

The bankruptcy of the Signa Real estate empire

Peter Schwarz
3 December 2023

It would take a writer of the caliber of Honoré de Balzac or Upton Sinclair to describe the rise and fall of real estate speculator René Benko, whose Signa holding company filed for bankruptcy last Wednesday. Benko is the product and embodiment of a sick society in which profit and wealth count for everything, while the fate and even the lives of ordinary people count for nothing.

It is the biggest bankruptcy in the history of Austria. However, Benko's business activities were not limited to the Alpine country. He had business interests all over the world and especially in Germany. His downfall could trigger an earthquake.

Tens of thousands of jobs are at risk—in department store chains such as Galeria (Kaufhof and Karstadt), Globus and Selfridges, which Signa has taken over, and in the construction industry, where large-scale construction sites have come to a standstill and missed payments are putting numerous companies at risk. In 2022, around 40,000 people worldwide were employed in companies owned by Signa. Entire city centers threaten to become deserted if the holding company's huge properties remain empty.

Some of the 120 banks that entrusted Benko with their money in the hope of making a quick profit could also find themselves in a tailspin. JPMorgan estimates that Signa owes its lenders a total of at least €13 billion. The company owes more than 600 million Swiss francs to the Swiss private bank Julius Bär and €750 million to the Austrian Raiffeisen Bank International. The Swiss USB, the French Natixis, the Italian UniCredit, the Bank of China and several German state banks are also affected to the tune of hundreds of millions.

A chain reaction is looming in the real estate sector. Benko was not the only one to take advantage of the combination of low interest rates and rising real estate

prices to amass a fortune. He was just more brash and unscrupulous than others. The rise in interest rates and the accompanying fall in real estate prices have put paid to this model. After the Signa bankruptcy, it will also be more difficult for real estate groups to obtain new loans.

There is now much debate in the media as to whether the Signa bankruptcy could have been foreseen, whether Benko was an imposter who merely built castles in the air and if criminal activities were involved. As far as it is known, the public prosecutor's office is not yet investigating Benko. He is, however, facing charges of delaying a declaration of bankruptcy.

But regardless of whether there will be trials and verdicts, the same social conditions that favoured fraudsters such as the crypto guru Sam Bankman-Fried and Wirecard bosses Markus Braun and Jan Masalek also boosted Benko's career.

Benko, who is only 46 years old, was able to become a billionaire in a very short space of time because the entire political system has long focused on enriching those already rich. Fantastic profits are made on the stock exchanges, in the financial and real estate sector, in industrial and IT monopolies with gigantic salaries paid to managers, while taxes are cut, exploitation is intensified and education, health and public infrastructure are cut to the bone.

As a 17-year-old, the school dropout from a modest background started converting attics in Innsbruck, which he then sold on as expensive apartments. "Buy, renovate in luxury and drive up rents: This is the successful model with which René Benko from Innsbruck went from 17-year-old school dropout to real estate tycoon," wrote the German weekly *Die Zeit* one year ago.

As soon as word of Benko's first successes

circulated, he was inundated with funding. “Benko’s empire thrives above all from rich backers,” reported *Die Zeit* in another article. Among the backers who helped him build his billion-dollar real estate empire were Greek shipowner Georgios Ikonou, ex-Porsche boss Wendelin Wiedeking, management consultant Roland Berger, logistics billionaire Klaus-Michael Kühne and many others.

Benko deliberately displayed pomp and splendour. He bought prestigious buildings—such as the Chrysler Building in New York—as well as luxury department stores—such as Selfridges in London, KaDeWe in Berlin, Oberpollinger in Munich and Alsterhaus in Hamburg. He built prestigious buildings such as the Elbtower in Hamburg, which is now languishing as a ruined building. He owns a private jet, a luxury villa in Ischgl and invited guests to parties on his €40 million yacht Roma.

“Benko obviously knew that the display of wealth attracts even more wealth,” *Die Zeit* quotes a business partner. He not only courted donors, but also politicians. He was a mentor of and maintained close relations with the then Austrian Chancellor Sebastian Kurz, who helped him find new donors on a joint trip to Abu Dhabi in 2018.

Benko’s unscrupulous methods are demonstrated by his involvement in the German department store chains Kaufhof and Karstadt, which had previously narrowly avoided bankruptcy. The trade union Verdi celebrated Benko as a “saviour,” helping him to collect €680 million from the German government’s economic stabilization fund, merge the two chains into Galeria, close dozens of stores and cut employees’ wages.

For Benko, this was a brilliant deal. He separated the valuable real estate from the department store group and charged the latter hugely inflated rents for their continued use. In this way, the real estate division of Signa Holding made a profit of €800 million in the coronavirus year of 2020 and paid out €200 million in dividends to shareholders, while Signa’s loss-making department store chain collected hundreds of millions in taxpayers’ money.

At the beginning of this year, Verdi agreed to another restructuring plan for Galeria, which had filed for insolvency again the previous year. Another 4,000 jobs fell victim to this plan. Now the 12,000 remaining employees, whose monthly wages are already €500

below the official collective agreement rate, due to the series of concessions made by Verdi, are now threatened with the final loss of their jobs. They cannot rely on the Verdi trade union, which bowed down in front of Benko and helped him slash wages and jobs. Defending the jobs at risk requires the establishment of independent action committees.

The increase in rents for the department stores not only filled the coffers of Signa’s real estate division, but also increased the paper value of its properties, which is calculated on the basis of rental income. Benko was thus able to take out ever bigger loans, offering these properties as collateral.

In the end, his Signa empire consisted of an impenetrable web of over 1,000 individual companies, which also did business with each other. In addition to real estate, department stores and luxury hotels, it also included holdings in daily newspapers (Funke Mediengruppe, *Kronen Zeitung*, *Kurier*).

The entire house of cards began to collapse when rising interest rates made it increasingly difficult to refinance the high level of debt. The European Central Bank (ECB) finally initiated a special audit of banks that had granted loans to Signa and instructed them in August of this year to hedge their risks more effectively. At the beginning of November, the rating agency Fitch finally classified Signa as “high credit risk.”

It is not yet clear what the consequences of the insolvency will be for Benko personally. According to reports, he has secured his private assets, which are estimated at €5 billion, but even if he loses part of this sum he will continue to live in luxury.



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