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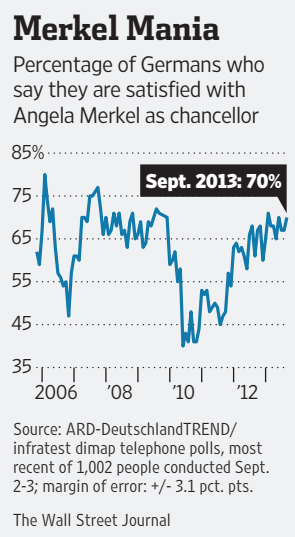
# THE WALL STREET JOURNAL

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## Merkel Urged To Act Faster If Re-Elected

BY ANTON TROIANOVSKI

BERLIN—Angela Merkel has become Europe's most popular leader by telling Germans they don't need to change, and by shielding them from much of Europe's debt-crisis pain at the same time. But as Ms. Merkel heads into a likely third term as Germany's chancellor, there are increasing calls from the business community, which she has counted among her most loyal supporters, and others for her to move more quickly to confront simmering domestic problems that they worry will eventually endanger German prosperity. The time to fix the problems—energy costs, worn-out roads and gaps in education among them—is now, they say, while the economy is healthy.



"We're living on yesterday's reserves," says Dieter Schweer, an executive at the Federation of German Industries, an industry group traditionally allied with Ms. Merkel's Christian Democrat Union party.

That angst hasn't hindered Ms. Merkel, widely seen as the most powerful politician in the European Union, as she coasts to what polls signal will be a victory in national elections on Sunday. After eight years in office, she enjoys commanding voter-approval ratings. She got there by giving Germans something they badly want: the status quo. She spelled out her strategy succinctly at a celebration of her center-right coalition's electoral win in 2009, when *Please turn to page 10*



Angela Merkel campaigned in Ribnitz-Damgarten, Germany, on Thursday. Running for a third term as chancellor, she enjoys strong voter-approval ratings leading into national elections on Sunday.

## French Lenders Weigh Ending Partnership

BY NOÉMIE BISSERBE

PARIS—Société Générale SA and Crédit Agricole SA are exploring ways to end their partnership in brokerage firm Newedge and asset-management firm Amundi, according to people with knowledge of the matter, as two of France's top banks refocus their business on core activities. While the agreement hasn't been finalized, Crédit Agricole is in talks to unload its 50% stake in Newedge to Société Générale and receive a 15% stake in Amundi in exchange, said one of these people. The deal could be completed before the end of the year, the person said. At a later stage, Crédit Agricole may also buy Société Gé-

nérale's remaining 10% stake in Amundi, the person said. Confronted by stricter regulation and a challenging economy, French banks, like most of their peers in Europe, are working to refocus their strategy on key activities and exit from peripheral businesses. The deal under negotiation, if finalized, would give Crédit Agricole greater heft in asset management—which it has identified as a core business—while putting joint venture Newedge under single ownership. "The two banks are going in different directions today," *Please turn to page 19*

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## European Central Banks Get Leeway on Easy Money

BY BRIAN BLACKSTONE AND JASON DOUGLAS

The Federal Reserve's unexpected decision to keep its bond-buying program intact gives central banks in Europe more time to nurture still-fragile economic recoveries. The U.S. central bank said Wednesday that it would keep buying \$85 billion a month of Treasury and mortgage bonds, surprising many economists who had expected a reduction of around \$10 billion to \$15 billion in monthly purchases. Europe's main central banks have struggled in recent weeks to convince investors that their "forward guidance" promising the retention of low interest rates has teeth, in

part because investors assumed that tighter Fed policies would filter through to Europe. The Fed's decision to leave in place its current pace of bond buying changed that perception. The decision helps the European Central Bank and Bank of England cement their verbal assurances that interest rates will stay at record lows in the near term, analysts said. "The fact that the Fed is now even further away from taking away the liquidity punch bowl obviously is going to make it easier for [the] ECB and BOE to manage rate expectations," said Nicholas Spiro, head of consulting firm Spiro Sovereign Strategy. The Fed's decision to hold

off reducing, or "tapering," its bond buying, also takes some off the pressure off the ECB and other central banks in Europe to take additional action on interest rates and other stimulus measures, at least in the near term, economists say. The Swiss National Bank on Thursday kept interest rates unchanged and made no changes to the floor it has set on the Swiss franc's exchange rate to the euro. Norway's central bank also held rates unchanged Thursday. The fall in bond yields in *Please turn to page 22*

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# MANSION



GLASS HALF FULL Château Les Carrasses, in the South of France, was converted into 28 luxury homes

## WINE WITHOUT THE WORK

An Irishman is converting former wine estates into luxury properties in Languedoc-Roussillon

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BY JAVIER ESPINOZA

It's a second-home buyer's dream: a property in the South of France overlooking lush vineyards, with a cellar full of coveted bottles. Less appealing: actually owning and maintaining a winery.

Irish developer Karl O'Hanlon thinks he has the solution. He is one of several developers refurbishing rundown châteaux in southern France as luxury villas with private vineyards. Homeowners get a share of the wine, but aren't required to help make it. Mr. O'Hanlon is finding that many second-home buyers are willing to bypass storied markets like Bordeaux and Provence to buy in a region previously sniffed at by wine aficionados: Languedoc-Roussillon.

For luxury homes in the region, Mr. O'Hanlon, 41, thought "there was a gap in the market."

His first foray into château conversion was the 19th-century wine estate Château Les Carrasses. In 2008, at the height of the financial crisis, Mr. O'Hanlon convinced Irish shareholders and French banks to back his purchase of the estate and convert its castle and grounds into 28 well-appointed homes. Amenities include tennis courts, a swimming pool and a restaurant. The total investment was €12 million.

The properties, priced from €205,000 to €735,000, came with a sweetener: Each founding owner

would receive an equal share of the yield, sometimes as much as 50 cases of wine in a year.

Following the success of Les Carrasses, Mr. O'Hanlon's company, Domaine & Demeure, is restoring another Languedoc property: St. Pierre de Serjac, a 19th-century wine estate spread across 230 acres. Mr. O'Hanlon plans to build 36 apartments, including eight newly constructed properties, opening in 2015. Like Les Carrasses, it will have swimming pools and tennis courts, as well as a restaurant. And prices will range from about €350,000 to €1 million.

Though construction won't begin until January, 30 units have already been sold. New York lawyer Gerard Thompson bought one of the homes, after finding it through online searches for luxury real estate in the South of France. "The feature of an active wine operation was a considerable advantage because we love wine, particularly French wine," says Mr. Thompson, 61, who's paying about €600,000.

The idea of turning vineyard estates into residences isn't new in France. In places such as Bordeaux and Provence, developers have been turning old châteaux into homes since at least the 1990s, albeit on a smaller scale, says Daniel Martin of Propriétés & Co., a property development group. "Languedoc is the only region that remains undeveloped or emerging around the Mediterranean."

NEXT STOP Domaine & Demeure is also redeveloping Château St. Pierre de Serjac, a 19th-century wine estate



Noah Rabinowitz for The Wall Street Journal

# MANSION

But it is starting to catch up. In July, Propriétés & Co. opened two new high-end developments with concierge services and facilities such as swimming pools and tennis courts. One, Le Domaine de la Mandoune, is a 19th-century wine domaine converted into 30 apartments. The other, Le Château de la Redorte, is an 18th-century wine-producing château converted into 11 apartments, plus 20 villas on its grounds. Owners have a share of a vineyard. While the developments have proven popular, some of the homes remain on the market. Domaine de la Mandoune has seven properties on the market, starting at about €250,000; Château de la Redorte has six, starting at about €200,000.

Property prices in the region are still lagging. According to Fnaim, France's national association of real-estate agencies, the Languedoc-Roussillon area saw a 5.7% decrease in property prices in the second quarter of this year, compared with a year earlier,

while prices fell 3.6% nationally.

Though Languedoc has long been associated with mass-produced budget wines, improvement in wine quality is helping sales in the region, brokers and locals say. "The wine has improved so much in the last 40 years," says Rosemary George, a wine expert and author of "French Country

**Homeowners get a share of the wine but aren't required to help make it**

Wines." "When I first visited, the wine was pretty awful. It was high-yield and it had rather thin, dilute flavors. Now, there is some seriously good wine. They are very drinkable."

With views of surrounding vineyards and the Pyrenees in the background, Les Carrasses was

built in 1886 on a former rest stop on the pilgrim route of the Way of St. James. Historic buildings dot the grounds—a castle, a winery, the winemaker's house and a grape picker's lodgings; there is also the blacksmith's house, as well as stables, a forge and a granary, the estate manager's house and the gardener's cottage. The original outline of the gardens remains untouched.

Matthew Fletcher, a 65-year-old retired British urologist, and his wife, Sue, a retired teacher, bought their €625,000 house at Les Carrasses in 2009 after seeing the floor plan. "We were interested in living in a wine estate but without any worry about the day-to-day of running it," says Mr. Fletcher, whose 1,600-square-foot, three-bedroom, 3½-bath house is attached to the main château. "Languedoc wine is not always of the best quality, but it's definitely improving significantly," he says. "We had 180 bottles last year. We drank them or gave them as presents."



WINE SELLER Mr. O'Hanlon at Château Les Carrasses

Noah Rabinowitz for The Wall Street Journal

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