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SPH newsletter

DEAR READERS!

The summer started positively with the European Football Championship. But then came the voting result about Brexit, the British withdrawal from the European Union. Currently nobody knows exactly what will be the consequences for UK and the EU. Although two of the prominent figures of the 'Vote Leave' campaign have retreated and the Brexit is grieving some of its supporters, the criticism on EU, expressed by the British voters, remains.

While discussions about Brexit dominated the news, European Football Championship continued and we became acquainted with football teams from Iceland, Wales and Northern Ireland. They all did not only convince by playing football, they also attracted attention for their respective country or region of origin. Since the beginning the term "Europe of the Regions" is fundamental within the EU including regions such as Wales or Northern Ireland. May be, the EU should be more present in the regions than in Brussels. Many of us are familiar with EIB and EBRD, but what do we know about successful projects in the regions subsidized by the EU?

Globalisation is the counterpart of regionalism. It is nice and helpful to communicate directly all over the world – digitalisation provides us with the respective tools and also this newsletter is coming to you via the world wide web. But what is happening in our direct surroundings – the is at least as important for us as the connections to all over the world. We all live in regions and are recognizing what is happening in the location we live. Location is also fundamental for property and investments. Perhaps the EU should put a stronger focus on regions, at least on the communication of regional activities.

Yours,

Andreas Schiller

Mari shopping centre in the south-east of Moscow offers a leasable area of 50,000 square metres.

ECE WINS MANAGEMENT MANDATE FOR MARI IN MOSCOW

ECE Russia has taken over management and leasing for Mari shoppping centre in Moscow. The centre is owned by the Russian company FSK Leader. The shopping and entertainment centre was opened in 2015. It is located in the south-east of Moscow in the Maryino district between Porechnaya Ulitsa and the banks of the river Moskva.

The centre totals a leasable area of 50,000 square metres and approximately 200 shops, a Mirage cinema and diverse facilities for sports, leisure and cultural activities. Approximately 1,650 parking spaces are available to its visitors.

PBB PROVIDES ACQUISITION FACILITY TO GLL REAL ESTATE PARTNERS

pbb Deutsche Pfandbriefbank has provided two acquisition facilities, totalling EUR 78 million, to GLL Real Estate Partners. The Munich based asset manager represents Korean institutions. The loans will finance the acquisition of two distribution centres in Wroclaw and Poznan, both of which are key hubs for the Western European logistics sector. The assets were developed by Panattoni Europe and completed in 2014. They are let on long term leases to a major international e-commerce group, for whom they serve as European fulfillment centres. Each of them has approximately 123,000 square metres of gross leasing area.

PLAZA CENTERS SELLS RIGA PLAZA

Plaza Centers N.V. announced that one of its subsidiaries, in which it has a 50 per cent stake, has entered into a sale agreement with respect to the sale of Riga Plaza shopping and entertainment centre to a global investment fund. The agreement reflects a value for the business of circa EUR 93.4 million. The asset, located in the Latvian capital city Riga and comprising 50,000 square metres of gross leasing area, is the second biggest shopping centre that has been developed by Plaza.

LASALLE IM MAKES FIRST ACQUISITION IN PRAGUE

LaSalle Investment Management has made its first acquisition in the Czech Republic on behalf of the French public service additional pension scheme ERAFP. It has purchased buildings located on Na Príkope 23, 25 and 27 in Prague from a private owner for approximately EUR 80 million.

The asset comprises three adjacent buildings on the city's central high street, Na Príkope. It combines over 4,000 square metres of retail space along with a 3,153 square metres office unit. LaSalle IM was advised by White & Case, KPMG, JLL and Cushman & Wakefield.

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In Allcon Park in Gdansk Intel's biggest research centre in Europe is based. Now the company has acquired the complex.

INTEL ACQUIRES HEADQUARTERS IN GDANSK

Intel Technology Poland became the new owner of Allcon Park office complex in Gdansk. BNP Paribas Real Estate Poland represented Allcon Group during the sale of Allcon Park, the headquarters of Intel. Allcon Park consists of five office buildings with a total area amounting to 24,000 square metres and an expansion land plot. Allcon Park office complex is called the Polish Silicon Valley due to the fact that this is Intel's biggest research centre in Europe.

ECHO INVESTMENT SECURES FINANCING FOR ITS PROJECTS

Echo Investment concluded a loan agreement with Berlin Hyp AG and ING Bank Slaski SA banks, which is worth nearly PLN 600 million (EUR 132 million). The investment loan will be used to refinance Echo's four office projects: Malta Office Park in Poznan, Park Rozwoju inWarsaw, West Gate in Wroclaw, and A4 Business Park in Katowice.

Furthermore Echo and Helaba Landesbank Hessen-Thüringen have signed a loan agreement worth over PLN 820 million (EUR 185 million). These funds will be used to refinance Echo's seven retail projects: Galeria Amber in Kalisz, Galeria Sudecka in Jelenia Góra, Outlet Park Szczecin, Galeria Veneda in Lomza, CH Echo and Galeria Olimpia in Bełchatów and CH Echo in Przemysl.

IMMOFINANZ OPENS STOP SHOP IN SWINOUJSCIE

Immofinanz has opened in Swinoujscie its fifth retail park under the umbrella brand Stop Shop in Poland. The new facility has leasable space of 3,600 square metres, and the list of tenants includes brands such as Pepco, Kik, Martes Sport, JYSK and RTV Euro AGD. By way of further expansion of the Stop Shop brand, Immofinanz is currently working on five additional projects of this type in Poland.

BILFINGER RE: PROPERTY MANAGEMENT FOR HOTELS IN POLAND

Bilfinger Real Estate has been awarded a contract for the property management of a hotel property portfolio comprising three properties in Poland by Union Investment Real Estate. The Polish hotel properties are two Radisson Blu Hotels in the historic city centres of Krakow and Wroclaw as well as the Hampton by Hilton Hotel directly adjacent to Warsaw's main railway station. At these three properties, which measure a combined 43,000 square metres and have a total capacity of 658 rooms, Bilfinger Real Estate will be responsible for technical property management.

Bem Palace in Budapest in Budapest will be HB Reavis' first redevelopment. It is the company's third project in Hungary and is set for completion in 2019.

HB REAVIS ACQUIRES BUDAPEST DEVELOPMENT SITE

HB Reavis has acquired Bem Palace in Budapest from Europa Property Fund. Located in the heart of Buda, Bem Palace is the company's third development site purchased in the Hungarian market and their first redevelopment project across all markets. The Bem Palace site is centrally located on the western bank of the Danube. After the redevelopment, set for completion in 2019, the building will provide a gross lettable area of approximately 32,000 square metres of office space.

UNGARN AND EBRD: MINORITY STAKES IN ERSTE BANK HUNGARY

Hungary, represented by state-owned entity Corvinus Zrt. in the transaction, and the European Bank for Reconstruction and Development (EBRD) signed the contractual framework with Erste Group Bank AG to acquire minority equity stakes of 15 per cent each in Erste Bank Hungary Zrt. (EBH). The HUF 77.78 billion purchase price for the in total 30 per cent stake in Erste Bank Hungary was negotiated between Erste Group and the two buyers based on market valuation methods after the performance of due diligence with the support of external advisors. EBRD and Corvinus Zrt will pay the same price. The conclusion of the transaction, which is expected by autumn, is subject to all necessary approvals required from Hungarian and European banking supervisory and competition authorities, as well as the fulfilment of various conditions by the involved parties.

KGAL ACQUIRES EIFFEL SQUARE OFFICE BUILDING IN BUDAPEST

KGAL has purchased the Eiffel Square office building in Budapest from UK fund manager Europa Capital. The seven-storey property is located in the heart of the city overlooking Budapest's historic Nyugati railway station designed by Gustave Eiffel. The multi-tenant property was completed in 2010. It comprises an area of around 23,600 square metres and includes 365 underground parking spaces. The purchase price remains undisclosed.

CONSTRUCTION START FOR MAGYAR TELEKOM HQ IN BUDAPEST

Hungarian developer Wing started construction of the Magyar Telekom Group's new, 57,000 square metre headquarters building in Budapest. The building, which is being constructed at the intersection of Üllöi út and the Hungária körút ring road, is scheduled for completion in the second half of 2018. The value of the investment is close to HUF 50 billion (nearly EUR 160 million). The consortium of banks financing the project consists of UniCredit Bank Hungary, UniCredit Bank Austria and K&H Bank.

Axis Istanbul shopping centre in Istanbul's Eyüp district comprises a gross leasing area of 40,000 square metres. In a second phase it will be enlarged up to 60,000 square metres.

AXIS ISTANBUL HAS OPENED

Axis Istanbul shopping centre, a joint project of Sur Yapı and Hayat Holding, has opened its doors. The new shopping centre is located in the historical Eyüp district of Istanbul, near the historical peninsula. The first construction phase of Axis Istanbul comprises a gross leasing area of 40,000 square metres. After the completion of the second phase, the gross leasing area will be increased to 60,000 square metres. Axis Istanbul is designed as a multi-functional complex, including also 195 offices on top of the shopping centre. The total investment volume amounts to approximately EUR 485 million. ECE Türkiye has been responsible for the concept optimization and is in charge of the leasing and the long-term management of the shopping centre.

PBB AND HSBC PROVIDE FINANCING FOR JANKI SC IN WARSAW

pbb and HSBC have jointly underwritten an investment and development facility totalling EUR 117 million for the Valad Polish Retail Fund, which is managed by Valad Europe. The proceeds will be utilised for the refinancing of existing loans and for the extension of Janki shopping centre in Warsaw. pbb is acting as arranger, facilitator and security agent of this transaction, with the underwriting of the facility being jointly provided by pbb and HSBC. With gross lettable area of over 46,000 square metres, Janki shopping centre is located in the southern Warsaw region. The centre was built in 1999 and is undergoing a significant extension, which will result in around 20,000 square metre of additional lettable space along with 2,843 new car parking spaces.

MACQUARIE ENTERS THE CEE REAL ESTATE MARKET

An investment vehicle advised by Macquarie Infrastructure and Real Assets (MIRA) has completed a 100 per cent acquisition of an EUR 79 million portfolio of logistics and light industrial assets in the Czech Republic and Slovakia. The portfolio covers four key locations in these two countries with a strong focus on the Bratislava area. The transaction also includes a development component with established permitting in place, allowing for expansion of the existing adjacent sites within a short timeframe. The assets, developed by international real estate developer HB Reavis, are being jointly sold by HB Reavis Group and HB Reavis CE REIF fund.

NEPI: ACQUISITION OF MINORITY INTEREST IN MEGA MALL

NEPI has concluded an agreement with the Austrian development group Real4You to purchase its 30 per cent interest in Mega Mall, Bucharest. NEPI currently owns 70 per cent of Mega Mall. Mega Mall has 75,500 square metres of gross leasing area and is NEPI's largest development to date. It commenced trading in May 2015. The completion of the acquisition is pending from the approval of the Competition Council.

Office complex Oxygen Park in Warsaw has been developed by Yareal and was now sold to Golden Star Properties.

GOLDEN STAR PROPERTIES ACQUIRES OXYGEN PARK IN WARSAW

Yareal, represented by BNP Paribas Real Estate Poland, has sold its office complex Oxygen Park to Golden Star Properties for an undisclosed sum. Oxygen Park located in Warsaw's South-West business district by the Jerozolimskie Avenue, comprises two six-storey office buildings with a gross leasing area of 18,474 square metres. The buildings, completed in 2013, are an architectural project of JEMS Architekci.

MODERN EAST SHOPPING CENTER HAS OPENED IN ÜMRANIYE

Modern East shopping centre on the Asian side of Istanbul has opened its doors. It comprises 140 specialty stores on four floors, a large food-court with 1,500 seating capacity, 36 restaurants and cafés with open terraces, various service and entertainment units, and 3,000 parking spaces. The shopping gallery boasts a gross leasing area of 60,000 square metres. After the completion of the second construction phase, Modern East will comprise a gross leasing area of 90,000 square metres. The EUR 200 million shopping centre, which is part of a mix-used project, includes three office towers with a gross leasing area of 67,000 square metres and one residence block with more than 600 apartments. In addition to the concept optimization and leasing, ECE Türkiye has also been entrusted with the long-term management of the shopping centre.

CAERUS PURCHASES CUBUS OFFICE BUILDING IN BRATISLAVA

UK-based private equity real estate company Caerus Investment Management has acquired the Cubus office building in central Bratislava from Savills Investment Management on behalf of a private separate account client for an undisclosed sum. The ten-storey office building with a leasable area of more than 22,000 square metres houses the HQ of Dell Computers in the CEE region. Wilson & Partners and TPA Horwath (SK) acted as the legal and tax advisors to the purchaser, while Giese & Partner and PwC (SK) acted in the same capacity for the seller.

NEPI TO ACQUIRE SHOPPING CITY SIBIU

NEPI has concluded an agreement to acquire Shopping City Sibiu from the Argo Group. The transaction value was EUR 100 million. The shopping centre currently has a gross leasable area of 79,100 square metres. It opened for trading in November 2006 with 41,100 square metres of gross leasable area that comprised an Auchan hypermarket and an adjacent gallery as well as a DIY store Leroy Merlin. Shopping City Sibiu was subsequently extended by adding a Carrefour hypermarket, fashion and sport brands, a large furniture store and white goods retailers.

Galeria Młociny will be developed in Warsaw's Bielany district. The opening of the 220,000 square metre shopping centre is scheduled for the second half of 2018.

BUILDING PERMIT FOR GALERIA MŁOCINY

After Galeria Młociny retail and entertainment complex has obtained the final building permit, constructions works have begun. The new shopping centre will be situated in Warsaw's Bielany district, next to the Młociny transport hub. Galeria Młociny is designed by two architectural studios – Autorska Pracownia Architektury Kuryłowicz & Associates and Chapman Taylor.

Raven sp. z o.o., an affiliate of Master Management Group, is the developer and leasing manager of Galeria Młociny. The opening of the Galeria Młociny shopping centre is scheduled for H2 2018.

Galeria Młociny will be built on a 5-hectare plot located between Zgrupowania AK "Kampinos" street and Maria Skłodowska-Curie Bridge Route. Within the 220,000 square metres planned total area, customers will find approximately 220 retail units, a nine-screen cinema, a fitness club, over a dozen restaurants and cafés and the first Delikatesy Alma in this part of Warsaw. The complex will offer over 2,000 parking spaces.

SEGRO BUILDS NEW WAREHOUSE IN POLAND FOR TESCO

Segro plc is building Tesco a new 30,000 square metre distribution centre at its Logistics Park Poznan Komorniki in Poland. Tesco will begin operations in the BTS (build-to-suit) building at the end of September. It will be Tesco's main warehouse in Poland, delivering to 140 retail outlets in the north and northwest regions. The new BTS facility comprises almost 29,000 square metres of warehouse space and a 2,000 square metres office unit on a 10.8 hectare site.

With the completion of Tesco's distribution centre, the Segro Logistics Park Poznan Komorniki will provide over 206,000 square metres of warehouse space. The park is located 10 kilometres from the city of Poznan, next to the A2 motorway and express way S5.

DIÓFA FUND MANAGEMENT CLOSES RETAIL TRANSACTIONS

Diófa Fund Management has purchased the Europark shopping centre in Budapest from Unibail-Rodamco. The acquisition was entirely funded by own capital. Due to new investment fund restrictions, it is highly possible that this was the first and last shared deal on the market. Europark shopping centre offers 26,000 square metres of gross leasing area. Diófa Fund Management was legally represented during the negotiations by Jalsovszky Law Firm.

Also a second retail scheme has been purchased, Zala Park Retail Park, comprising 14,000 square metres of gross leasing area in the western part of Hungary. Diófa Fund Management closed the deal with Resideal Zrt.

STAFFING

left: Scott Abbey
right: Steven Broch

Scott Abbey has been appointed Group Head of Leasing at Atrium European Real Estate. Scott Abbey joins Atrium from the European subsidiary of Japanese athletic equipment company Asics where he was Head of Retail Development. Between 2010 and 2013, he worked for global footwear retailer Foot Locker where he was responsible for the development and execution of the company's European real estate strategy including leasing, store design and construction, store maintenance and lease administration. Between 2007 and 2010 Scott Abbey worked for Unibail-Rodamco, based in Amsterdam as Group Director of Leasing and Specialty Leasing. Prior to its merger with Unibail, Scott Abbey was Head of Retail Management at Rodamco for six years between 2001 and 2007. He also worked as a Vice President of Asset Management for TrizecHahn Centers for 13 years, both in the United States and later in Europe between 1988 and 2001.

Steven Broch has been promoted to the role of Co-Chief Investment Officer of real estate fund manager Aerium. Together with Robin Carr he will be leading the group's real estate investment strategy across Europe. Steven Broch joined Aerium as a German Fund Manager in 2012. Previous roles include management positions at Garigal Private Wealth Management, Secur GmbH as well as ITG Investitions- und Treuhand GmbH.

left: Robin Carr
right: Amanda Clack

Robin Carr has been promoted to the role of Co-Chief Investment Officer of real estate fund manager Aerium. Together with Steven Broch he will be leading the group's real estate investment strategy across Europe. Robin Carr has been Aerium's UK Fund Manager since 2009, and has over 20 years of commercial property investment experience. Prior to joining Aerium, he was Head of Acquisitions for New Star Asset Management's European property funds and also spent ten years as a Director at CBRE in the European cross-border investment team.

Amanda Clack has been inaugurated as RICS President for 2016-17, following Martin Brühl. She is Partner at EY, and is Head of Infrastructure (Advisory), leading on infrastructure across government and the private sector. Before she joined EY in August 2015 she was a partner at another of the 'big four' accounting firms, where she led on property, real estate and construction for consulting, as well as consulting across the South East of England.

left: Richard Lake
right: Mariusz Rodak

Richard Lake has been appointed Global Head of Investment Risk at Savills Investment Management. Richard Lake, who previously held the role of Head of Investment, Europe for Savills IM, will continue his chairing of the firm's key transaction advisory committees.

Mariusz Rodak has been appointed as the new Chief Executive Officer of BPI Polska, a developer company and a member of the CFE Group headquartered in Belgium. He will succeed Frederik Lesire, who will return to the headquarters of the company in Brussels. Mariusz Rodak is a graduate from the Institute of Architecture and Urban Planning of Łódz University and a scholar of Mainz University of Applied Sciences. Before being appointed as the CEO in BPI, between 2011 and 2016, Mariusz Rodak was a Member of the Management Board of TREI Real Estate Poland. Between 2009 and 2011 he was the Project Development Senior Professional of the Raiffeisen Evolution Project Development team. He cooperated with Raiffeisen Evolution Project Development also in 2006 – 2008. Later, in 2008-2009, he was the Chief Technical Officer and a Member of the Management Board of Chmielna Development owned by Kulczyk Real Estate Holding. Furthermore, Mariusz Rodak worked as an architect of the Porr/UBM Group in Warsaw and in Vienna.

LETTINGS

EMPARK MOKOTÓW, WARSAW — POLAND

Immofinanz has signed lease agreements at Empark Mokotów Business Park in Warsaw for a total of 8,500 square metres. More than a half of this final number represents new contracts and contracts related to additional space for existing customers. Remaining agreements are renewals of current leases. The largest of the recently signed agreements concerns a company which specializes in the management of business travel. This tenant not only extended the current agreement for 2,600 square metres, but also leased an additional 1,200 square metres of space in the office complex.

EQUATOR II, WARSAW — POLAND

Karimpol Polska, the owner of the Warsaw office property Equator II, has signed a tenancy lease for more than 1,600 square metres with the IT company BlueSoft Sp. z .o. o. BlueSoft will take up the entire 9th floor of the office building at Al. Jerozolimskie 96. Karimpol has been represented in the commercialisation by Colliers International and the tenant by Wood Lark Group. Equator II offers 21,300 square meters of total rentable space, including 400 square meters of commercial and catering space and 1,530 square meters of service outlets (Medicover health care centre). The building has been designed by the architects APA Wojciechowski.

NOWY SWIAT 66, WARSAW — POLAND

Jean Louis David, a French hairdressing chain, has become the first tenant of the renovated historical tenement house at Nowy Swiat 66 in Warsaw. Cushman & Wakefield acted as agent in the leasing transaction. Jean Louis David's new salon will occupy 120 square metres on the ground floor. The 18th century building was reconstructed in the late 1940s by the Bazarnik family. Thanks to the recently completed general renovation, the building has been restored to its former splendour, while at the same time adapted to modern technical standards. It offers 770 square metres of usable area. This autumn, a 4-star boutique hotel with 18 rooms and dining facilities will open in this location.

PROLOGIS PARK, DABROWA GÓRNICZA — POLAND

Prologis has extended two leasing agreements for 29,000 square metres at Prologis Park Dabrowa. The transactions include a 24,272 square metre renewal with provider of logistics services Fiege, and a 2,735 square metre renewal and a 1,907 square metre expansion with GTX Hanex Plastic, one of the leading companies in the Polish packaging market. The transaction was facilitated by Cushman & Wakefield. Prologis Park Dabrowa is a distribution park comprising 10 buildings totalling 144,000 square metres. The park is located in Dabrowa Górnicza, in north-eastern Silesia, and has access to numerous key transport routes, including the express road S1, which provides a direct connection to the A4 motorway and the international airport in Katowice.

A WIDE VARIETY OF FORWARD-LOOKING TOPICS

GREET Vienna was offering food for thought. Prominent speaker Dr Wolfgang Petritsch was talking about the reconstruction of Syria.

GREET Vienna 2016 was – as in the years before – of convenient size. But this is the quality of the event. There is time for talks, many participants of GREET Vienna met again, and a lot of new contacts were established. And just the opening focused on a rather extraordinary topic.

"Europe and Syria" as the opening panel discussion of a real estate conference – this was the extraordinary start of GREET Vienna 2016. However, the experiment was a success: Instead of an audience listening friendly but indifferent to what they already know, people were really under a spell by the keynote of Dr Wolfgang Petritsch, President of the Austrian Marshall Plan Foundation, and the following panel discussion with Ahmad Andoura, Managing Partner of Noble Soap, and Alexander Petritz, from 1991 to 2001 Coordinator and Representative of the Austrian Federal Government for reconstruction and technical cooperation with the Yugoslavian successor states.

Many of us know very little about Syria. Although the flow of Syrian refugees into Central and Western Europe has significantly dropped, discussions about the 'foreigners' continue. Often the refugees are confronted with great hostility al-

The opportunities Syria will offer in the future was topic of the opening panel.

though everybody looking at the pictures from the Syrian civil war should realise that people from cities like Aleppo are not emigrating by economic reasons but simply to save their life. The Syrian civil war required still the life of at least half a million people, five millions of a total of formerly 22 million inhabitants are on flight inside the country, six million people have left the country and are now sheltering mainly in the neighbouring countries Lebanon and Turkey, and only a small percentage – for Germany it is some five per cent – has emigrated to Central and Western Europe.

As long as the war in Syria is going on there will be no change of this situation, and a political solution is still far away. However, some masterminds are already thinking about the reconstruction of the country and elaborating respective plans.

One of those thinking ahead is Dr Wolfgang Petritsch, former Austrian diplomat with vast experience in 'country reconstruction' since the time of the Balkan Wars. And it is more than some kind of strategic simulation, it is "to give all involved in the problem a long-term perspective". By this he did not mean only the Syrians taking refuge in other countries, but as well those granting asylum to the refugees. Although Dr Wolfgang Petritsch is convinced that so far the asylum surge is to manage, he is also aware of the fact that rather sooner than later the hosting countries will come to a capacity limit.

Among the conflict areas of the Middle East Syria is one of the biggest, although not the only country in need of perspectives. Dr Wolfgang Petritsch also mentioned Lebanon and Iraq. Therefore he preferred to talk about a "regional plan", adding that in this plan Syria will play the role of a catalyst". Different to the situation on the Balkan, where the countries have been (and still are) rather poor, the financial issue will not the biggest problem in the Middle East where a lot of rich countries are located. According to Dr Wolfgang Petritsch the reconstructions cost for Syria will amount to EUR 150 billion. To put this figure into the right context he pointed to the fact that currently Austria for example has to spend about EUR 2 billions for the refugees. What will be much more important than money for the reconstruction of Syria is experience and know-how. And for these skills the EU is in demand and it could be a successful task because of EU's generally positive image in the Middle East.

But the point is not to 'dictate' the Syrians how to reconstruct their country. In fact, young Syrians should acquire in Europe the skills they will need when going back into their home country. On the other hand the companies in those countries hosting Syrian refugees have the opportunity to establish long-term economic relationships to Syria and to benefit from the training they offered to Syrian refugees. Because – that is at least the experience from the Balkan Wars – many of them will go back to their home country when the situation is stabilizing again. These repatriates as well as those who will stay outside are forming some kind of bridge between here and there. Therefore "the help for refugees can be a profitable investment".

This point of view was supported by Alexander Petritz, who told about his experiences in country reconstruction after the Balkan Wars, how EU and EBRD developed a strategy first and then promoted sustainable projects by providing know-how from the EU countries. The projects included mainly reconstruction of infrastructure, securing supply for the people and housing. He did not conceal that one of the most serious problems of the Balkans was (and is) the brain drain during the Wars. Beneficiaries have been mainly Austria and Germany. On the other hand he pointed to the fact that the relationships established with the refugees of the Balkan Wars have effected that today Austria is among the leading investors in these countries.

How these relationships can develop was to observe directly at GREET Vienna. Achmad Andoura, Managing Partner of Noble Soap, a company producing and marketing worldwide the traditional laurel-olive-oil soap of Syria, reported that the war did not only destroy the company's factory in Aleppo but also the home of

Whether the representatives of Mallnitz (left) or Manuel Costescu from Romania (right) – it was always about business development.

the family and how he fled via Lebanon to Austria. Here Achmad and his father Nabil Andoura want to establish again a soap producing company. Also present at GREET Vienna was the municipality of Mallnitz in Carinthia (see SPH Newsletter No. 43 from May 2016) promoting the place less as a holiday destination but more as an investment location. Very fast the two Syrian businessmen and the representatives of the High Tauern municipality were in talks about possibilities to develop a soap factory in Mallnitz. Should both parties come to an agreement it would be the first Syrian business development in an Austrian municipality and of mutual benefit.

Besides Mallnitz the Serbian city of Cacak was one of the exhibitors at GREET Vienna. Also about Serbia there is generally little knowledge in the western European world. Some are barely able to name the capital city of Belgrade. Only 150 kilometres away in the south Cacak is located, a city with some 115,000 inhabitants in the administrative district (Okrug) Moravica. Cacak is one of the economic centres in Serbia. Therefore the city's main objective was to attract interest in their industrial zones. But Vladimir Grujovic, Head of City Administration for Local Economic Development of Cacak, pointed also to the many cultural and tourist aspects of the region little known in the Western world. A short video of the annual "Trumpet Festival" in Guca near Cacak was rather impressing by the musicians' artistry.

From Belgrade to the Romanian border it is only about 150 kilometres to the east. From Romania Delia Ungur, General Manager of the Oradea Local Development Agency came to GREET Vienna to present her city. Oradea is a city with 200,000 inhabitants in the north-western part of the country, directly on the border to Hungary. Therefore the panel discussion about Romania was not only about the capital city of Bucharest, although international developments and investments are still concentrated there. Hedwig Höfler from the department Investment Management CEE at CA Immo mentioned Orhideea Towers, a 37,000 square metre office development currently under construction. "With Orhideea Towers we are adding another office building to our Bucharest portfolio", she said and explained, that activities in Romania started already in 2003 by Europolis, later on merged with CA Immo. Today CA Immo's Romanian portfolio comprises five office buildings with a total of 106,300 square metres of leasable area and a value of about EUR 258 million.

From Bucharest a high-ranking politician of the Government of Romania took part in the discussion: Manuel Costescu, State Secretary in the Department for Foreign Investment and Public-Private Partnership. He, too, promoted investments in Romania and in his presentation he pointed to the importance of international companies for his country. However, he emphasized that there should not be a differentiation of international and national companies, it should be more about common activities – a point of view as winning as forward-looking. In fact, some of his examples proved much better than mere figures the size of the common potential and how it could still grow.

Potential is not only given in Romania, Cacak in Serbia and Mallnitz in the High Tauern, but as well in Poland and Hungary, in Slovakia and Croatia, in markets and countries on which other panel discussions at GREET Vienna put the focus on.

But it was not only about countries and locations. On the agenda there were also topics such as "Industry 4.0", revitalisation, hotels, women in the real estate industry, and "Europe as a difficult construct". For offices the question was: "New ways of working: which properties are fit for the future?" The discussion was also about Orbi Tower, a current development in Vienna's 3rd district. Ernst Machart, CEO of IWS TownTown AG, that already has developed the neighbouring office complex TownTown, explained the new flexible workspace concept for the 28,000 square metres of gross floor area spread over 26 storeys. Wien Stadtwerke Holding AG, Austria's biggest service provider for urban infrastructure including among others Wien Energie GmbH, Wiener Netze GmbH and operator of trams and busses of Vienna's public transport Wiener Linien, has already decided to move into Orbi Tower. I Andreas Schiller and Marianne Schulze

STRUCTURAL CHANGES IN THE LOGISTICS SECTOR

Since some time European logistics markets are booming – by both investments levels and occupier take-up. Meanwhile there are again speculative developments, a fact that a short while ago seemed to be unimaginable. What are the drivers of this boom and what does it mean?

Increasing digitalisation of retail is changing the logistics sector.

For many years logistics properties were deemed to be a bit boring, but meanwhile investors changed their minds and are increasingly attracted by this segment. The reason is not only the lack of investment products in the office and retail property markets and the respective high prices. Much more it is the robust demand from occupiers for warehouses and distribution facilities making these properties so 'sexy'. The high demand is surprising because Europe's economy does not show record-high growth rates – the average is at 1.8 per cent (2015). However, demand for logistics space is increasing.

"The occupier market has been positively effected by several trends: one of them is the advancement of omnichannel offerings by retailers", states Machiel Wolters, Head of Industrial & Logistics Research at CBRE. And the development in mobile and e-commerce causes structural changes in the sector. A closer look at these changes are offering JLL ("The new industrial (r)evolution: from supply chains to consumer-centric demand chains", 2016) and Colliers International ("From first mile to last mile: Global industrial and logistics trends", 2015).

Athough both they also identify the increasing digitalisation of retail as one of the main drivers in the market for warehouses and distribution facilities, they refer also to demographic aspects and increasing urbanisation, to challenges of climate change and sustainability requirements.

Since some time people do their retail orders not only via internet. Mobiles and smart phones are already outranking computers and laptops and were increasingly in use in-store to make a transaction – either through a dedicated app or website. At this point demography comes into the play: The generation X and the 'Millennials' (generation Y, born between the early 80s and 2000) are forming a larger proportion of each countries population and they are consumers grown up with the new digital possibilities and 'technologically savvy' using the new possibilities intensively. Thereby the patterns of customer behaviour are changing. That is not only true for societies with a predominant younger population but as well for the 'aging societies' in Europe.

One of the main changes in both, the younger and older (internet savvy) customers, is that expectations are becoming more and more demanding. They want to get the ordered goods as prompt as possible. Some e-commerce retailers are already offering same-day delivery of certain goods. Precondition for such a service is a tight net of local distribution facilities besides the big distribution hubs providing a larger geographic region (fulfilment centre). And in future home delivery will be only one of the possibilities to choose: alternative options will be parcel lockers and 'click & collect' kiosks. Mainly with increasing e-commerce in food-retailing – the industry still lags online-retail spending and is dealing with the problem of fresh food offerings – close-to-customer distribution facilities will gain importance. These developments will put logistics at the forefront of retail and the distinction between warehouses and shops blurs.

Already today logistics facilities need internet access. Big Data and the Internet

In distribution centres robots will be able to take over the tasks. But the problem of increasing traffic by delivery services remains.

of Things – the connection to the Internet of physical objects – are still at the beginning of their development, but progress is rapidly accelerating and changing the business environment.

Another fact is increasing automation in manufacturing and warehousing, but it is the greater use of robots enabled by developments in artificial intelligence that is particularly significant. Robots are now able to perform more complex tasks involving higher levels of movement and the ability to change sequences without manual intervention. Since some years robots have been used in warehouses to move pallets, but meanwhile they are also able to bring goods on mobile shelving to pickers and still more they are able to do picking operations. This means that in the long term fewer people (but with higher skills) will work in warehouses and distribution centres, so there will be reduced need for staff amenities and car parking.

No doubt, the ongoing growth in online retail has its impact on cities: traffic by parcel services has augmented significantly. But not only parcel services are causing higher traffic volume. Fast-paced urbanisation is another reason causing increasing demand for goods. But cities' capacities to deal with exploding traffic are limited. Furthermore there is a heightened awareness of pollution and the impact of traffic (not only) on climate. While demand for warehouses and logistics facilities in the periphery of big cities will increase, new types of warehouses will emerge and partly be located also in the city. One of these new types are consolidation centres, designed to serve a specific town or city or serving a destination owned by a single landlord, such as a specific shopping centre, high street or airport. An example for the first type mentioned is the Monaco consolidation centre: With a few exceptions, goods vehicles over 8.5 tonnes are banned from entering Monaco, which means that if vehicles over this weight have deliveries to make into Monaco they have to use the consolidation centre. An example for the second type is the consolidation centre at Sheffield, run by Clipper Logistics, to service retailers in the Meadowhall shopping centre in Sheffield, owned by Land Securities. In general traffic reduction in cities will become more and more necessary. Therefore logistics facilities somewhere in the urban hinterland will no longer be sufficient to meet customers' expectations of short delivery times. In demand will be smaller units and types within the cities.

However, the fast-paced development in the logistics environment and in the structure of logistics facilities has not only a positive impact on occupier demand for space. The other side of the coin of the structural change, not only foreshadowing but already being in full swing, are the significantly reduced lease terms. Logistics service providers want to remain flexible and able to adapt quickly to the changing requirements. For 'quick adaptation' long-term lease contracts for a certain facility can be counterproductive.

The large warehouses and fulfilment centre will be in demand also in the future, but the trend is to use the space most efficiently. Especially with increasing automation buildings will become taller and will require secure and ubiquitous wireless internet access. However, one of the main challenges for the industry will be the smaller facilities in the city. Here land prices are high and space is very limited. That these 'smaller facilities in the city' are not a crackpot idea proves Amazon. They have established a distribution centre in Berlin in the Ku'damm-Karree, right in city centre. From here they can deliver within one hour about 20.000 different articles to their Berlin customers. For those who think inner-city distribution centres a far-fetched idea, I want to recall the words of David Bosshart, CEO of Gottlieb Duttweiler Instituts, a think tank of Switzerland. Two years ago at Expo Real he said: "Who wants to know where we are heading should look at people like Jeff Bezos – they are always one step ahead." | Marianne Schulze

FOR YOUR PLANNING

When	What about	Where	For information and registration
25.–27. September 2016	12th Conference of European Regions and Cities Sustainablity in Regions and Cities of Europe	Salzburg Congress, Auerspergstrasse 6, Salzburg, Austria	www.institut-ire.eu
4.–6. October 2016	Expo Real 19. International Trade Fair for Property and Investment	Messe München, - München, Germany	www.exporeal.net
16.–18. November 2016	MAPIC 2016	Palais des Festivals, Cannes, France	www.mapic.com
23.–25. November 2016	Re.comm Rethinking the Real Estate Business	K3 Kitzkongress, Kitzbühel, Austria	www.recomm.eu
14.–17. March 2017	MIPIM 2017	Palais des Festivals, Cannes, France	www.mipim.com

INSIGHTS INTO THE NEW DIGITAL WORLD

Again and again – also in this SPH Newsletter – we are talking about digitalisation and the challenges the new technologies are implicating. Since long computers are an indispensable part of our life, but especially during the last years the development of digital technologies has accelerated significantly. This "second machine age" will revolutionise our life in a similar way as it did the "first machine age", the industrial revolution in the 19th century.

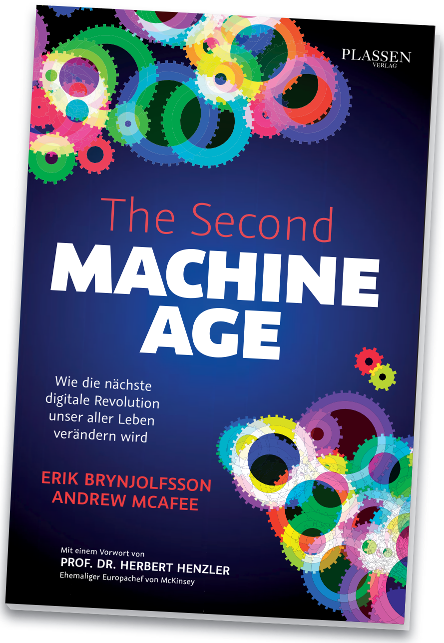
Two researchers of Massachusetts Institute of Technology (MIT), Andrew McAfee und Erik Brynjolfsson, offer a closer look at the development to the "Second Machine Age". They describe the jump in digital technologies and the consequences for the future. Because despite self-driving cars, artificial intelligence increasingly able to learn, the Internet of Things where physical objects are able to collect and exchange data, speech recognition systems and myriads of apps making life easier, we are still realising the tip of the iceberg.

It is very informative to read about the past and upcoming development of the digital era. However, the authors did not stop with technological aspects, they also have a closer look at the impact of the digital progress on societies, i.e. on everybody. The increasing digitalisation will not only make our life more comfortable, it will also change economy and societies fundamentally. They do not conceal that there will be not only winners, but many losers as well and social disparity will rather increase than decrease. In many sectors machines will take over tasks from people because they are working more efficient, they don't become ill, they need no holidays and recreation time, and they don't strike for more money.

As well the politics have to adapt to the new conditions. Robots and machines do not pay tax and when they substitute people for an increasing number of tasks today's tax systems have to be changed to grant public revenues. And these revenues will be needed more than ever because with the technological revolution the education system has to be realigned because other skills than today will be required.

Andrew McAfee and Erik Brynjolfsson look upon the digital technologies favourably. However, they mention also the flip side of the technological progress. Cyber crime for example will increase and causing new, so far unknown threats.

But no matter, whether we like this 'brave new digital world' or not – the digital technologies will not stop to advance. Better, we are prepared for the changes than being overrun by the development. Therefore the book is recommendable for everybody, although the authors are strongly concentrated on the development in the United States taking examples from there. In Europe we might have a more sceptical view on the development of digital technologies and their impact on societies, but anyway, fact is that also in Europa the „Second Machine Age" has already started.



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