	,00	,00	,94

a. Abhängige Variable: one



Appendix 1: *Tests of OLS Regression Models' Assumptions.*

About the editors

Diplom-Kaufmann MARK MIETZNER studied business administration at the University of Frankfurt. From 2004 to 2008 he worked as a research assistant at the University of Münster and the European Business School. His research interests centres around the field of finance and capital market theory with particular emphasis on private equity and hedge fund activities. Apart from devoting his efforts to research, Mr. Mietzner has supported several university courses at University of Frankfurt, Muenster and Lichtenstein as well as European Business School.

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Das Weiterbildungsprogramm des DIRK

Vor dem Hintergrund der ständig steigenden Anforderungen seitens des Kapitalmarktes wird eine alle Aspekte der IR-Arbeit umfassende Weiterbildung bereits seit längerer Zeit gefordert. Der DIRK hat sich dieser Aufgabe angenommen und bietet mit dem CIRO (Certified Investor Relations Officer) ein umfassendes funktionsspezifisches Weiterbildungsprogramm an.

Das Studium ist modular aufgebaut und deckt in fünf aufeinander abgestimmten Teilen vor allem die Breite und Vielschichtigkeit der Aufgaben eines IR-Managers ab. Unter der Devise „IR von A bis Z" werden Zusammenhänge zwischen den einzelnen Themengebieten vermittelt.

Die Wissens- und Stoffvermittlung erfolgt in Form von drei sich ergänzenden Lehrmethoden. Das Selbststudium mittels Studienbriefen wird unterstützt durch Online-Tutoring. Abgerundet wird jedes Modul durch eine zweitägige Präsenzveranstaltung, wobei diese nicht lediglich dem Wiederholen der Studienbriefinhalte, sondern insbesondere auch der Vertiefung und interaktiven Erarbeitung von besonders wichtigen Themengebieten dient.

Der vollständige CIRO-Studiengang dauert 6 Monate und kann berufsbegleitend absolviert werden, wobei die Kombination von „learning on the job" und praxisbezogenem theoretischem Lernstoff in idealer Weise geeignet ist, die Breite

des für erfolgreiche IR-Arbeit notwendigen Wissens direkt umsetzbar zu vermitteln.
Erfolgreich beendet wird der Studiengang seitens der Teilnehmer mit dem Bestehen einer anspruchsvollen schriftlichen und mündlichen Prüfung und darauf folgender CIRO-Zertifizierung.

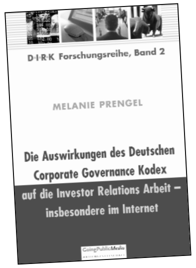
Ziel des DIRK ist, mit dieser Zertifizierung einen Standard im Bereich der IR-Weiterbildung zu setzen.

Weitere Informationen unter www.dirk.org.

Die DIRK-Forschungsreihe!

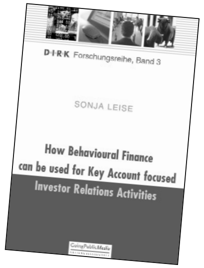
Lucy Brauns Arbeit „Die Kommunikation mit Investoren in Risiko- und Krisensituationen am Beispiel Neuer Markt“, erster Band der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V., stellt ausführlich dar, welche kommunikativen Möglichkeiten Investor Relations-Verantwortlichen in der Krise zur Verfügung stehen, und reflektiert das Thema dabei eindrucksvoll anhand der spezifischen Besonderheiten des Neuen Marktes.

Lucy Braun: Die Kommunikation mit Investoren in Risiko- und Krisensituationen am Beispiel Neuer Markt, DIRK Forschungsreihe, Band 1, Februar 2003, broschiert, 21,80 Euro



Im zweiten Band aus der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V. werden die Regeln zur Unternehmensleitung und -kontrolle in einen größeren Kontext gestellt. Hierzu gehört nicht nur die Entwicklung der Corporate Governance in Deutschland mit Gesetzesreformen und privaten Regelwerken, sondern auch ein Vergleich mit Regelwerken anderer Länder, insbesondere den USA. Aufbauend hierauf werden Handlungsempfehlungen und Anregungen zur Umsetzung des Deutschen Corporate Governance Kodex gegeben.

Melanie Prengel: Die Auswirkungen des Deutschen Corporate Governance Kodex auf die Investor Relations Arbeit – insbesondere im Internet, DIRK Forschungsreihe, Band 2, September 2003, broschiert, 29,– Euro



This research project by Sonja Leise focuses on the question whether the knowledge of behavioural finance can help investor relations managers to approach their key investors more effectively. The author used secondary literature as well as primary research to draw interesting conclusions. Furthermore, investor relations and behavioural finance are defined and links between both topics are identified.

Sonja Leise: How Behavioural Finance can be used for Key Account focused Investor Relations Activities, DIRK Forschungsreihe, Band 3, Juni 2004, broschiert, 29,– Euro

Margit Wendling untersucht mit ihrer Forschungsarbeit, gleichzeitig Band 4 der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V., welchen Einfluss neben den fundamentalen Unternehmensdaten auch qualitative Faktoren, darunter insbesondere die Marke, auf Aktieninvestments haben.

Margit Wendling: Die Aktie als Marke – Implikationen auf die entscheidungsrelevanten Faktoren bei Aktieninvestments, DIRK Forschungsreihe, Band 4, Februar 2005, broschiert, 29,– Euro

In seiner Ausarbeitung „WpHG-Praxis für Investor Relations – Praxiserfahrungen zum Anlegerschutzverbesserungsgesetz (AnSVG)“, gleichzeitig Band 5 der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V., schildert Rechtsanwalt und Autor Jens Wolfram detailliert die Balance zwischen den Interessen der verschiedenen Institutionen, welche vom AnSVG betroffen sind, und gibt aus langjähriger Erfahrung mit der Umsetzung kapitalmarktregulierender Gesetze heraus praxistaugliche Empfehlungen für die tägliche Investor Relations-Arbeit.

Jens Wolfram: WpHG-Praxis für Investor Relations – Praxiserfahrungen zum Anlegerschutzverbesserungsgesetz (AnSVG), DIRK Forschungsreihe, Band 5, Oktober 2005, broschiert, 39,– Euro

In den letzten Jahren haben die Investor Relations-Aktivitäten börsennotierter Unternehmen erheblich an Bedeutung gewonnen. Gleichzeitig sind die Erwartungen der Aktionäre und potenziellen Investoren an eine zeitnahe und fundierte Information deutlich gestiegen.

Mit seiner Dissertation „Investor Relations-Qualität: Determinanten und Wirkungen – Theoretische Konzeption und empirische Überprüfung für den deutschen Kapitalmarkt“, gleichzeitig Band 6 der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V., bietet Autor Dr. Christopher Ridder eine Fülle von Ansatzpunkten zur direkten Anpassung der IR-Arbeit in der Praxis.

Christopher Ridder: Investor Relations-Qualität: Determinanten und Wirkungen – Theoretische Konzeption und empirische Überprüfung für den deutschen Kapitalmarkt, DIRK Forschungsreihe, Band 6, Mai 2006, broschiert, 59,– Euro

Fremdkapital ist in den Bilanzen europäischer und vor allem deutscher Unternehmen der mit Abstand größte Bilanzposten.

Clemens Denks setzt sich mit seiner Forschungsarbeit, gleichzeitig Band 7 der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V., insbesondere mit den Informationsgewinnungs- und Informationsverarbeitungsprozessen von Anleihegläubigern auseinander. Auf Basis der hieraus gewonnenen Erkenntnisse werden konkrete Handlungsempfehlungen für anleiheemittierende Unternehmen gegeben und erläutert, wie die Beziehungen zu Fremdkapitalinvestoren verbessert werden können.

Clemens Denks: Bondholder Relations: Informationsgewinnung und -verarbeitung von Corporate-Bond-Investoren, DIRK Forschungsreihe, Band 7, Oktober 2006, broschiert, 29,– Euro

Die DIRK-Forschungsreihe!

Die Internationalisierung der Finanzmärkte und ein immer weiter verschärfter Anlegerschutz haben den Wettbewerb um Eigenkapital intensiviert. Es ist daher vor allem eine Aufgabe der Investor Relations- (IR) Abteilungen, börsennotierte Unternehmen am Markt eindeutig zu positionieren. Finanzanalysten sind dabei eine der wichtigsten Zielgruppen. Pia Tiffe setzt sich in der vorliegenden Arbeit, gleichzeitig Band 8 der Forschungsreihe des DIRK – Deutscher Investor Relations Verband e.V., mit den Anforderungen an die IR aus Sicht der Finanzanalysten auseinander. Sie analysiert dafür zunächst theoretisch die Instrumente der IR. Im empirischen Teil der Arbeit werden die Ergebnisse einer Befragung deutscher Finanzanalysten zusammengefasst.

Pia Tiffe: Beurteilung von Investor Relations-Maßnahmen aus Sicht von Finanzanalysten – Eine theoretische und empirische Analyse, DIRK Forschungsreihe, Band 8, Mai 2007, broschiert, 29,– Euro

Liberalisierte und globalisierte Finanzmärkte zwingen Unternehmen heutzutage in einen Wettbewerb um Investoren. Die zunehmenden Informationsbedürfnisse der Anleger und immer engmaschigere rechtliche Vorgaben stellen die kapitalmarktorientierten Unternehmen vor enorme Herausforderungen. Moderne Investor Relations geht über die bloße Kommunikation von Fakten hinaus, sie reduziert Skepsis und schafft Transparenz durch den Aufbau einer direkten Beziehung zum Investor.

Sara Pierbattisti untersucht in der vorliegenden Arbeit die Wechselwirkungen zwischen Unternehmen und Investor sowie die organisatorische Einbindung in die Unternehmensstruktur mit Hilfe wissenschaftlicher Theorien.

Sara Pierbattisti: Die Investor Relations-Arbeit in deutschen Unternehmen: Theoretische und empirische Befunde zu Bestand und Entwicklung der IR-Arbeit der Unternehmen des DAX 30 und des MDAX. DIRK Forschungsreihe, Band 9, Oktober 2007, broschiert, 29,– Euro

Emittenten auf den europäischen Kapitalmärkten werden sich mehr und mehr daran gewöhnen müssen, dass sie sich nicht nur nach Vorschriften eines nationalen Gesetzgebers zu richten haben, sondern auch an die Maßgaben Europas gebunden sind. Das heißt folglich, dass sie mit den Gesetzen der Europäischen Union (EU) und sämtlicher Mitgliedstaaten konfrontiert sind. Durch die EU-Transparenzrichtlinie kommen auf Emittenten neue verschärfte Vorschriften bezüglich der Finanzberichterstattung zu. Für Anleger sind insbesondere Regelungen zur Bekanntgabe von bedeutenden Beteiligungen von Interesse.

Florian Preising untersucht in der vorliegenden Arbeit ob eine europäische Harmonisierung in Richtung eines EU-Finanzbinnenmarktes durch die Transparenzrichtlinie stattgefunden hat.

Florian Preising: EU-einheitliche Umsetzungspraxis: Vergleich des Umsetzungsstatus von EU-Richtlinien in den Mitgliedstaaten am Beispiel der Transparenzrichtlinie. DIRK Forschungsreihe, Band 10, Januar 2008, broschiert, 29,– Euro

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