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DEAR READERS!

The first two months of the year have already passed by. And for me they brought the task to moderate four events: in Hamburg, in Vienna, in Mallnitz in Austria and in Munsbach in Luxembourg. Topics have been as different as the locations: in Luxembourg it was a round table discussion about Luxembourg's real estate market and its characteristics which we will publish in March in our meanwhile third 'Luxembourg Special'. In Vienna the focus was on "Emerging Trends in Real Estate Europe". Everywhere there was to notice: as generally optimistic the climate is in the real estate and investment markets as different are often the individual ways to see it.

That exactly you can refer to the 'tennis match' in this issue where seven industry players continue given sentences. In the answers there is also mentioned Romania, a country we will have a closer look to in the following article. And to this country I will travel to moderate the next panel discussion: One week after Mipim, on March 22, in Bucharest a conference takes place about "Cities of tomorrow".

All these conventions whether of greater or smaller scale bring people together and are often broadening perspectives. That is not only true for Mipim but as well for smaller and more local events. And who reads has a clear advantage: many information, different topics and insights you will find on the following pages. They provide the basis for a lot of discussions for the next events and hopefully some food for thought. Please, start to scroll!

Yours,

Andreas Schiller

Office tower Skyliner will rise 195 metres above Rondo Daszynskiego in Warsaw and provide 44,000 square metres of rentable area.

KARIMPOL TO BUILD ITS BIGGEST PROJECT IN CEE IN WARSAW

Skyliner – one of the tallest buildings in Warsaw – is being erected at Rondo Daszynskiego. Karimpol's new office building has been designed by the architectural studio APA Wojciechowski. It is the ninth investment project of the developer in Warsaw and Karimpol Group's biggest project in Central and Eastern Europe. The building will provide nearly 44,000 square metres of rentable area. Skyliner will be 195 metres tall and will comprise 30 office levels and four commercial levels. Earthworks and subterranean walls at the depth of 33 metres, which reinforce the area, have already been completed. The construction of the building above ground is going to start this year.

ATRIUM SELLS CZECH RETAIL PORTFOLIO

Atrium European Real Estate Limited has completed the sale of a portfolio of retail assets in the Czech Republic. The portfolio has been sold in a corporate transaction to a private client account managed by Palmer Capital for an asset value equivalent to EUR 102.6 million. The portfolio consists of ten retail assets located throughout the Czech Republic, with a total lettable area of approximately 86,200 square metres, and comprises smaller format retail properties.

WALLIS GROUP BUYS HUNGARIAN PRAKTIKER STORES

Dentons has advised Hungary's Wallis Group and Praktiker's managing director Karl-Heinz Keth in their respective purchase of the Hungarian retail operations and operating company of Praktiker. The existing Praktiker operation in Hungary, with 19 locations and 1,100 employees, will continue to trade under the Praktiker brand. The transaction concludes the orderly disposal of the seven Praktiker divisions outside Germany following the insolvency of the German parent company in 2013. The buyers agreed to operate Praktiker as a joint company, in which Wallis Group will become the majority owner. This stage of the transaction is still subject to approval by the Hungarian Competition Authority.

UNION INVESTMENT: ACQUISITION OF DOMINIKANSKI FINALISED

Union Investment has finalised its acquisition of Dominikanski office complex in Wrocław from Skanska Property Poland. JLL and Linklaters advised the buyer in this transaction, Colliers and Dentons advised the seller. Dominikanski, completed in 2015, provides about 40,000 square metres of office accommodation. It is located in the very heart of Wrocław and in immediate vicinity to the Market Square and Galeria Dominikanska Shopping Centre.

Central Shopping Center in Bratislava is the first investment of Allianz Real Estate in Slovakia. Central Shopping Center was opened in 2012 and comprises a total of 40,000 square metres of lettable area.

ALLIANZ ACQUIRES CENTRAL SHOPPING CENTER IN BRATISLAVA

Allianz Real Estate has acquired 100 per cent of the shares of the company owning Central Shopping Center in Bratislava. The seller is a company of Immocap Group, a Slovakian real estate development company. The investment amounts to approximately EUR 175 million. It is the first real estate investment of Allianz in Slovakia.

Central Shopping Center was opened in October 2012 and comprises a total of 40,000 square metres of lettable area, of which 31,500 square metres relate to retail uses. Another 2,300 square metres relate to a gym and a 2,500 square metres to gastronomy uses.

The centre has three trading levels plus one upper floor where the food court, the gym and a roof terrace are located. A three-storey parking garage with 1,300 parking spaces is located underneath the property. ECE is responsible for the centre management of the asset.

UNICREDIT: FINANCING FACILITY FOR CEE LOGISTICS PORTFOLIO

UniCredit has provided a EUR 69.8 million loan to finance the acquisition by W. P. Carey's CPA:17-Global fund of a portfolio of logistics assets in Central and Eastern Europe. The seven-year long-term facility will be used to partially refinance the purchase price paid for the acquisition of the logistics properties that W. P. Carey bought in a sale and lease back structure.

The portfolio, with total gross leasing area of over 208,800 square metres, consists of four logistics parks, two located in Poland, one in Slovakia and one in Czech Republic. The buildings are fully leased with ten-year lease agreements.

CAPITAL PARK AND AKRON TO MODERNISE ETC SWARZEDZ

Capital Park Group and Akron Group have signed a joint venture agreement for ETC Swarzedz, a first generation shopping centre. ETC Swarzedz, the first shopping centre built in Wielkopolska region, has been popular with customers for over twenty years now. The centre is located in Swarzedz in the eastern part of the Poznan agglomeration on national road no. 92 linking Poznan and Konin. It currently features more than 21,000 square metres of retail space and accommodates 126 stores and service units.

The decision to cooperate on another project, after ETC Gdansk, ensues from Capital Park Group's long-term strategy envisaging investment in medium-sized first generation shopping centres with significant value growth potential. Under the JV agreement Capital Park will hold 60 per cent and Akron Group 40 per cent in the project. Modernisation will be co-financed by the investors and with a bank loan.

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Warsaw Corporate Center in the centre of the Polish cpaital city has changed its owner: For its VCERP fund Valad Europe has acquired the asset from MEAG.

VALAD EUROPE BUYS WARSAW CORPORATE CENTER

Valad Europe has acquired the Warsaw Corporate Center in Poland from MEAG for its VCERP fund. Developed in 1993 by the partners of Golub Raczkiewicz Epstein Venture, the Warsaw Corporate Center provides 8,693 square metres of predominantly office accommodation across nine floors, with retail space on the ground floor.

Warsaw Corporate Cente is located on Emilii Plater Street, in immediate vicinity of Warsaw Central Station, the Marriott Hotel and Złote Tarasy Shopping Centre.

In recent months, MEAG has realised a number of lease renewals and new leases, with the asset currently let to several occupiers including Danska Bank, Broadway Malyan and OSTC. Dentons advised Valad Europe on the transaction. JLL and Linklaters acted on behalf of the vendor.

LIDL INVESTS IN LOGISTICS CENTRE IN WESTERN ROMANIA

German retailer Lidl continues to expand in Romania with a logistics centre in Lugoj in western Romania. It is the company's fourth centre in the country. The warehouse requires an investment of more than EUR 20 million.

The new regional centre, which will manage and provide goods transport to the Lidl supermarkets located in southwestern Romania, has a total built area of over 45,000 square metres and will be developed on a 14-hectare plot.

Lidl, which is part of the German group Schwarz, entered the local market in 2010 when it bought the Plus stores from the Tengelmann Group. The company now has 182 discount supermarkets in Romania.

STRABAG BUILDING HYDROPOWER PLANT IN BOSNIA-HERZEGOVINA

A consortium consisting of Austrian construction and technology group STRABAG and Croatian industrial company Koncar has been awarded the contract to build the Vranduk hydroelectric power plant on the river Bosna on behalf of energy supply company JP Elektroprivreda BiH. STRABAG AG, with a share of 63.4 per cent, is leading the consortium.

The 20 megawatt hydropower plant will be completed for a total of EUR 57 million within a period of 46 months. The contract includes the planning of the power station, the construction, supply and installation of all plant and equipment, as well as testing and commissioning. The hydroelectric power station will be equipped with three Kaplan turbines.

Hines Poland Sustainable Income Fund acquired warehouse and office centre Annopol Business Park in Warsaw.

HPSIF PURCHASED ANNOPOL BUSINESS PARK IN WARSAW

Hines Poland Sustainable Income Fund (HPSIF) purchased Annopol Business Park, a warehouse and office centre, from Europejskie Centrum Inwestycyjne ECI S.A. Hines Polska manages the assets and real property on behalf of HPSIF.

Annopol Business Park is strategically located in Warsaw's northeastern district Białołeka. The park, developed between 2006 and 2015, features five warehouse facilities and an office complex with the total lease area of over 44,500 square metres, including 28,624 square metres of warehouse space.

STAFFING

left: Marco Kohla
right: Olivier Piani

Marco Kohla is Managing Director and Founding Partner of GalCap Europe in Vienna, an investment and asset management company specialised in Austria and CEE. Marco Kohla joins GalCap from Immofinanz AG, where since 2009 as Head of Portfolio Strategy he has been responsible for the strategic realignment of the real estate company. During the last four years he was Head of Transactions. Prior to joining Immofinanz Marco Kohla was active in investment banking at JP Morgan.

Olivier Piani has been appointed Senior Advisor and Chairman of the Investment Committee of Ardian Real Estate, the company's fifth pillar of investment activity. Olivier Piani joins from Allianz Real Estate, where he held the role of CEO from 2008. Priviously he was CEO of GE Capital Real Estate Europe from 1998. Prior to joining GE, he was CEO of UIC-Sofal and Deputy Head of Real Estate Restructuring at Paribas Group.

left: Rainer Spielmann
right: Dr. Manfred Wiltschnigg

Rainer Spielmann has been appointed Chairman of the Management Board by the Supervisory Board of Westdeutschen ImmobilienBank AG (WestImmo). He succeeds Claus-Jürgen Cohausz, who has left the bank with effect from 1 March 2016 and retired upon expiry of his contract. Following various positions in the WestLB Group – most recently as Head of Credit Audit within the Internal Audit division – Rainer Spielmann joined WestImmo in 2005, as Head of Risk Management. He was promoted to Senior General Manager at the beginning of 2006, with primary responsibility for internal risk management, as well as for the bank's investments, its accounting and financial reporting, and for trustee business. He was appointed to the Management Board in October 2006.

Dr. Manfred Wiltschnigg has been appointed Managing Director of GalCap Europe in Vienna. The company he founded together with three other partners is an investment and asset management company specialised in Austria and CEE. Dr. Manfred Wiltschnigg is active in the real estate markets of Central and Eastern Europe since 20 years, most recently as Member of the Management Board of Immofinanz AG. Prior to this he was responsible for the region at IVG Immobilien AG and today's Triuva.

LETTINGS

EQUATOR II, WARSAW — POLAND

Karimpol Polska's Warsaw office property Equator II at Aleja Jerozolimskie 96 has won new tenants. The company closed six new tenancy contracts for Equator II, totalling close to 1,200 square metres of space. The new tenants include: the IT outsourcing provider Connectis; the IT trader Railways Infrastructure and Integration Services; the online HR service supplier Monster Polska; the consultancy GL Accounting Leader; the US mutual fund Westchester; and the communications agency Grayling. Furthermore, Karimpol extended tenancy contracts with four existing tenants, totalling more than 5,300 square metres. The office building Equator II was completed in October 2011. It comprises a total of 21,300 square metres of lettable area, including 400 square meters of retail and catering space and 1,530 square metres of service outlets.

GALERIA PÓŁNOCNA, WARSAW — POLAND

Globe Trade Centre S.A. (GTC) has signed a lease contract with consumer electronics retailer RTV Euro AGD for 1,200 square metres in Galeria Północna. Furthermore iSpot Apple Premium Reseller, offering Apple's products in Poland, became a part of Galeria Północna. Also Adidas and Reebok have joined the tenants in the shopping and entertainment centre and taken up 420 square metres. Galeria Północna is located in the northeast part of Warsaw, in Białołeka district. It offers about 64,000 square metres of space and 2,300 parking places. The commercialization of Galeria Północna is executed by Cushman & Wakefield and JLL.

GALERIA WILANÓW, WARSAW — POLAND

Globe Trade Centre S.A. (GTC) has leased 1,300 square metres in Galeria Wilanów to consumer electronics retailer RTV Euro AGD. The shopping centre, located in southern Warsaw, will have 61,000 square metres of leasable area as well as 2,200 parking slots in underground and roof parking. Galeria Wilanów is at the final stage of activities that need to be performed prior to commencing construction works. An application for building permit has been submitted. The commercialization of Galeria Wilanów is executed by Cushman & Wakefield and JLL.

Q22, WARSAW — POLAND

City Handlowy, which is to move into the Q22 office building in Warsaw, is to occupy over 1,000 square metres. City Handlowy was supported by Colliers International in the process of searching for the location. Q22 is a office building 155 metres tall in Warsaw's business centre at the junction of Aleja Jana Pawła II and Grzybowska Street. It offers more than 50,000 square metres of leasable office space. The five-storey underground car park comprises 348 car parking spaces. Investor and developer of Q22 is Echo Investment.

SILESIA STAR, KATOWICE — POLAND

HireRight, a global provider of candidate due diligence services, will move into building A of the Silesia Star office complex, occupying 3,000 square metres. JLL supported HireRight in the search for a location and in the negotiation of lease terms. Development of Silesia Star is conducted by LC Corp. Silesia Star is located in the centre of Katowice, at 18, Uniwersytecka Street. The project comprises two eight-floor office buildings with 27,000 square metres of leasable space in total. Tenants and their guests have 250 parking places at their disposal.

MARATON, POZNAN — POLAND

Bridgestone has joined the group of tenants at Maraton, an office building developed by Skanska Property Poland at Królowej Jadwigi Street in Poznan. The international manufacturer of tires will occupy nearly 2,000 square metres of space. Maraton is being developed in the centre of Poznan in close proximity to the Old Town and Galeria Stary Browar. The building's construction works were launched in January 2015. Maraton will comprise six floors above ground and two below and offer in total 25,000 square metres of space. Completion of Maraton is scheduled for Q4 2016.

CENTRUM SKAŁKA, TYCHY — POLAND

Drugstore chain Super-Pharm has leased 530 square metres in Skałka shopping centre in Tychy. JLL acted as the sole commercialization agent for Skałka shopping centre. Centrum Skałka is a development project of Apollo-Rida and will comprise – apart from an existing Auchan hypermarket and an OBI DIY store – approximately 90 stores as well as services and restaurant units. Ultimately, Centrum Skałka will offer approximately 37,000 square metres of gross leasing area. In addition, guests will have over 1,400 parking spaces at their disposal. Centrum Skałka is located in the centre of the city and at the heart of six residential projects. It is also in close proximity to a major road junction with convenient access to public transport.

FASHION HOUSE OUTLET CENTRE, BUCHAREST — ROMANIA

Fashion House Outlet Centre Bucharest has leased an area of 770 square metres. Sport Vision, a sportswear brand, and R&R Boutique, shoe manufacturer and retailer, opened their first outlet stores in Romania. Issimo Home, home & bath textiles producer also joined the Fashion House Outlet Center Bucharest, while Tom Tailor decided to expand its existing store in the scheme by additional 173 square metres, which raised the total area of the store to 320 square metres. Sport Vision will occupy a 375 square metre corner unit; Issimo Home took a 78 square metre unit; and R&R Boutique will open a 144 square metre unit. Opened in 2008, the Fashion House Outlet Centre within West Park Retail is the first outlet centre in Romania, developed by Fashion House Group, part of Liebrecht & wooD Group. The scheme offers 20,000 square metres total gross leasing area.

SPRING TIME MEETING ON CÔTE D'AZUR

As attractive the ambience in Cannes is, participating in Mipim is mainly hard business.

From March 15 to 18, 2016 Mipim takes place in Cannes in southern France. It is one of the annual mega events of the real estate industry. Also for those familiar with Mipim for many years the fair is offering the one or other surprise.

Two events are dividing the year of the international property industry: Mipim in spring und Expo Real in autumn. The one is – please note: wrongly – suspected to be more fun than hard work, while the other one is deemed to be the contrary. No doubt, to go to southern France in the mid of March is attractive, especially for those from countries north of the Alps. The ideal is vernal temperatures and sunshine, although the fickle weather god is not always willing to make this dream come true.

However, also with best weather conditions Mipim in Cannes is all but a pleasure trip. Despite the – admittedly – enjoyable environment outside the halls it means days of hard work for all participants. Last year 21,400 professionals from 89 countries gathered in Cannes for Mipim. 2,445 companies and local authorities presented themselves with 351 stands in Palais des Festivals, Espace Riviera and in the large tents outside both buildings. And presumably the number of participants will be nearly the same as last year.

However, there are some changes. This year no 'Country of Honour' has been named and highlighted. The Mipim Awards remained and four developments from CEE/SEE have succeeded to be among the finalists: the Research Center ELI Beamlines in the Czech capital city of Prague is nominated as one of the „Best industrial developments"; in the category „Best office & business development" Evolution Tower, the twisted office tower completed in 2015 in Moscow-City is taking part in the contest; and two Turkish development are nominated – ICI Plants & Headquarters in Istanbul in the category "Best futura project" and the prestige development of the Turkish government, the new international airport in Istanbul, in the category "Best futura mega project".

Looking at the conference programme, there are four events especially for those interested in CEE/SEE: Already the first day of the fair (March 15,2016, 11:00 – 12:30, Ruby Room, Palais 5) "Russia 2016 – Smart vector in urban development" is on the agenda. Panellists are Moscow's Chief Architect Sergey Kuznetsov and Federal Minister of Construction, Housing and Utilities Mikhail Men as well as Veniamin Golubitsky, President of Kortros, Andrei Peregoudov, Senior Vice-President at VTB Bank, and Sergey Riabokobylko , CEO and Managing Partner of Cushman and Wakefield in Russia.

On the same day (March 15, 2016) and in the same location (Ruby Room, Palais 5), but in the afternoon (16:00 – 17:00) the focus is on Turkey: "Discover the investment opportunities in attractive cities of Turkey."

On the second day of Mipim (March 16, 2016) the topic is "Poland & CEE Macro Conference – Poland and CEE Today: how to understand the new investment en-

vironment" (11:00 – 12:30, Blue Room, Palais 3). Afterwards (12:45 – 14:15) in Room Deep Design there will be a lunch headlined "Poland Movers & Shakers Lunch: Taking the lead – Investing in Polish cities", in which also Poland's Deputy Prime Minister is expected to take part.

The mentioned three countries, Russia, Poland, and Turkey, represent the strongest groups among exhibitors from CEE/SEE. At present (February 28, 2016) a total of 2,417 exhibiting companies and local authorities are registered, the majority of 2,278 of European origin and more than ten per cent of these – exactly 248 – are from CEE/SEE including Russia and Turkey. A substantial part of these are international consultancies and law firms active in the CEE/SEE countries.

By the massive depreciation of the Rouble the participation of Russian exhibitors at Mipim has become very expensive. Nevertheless they show the strongest presence of all CEE/SEE countries in Cannes. ir presence has become more modest by quantity than in former years. All in all 50 exhibitors are registered. The City of Saint Petersbourg has its own pavilion (C11) where also Avielen, Fortgroup, Glavstroy, and LCC International Investment are exhibiting. The Russian Guild of Managers and Developers has organised another joint stand (P-1.M57), where also Moscow Investor's Association and 14 other Russian companies are gathered. With independent stands companies like Monarch Group (P-1.E64), developer Etalon (P-1.K61), Kortros (P-1.D50), real estate broker NDV Real Estate (R7.C42), online retailer Ulmart (R7.G8), and VTB Arena Park (P-1.E72) are present.

With its high number of exhibitors Russia outperformed this year Poland and Turkey, last year number one and number two. The total of 46 exhibitors from Poland are mainly concentrated in Espace Riviera (R8). Here is to find the stand of the City of Warsaw (R8.D1) joined by Polish Post, Starnet Telecom, XCity Investment, Orange Polska, Grupa Konkret, Golub Gethouse and BBI Development.

Warsaw and all the other Polish cities present at Mipim are located in Espace Riviera.

A second Polish 'hotspot' are forming the cities of Gdansk, Gdynia and Sopot (R8. A7) together with Ekolan, Olivia Business Center and Euro Styl. Also the currently among investors most popular regional cities Krakow (R8.B1), Poznan (R8.C7) and Wrocław (R8.D2) are located nearby. A 'solo' are playing the Polish Military Agency (R8.C4) and Polish developer Echo Investment (R8.C2) – they both have their own stands.

The second rank regarding the number of exhibitors from CEE/SEE Poland has to divide with Turkey – also 46 exhibitors are already registered. The Istanbul Chamber of Commerce has organised an own pavilion (C14) and is joined by Istanbul companies like Emlak Konut, Cathay Group, Astas Holding, Eva Gayrimenkul, Halk Gayrimenkul and Entegre Project Management & Consultancy. Other Turkish cities exhibiting at Mipim are Antalya (R8.D24), Balikesir (P0.A3) Bursa (P0.A4), Hatay (P0.A13), Konya (P-1.G50) und Ordu (P0.A 7). Furthermore a broad range of Turkish companies is spread over the underground level of Palais des Festivals and Espace Riviera.

In some distance Czech Republik is following the 'big three' with 26 exhibitors: There will be the City of Prague (P-1.C64/D65) joined by P3 Point Park Properties, Unibail-Rodamco and shopping centre developer Rapid. The second Czech city present at Mipim is Ostrava (P-1.D76/E77), hosting developer Red Group and architectural firm ArchDesign at its stand. CTP Invest, however, goes into Mipim business for itself and is located in Espace Riviera (R7.E66).

Still in the two-digit range are Estonia and Hungary with 14 exhibitors each. For Estonia the City of Tallin organised a joint stand (P-1.G16/H15). For Hungary the Hungarian Investment Promotion Agency HIPA and the Hungarian developers Futureal and Wing have joined forces (P-1. B50/C51). Croatia is present with the Croatian Chamber of Economy (P-1.H27), Serbia with the Regional Development Agency Banat (P-1.H29) and Montenegro with its Ministry of Sustainable Development and Tourism (P-1.F80/G77). The main Ukrainian exhibitor is the City of Lviv (P-1.J12), Latvia comes to Cannes with the City of Riga (P-1.G36/H31), and Slovenia with its Trade & Investment Agency Spirit Slovenia (R7.G31).

One might be tempted to say there are mainly 'old friends' to meet at Mipim. But anyway, friendships have to be maintained and that is still easier and more successful in direct contact than by electronic media. I **Marianne Schulze**

SAME TOPICS, DIFFERENT VIEWS

Different point of views to the same topic – that is the attractiveness of the 'tennis match'.

At the beginning of a new year SPH Newsletter is traditionally inviting to a 'tennis match'. A subject is marked – service –, real estate players continue giving their point of view – return. The outcome is a partly contradictory, but multifaceted picture of the current situation.

Investment volumes are higher than ever, prices as well. Looking at the boom in the investment markets …

Daniel Harris: …then I think it will continue for a while and continue to rise because Central European markets are more attractive for a wider band of capital. Previously the capital was European, private equity and German open-ended funds, and that's now been broadened out to other capital sources, in particular Asian investors. CEE investment volumes will grow and expand and stay in line with the trends in Western Europe, as long as the interest in real estate investment generally remains strong.

Barbara Knoflach: … I assume that it will still continue for a while.

Michael Kröger: … I am also glad about the fact that the whole industry has reached the highest level of professionalism ever! This professionalism together with substantial equity capital and long-term perspectives is a good basis for the future development of the investment markets.

Lorenz Reibling: … I am reminded of the hocus pocus of the pre-crisis period, propagating magic bullets and neglecting true value creation. Worthwhile investment opportunities are typically associated with hard work and value creation. Plus, we should be prepared for the unexpected and trust less in the accuracy of predictions.

Alexander Otto: … then I am happy that we have no urgency to invest.

Andy Rofe: … volumes and pricing look sustainable in Europe over the next couple of years. If anything, evidence suggests that further capital is being allocated to real estate globally and European markets look well placed to benefit from that. And while pricing may look high, in a low

Daniel Harris,
Managing Director Investments Central Europe and Nordics,
Tristan Capital Partners,
London, UK

Barbara Knoflach,
Global Head of Investment Management,
BNP Paribas Real Estate,
Paris, France,
and President of the Jury for the Mipim Awards

Michael Kröger,
Head of International Real Estate Finance, Helaba Landesbank Hessen-Thüringen,
Frankfurt am Main,
Germany

interest rate environment relative pricing still looks sensible.

Michael Wurzinger: … I would characterize the situation as boom time for developers. Investor's interest is strong. To notice is the amount of forward purchases UBM is currently able to transact. With office assets buyers want to fix the deal though it is still months to complete construction and pre-letting is at only 50 per cent. The same trend is to notice with hotel developments.

The still low interest rates are fuelling the real estate markets. But once interest rates are increasing, then …

Daniel Harris: … they will be increasing because the economies are doing better. And if the economies are doing better you will get rental growth and the dynamics of investing in real estate will change. We have to remember that at the last peak in 2007 when rates were at their highest, property yields were at their lowest. So the correlation between low rates and low yields is not necessarily the correct one. But I don't think rates are going to rise significantly for the next few years.

Barbara Knoflach: … real estate markets will react with some delay. It will be interesting at which level of interest rates the break-even will be reached – if according to former developments or if the attractiveness of real estate investments will be defined in a new way.

Michael Kröger: … income generating property will offer a certain compensation for higher inflation by inflationary rental growth. Historically property has always been a good inflation hedge.

Alexander Otto: … the wheat will be separated from the chaff and assets of minor quality will have some problems.

Lorenz Reibling: … real estate prices will automatically adjust, in particular for properties with cap rates below five per cent and low upside potential. Cap rates and interest rates are closely linked. Who performs value creation/value add actually changes the value of the property independent from market movements and interest rates and has a clear advantage in this challenging environment.

Andy Rofe: … we will be certain that the economy has recovered. With the economy in a strong position, we should see robust rental value growth. In turn, this should support low yields and offset any modest yield softening.

Michael Wurzinger: … I am convinced that the positive environment of the real estate markets will continue. However, I do not know anybody anticipating a significant increase in interest rates in Europe in the short term. If a turnaround in interest

Alexander Otto,
CEO, ECE,
Hamburg, Germany

Lorenz Reibling,
Co-Founder and CEO,
Taurus Investment Holdings,
Boston, USA

rates will take place, then the increase will not be as significant to cause concern and to influence the real estate investment markets.

The easing of monetary policy is not without controversy. For me the quantitative easing of ECB …

Daniel Harris: … is necessary to get the European economy going. Mario Draghi has been very clear in saying they have to get inflation up and Europe can't risk falling into a deflationary environment.

Barbara Knoflach: … is an alternative already proved by reality.

Michael Kröger: … the best alternative.

Alexander Otto: … not helpful because the problem is not the lack of liquidity in the markets. The quantitative easing causes only a depreciation of the euro.

Lorenz Reibling: … opium for financial markets. The doping by the European Central Bank does not solve problems and only treats symptomatically. This alleged cure could be worse than the disease. Only when quantitative easing seizes, hidden problems come to light and can be treated solution-oriented.

Andy Rofe: … was necessary to support and/or kick-start recovery across the Eurozone. It has been important in restoring confidence and has provided a much needed boost to growth across Europe. However, individual European governments need to continue to implement structural reforms and implement fiscal policies that support growth.

Michael Wurzinger: … a pragmatic solution given the level of government debt in the EU countries and the geopolitical environment that is having its impact also on Europe. The monetary easing will eventually have its effect and cause the – also in the real estate sector – wanted increase in inflation rates.

According to me this year investments will be especially attractive in the segment(s) …

Daniel Harris: … offices in Warsaw. There has been oversupply in recent years and there is still an oversupply hangover, however, the office take-up rate has set year-on-year records from 2010 up to 2015. While there is still oversupply, demand for office space in Warsaw has been astonishingly strong. I think we'll find as supply diminishes in coming years that demand will stay there as there's no signs of it waning. Rents have dropped dramatically over the last few years and now is a great time to buy in Warsaw because you are buying off low rents and the supply/demand dynamic is starting to look very interesting.

Barbara Knoflach: … offices.

Michael Kröger: … logistics and residential for rent, but as generally as asked I cannot really answer the question. Every sector and every segment has its own parameters. In most cases office and retail property is still a 'safe bet'.

Alexander Otto: … logistics and hotel.

Lorenz Reibling: … value-add investment and project development. Entrepreneurial orientation and active value creation are the key.

Andy Rofe: … last mile logistics – a clear growth area linked to the continuing strong growth in online retail – and values underpinned by land prices in urban locations and London residential PRS (private rented sector) where the supply/demand imbalance is so acute.

Michael Wurzinger: … hotels. Currently we focus clearly on this asset class. Already in October 2015 the global hotel transaction volume amounted to approximately USD 60 billion. That is an increase of 37 per cent compared to previous year's period and has been outperforming the results of the whole

year 2014 when investments amounted to USD 59 billion. Furthermore we pay much attention to the segments residential and offices. In the near future there will be a shortage of office space especially in Germany and Austria. Vacancy rates will decrease because many of the available office areas will be used to accommodate refugees. I also assume that generally in Western Europe the interest in condominiums and property in general will remain high. In Germany and in Austria I still note an increasing demand for individually owned apartments, mainly in the middle and high price segment.

The least attractive investments are …

Daniel Harris: … those you have left undone, because at the moment all real estate sectors or main markets in Central and Eastern Europe are growing.

Barbara Knoflach: … data centres.

Michael Kröger: … no investments.

Lorenz Reibling: … exit-apathetic core investments. I assign this strategy to the category of bonds. For both we see a potential bubble.

Andy Rofe: … traditional logistics. Prices at under 5.5 per cent net yield look mispriced, given there is little chance for NOI growth, supply is relatively elastic and depreciation is relatively high.

Michael Wurzinger: … developments outside metropolitan areas in Europe. There is mostly no sustainable growth potential and no idea of how to improve development potential for the next 20,30 years. Because this is the timely horizon investors are acting on to analyse if an investment will be successful.

For a long time geographic diversification did mean investments in a variety of countries. Meanwhile the focus is increasingly on cities – not in regard of everything, but in regard of certain assets. According to me …

Daniel Harris: … you have to have a country view. For example, people are not going to be unconcerned about what is going on in Hungary, just because they may perceive Budapest as a good market. Investments will remain country-driven, as national markets are still too diverse for you to be able to assume that European cities all have the same attributes.

Barbara Knoflach: … this is additionally boosting the prices because in general investors focus on the biggest cities.

Michael Kröger: … this is not to be seen dogmatically. And it is nothing new looking for example to France and its ‘Region Parisienne’ and then to Germany with a very heterogeneous investment profile regarding cities and locations.

Alexander Otto: … it is a generally positive approach. In certain countries there is to keep in mind the political and economic situation, but finally office and retail markets are very local markets. Investors should not give a too general judgement about cities, but have a closer look at each individual location.

Lorenz Reibling: … selection is as important as diversification. The demographic background, the job market and economic growth of a city are the basic determinants for a prudent real estate investment. In a second step it is important to have an entrepreneurial manager, whose interests are aligned and who is responsible for the return outcome through active value creation. An increasing number of investors rightly sue their share fund managers for simply replicating the index without adding value, but charging fees for active fund management.

Andy Rofe: … you can still think about diversification at a country level because the macro-economic drivers are important, but generating out-performance re-

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London, UK

Michael Wurzinger,
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quires understanding not just of cities, but at a more granular level, sub-markets e.g. looking at TMT clusters.

Michael Wurzinger: … that is fundamentally right. UBM has clearly two directions of interest: on the one hand to the core markets Germany, Austria and Poland and there on the big cities with growth potential, on the other hand we are concentrating on three asset classes: residential, hotel and office.

Looking at cities/countries I see the most promising opportunities in … …

Daniel Harris: … Poland. It is the largest and most attractive country in CEE, it has the most cities to invest and the most extensive investment property stock. Warsaw is the de facto capital city of CEE and the new foreign capital in the region will come primarily to Warsaw and Poland.

Barbara Knoflach: … Italy and the Netherlands.

Michael Kröger: … Scandinavia. Therefore we will open an office in Stockholm this year.

Alexander Otto: … Italy, Spain, Hungary, Germany and Poland.

Lorenz Reibling: … the US because of a strong job market – only five per cent unemployment – along with strong consumption. My favourite city in the US: Austin! Austin was recently awarded by Forbes Magazine the 'No. 1 Boom Town in the US'. Taurus recognized the boom already eight years ago and, back then, strategically acquired land for residential development. On this land Taurus today builds the largest zero-energy community in the US with 7,500 homes.

Andy Rofe: … London, Madrid and Milan.

Michael Wurzinger: … in our core markets, mainly in Berlin, Munich, Stuttgart, Hamburg, Vienna, Graz, Warsaw, Wroclaw and Krakow. In 2016 the hotel market in Amsterdam and the residential market in Poland are 'markets to watch and act'.

Really no opportunities I see …

Daniel Harris: … in the smallest markets in CEE. For fund managers of our size the Baltic markets for example are too small, but that doesn't mean they are not interesting markets to invest in generally.

Barbara Knoflach: … with Mr. Trump as president of the US.

Michael Kröger: … for a quick recovery in southern European countries, except Spain and in the longer term Portugal where some endeavours have been made and are already honoured by investors.

Alexander Otto: … in countries like Romania and Ukraine, at least currently.

Lorenz Reibling: … in micro-yield investments with lack of entrepreneurial motivation and value creation, often found in cities such as Vancouver, Sydney and Hong Kong. For such investments value creation is secondary and the real estate market leads into a price war of investors, in which cheapest capital determines success. As long as yield expectations remain low, there won't be negative consequences yet.

Andy Rofe: … nowhere. There are always opportunities with the right asset! But the weakest areas are mass market retail in smaller cities, which are very vulnerable to store rationalisation programmes as the retail sector restructures.

Michael Wurzinger: … in developments in Hungary because the situation will not improve in the short term. Generally CEE is still a problem child, although for Romania for example is given an 'all-clear' since three years. In Poland I assume that the population will not take the same way as in Hungary because the political environment is different. At least, I hope so.

Many external factors have their impact on the real estate and investment industry. Some are calculable, others come by surprise. Companies have to be well positioned for a changing environment. From my point of view strategic factors of success are …

Daniel Harris: … a very strong research team as we have it at Tristan. We make most of our investment decisions based on a research-led analysis. We look at all of the main variables such as interest rates, inflation, economic growth, population movements and so on to come to a decision on which markets to invest in.

Barbara Knoflach: … strong customer focus, a combination of top-down and bottom-up strategy and a professional asset management.

Michael Kröger: … first, to have a plan that will be continuously controlled but not continuously 're-developed'; second, to know your strength but as well the limits; and third, to do business with sense of proportion and with sanity and reason – as investor, investment manager, consultant, financier and as real estate journalist as well!

Alexander Otto: … equanimity. In certain market situations it is more reasonable to hold off for some time. Furthermore diversification – e.g. the one who is able to do asset management and development remains more resistible against up- and downturns. Also activities in several asset classes help to minimize risk.

Lorenz Reibling: … yield-oriented value-creation, interest alignment and risk management!

Andy Rofe: … strong processes, smart teamwork (IQ compounding), on the ground access and expertise and thorough research.

Michael Wurzinger: … a clear-cut business model, in-house know-how and strong partners with expertise.

BACK ON INVESTOR'S MAP: ROMANIA

After 2007 real estate investments in Romania dropped from more than EUR 2 billion to less than 10 per cent of the transaction volume and dragged during the following years on a very low level. But since 2014 investments are rising again

The main focus is still on Romania's capital city of Bucharest.

Romania is strongly coming back into investor's focus. One reason might be that the often-cited and sought-after core markets are meanwhile nearly swept, so prices are high and yields low. But this is only part of the truth. In fact, Romania is offering advantages making the market attractive in the long term.

By quantity only Romania is – after Poland – the second largest country in CEE. This is true for its geographic extension as well as for its population, currently almost 20 million people. That is more than the population of Hungary and Czech Republic together. Furthermore Romania is the third biggest economy in CEE/SEE and in absolute terms it has still surpassed that of Hungary and is now close on Czech Republic's heels. In this race Romania has tailwind by an economic boom continuing since five years with growth rates clearly above the EU average. In 2015 it has been 3.6 per cent, and European Commission is forecasting 4.2 per cent for 2016 and 3.7 per cent for next year, while World Bank is even acting on the assumption of 4.1 per cent in 2017. Growth is mainly driven by increased industrial production and private consumption as well.

But also in other respects Romania is doing well: government debt has decreased below 40 per cent – only Bulgaria, Luxembourg and the Baltic countries Latvia and Lithuania have less, all other EU countries are clearly above this rate. Regarding energy supply the country is nearly independent – only 12 per cent of total gas consumption is imported from Russia.

The country has the fastest internet speed connection not only in Europe but in in the world which is of major importance and making the country very attractive for ITC related companies. And Romania is the country in Europe with the highest average number of working hours by employees per year.

Furthermore since 2014, when Klaus Johannis became President of the country, Romania is firmly fighting against corruption, one of the big problems of the country.

Another advantage is the geographic position of Romania. Three of the important international Pan-European corridors are crossing the country: corridor XI from Alexandroupoli at the Greek-Turkish border via Bucharest to Kiev and from there to Moscow, Helsinki or Minsk and Vilnius; corridor IV from the Romanian harbour city Constanta via Bukarest to the Hungarian border with branches to Thessaloniki and Istanbul or via Budapest and Prague to Dresden or Nuremberg; and corridor VII, going alongside the Romanian-Bulgarian border via Belgrade, Budapest, Bratislava to Vienna.

Bucharest with its two million inhabitants – ten per cent of the total population of the country – is the biggest city, but eight other Romanian cities – Cluj-Napoca, Timisoara, Iasi, Constanta, Craiova, Brasov, Galati and Ploiesti – have at least between 325,000 und 210,000 inhabitants and thereby more than most of the regional cities in Czech Republic and Hungary.

In 2014 real estate investments in Romania started to rise again amounting to EUR 1.15 billion. That is the second highest transaction volume ever reached. In 2015 the total trans-

Metroffice, the first phase of business park Iride City, is under development.

action volume will be a bit lower – at the end of the third quarter JLL expected the total investment volume to be at EUR 800 million. As well development activities increased significantly.

Furthermore Romania has become a market not only for 'specialists', but also attracting notice by other investors generally active in CEE/SEE. This increasing interest is certainly supported by the fact that especially Western banks – different to the last years – are now more willing to finance investments and developments in Romania.

Already in 2013 Skanska started its first development in Romania – Green Court in Bucharest – and sold it to Globalworth in 2015. In 2015 CA Immo, after some time of absence as developer, get off the ground with a new office project, Orhideea Towers with 37,000 square metres of gross leasing area. Metroffice, comprising 40,000 square metres, is the first phase of the Iride City project being developed by Immofinanz. And CTP is intensifying its business in Romania and has enlarged its portfolio by some acquisitions last year.

The increased development activity in the office market is due to declining vacancies and strengthening demand since last year. Vacancy rates in Bucharest are at an average of 13 per cent. However, there are great differences among the single districts. While in Baneasa, in the south of the city and in Pipera-North one third and more of office space is available, in Floreasca-Barbu Vacarescu, in the north and west of the city and around Boulevard Dimitrie Pompeiu, where Iride City will be developed, vacancy rates are below ten per cent.

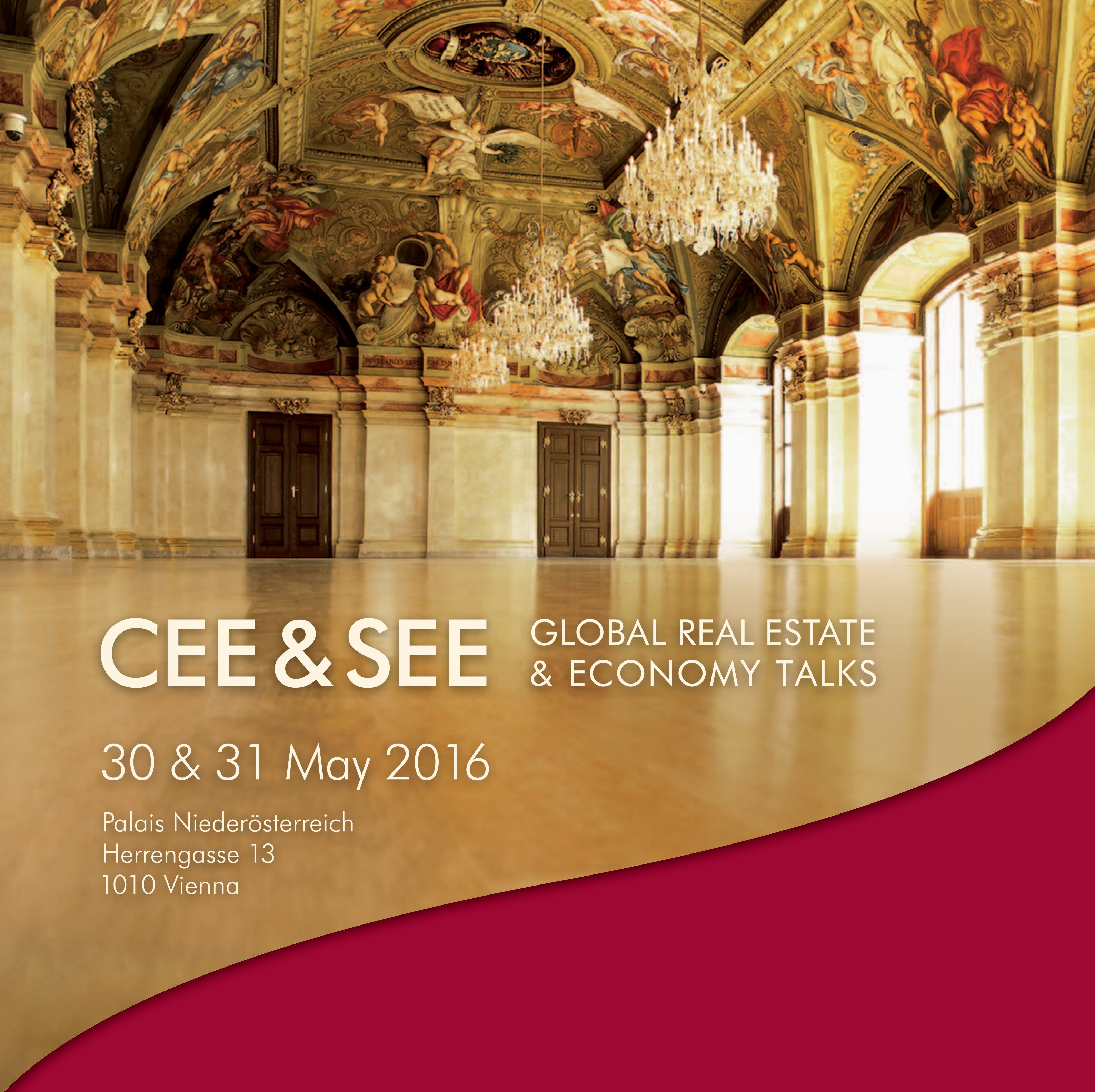
Office developments and investments are mainly concentrated on the capital city. Though with retail space Bucharest is the biggest market, but more and more shopping centres are developed in regional cities. Compared with other CEE/SEE countries Romania has still some backlog in retail space – there are only 125 square metres per 1,000 inhabitants available.

Furthermore international retailers have 'discovered' Romania: According to CBRE, 80 new brands have entered the country since 2013. They have opened about 170 shops with a total area of 30,000 square metres, not only in the capital city but in the big regional cities as well. Retailers are mainly attracted by the economic growth of the country and by the fact that Romanian people are quite eager consumers, although incomes are still clearly below the average of other CEE/SEE countries.

Increasing private consumption as well as increasing industrial production, mainly in the automotive sector and in the food industry, have a positive impact also on the market for warehouse and logistics property. Here again the main focus is on Bucharest region, mainly on the west of the city along the A1 motorway. Other hubs are Ploiesti (north of Bucharest), the two locations of the automotive industry Pitesti (Dacia-Renault) and Craiova (Ford) as well as the cities of Timisoara, Arad, Oradea and Cluj-Napoca in the western part of the country.

While with office and retail real estate developments are increasing significantly – JLL estimates that during this year a total amount of 700,000 square metres of new space will enter the market, among them 268,000 square metres of office space and 237,000 square metres retail area –, warehouse and logistics developers are still very cautious and reluctant. They start new projects only with substantial pre-lettings and most of the new projects are enlargements of existing logistics parks. In this segment vacancy rates are at only 5 per cent in and around Bucharest, but the country average is still between 10 and 12.5 per cent.

After the hyped-up market in the years shortly before Romania's accession to the EU the financing crisis in 2008 hit Romania strongly. Investors avoided the country, and political situation was not in favour to regain trust. But step by step the country has overcome the difficult times and future is looking brighter again. So there is to hope that Romania's return on investor's map will be a sustainable one and beneficial for both, investors and Romania! I **Marianne Schulze**



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When	What about	Where	For information and registration
15.–18. March 2016	Mipim	Palais des Festivals, Cannes, France	www.mipim.com
22. March 2016	Conference: „Cities of tomorrow – Economic Development and the Importance of Networks"	Crowne Plaza Hotel, Bulevardul Poligrafei 1, Bucharest, Romania	www.rumaenien.ahk.de
30. and 31. May 2016	GREET Vienna	Palais Niederösterreich, Herrengasse 13, Vienna, Austria	www.greetvienna.com
8.–11. June 2016	ERES 23. Annual Conference	Regensburg, Germany	www.2016.eres.org
20.–22. June 2016	Rebec 9. SEE Real Estate Belgrade Exhibition & Conference	Metropol Palace Hotel, Bulevar kralja Aleksandra 69, Belgrade, Serba	www.rebec.rs
22.–24. June 2016	Smart me up! REAL CORP 2016 21st International Conference on Urban Planning and Regional Development in the Information Society GeoMultimedia 2016	Landesbetrieb Geo-information und Vermessung, Neuenfelder Straße 19, Hamburg, Germany	www.corp.at

DIFFERENT FIGURES FOR THE SAME MARKET

Alexander Bosak
Managing Director, Bosak Real Estate Consulting GmbH, and Head of Real Estate Research, Otto Immobilien GmbH, Vienna, Austria

In imperfect markets as real estate markets are by nature market reports are important to augment transparency. Generally market reports are published by major real estate consultancies having the necessary personnel and other resources. Only rarely independent research institutes or societies are publishing market reports, but sometimes they support the process as some kind of independent 'clearing institution'. From my point of view independent research institutes or societies are not able to prepare comprehensive market reports because aside from the survey of hard facts like rental and investment transactions many information gained in talks with market participants and during the daily viewings are 'hidden' for these institutions and therefore not available for them.

When I was active in the field of real estate investment, market reports had great importance for me. Every quarter I was eagerly waiting for the new reports to update the time series to use the data for my forecasts. Therefore I have seen and analysed a lot of very different reports and realised that these reports are often as different as the local markets are. Especially for less matured markets like Bucharest, Belgrade and Sofia it was very difficult to get reliable data. However, the number of countries is increasing where the major real estate consultancies have established Research Forums to collect and share the concise data of a market. In this cases data quality has improved significantly. In Germany the Society of Property Researchers gif (Gesellschaft für immobilienwirtschaftliche Forschung e.V.) coordinates annually the figures for the big office markets in the country. What are these forums and institutions doing? They categorise the modern buildings important for the rental market, define sub-markets and survey and update the modern office stock. And in the Research Forums all member consultancies together discuss take-up and vacancy rates during the respective period of the report. Definitions and classification of buildings are still varying from country to country, but at least figures are surveyed professionally and have a high level of reliability regarding the rental markets.

When I changed side from investment to consultancy I adopted the idea for Vienna. Therefore an office market report comprising the basic figures about modern office stock will be published this year supplementing the figures of the whole market published by Vienna Research Forum.

Nevertheless accorded basic figures incorporated in the individual market reports of the consultancies do not spare the interested reader to study each report en detail and to compare it with others. It is also advisable to read the definitions, e.g. of take-up, mostly at the end of the report or in the footer. Especially cautious the reader has to be with investment figures because as far as I know there is still no considerable clearance by institutions. Every consultancy has its own definitions and selections e.g. in regard of individual use and – more general – of countries enclosed in regional reports. Furthermore transactions are not always officially communicated or only with some delay and very often transaction volumes are "not disclosed". While differences of published figures about the rental markets are meanwhile quite small, the differences in investment market reports can unfortunately still amount to significant discrepancies.

imprint

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