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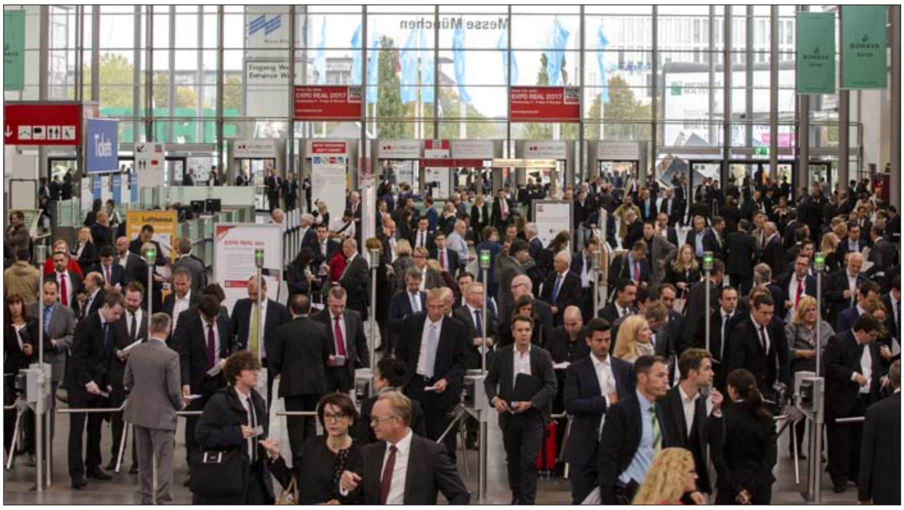
SPH newsletter

DEAR READERS!



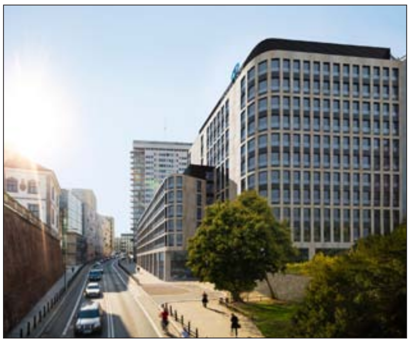
S&P Dow Jones Indices and MSCI have established a Real Estate Sector under the Global Industry Classification Standard GICS. This news is not really trailblazing and even in specialised media there was little to read about, but nevertheless it means a greater appreciation of the real estate industry.

In Germany, the real estate industry met at the beginning of October at Expo Real in Munich. The Trade Fair for Property and Investment was about many aspects, but a main topic was the strong pressure of investment capital on the real estate markets. For offer and demand the different players were gathering: investors and developers, countries, cities and regions, financing institutions and service providers. One week before in Salzburg the 12th Conference of European Cities and Regions took place. The main topic was sustainability and one of the aspects had been the increasing soil sealing by new constructions. The solution mentioned was redevelopment of the already existing stock. Putting together the topics of both events, in Munich and Salzburg, many ideas come to my mind how to redevelop former production sites and sealed brownfield areas and how to use parking grounds. Redevelopment of the stock is on demand, and sometimes that can also mean demolition and new development.

Great appreciation on the one hand, new and reasonable potential on the other hand. Neither imagination and responsibility nor ecology and economy have to be contraries. Therefore I wish you creative associations.

Yours,

Andreas Schiller



At Tamka 38, one of the main East-West thoroughfares of Warsaw's inner city, Strabag Real Estate is to build a hotel for Motel One.

STRABAG REAL ESTATE TO BUILD MOTEL ONE IN WARSAW

Strabag Real Estate (SRE) is to build a hotel for Motel One at ul. Tamka 38, one of the East-West thoroughfares of Warsaw's inner city. It will be the first Polish hotel of German chain Motel One. The launch of the construction work is to take place this year with its completion scheduled for the end of 2018. After completion the hotel chain will become the owner of the property. The building will have twelve floors and a total useable area of 12,700 square metres.

OPENING OF GALERIA METROPOLIA IN GDANSK

Galeria Metropolia in Gdansk-Wrzeszcz has opened its doors. It is located near an interchange station and offers direct access to the Gdansk-Wrzeszcz railway station from three different levels. Galeria Metropolia provides 34,000 square metres spread over its four levels, and 720 parking spaces. The shopping centre is part of a phased complex of Przedsiebiorstwo Budowlane Górski, developed by special purpose vehicle Centrum Hevelius. The complex comprises a 126-room Focus hotel, which opened in spring, a conference centre, the Browar Gdanski housing estate with more than 1,000 apartments under construction, and 20,000 square metres of service and entertainment space in Browar Kulturalny.

NEW OWNERS OF 6.5 HECTARES LAND IN THE CENTRE OF WARSAW

Polish developer Echo Investment and Echo Polska Properties – an international fund operating as a REIT – signed agreements to jointly buy and jointly develop a property at ul. Towarowa 22 in Warsaw from private equity fund Griffin Real Estate. The buyers will pay for the property a total price of EUR 120 million. According to the agreements, EPP and Echo Investment will create a joint venture where EPP will hold 70 per cent, while Echo the remaining 30 per cent therein. Towarowa 22 is a property consisting of a number of plots accumulated by Griffin Real Estate in a series of five independent transactions. As a result, the property is the biggest commercial area located in the centre of Warsaw, with a total area of about 6.5 hectares and a development capacity of over 100,000 square metres of gross leasing area.

NEPI ACQUIRES AUPARK PIESTANY

New Europe Property Investments (NEPI) has acquired Aupark Piestany in Slovakia from HB Reavis Central Europe Real Estate Fund (CEREIF) for EUR 39.5 million. The shopping centre, totalling 10,000 square metres of gross leasing area and 380 parking spaces, has been developed by HB Reavis. The sale is the third transaction between NEPI and HB Reavis Group, following NEPI's acquisitions of the Aupark shopping centres in Zilina and Kosice.

The Four Seasons Hotel Gresham Palace in Budapest is one of the most prominent hotels in the Hungarian capital city.

GRESHAM PALACE IN BUDAPEST SECURES REFINANCING

Cushman & Wakefield's EMEA structured finance team has arranged a EUR 50 million-plus loan transaction on behalf of SAS Holding Kft, owner of the Four Seasons Hotel Gresham Palace in Budapest. The new financing is equally split between Raiffeisen Bank International AG and Raiffeisen Bank Zrt. The previous lender was CIB Bank.

The 179-room Four Seasons Hotel Gresham Palace has been constructed in the years 1904 to 1906 and is an art nouveau landmark on Szechenyi Square at the end of the famous Chain Bridge across the Danube River.

FUTUREAL TO START CONSTRUCTION OF ADVANCE TOWER

Futureal Group launched the construction of Advance Tower's first phase with a foundation stone laying ceremony. The 6-storey office building, located in district 13 at the Váci office corridor, bears 11,900 square meters of gross leasable area and will be realized through an investment that has a total value of EUR 36 million.

PROMENADE GARDENS' FOUNDATION STONE LAID

Horizon Development has laid the cornerstone for its new office project – Promenade Gardens, located on Budapest's Váci Road. The project is expected to be completed in Q4 2017. The 25,000 square metres of office space are stretched out across 5 floors in 4 towers. The project owner of Promenade Gardens is the Erste Open-ended Real Estate Investment Fund.

CHINESE INVESTOR ACQUIRES LUXURY RESORT IN DUBROVNIK

Erste Group Bank AG has concluded the sale of the luxury resort Radisson Blu Resort & Spa Sun Gardens in Dubrovnik to a Chinese investor under the terms of a share deal. The property is one of the largest hotel complexes in Croatia. The hotel broker Christie & Co was responsible for the transaction; the vendor was also advised by CMS Reich-Rohrwig Hainz and DLA Piper Weiss-Tessbach.

Built in 2009, the beach resort has established itself as one of the foremost luxury and conference hotels in Croatia. It comprises 201 rooms and suites, extensive sports, leisure and health facilities, various restaurants, retail and food shops, a conference zone spanning more than 1,100 square metres and 207 high quality apartments, fully furnished. More hotels could potentially be built on two neighbouring plots.

Park Atrium in Budapest has changed hands: Corpus Sireo acquired the asset from a fund managed by GLL Real Estate Partners.

CORPUS SIREO ACQUIRES PARK ATRIUM IN BUDAPEST

German-based asset manager Corpus Sireo – on behalf of one of their managed accounts – has purchased Park Atrium in Budapest from Accession Fund managed by GLL Real Estate Partners for an undisclosed price. Park Atrium is an office building located in the Central Pest submarket of the Hungarian capital. Constructed in 2004 and comprehensively refurbished in 2015, the property comprises 25,450 square metres of gross leasing area arranged over ground and 7 upper floors

NORWAY'S SOVEREIGN WEALTH FUND EXPANDS IN CEE LOGISTICS

Norway's sovereign wealth fund has further grown its logistics holdings after acquiring stakes in a EUR 110 million portfolio owned by Prologis. For EUR 55.3 million the Government Pension Fund Global bought a 50 per cent stake in a portfolio of eight properties spread across three cities in Poland, the Czech Republic and Hungary from Pologis. Currently the portfolio comprises 148,000 square metres of usable space across properties in Wroclaw, Poland, and Prague and Budapest and could potentially more than double.

P3 LOGISTIC PARKS COMPLETED LONG-TERM REFINANCING

P3 Logistic Parks, owned by TPG Real Estate and Ivanhoé Cambridge, announced that it has completed a EUR1.4 billion long term refinancing arranged with a group international financial institutions.

The facilities have been agreed as follows: Western Europe and Poland – fully underwritten by Morgan Stanley, with Pbb acting as agent; Czech Republic & Slovakia – via club of five Czech and Slovak banks; CSOB, which acted as the agent, CSOB Slovakia, Komercní Banka, UniCredit Bank, and Ceská Sporitelna. CSOB is part of KBC Group, Komercní Banka is part of Société Générale Group, and Ceská Sporitelna is part of Erste Group. And for Romania financing was agreed with Raiffeisen Bank International (RBI).

SKANSKA INVESTS IN LAND IN WARSAW

Skanska acquired about 5,000 square meters of land in Warsaw. The total investment amounts to EUR 22 million. The land plot is located at 7/9 Łucka Street in Warsaw's Wola district and is planned for future office development. The estimated gross leasable potential is about 35,000 square meters and the plot is situated in proximity to other Skanska's projects – Generation Park, Atrium 1 and Atrium 2.

ubm development

A major new UBM project: the Zalando Headquarters, Berlin

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www.ubm.at

UBM Development AG is a leading Austrian real estate developer of European scale that is known for its strong technical expertise and comprehensive experience. Its focus lies on the three home markets of Germany, Austria and Poland, as well as the three asset classes Hotel, Office, Residential.

This strategy enabled UBM to repeat its record results of the previous year at the end of the first half of 2016. It generated production output of EUR 255.3 million and EBT of EUR 15.3 million, with sales proceeds climbing by 60%. This was primarily due to the sale of apartments in Germany such as Frankfurt-Central Living II and Berlin Hohenzollern.

Against an unchanged backdrop of a booming property market, UBM is consistently pursuing its successful path. This also includes minimising future risks through forward sales, where buyers conclude specific prices today for projects that will only be completed at a later date. The project pipeline is sufficient for well beyond the year 2017, whereby UBM pays very strict attention to securing a balance between future profitability and its risk profile.

shaping
the future

Šestka shopping centre in Prague had been part of CA Immo's portfolio since 2011. Now the asset has been acquired by a fund of Wood & Company.

CA IMMO SELLS ŠESTKA SHOPPING CENTRE IN PRAGUE

CA Immo has concluded an agreement with Wood & Company to sell the Šestka shopping centre in Prague. The centre comprising more than 27,300 square metres of retail space is located in Prague 6 area, in proximity to Václav Havel Airport and had been part of the portfolio of CA Immo since 2011. The buyer is a fund of Wood & Company. It was agreed not to disclose the purchase price. Law firm Clifford Chance Prague advised the seller on the disposal.

M7 CENTRAL EUROPEAN FUND MAKES DEBUT IN PRAGUE

M7 Real Estate has raised its first Central European Fund. M7 Central European Real Estate Fund I (M7 CEREF I) received investor commitments totalling over EUR 35 million to be deployed in the region. Following this initial raise, M7 CEREF I has acquired Oregon House in Prague. This office building, located in the 13th district of Prague, offers 14,330 square metres of space.

WARIMPEX SELLS ANGELO HOTEL IN PRAGUE

Warimpex Finanz- und Beteiligungs AG announces the sale of the four-star angelo by Vienna House hotel in Prague to Cimex Group, a private Czech investor. The parties agreed that the purchase price would not be disclosed.

The angelo hotel in Prague was opened in 2006 and is located in the district of Smíchov. It has 168 rooms and suites, one restaurant, a jazz bar, and five seminar rooms with a total space of 334 square metres. angelo is the business line of Vienna House. The sale does not pertain to the operation of the hotel, which will continue to be run by Vienna House.

DEKA IMMOBILIEN PURCHASES BUILDING COMPLEX IN PRAGUE

Deka Immobilien GmbH has secured the building complex "The Park" in Prague under a purchase agreement with a controlled affiliate of global private investment firm Starwood Capital Group. Under the terms of the transaction – which were not disclosed – the office park will be transferred to the new institutional fund Deka-Immobilien Fokus Prag (DIFP).

The complex n Prague 4 (Pankràc) consists of 12 office buildings that were built between 2003 and 2008 in a campus-style formation, with a central plaza on a property approximately 75,000 square metres in size. The 116,000 square metres of leasable space are occupied primarily by international technology companies.

Konstruktorska Business Center in Warsaw has been delivered in 2013. Now Golden Star Real Estate has acquired the asset.

HB REAVIS SELLS KONSTRUKTORSKA IN WARSAW

HB Reavis has sold its Konstruktorska Business Center in Warsaw to international real estate investment company Golden Star Estate B.V. Konstruktorska Business Center in Warsaw's Mokotow district comprises 49,500 square metres of office space. Konstruktorska Business Center is completely occupied.

CORESI BUSINESS PARK COMPLETES FIRST BUILDING IN PHASE II

L1 building, belonging to the second phase of Coresi Business Park in the Romanian city of Brasov, with an area of 8,300 square metres, has been delivered. There are ongoing construction works on the second new building, N1, with 8,500 square metres, planned for delivery in Q2, 2017. Coresi Business Park now totals over 30,000 square metres of office space.

The second phase of Coresi Business Park comprises three office buildings totalling 25,000 square metres. The business park is developed on the former Tractorul Brasov Industrial Platform. Ascenta Management, the developer of the business park, plans a steady supply of new office space, in order to reach a total area of 100,000 square metres in the next 8 – 10 years, through the construction of 10 new office buildings.

METROPOLIS CENTER IN BUCHAREST CHANGED HANDS

Czech investment fund PPF Real Estate acquired Metropolis Center, an office complex in the city centre of Bucharest, from Austrian company Soravia for an undisclosed sum. JLL advised PPF Real Estate on this deal, which is the fund's first acquisition on the Romanian real estate market. Metropolis Center is located close to Calea Dorobanti, on Iancu de Hunedoara Boulevard, in the city centre of Bucharest and has an area of 19,000 square metres. The building was developed on the site of the first printing office in Bucharest – Cartea Romaneasca

FOCUS ESTATE FUND ACQUIRED NAKUPNÍ CENTRO OSTRAVA

Emerging Europe Properties Fund & Discovery Group has sold Nakupní Park Centro Ostrava to newly established Focus Estate Fund. The subject of the sale is a fully leased retail park in Ostrava. Operating since 2011, it is offering 7,700 square metres of retail space. Nakupní Park Centro Ostrava is located in Ostrava, the third largest city in the Czech Republic, and adjoining a Tesco hypermarket and gallery. It has an additional land for development with secured planning permission to provide up to an additional 3,000 square metres of retail space.

STAFFING


left: Marcin Materny
right: Mikołaj Martynuska

Marcin Materny has been appointed to the Management Board of Echo Investment. Marcin Materny has worked in Echo Investment since 1997. He started as a leasing specialist for shopping centres. He also worked as Development Director responsible for projects in Romania and Hungary. In the years 2007 – 2010 Marcin Materny got involved with Capital Park, where he coordinated the development of retail and office projects. On his return to Echo Investment he was responsible for the lease of the shopping centres. From 2014 Marcin Materny was Director of the shopping centre department. Marcin Materny is a graduate of the Faculty of Economics at AGH University of Science and Technology in Kraków.

Mikołaj Martynuska has strengthened the management team of Echo Investment as Managing Director Investment and Divestment. Mikołaj Martynuska has 17 years of experience on the commercial and residential property market. He recently worked as Senior Director in the development consultancy department at CBRE. Earlier he worked in development, consultancy and construction companies in Poland and abroad. Mikołaj Martynuska is a graduate of the University of Reading and the University of Economics in Kraków. He is also a Member of the Royal Institution of Chartered Surveyors (RICS).


left: Rafał Mazurczak
right: Franz Schausberger

Rafał Mazurczak has become Member of the Management Board of Echo investment. He started his career as an office project leasing manager in Echo Investment in 2000. In the years 2007 – 2013 he was Leasing Director in the office department. From 2013 he was the Director of the office department. Rafał Mazurczak graduated in economics at the University of Technology in Radom and in finance and banking at Kraków University of Economics.

Franz Schausberger has been appointed Special Advisor for EU enlargement, in particular for the Balkans and Ukraine by the European Commission. In this role the former Landeshauptmann of Salzburg and nowadays Chairman of the Institute of the Regions of Europe (IRE) will work together with Johannes Hahn, also of Austrian origin and Commissioner for European Neighbourhood Policy & Enlargement Negotiations. Franz Schausberger's main focus will be on decentralisation and regionalisation in the Western Balkans and in Ukraine.


left: Barbara Topolska
right: Dr. Hans Volkert Volckens

Barbara Topolska has been appointed as Managing Director for Central Eastern Europe at Multi Corporation. Barbara Topolska was formerly Chief Operations Officer at Neinver headquartered in Spain, a position she held since mid-2012. Barbara Topolska succeeds Brian Jenkins who will return to the US at the end of this year.

Dr. Hans Volkert Volckens has been appointed as Member of the Executive Board and CFO of CA Immo AG. He followed Florian Nowotny who at his own request prematurely resigned as a Member of the Executive Board and CFO of CA Immo AG upon expiry of 30 September 2016. With a doctorate in Law, Dr. Hans Volkert Volckens initially has been in investment banking and worked then as a lawyer, tax consultant and specialist lawyer for tax law. From 2008 to 2011, Dr. Hans Volkert Volckens was Member of the Management Board of Hannover Leasing GmbH & Co. KG; from there, he transferred to IC Immobilien Holding AG and managed its refinancing. From October 2011 to April 2014, Dr. Hans Volkert Volckens was CFO of IVG Immobilien AG. Only some days after the appointment of Dr. Hans Volkert Volckens the supervisory board members **Dr. Wolfgang Ruttenstorfer, Barbara Knoflach** and **Dr. Maria Doralt** informed CA Immobilien Anlagen Aktiengesellschaft announced that they will resign from the company's supervisory board effective 10 November 2016.

LETTINGS

GALERIA MŁOCINY, WARSAW POLAND

Mensa Home, a chain offering home decor products, has leased 900 square metres of retail space in Galeria Młociny. The retail and entertainment complex is situated in the Bielany district of Warsaw, next to the Młociny transport hub. The planned total area of the complex is 220,000 square metres (around 70,000 square metres gross leasing area), and it will provide about 2,000 parking spaces.

MOKOTOWSKA SQUARE, WARSAW POLAND

Legal firm Wolf Theiss has renewed its lease agreement for over 1,000 square metres of office space located on the top floor of the Mokotowska Square building in Warsaw. JLL advised Wolf Theiss on the lease transaction. Deka Immobilien GmbH, the scheme's owner, was represented by Knight Frank. Mokotowska Square offers nearly 15,000 square metres of office space and is located at 49 Mokotowska Street.

Q22, WARSAW POLAND

Global law firm White & Case has signed a lease agreement for 2,500 square metres of space in the Q22 office building in Warsaw. JLL represented White & Case in negotiating the lease terms. Q22 is an office building located at the intersection of Aleja Jana Pawła II and Grzybowska Street. It provides 53,000 square metres of leasable office space. The investor and developer of Q22 is Echo Investment.

WATERSIDE, GDANSK POLAND

Clothing company LPP SA, owner of brands such as Reserved, Tallinder, Mohito, House, Crops and Sinsay, has decided to move into the Waterside building in Gdansk by leasing an office of more than 1,000 square metres. Knight Frank acted on behalf of the property owner – Deka Immobilien fund. Waterside is located in the centre of Gdansk. The leasable area of the site exceeds 9,000 square metres.

NOWA FABRYCZNA, ŁÓDZ POLAND

The Polish unit of Swedish IT company Cybercom group has leased over 2,500 square metres of space in the Nowa Fabryczna office building in Łódz developed by Skanska. JLL advised Cybercom on the leasing process. Nowa Fabryczna is Skanska's second office project in Łódz and comprises 21,500 square metres of leasable space. Delivery to market is scheduled for Q1/Q2 2017.

MARATON, POZNAN POLAND

Sii, a provider of IT services and industrial engineering in Poland, has leased over 3,400 square metres of space from Skanska in Maraton office building in Poznan. Colliers International supported Sii in the leasing process. Maraton is being developed by Skanska and comprises 25.000 square metres of leasable space.

COLD WEATHER AND HOT DISCUSSIONS

Expo Real were three days full of discussions about topics like the general economic development and the impact of Brexit.

This time the sun seemed to be on holiday during Expo Real. It was cold, often raining and all in all very uncomfortable outside. That means the halls were more crowed than ever and hot discussions compensated the nasty weather.

Not only the weather was responsible for the often very densely packed halls at Munich fair ground, as well it was the number of Expo Real's participants. They totalled at 39,101 being some 3 per cent higher than previous year. Mainly the exhibiting companies and public authorities contributed to this new record because they came to Munich with a higher number of representatives. The number of visitors remained nearly the same as last year.

Looking back at the three days and trying to identify topics being omnipresent not only in panel discussions of the conference programme of Expo Real, but also at exhibitor events and in many talks then the first thing coming into my mind is the Brexit. Only shortly before the start of the fair British Prime Minister Theresa May announced that she will trigger the formal process for the UK to leave the EU by end of March 2017, so the British exit will be completed in 2019. The predictions of the impact discussed at Expo Real could not have been more contradictory: the range was from decided optimism – the British economist and proponent of Brexit Gerald Lyons took the view that UK will better develop outside the EU – and "no serious impact" to a rather gloomy picture for UK's economy. Although the final terms of Brexit are still unknown – Gerald Lyons conceded that there are still discussions about a 'hard and clean' or 'soft and messy' exit –, there were also those already counting their chickens before they are hatched. The ones see in the near future Frankfurt outstripping London, the others declare that investment capital will turn its back on UK and prefer mainly the US markets. By rather low voice and more on the fringe of many discussions it was admitted that there is general uncertainty about the further development of EU and whether Brexit could form a precedent and induce other European countries to try the same.

Also subject of many discussions was the question, if and how long the current boom in the real estate markets will last.

At the opening panel in the Expo Real Forum, Gertrud Traud, Chief Economist and Head of Research at Helaba Landesbank Hessen-Thüringen, took up a rather positive stance stating that the current economic growth of 1.5 per cent is restraint but sound. The danger of an emerging bubble is given only in the bond market, not in the stock market. However, she is known to be critical with ECB's monetary easing policy and so she also stated at Expo Real: "The ECB is no longer solving the problem, ECB itself is the problem." And giving a closer look to ECB's strategy she expects an increase in interest rates not before 2019. That means till then the favourite terms of financing for real estate investments will remain.

Expo Real Forum was dedicated to topics of more general interest.

However, the continuing boom in real estate investment markets has also its flipside. Prices are up, developments often purchased long before construction has started, yields continue to decrease, and although markets are rather empty the pressure of investment capital is all but easing. As comfortable the current situation is for developers, as difficult is the situation for investors.

Asked how he is managing this situation, Claus Thomas, International Director and Head of Germany at LaSalle Investment, explained that the decisive criterion for an investment is robust demand in the medium and long term because only with strong demand there will be rental growth generating the expected returns. Demand, however, is depending on job growth – and that is expected not everywhere. Furthermore Claus Thomas also stated that on the one hand, the market for office investments in Germany is rather difficult because there are only some new developments. On the other hand, investments in retail property are suffering from the fundamental changes in the retail industry. So it remains difficult to find promising investment opportunities.

This quite critical, but still positive characterisation of the overall economic situation and its impact on the real estate markets Lorenz Reibling, Chairman and Founding Partner von Taurus Investment Holding, turned down: "We are dancing on a volcano", he summarised his point of view. "There are so many factors generating uncertainty in the real estate markets that it is difficult to be blindly positive about the future." According to him, not only the monetary easing of Central Banks is causing danger, also the political and economic uncertainties are preventing optimism regarding the future.

The discussion now starting turned from the initial optimism nearly into the opposite, as Tobias Just, Academic Director and Managing Director of IREBS Immobilienakademie GmbH at University of Regensburg, stated at the end of the opening event. As a small comfort for the audience all panellists agreed that at least during 2017 and 2018 things will go on as before.

Still a third topic has been elucidated at Expo Real from many different points of view: the rapidly increasing digitalisation of our lifes. There have been the "Master Minds" in Expo Real Forum, looking more generally at the possibilities and challenges to come. As well there was a broad range of other events dedicated to certain aspects of digitalisation in the property industry. But to stick with the 'master Minds': It were Henryk Plötz, Computer Scientiest, Reverse Engineer and Security Consultant, and Dr. Martin C. Wolff, Philosopher, Entrepreneur and Consultant, who pointed to the problematic aspects of digitalisation. After Dr. Florian Stadlbauer, Head of Digitalisation at Commerz Real, had emphasised the possibilities to facilitate not only business processes, but also to become more customer-friendly – an argument often mentioned in the context of digitalisation – the two representatives of the more 'alternative internet community' pointed to the fact that digitalisation comprises also the danger that we all were treated in the same way and that there will be no longer 'extraordinaries' or 'exceptional cases'. As an example Henryk Plötz mentioned the online ticket of Expo Real – to get it a company name is required. "I wrote 'None'", he reported. The laughter stopped when his sparring partner Dr. Martin C. Wolff added: "That is no longer funny when, for example, it's about a bank loan and somebody is not able to fill out one of the required fields."

At this point it would have been great to deepen the discussion. The fact that digitalisation progress is not to stop and that

Either Ulmart or Romania – Expo Real presented a broad range of topics.

we all have to deal with it is common sense, but about the long-term impact of this development on the society there is much less to hear.

Digitalisation was also a strong topic at the stand of Russian online retailer Ulmart, exhibiting at Expo Real for the second time in a row. In many respects the Ulmart concept is anticipating what retail has to expect in the future. The company was discussing the development of digitalisation in retail not only at Expo Real, it will also host respective events in January 2017 in Davos at the World Economic Forum.

Some of Ulmart's professional performance at Expo Real would have been great to see with the City of Moscow. There was a comprehensive programme of events at the stand, but it was not published in advance. Also the partners at the Moscow stand, among them internationally known companies like O1 Properties and Regions Group, were never mentioned in the lists of exhibitors and could be 'discovered' only by accident when passing the stand.

Other countries from CEE have prepared their presence at Expo Real much more professionally. Mainly Poland and Hungary attracted great interest. With Poland the interest is nothing to wonder at, because the country is still attracting the lion's share of investments in CEE. Neither the change of government last year caused any decrease in transaction volumes. Poland will remain 'investor's darling', especially when the economic growth will – as expected – continue to run at an average of 3.5 per cent by 2020, a growth rate, Western countries can only dream of.

The new esteem of Hungary by international investors demonstrated with the purchase of Millenium Towers by CA Immo some days before Expo Real is mainly due to the economic recovery of the country. Growth rate is currently at 3 per cent, unemployment decreasing to about 6 per cent, and in accordance to the Maastricht criteria budget deficit is clearly below 3 per cent. But different to Poland where investors and developers are meanwhile increasingly turning to other cities than the capital city, the main target in Hungary is Budapest.

While Poland and Hungary have been part of the conference programme in the Investment Locations Forum, Romania presented itself in the Discussion & Networking Forum. With more than 100 people in the audience it attracted still more interest than the discussion about Hungary. Despite the economic drop following the financial crisis the country's GDP is today five times higher than in 2000 and will continue to grow by an average of 3.3 per cent during the next years. Behind Poland, it is the second largest growth rate in CEE, as Manuel Costescu, State Secretary and in charge of Invest Romania, Romanian Foreign Direct Investment Department, stated. Pointing to the strengths of Romania, he mentioned the well-educated labour force, especially in the area of engineering as well as in mathematics and science. Mainly in technical professions women are dominating with a share of 53 per cent – in comparison: the EU average is at 38 per cent. Another advantage is the multilingualism in Romania. German and Hungarian language are traditionally common in certain parts of Romania, now all schools are teaching English and increasingly other Romance languages like French, Italian, and Spanish. Furthermore with digital infrastructure Romania is more advanced than many other European countries: with high speed internet access Romania is number three within the EU. And who visited Romania more recently will agree with Manuel Costescu that "the image is lagging behind reality".

To a certain extent this is also true for the real estate market in Romania. As Hedwig Höfler, Head of Investment Management CEE at CA Immo, confirmed the number of players in the market is small although there are many developments. CA Immo is active in Romania since long, and the company's portfolio comprises five assets with a total of 106,000 square metres of office space. Furthermore CA Immo is currently developing Orhideea Towers with nearly 37,000 square metres of office space. "We concentrate only on Bucharest", Hedwig Höfler admitted.

However, not only Bucharest is offering opportunities. In Munich Gheorghe Flutur, President of Suceava County Council, presented a part of Romania perhaps known only to a small number of people. Suceava is the southern part of the former Austrian crown land Bukovina, famous for its painted Churches of Moldavia listed by UNESCO as a World Heritage Site. Less known is that Suceava city has a new (international) airport and is one of the centres for food processing in Romania. In the airport's neighbourhood and close to the Ukrainian border an agro-industrial park will be developed not at least to create jobs in the region. Timisoara invited to an event at the Romainan joint stand. The Mayor of Timisoara presented the new Sports & Congress Park to be developed near the city centre on a site already occupied by a sports centre. The architectural firm Albert Speer & Partner designed the master plan of the park that shall be completed by 2021 when Timisoara will become European City of Culture, the second Romanian city awarded by this title – in 2006 it was Sibiu.

Of course, the mentioned topics and impressions are subjective and also on that condition all but complete. Nobody is able anymore to gain a complete overview of Expo Real – for this purpose the fair is too big and the events too many. Therefore everybody may have taken home other and different impressions. I **Marianne Schulze**

NON-GENERIC EXCHANGE OF REGIONAL CHALLENGES

Especially for the topic tourism and cultural heritage Salzburg as venue was offering illustrative material.

The 12th Conference of European Regions and Cities organised by the Institute of the Regions of Europe IRE took place in Salzburg. In the regions the main topics of EU are reflected – and furthermore: on regions the EU decisions have a direct impact.

When last month the region Wallonia, the southern part of Belgium, refused to approve the CETA Comprehensive Economic and Trade Agreement with Canada, it demonstrated the power and influence European regions can have. Wallonia with its some more than 3.5 million inhabitants blocked a project of the EU that in total has more than 507 million inhabitants in 28 countries. In retrospect it seems to be a justification of the efforts the Institute of the Regions of Europe IRE in Salzburg is making. Its aim is to create a platform for municipalities and regions for networking. It was already the 12th annual Conference of European Regions and Cities that took place end of September. About 220 representatives of politics and economy – not only from Austria and Germany, but among others also from Bosnia and Herzegovina, Croatia, Poland, Romania and Serbia – followed the invitation to Salzburg, not at least because many of them attach importance to the exchange of ideas and experiences and are therefore members of the Institute.

'Sustainability in the Regions and Cities of Europe' was the motto of this year's conference, a motto carrying the danger to remain cursorily and to disappear in commonplace. But the danger was banished by structuring the topic into the aspects of financing, integration, land use, water management and tourism. Instead of integration there could be said refugees, and tourism was linked with the topic of cultural and historical heritage. By no means the many combinations have been arbitrary – in fact the one and the other are connected with each other.

Financing was mainly about EU funds and how regions can benefit from the European Fund for Strategic Investments EFSI. By this instrument European Commission together with European Investment Bank EIB is supporting private enterprises with a total of EUR 21 million to trigger investments amounting to EUR 315 billion. A more convenient keynote speaker than Wilhelm Molterer could not be chosen, particularly for a conference in Austria: The former Vice-Chancellor and Minister of Finance of Austria is now Vice-President of EIB and Managing Director of EFSI. He emphasised the role of the re-

They reported on EU funding: Wilhelm Molterer (above) and István Szabolcs Fazakas (below left with Georg Folian, Member of the Management Board at Warimpex)

gions: "We cannot manage all things out of Luxembourg, we need partners in the regions." First and foremost he put it straight that "we can only help with financing, but we cannot develop ideas for projects. The ideas have to come from the regions and municipalities." For these the promotional banks in the respective region are the first stop to get EU funds or sometimes EU guarantees. And as Wilhelm Molterer continued, mainly PPP projects are important and there is still a lack of cross-border projects in transnational regions. Especially in those transnational regions the term 'region' comes to life because "we are still too much concentrated on a national thinking", the Managing Director of EFSI added.

The EU point of view was also represented by István Szabolcs Fazakas, former Minister of Trade, Industry, Energy, and Tourism of Hungary and now Member of the European Court of Auditors. He is responsible for the cost-benefit analysis of IPA Instrument for the Pre-Accession Assistance for the Western Balkan countries. By this EU programme the financial support for the Western Balkan countries in the years 2007 – 2013 amounted to EUR 5,1 billion and was dedicated mainly into infrastructure, economic and social development, and the establishment of rule of law. Target countries have been Serbia, Bosnia and Herzegovina, Macedonia, Montenegro, Kosovo and Albania. His summary in short: All in all the funds of IPA I have been reasonably allotted, however, regarding the 'implementation effectiveness' in some countries there is still room for improvement. The last sentence is to understand as a polite paraphrase for corruption and crime. For the following programme IPA II the European Court of Auditors has established stronger guidelines and requirements, among them also external audits. István Szabolcs Fazakas' wish for the future is "learning effects" in the target countries not only with IPA projects, but generally".

'Learning' is required not only in the Balkans, but in Western countries as well. That demonstrated the session about integration of refugees as well as the discussions about land use and water management. The summary: in times of rural exodus migration and integration of refugees could be an opportunity for regions, as incentives for investments in the office stock and in the redevelopment of brownfield areas, a rethinking of criteria for spatial planning and a clear preference of public transport could put an end to the continuous loss of agricultural land and native soil. ORF journalist Tarek Leitner, with his book *Courage to Beauty* (*Mut zur Schönheit*) protesting against the disfigurement of landscapes and municipalities in Austria, pointed to the fact that soil sealed by buildings is no longer able to absorb rainwater and to store carbon dioxide. This is one of the reasons why also Österreichische Hagelversicherung, an Austrian insurance company specialised on agricultural catastrophes, is very critical about the high degree of soil sealing. CEO Kurt Weinberger pointed out that once overbuilt areas can never again be recultivated because the humus layer is irreversibly destroyed. In the best case it can become a recreation area with greenery planted on it. Therefore Kurt Weinberger as well as Karl Kienzl, Deputy Managing Director of Environment Agency Austria, advocate refurbishing and redeveloping the already given stock instead of new construction activities. There are more than enough vacant factories, shopping centres with associated parking areas, and storage space to be re-used. In other words: redevelopment instead of new development.

The final symposium "Cultural and historical heritage – A chance for regional tourism" took place on September 27, 2016, a really symbolic date, because it is World Tourism Day as Philippe Lemaistre, Chief Programme and Coordination of the United Nations World Tourism Organisation UNWTO, pointed to. He gave impressive figures: In 2015 UNWTO registered 1,186 million international tourist entrances worldwide. That is 52 million more than in 2014 and the trend goes to a further increase.

But looking at the tourist flows in cities like Barcelona or Venice, then a sentence comes into mind, worded already decades ago by Hans Magnus Enzensberger: "Tourists destroy what they are looking for by finding it." However, as Philippe Lemaistre emphasised, tourism also means economic growth. He cited the UNWTO figure of USD 1,26 billion tourism receipts in 2015 – that is about 5 per cent of direct global GDP. And he pointed to the efforts for a more sustainable tourism. So initiated by UNWTO the UN has declared 2017 as the 'International Year of Sustainable Tourism'.

For the historical and cultural heritage two examples have been chosen: Tomasz Wiktor, President of the Regional Tourist Office Wielkopolska in Poznan, presented the Piast Route in the Wielkopolska Voivoidship and the respective activities about the history of Christianization in Poland. Erwin Kubesch, former Austrian Ambassador and today Director of the Council of Europe Office in Vienna, presented the concept of European Cultural Routes, a title awarded by the Council of Europe. Meanwhile there are 32 European Cultural Routes, among them the first and eldest one, the Way of St. James to Santiago de Compostela, the Via Regia, the medieval West-East connection from the Rhine to Silesia, and the Viking Route.

Group portrait with lady: the panellists of the discussion about tourism

Also in the city and region hosting the conference, in Salzburg, tourism is a main economic factor – due to the cultural and historical heritage. Johannes Hörl, Director General of Großglockner High Alpine Roads plc, and Christopher Losmann, Marketing Management Germany/Austria/Switzerland of Salzburger Land Tourismus GmbH, reported mainly about efforts to promote a sustainable tourism. There was again and again reference to the cultural heritage also including listed monuments. However, a monument itself does not constitute a quality, or as Johannes Hörl put it in a nutshell: "The monument itself means nothing, it has to be filled up with life." Eva Brucker, Head of Department Management, Innovation & Tourism Management at the University of Applied Sciences in Salzburg, agreed: "Instead of sightseeing only, today's tourists want to learn more about culture", she stated. For the transfer of knowledge the presentation is becoming still more important, but by all means there is to avoid a 'disneyfication'.

Bruno Maldoner, in the Federal Chancellery of Austria responsible for Monument Protection and Preservation and therefore also responsible for the World Heritage Sites in Austria, argued in the same sense. In Austria 9 World Heritage Sites are listed, among them the historic centres in the cities of Vienna, Salzburg and Graz, the Semmering railway, and the Wachau Cultural Landscape. On the one hand Bruno Maldoner warned to take the inscription in the World Heritage List as "some kind of tourist marketing label", on the other hand it should not be taken as some kind of 'sanctuary'. The right way is "to be aware of the joint responsibility", and as Bruno Maldoner continued: "A World Heritage means a commitment. Only then the heritage remains in a greater context and can be conserved."

As diverse the individual aspects of the 12th Conference of European Regions and Cities were, as connected to each other they are. The ideal conception would be a beautiful historical building full of life, preferably a listed monument in which integrated refugees are active and that is surrounded by meadows and farm land, the whole funded by the EU and put in its true light being a tourist attraction. Well, that's fantasy, but what can become reality is the mixture. Because the conference showed how strongly linked to each other are topics heterogeneous on the first view and how important is the word 'common'. I Andreas Schiller

WHEN OFFICE MARKET MEANS TWO DIFFERENT THINGS

For the first time Vienna Research Forum has examined the office stock in Vienna.

In nearly every office market report there is a figure about the office stock in the respective location. These figures are not only interesting for investors, but are also used by city planners to determine the future need of new office buildings. However, an examination of the stock can end up in some surprising results as the example of Vienna is demonstrating.

Everybody knows the dilemma: five office market reports about one location and five quite differing figures. Reasons are different assessment methods but as well it can be the database taken as starting point and being updated every time. The confusion with office market data is annoying, the more as there are examples for more reliable ways of data collection. Since 2000, for Warsaw, Budapest and Prague – and since last year also for the Polish office markets outside the capital city – there are market reports of the respective Research Forums based on data the big local office brokers are evaluating according to the same standards and putting it into the common database.

Maybe it is easier to establish such a Research Forum at a time and in locations with office markets still rather easy to grasp. Another reason could be that in these emerging markets fundamentals to build on were missing. This situation suggests to establish certain standards for assessment and to build up a database on these standards. Since the end of summer such a Research Forum is also established in Vienna, the first one in a 'Western' office market. In the past Vienna office market reports were based on data of the Federal Statistical Office Statistik Austria. These data had been updated for the last time in 1991 when Statistik Austria had counted all work stations in Vienna, including those in schools, factories and small enterprises. Based on that data the current office stock in the Austrian capital city was stated to comprise 10.85 million square metres.

Initiated by the association for more quality in the real estate sector (Verein zur

Office market with above average vacancy rate: Vienna's sub-market Donaucity.

Förderung der Qualität in der Immobilienwirtschaft, immQu) and by its Chairman of the Board Alexander Bosak Vienna Research Forum started in 2013 with setting up a new database on modern and international classification. Vienna Research Forum counts only office space build since 1990 or completely refurbished. Furthermore offices have to have a certain size and have to meet some certain criteria like, for example, indoor climate, elevators or IT standards. For mixed-use buildings the office space must be predominant. There are also minimal requirements about the buildings itself, the offices, the location and sustainability to be included in the database. In other words: it is counted only office space investors are interested in.

Members of Vienna Research Forum (VRF) are leading Viennese real estate agencies like BAR bareal Immobilientreuhand (a subsidiary of UniCredit Bank Austria), CBRE, Colliers International, EHL Immobilien, ÖRAG Österreichische Realitäten-Aktiengesellschaft, Otto Immobilien and Spiegelfeld Immobilien. They are contributing anonymously and independently contracts, rents, vacancies as well as planned and completed office developments to the VRF database. Now the first results have been published, and updates will follow every quarter of the year.

The results are partly surprising. Of the so far published total of 10.85 million square metres of office space in Vienna only the half is conforming to internationally comparable standards. These 5.534 million square metres were examined according to VRF classification and assigned to the categories A (3.064 million square metres) and B (2.47 million square metres) and to eight sub-markets of Vienna office market. Furthermore for Q2, 2016 lettings in the sub-markets have been listed amounting to a total of 45,500 square metres.

With counting office space by VRF standards also the vacancy rate is changing. Given the office stock by Statitstik Austria data the average vacancy was at 6.2 per cent, according to VRF's assessment the vacancy rate is about 7 per cent. The range of vacancy rates in the sub-markets, however, is remarkable: below average are the vacancy rates in CBD – Inner Districts (4.2 per cent), around the Main Station (6.4 per cent) and in the sub-market Prater/Lasallestraße (nearly 7 per cent), while in the sub-markets Wienerberg (more than 13 per cent), Donaucity (10.5 per cent), and Erdberg-St. Marx (nearly 10 per cent) they are clearly above average.

Besides the most recent market data the breakdown of the stock is interesting, mainly the view on space not meeting the VRF criteria. The research of VRF shows at least the potential the office market stock is still offering. Of the 5.4 million square metres of office space not complying with the VRF requirements approximately 2.25 million square metres are occupied mainly by small enterprises with up to ten employees, by start-up or one-person enterprises, and by professions. Mostly their premises are significantly smaller than 1,000 square metres per unit and are often to find in buildings mainly used for housing purposes. These areas are directly excluded from the VRF database.

Some more, nearly 2.3 million square metres, are office areas in production facilities or in municipal buildings like schools and universities, as well office buildings erected before 1990 and not conforming to modern standards – areas, that don't play a significant role for the office market.

More interesting is the figure of nearly 770,000 square metres of office space not included in the VRF database since certain minimal and/or quality criteria were not met. However, this amount of space has potential for improvement. In other words: Instead of developing new office buildings to meet the requirements of investors and companies, Vienna has a significant reserve of office space that can be modernised.

According to EHL in 2016 about 60,000 square metres of new office space have been completed in Vienna, but next year completions will increase to 150,000 square metres and in 2018 even to 350,000 square metres. So the question suggests itself whether it could be more reasonable to adapt the already existing office space to modern requirements instead of developing new buildings – a question, Vienna presenting itself as 'smart' and 'sustainable' city should keep in mind.

Especially identifying potential for refurbishment and modernisation is one of the positive effects of a detailed and standardized research about a city's office market. Thereby Research Forums are not only of advantage for international real estate investors, but can also contribute to a more sustainable urban development. I Christiane Leuschner

FOR YOUR PLANNING

When	What about	Where	For information and registration
10.–12. November 2016	denkmal 2016 Europe's Leading Trade Fair for Conservation, Restoration and Old Building Renovation	Messegelände Leipzig, Leipzig, Germany	www.denkmal-leipzig.de
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
28. March 2017	Conference: „Cities of tomorrow – Sustainable regions, cities and communities	Crowne Plaza Hotel, Bulevardul Poligrafei 1, Bucharest, Romania	www.rumaenien.ahk.de
4.–6. October 2017	Expo Real 19th International Trade Fair for Property and Investment	Messe München, München, Germany	www.exporeal.net

IS RUSSIA TOO BIG TO DIGITALIZE ITS ECONOMY?

Brian P. Kean,
Chief International Officer, Ulmart,
Saint Petersburg, Russia

A "4th Industrial Revolution" (4thIR) is taking hold of world economies. This revolution is a digital one; and, while some countries like South Korea and Scandinavia are trail-blazing others like Italy, stuck in its quaint but not-so digitally-friendly traditions, fall behind. Russia is in the middle somewhere: some sectors are digitally-focused while others remain stuck in a 2nd and 3rd industrial revolution mode of operating. It is imperative for a nation that is ¼ of the world's landmass to maximize the benefits of the 4thIR, but, something is still missing.

Can the economic activity of privately-owned companies in Russia prove large enough to positively stimulate the expansion of digital technologies into all the sectors? Or, does Russia need to engage in some really creative governing and taxation? A sort of 'technological 5-year plan' that could provide the private sector with the needed economic stimuli while the government commences heavy investment in both human capital and technological infrastructure.

Let's take a look at the following example: The owner of a site builds a standard warehouse facility with four walls, a roof, electricity and plumbing. He then either stores items there for his own business purposes; rents out the facility or sells the structure to a company whose needs require nothing more than a warm and secure environment for storing inventory. These types of warehouses are needed and will continue to be needed.

In the case of Ulmart, Russia's leader in e-commerce, advanced technological solutions were needed for the business to succeed – automated and robotic warehousing capabilities, an extensive and noise-less maze of conveyors moving product from storage to packing to trucks to consumers. Due to a lack of such modern facilities in Russia, Ulmart was forced to build out a vast infrastructure of urban and suburban fulfillment centers. This investment by the company was not just a monetary one but also a cost of opportunity. The lack of ready-made options resulted in a reallocation of funds. Ulmart, in order to reach larger and more robust growth was forced put precious resources into the fit-out of those facilities as opposed to investing in activities more closely related to its core mission. Had a creative governance program been in existence that not just helped companies invest in such modern technologies but even rewarded them for such investments in a more tech-focused infrastructure then perhaps there would be an economy-wide boom resulting in a more efficient meeting of consumer demand, higher profits and so more job creation.As it stands today, however, Ulmart is one of few companies to have made such capital investments in a modern, 4thIR-style infrastructure. Ulmart, however, is not big enough to carry the entirety of the Russian economy on its back into the next era.

This is a crucial moment for the continued growth of the "new Russian economy." With a proven track record of leading tech companies in the private-sector (Ulmart, Yandex, Qiwi, VK, Telegram) in combination with the strength of Russian computer programmers, the ability Russia to succeed at transforming its economy in the era of the 4thIR is obvious to all; the unknown remains, however: will the government play its role in leading the "new economy" to the forefront; or will it take the easy way out by keeping Russia a commodity-centric economy?

imprint

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