No. 51 | May 2017

SPH newsletter

DEAR READERS!

The presidential election in France is decided. With Emmanuel Macron an advocate of the EU has won and presented a government sharing his EU-friendly attitude. So after the elections in the Netherlands in March it was the second time that many breathed a sigh of relief. However, what remains is the political uncertainty – not only in Europe, but worldwide and also within the established political structures. In France no candidate of the big parties we are familiar with since decades took part in the run-off. The same situation we had already experienced in the presidential election in Austria. Currently in Austria there are discussions if persons are more important than parties. It is comprehensible to question parties and their politicians mainly occupied with themselves and with maintaining their power. However, it includes some danger. A 'strong man' alone cannot fix it all, and 'big heads' are able to do many things but they are not really appreciating the system of 'checks and balances'.

Already in 1965 in his "Subterranean Homesick Blues" Bob Dylan sang: "Don't follow leaders / Watch the parkin' meters". The order makes sense: Taking reality into account could be more reasonable than herding behaviour, analysing manifestos will deliver better results than the fixation on one person. The song continues: "You don't need a weather man / To know which way the wind blows."

I wish all of us good weather – not only in a political sense, but also concretely for the upcoming start into the summer.

Yours,

Andreas Schiller

Berlin Hyp has provided a refinancing loan of EUR 11.4 million for Corius office building that is part of Aeropark Business Center complex in Warsaw.

GTC: REFINANCING FOR CORIUS OFFICE BUILDING IN WARSAW

GTC S.A has signed an EUR 11.4 million investment loan with Berlin Hyp bank for the refinancing of the previous loan agreement for the Corius office building. The office building offers a total leasable area of over 9,700 square metres and is part of Aeropark Business Center complex located at 17 Stycznia Street, in the direct proximity of Warsaw's Frédéric Chopin Airport. The entire Aeropark project offers a total of 29,000 square metres of commercial space.

EBRD BECOMES SHAREHOLDER IN GRIFFIN PREMIUM RE

The EBRD has become a shareholder in Griffin Premium RE N.V, a company structured as a real estate investment trust (REIT) and operating in Poland. The EBRD bought its 9.48 per cent stake in Griffin Premium RE for PLN 84.4 million (approximately EUR 20 million) as part of an initial public offering (IPO) on the Warsaw Stock Exchange. After the IPO, the free float will reach around 57 per cent, with existing shareholders – entities indirectly controlled by the global investment fund Oaktree Capital Group LLC – holding the remainder. Griffin Premium RE owns a portfolio of real estate assets throughout Poland.

BOUWFONDS IM ACQUIRES SECOND RESIDENTIAL PROJECT IN POLAND

Bouwfonds Investment Management (Bouwfonds IM) has acquired its second asset in Krakow for its Bouwfonds European Residential Fund (BERF). The project was owned by a joint venture between Heitman and Hines. The acquisition comprises 152 apartments and 139 student-housing units for rent with a total usable area of approximately 9,200 square metres. The property is situated at Rakowicka Street in Krakow's city centre. The investment is part of the second phase of the Apartamenty Novum project by Heitman and Hines. The site is located within a 15-minute walk from Krakow's Old Town and some 5 minutes from Galeria Krakowska shopping mall and Kraków Main Railway Station. REAS has acted as transaction advisor on behalf of Bouwfonds IM. Other advisors to the transaction included Clifford Chance, TPA Poland and Arcadis on behalf of Bouwfonds IM and Dentons on behalf of the sellers.

EUROPA CAPITAL ACQUIRES RADISSON BLU HOTEL IN WARSAW

Europa Capital and WX Management Services have completed the acquisition of the Radisson Blu Centrum Hotel in central Warsaw. The Radisson is a 311-room, four-star hotel with conference facilities, restaurants and leisure facilities including a gym, swimming pool and spa. WXMS co-invested in the transaction and will provide ongoing asset management services for the project.

The Four Points by Sheraton Hotel in the mountain and ski resort Kolašin in Montenegro has opened. It is offering 72 rooms and is located approximately 80 kilometres north of the capital city Podgorica.

FOUR POINTS BY SHERATON DEBUTS IN MONTENEGRO

Four Points by Sheraton has announced the opening of the Four Points Kolašin in Montenegro. Owned by York Hotels & Resorts D.O.O., the mountain and ski resort with 72 rooms is nestled in Kolašin, at the foot of the Bjelasica mountains and Biogradska Gora national park, only an hour's drive from the Airport Podgorica.

PRZYSTANEK MBANK IN ŁÓDZ SOLD BY GHELAMCO

Companies from Ghelamco group have signed a preliminary agreement of sale of shares of the company that owns the Przystanek mBank project to LCN Capital Partners through their Luxembourg based, LCN European Fund II SLP. The final agreement will be made after meeting the conditions specified in the preliminary agreement and will be finalized no later than 31st October 2018. Przystanek mBank is the first project of Ghelamco Poland implemented in Lodz. It is located in the vicinity of the renovated EC1 complex and the new train station Lodz Fabryczna. Overall, the buildings offer around 24,000 square metres of office space, which will be fully occupied by mBank Group. The bank will move into its new headquarters in the second half of 2017.

VASTNED COMPLETES SALE OF TURKISH RETAIL PORTFOLIO

Vastned, the Amsterdam listed European retail property fund focusing on venues for premium shopping, completed the divestment of the Turkish portfolio. Vastned and a group of local private investors have signed an agreement for the divestment of the Turkish entity of Vastned, Vastned Emlak, through the sale of the shares of the entity.

Vastned decided to exit Turkey due to the uncertain geopolitical and economic situation, consumer spending has been declining for quite some time and many tourists – a major source of income for the Turkish economy – avoid the country. Additionally, the negative movement of the exchange rate of the Turkish lira versus the euro has increased the effective rental costs, putting rents under pressure in the coming years, which are paid in euros.

BELGRADE PLAZA OPENED TO THE PUBLIC

Plaza Centers N.V. announces that Belgrade Plaza opened to the public. The centre, comprising 32.300 square metres of gross leasing area, is 97 per cent let. Belgrade Plaza is the 34th shopping centre built by Plaza and its second scheme in Serbia. Already before the opening one of Plaza's subsidiaries signed a binding share purchase agreement with BIG Shopping Centers Ltd for the sale of the Belgrade Plaza shopping and entertainment centre.

CTPark Bor is situated near the Czech-German border and offering a total of 393,000 square metres of logistics space.

HELABA AND PBB PROVIDE LOAN TO CTP

Helaba and pbb Deutsche Pfandbriefbank, acting as co-arrangers, are providing a EUR 177 million facility to developer and investor CTP for the refinancing of CTPark Bor, one of the Czech Republic's largest logistic parks. The loan is being financed in a club deal, with each partner providing 50 per cent of the facility, and Helaba acting as agent. The transaction closed in April 2017 and has a term of seven years. The facility will partially refinance nine modern logistics properties totalling 393,000 square metres of space, with potential for further development at the site. First developed in 2005/2006, CTPark Bor is located 15 kilometres from the Czech-German border.

BIG CEE LAYS THE CORNERSTONE FOR SHOPPING CENTER IN BELGRADE

Big CEE, part of the Israeli real estate investment company Big Shopping Center, has laid the cornerstone for their new retail project in Belgrade, Big Fashion Vidikovac. The project represents an investment of around EUR 150 million. Spreading over a gross built area of 150,000 square metres, Big Fashion Vidikovac will offer 70,000 square metres of retail area as well as 2,500 parking spaces.

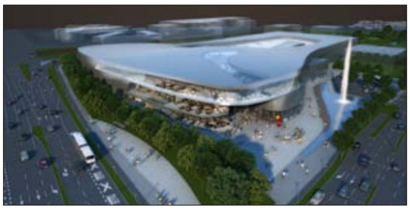
HB REAVIS STARTS CONSTRUCTION OF AGORA BUDAPEST

HB Reavis has gained planning consent for its next new major development, Agora Budapest, situated in the heart of the Hungarian capital near the boulevard Róbert Károly and Váci út office corridor. The first building called Agora Hub received the building permit and construction has already started.

The complex Agora Budapest, which includes five office buildings, will be built in several phases and will comprise more than 136,000 square metres gross leasing area of office spaces and retail units. The underground garage will provide 2,170 parking spaces including electric car charging points. The office scheme is scheduled for completion in 2023. The construction of the project will commence with the 34,500-square metre, 8-storey Agora Hub. It will be completed by the end of 2018.

AVESTUS TO LAUNCH IMAGINE OFFICE PROJECT IN ŁÓDZ

Developer and investor Avestus Real Estate will in the third quarter of this year launch construction work on its Imagine office project in Łódz. The complex will offer 14,500 square metres of office space and 2,300 square metres of space dedicated to retail, services and gastronomy. The scheduled completion date is between late 2018 and early 2019.



In the centre of Šiška district of the Slovenian capital city Ljubljana SES is to develop a shopping centre with about 32,000 square metres of leasable space.

NEW SES SHOPPING CENTRE IN LJUBLJANA-ŠIŠKA

Directly in the centre of Šiška district of the Slovenian capital city Ljubljana a new shopping centre is to be developed. Construction is already starting in June 2017. SES together with several different investors is investing EUR 150 million into the development.

The new shopping centre will consist of 32,000 square metres of rentable areas and offer an Interspar, about 90 shops and 1600 parking spaces. Completion of the shopping centre in Ljubljana-Šiška is scheduled for autumn of 2019.

SKANSKA TO INVEST IN BUSINESS LINK

Business Link and Skanska will co-create in Central-Eastern Europe an innovative ecosystem for start-up companies, small and medium enterprises, and companies from the business services sector. The developer has decided to invest in Business Link – the largest network of co-working space and private offices in Poland.

Over the next few years, Business Link will create approximately 12 new locations in CEE, totaling approximately 45,000-50,000 square metres. The investment of up to EUR 10 million will be spread over time and will depend on fulfilling previously mutually agreed business goals.

WING TURNS BUDAPEST SHOPPING MALL INTO OFFICE BUILDING

Wing is transforming the Material Center building in Budapest, which until now has operated as a shopping mall, into an office building. The seven-storey building with an area of more than 20,000 square metres is located on Róbert Károly körút near Váci út. It will be fully converted and renovated to be reborn as the Skylight City office centre. The preparatory works have already begun.

NEPI TO INVEST IN SHOPPING MALL IN SATU MARE

New Europe Property Investments plans to invest EUR 40 million in a shopping mall in the city of Satu Mare in north-western Romania. The 28,000-square metre shopping mall will be inaugurated at the end of 2018.

In addition to the construction works for the shopping centre, NEPI aims to improve local infrastructure by building a roundabout road. To that end, NEPI will rehabilitate two streets adjacent to the future shopping mall and contribute to the construction of a footbridge over Somes river, which will help transit between the two parts of the city.

To date the development of Brama Miasta is the largest investment in Nowe Centrum Łodzi. Brama Miasta is the counterpart of Nowa Fabryczna, and both are developed by Skanska Property Poland.

SKANSKA UNVEILS BRAMA MIASTA DEVELOPMENT IN ŁÓDZ

Skanska Property Poland presented the largest office investment in Nowe Centrum Łodzi (NCŁ) — Brama Miasta. It is Skanska's second development in the largest urban revitalization project in Central Europe. Located next to the underground railway station Dworzec Fabryczny, NCŁ is covering an area of up to 1,000 hectares. It is a multi-functional project that will include offices, services and residential facilities. Skanska is completing the construction of the first office development in NCŁ, Nowa Fabryczna. Once Brama Miasta is completed, the two office buildings will have a total leasing space of 40,000 square metres and each will be 15 floors above ground.

SWISSÔTEL TO OPEN IN SARAJEVO

Swissôtel, part of AccorHotels, has entered into a franchise agreement with Al Shiddi International for the development of a new 218-room urban resort scheduled to open in early 2018. Situated next to Bosnian Parliament, within the Sarajevo City Center project, consisting of a shopping mall and an office tower, Swissôtel Sarajevo will be close to the old city and comfortable to reach from Sarajevo International Airport. The project is being developed by Al Shiddi International from Riyadh in Saudi Arabia.

EBRD INVESTS IN ROMANIAN SUPERMARKET CHAIN

The EBRD is joining forces with Mid Europa Partners to strengthen Romania's leading and fastest-growing supermarket and convenience chain Profi Rom Food S.R.L. by providing a EUR 25 million equity investment. Profi operates around 523 stores in more than 272 localities throughout Romania. The EBRD's financing will support a further expansion of the network, particularly into the country's smaller towns. Mid Europa Partners, a private equity firm focused on Central and South-Eastern Europe, acquired 100 per cent of the shares in Profi Rom Food from Polish Enterprise Fund VI in November last year.

S IMMO AG: NEW OFFICE DEVELOPMENT IN BRATISLAVA

The listed real estate investment company S Immo AG has launched another project in Bratislava, the Einsteinova Business Center. The property is located right near the Danube in the Petržalka district and is directly connected to the old town via a pedestrian and tram bridge. A modern, sustainable office building offering 23,500 square metres of lettable space is being built on the site, which encompasses roughly 11,600 square metres. The complex will also comprise 700 above-ground and underground parking spaces. S Immo AG is realising the project in cooperation with its joint venture partners SJP Invest, s.r.o., and the local developer Kron Real s.r.o. The property is scheduled to be completed around the turn of the year from 2017 to 2018.

Ada Mall in Belgrade will offer 34,000 square metres of retail space and is scheduled to be opened in autumn 2018.

GTC TO GET FINANCING FOR ADA MALL IN BELGRADE

GTC S.A. has signed a binding term sheet for the financing of construction of Ada Mall, its first retail investment in Belgrade. The agreement concluded with Banca Intesa Beograd, VUB and PBZ, all banks of Intesa Sanpaolo Group, amounts to EUR 64 million. Ada Mall will offer 34,400 square metres of retail space. GTC received the final building permit for Ada Mall in mid-February 2017 and started the construction on 6 March 2017, whereas the opening of the mall will take place in autumn 2018.

OTP BUYS CORVIN SKYPARK AND SZIGET CENTER IN BUDAPEST

Futureal Group has sold its Skypark office building to the OTP Prime Property Investment Fund. The construction of Skypark was finished by the end of 2016. Its 25,171 square metres of gross leasing area is complemented by 226 square metres of storage space and a 460-car parking garage. The building is the first element of the eastern closing block of Corvin Promenade, its development started in 2015.

As part of the deal Futureal has also sold its Sziget Center shopping mall. Futureal purchased Sziget Center in 2014. The 23,600 square metre centre is located in the heart of Csepel Island near Budapest, next to the Tököl airport.

OTP Real Estate Investment Fund Management Ltd has launched in January this year the OTP Prime Property Investment Fund. The first acquisition of the new fund was the recent purchase of the Váci Greens "B" office building which is located on the Váci corridor.

PORR MERGES POLISH SUBSIDIARIES

Porr has merged its Polish subsidiaries Porr Polska Infrastructure and Porr Polska Construction. The core competency of Porr Polska Construction was in building construction and railway construction, while Porr Polska Infrastructure specialised in infrastructure, energy and civil engineering. With immediate effect, Porr S.A. covers every aspect of the modern construction industry as a full service provider.

GTC SELLS TWO SHOPPING MALLS IN BULGARIA

Global Trade Center (GTC) has sold the Gallery shopping malls in Stara Zagora and Burgas for a total of EUR 62 million. GTC held the malls with EBRD. The buyer is PKM Investments, a joint venture between MAS Real Estate and Romania based Prime Kapital. The transaction is the second largest deal in Bulgaria since the beginning of the year, after New Europe Property Investment (NEPI) acquired The Mall in Sofia for EUR 180 million.

Liget Center, an office building near Városliget Park in Budapest, has been acquired by M7 Central European Real Estate Fund I. The seller was CBRE Global Investors.

M7 ACQUIRES A FURTHER TWO ASSETS IN BUDAPEST

M7 Real Estate has acquired a further circa EUR 20 million of assets in Budapest, Hungary on behalf of its first Central European fund for third party investors, M7 Central European Real Estate Fund I. This follows the fund completing its final close, reaching its target raise of EUR 60 million of investor capital in April 2017, as well as the agreement of a EUR 68.5 million senior debt facility with Starwood European Real Estate Finance.

M7 has acquired the Liget Center in Budapest from a fund managed by CBRE Global Investors. The property offers 10,863 square metres of office space in the centre of Budapest, overlooking Városliget Park, one of the city's biggest parks.

In addition, M7 has acquired a 24,598 square metre industrial property in Gödöllö, Budapest, from Omega Real Estate Fund. The property is located circa 30 kilometres from the centre of Budapest.

CAERUS IM ACQUIRES PHASE 1 OF FUTURAMA BUSINESS PARK

Caerus Investment Management announced that on behalf of a private separate account client, it has advised and structured the acquisition of Phase 1 of the Futurama Office Park located in Prague 8, adjacent to the Invalidovna metro station. The property was acquired for an undisclosed price from global real estate investment manager Invesco Real Estate (IRE) on behalf of one its closed-end real estate funds.

Known as Futurama ABC, the property consists of three buildings completed in 2009, providing a combined 19,300 square metres of office and retail premises. Wilsons and PwC acted as legal and tax advisors to Caerus IM, while Havel & Holasek and TPA Horwath acted in the same capacities for the seller. Knight Frank were exclusive sales agents acting on behalf of Invesco Real Estate.

PILING WORKS START FOR BELGRADE WATERFRONT GALERIJA

Belgrade Waterfront announces the start of foundation works for BW Galerija comprising a total construction area of 140,000 square metres above ground. The main works are planned to be completed in 2020. A covered footbridge will connect it with The St. Regis Belgrade hotel, providing direct access to a spectacular observation deck at the top of the 40-storey building Kula Belgrade.

The opening of BW Galerija's construction site reaffirms the progress of Belgrade Waterfront, complementing the works at three other active construction sites: BW Residences, which have already reached the 20th floor, and the ongoing piling works for BW Vista and The St. Regis Belgrade.

Warimpex ha received a second construction permit for the Mogilska office building in Kraków. The project will comprise 12,000 square metres of gross leasable area.

WARIMPEX MOVES AHEAD WITH DEVELOPMENT PROJECTS

Warimpex not only used the positive momentum in the transaction markets in CEE to sell multiple properties, but is also moving ahead with new development projects. Warimpex is currently focusing heavily on Poland. A construction permit was issued in April 2016 for the Ogrodowa office building with roughly 26,000 square metres of gross leasable area in Łódz. The ground-breaking ceremony was held in December. Lease negotiations are currently under way. Warimpex received a second construction permit in July 2016 for the Mogilska office building in Krakow with roughly 12,000 square metres of gross leasable area. Warimpex is currently conducting negotiations with an anchor tenant, and construction is expected to begin shortly. Planning is also continuing for a further office building project in Krakow. An office building with around 21,000 square metres of space is to be built next to the Chopin Hotel.

Construction of a multi-use building with parking spaces for around 450 vehicles and around 6,000 square metres of office and archive space is nearing its end at Airportcity St. Petersburg and should be concluded in the middle of 2017. The entire building is completely let out. In Budapest, Warimpex owns a property on which a hotel with adjacent apartments is to be built. The planning is under way, and the building permit was issued in January 2017.

CONSTRUCTION START FOR BISTRITA RETAIL PARK

Romanian real estate investment and development company Element Development has started the construction of Bistrita Retail Park at Calea Moldovei no. 13 in Bistrita, a city with about 70,000 inhabitants in northern Transylvania. The new project represents an investment of EUR 7.5 million. Bistrita Retail Park will comprise 9,000 square metres of retail space and is scheduled to open its doors to the public in September 2017.

In addition to the aforementioned retail scheme, Element Development also aims to start the construction of a new retail park in the Romanian town of Targoviste by the end of this year. Located in the city centre, the new retail park will consist of 11,000 square metres. Its construction represents an investment of around EUR 9 million.

HILI PROPERTIES ACQUIRES BUSINESS CENTRE IN ROMANIA

Hili Properties, the real estate division of Hili Ventures, has finalised the acquisition of Art Business Centre in Romania's cpaital Bucharest, following an investment in excess of EUR 30 million. Located in the Nordului neighbourhood in northern Bucharest, the nine-storey property boasts 18,600 square metres of gross leasable area. The three underground floors accommodate 407 parking spaces. Hili Properties holds a portfolio of commercial property for lease in Latvia, Lithuania, Estonia, Malta and now Romania. Its diverse portfolio includes business blocks, office space, and property housing McDonald's restaurants.

LETTINGS

CTPARK PRAGUE NORTH, PRAGUE — CZECH REPUBLIC

CTP Invest has signed a lease agreement with Makro Cash & Carry CR, the brand Metro Cash & Carry is operating in Czech Republic, for approximately 53,000 square metres of warehouse and office space at CTPark Prague North. Total investment by CTP for the new custom-built distribution centre is planned to reach approximately EUR 35 million. The 22.4 hectares CTPark Prague North provides over 80,000 square metres of built-up property, within 30 minutes of Prague's Vaclav Havel international Airport.

EQUATOR IV, WARSAW — POLAND

Karimpol Group has signed a lease agreement with the Zdrofit fitness club chain for 1,662 square metres at the Equator IV office building. The tenant will occupy the entire first and ground floor at the Austrian developer's emerging building. Construction of Equator IV is due to be completed within the next 14 months and marks the culmination of the Equator Office Park located on Aleje Jerozolimskie in Warsaw's Ochota district. The facility will have 34,935 square metres of total space as well as an underground car park for 226 cars.

GENERATION PARK, WARSAW — POLAND

Skanska has leased 13,600 square metres of office space in phase I of Generation Park in Warsaw to Citibank Europe PLC (Citi Service Center Poland). Generation Park will comprise three office buildings with total leasable area of around 84,000 square metres. The highest building, a 34-storey tower, will reach 140 meters, or 180 meters including the spire. Construction of phase I started in November 2015 and is scheduled for completion in the fourth quarter of 2017.

OKOPOWA 56, WARSAW — POLAND

The Social and Economic Investment Company (TISE) and Unimax Development have extended their lease agreements and taken up additional office spaces in the property at 56 Okopowa Street in Warsaw. Until now TISE's office was located on 360 square metres. After the lease agreement extension, the fund leased an additional 150 square metres in the property. Unimax Development's office in the property now has almost 150 square metres. The Okopowa 56 building, located in the Wola district offers 2.000 square metres of office space.

THE PARK WARSAW, WARSAW — POLAND

Perfetti Van Melle Poland, a producer of candy, lollipops and chewing gums, renews its lease of 700 square metres in The Park Warsaw. The Park Warsaw is an office complex owned by AIG and White Star Real Estate. It is located in the Krakowiakow street – a place connected with the nearby Aleje Jerozolimskie and the main arteries leading to Mokotow and Sluzewiec – Aleje Krakowskie, Zwirki i Wigury street and Lopuszanska street. In the negotiations the tenant was represented by Knight Frank.

OLIVIA BUSINESS CENTRE, GDANSK — POLAND

Energa Group, one of the four largest power groups in Poland, has extended its 14,800 square metre office lease in Gdansk's Olivia Business Centre. Olivia Business Centre is an office complex located on Aleja Grunwaldzka 472. The seventh building of the scheme, Olivia Seven is currently under construction alongside Olivia Star building towering over the Gdansk metropolitan area. Olivia Star and Olivia Seven will add nearly 150,000 square metres to the Olivia Business Centre. The business park has been regularly expanded since 2010.

GALERIA LIBERO, KATOWICE — POLAND

An outlet of CCC – the largest footwear chain in Central Europe – is to open in Galeria Libero in Katowice with an area of 1,100 square metres. The shopping centre will comprise 45,000 square metres of gross leasing area for more than 150 shops, numerous restaurants, cafés, a cinema multiplex and a fitness club. Galeria Libero is located on Tadeusza Kosciuszki Street in Katowice and is being developed by Echo Investment. The opening of the shopping centre is planned for the spring of 2018.

INSIGHTS AND PROSPECTS

At Real Connect it was generally agreed that Poland's real estate markets are offering potential and good opportunities.

In April 2017 CEE Property & Investment Fair Real Connect took place in Warsaw for the first time. It was a premiere and as to expect it has still been a small event. Nevertheless it offered many insights mainly in the Polish markets and prospects for opportunities.

Real Connect in Warsaw has been a mix of conference and exhibition and in a certain sense both, conference and exhibition, complemented each other. While the conference programme was about topics reaching across the market, the exhibitors were mainly cities often acting in the shadow of bigger and more prominent locations.

Wrocław and Poznan are among the six regional cities that besides Warsaw have developed into internationally established commercial property markets. Therefore they are attracting interest in many respects. That is much more difficult for Legnica, located in the middle between Wrocław and the border to Germany: Once the Soviet forces in Poland were headquartered in the city. Today Legnica is promoting – among other projects – investments for the conversion of the former airport of the Soviet air force, a site of some 100 hectares.

Also present at Real Connect were the Lublin Voivodeship in south-east of Poland, bordering Belarus and the Ukraine, as well as Koszalin in Western Pomerania, located near the Baltic Sea between Gdansk and Szczecin. Both, Lublin and Koszalin, are geographically peripheral parts of Poland with little impact from the boom that is to witness for example in Warsaw.

While Łodz is meanwhile internationally established, a town like Piotrków-Trybunalski, only 50 kilometres far away from Łodz, is still unknown for many people outside Poland. At Real Connect Piotrków-Trybunalski attracted interest with a stand showing water-colour paintings of its historical buildings. The first record of Piotrków is in a document issued in 1217, so the town with today some 75,000 inhabitants is celebrating its 800th anniversary this year. Furthermore, from the 16th century to the end of 18th century Piotrków-Trybunalski has been seat of the highest court of Poland, the Crown Tribunal – therefore the name affix Trybunalski.

Kraków is not only a well-known investment location, but as well a prominent tourist destination. But who is visiting Tarnów, 80 kilometres to the east, or Skarzysko-Kamienna, located nearly exactly in the middle between Warsaw and Kraków? A similar situation Chorzów is experiencing, less then ten kilometres away from Katowice and part of the Silesian Metropolitan Area. It is the location of the former

The humanoid robot Genek tried to attract people for the city of Legnica.

'Königshütte' (Royal Iron Works), of coal mining and steel manufacturing. By the structural change of economy after 1989 mining and heavy industries have been closed or at least scaled down. Therefore Chorzów has large conversion sites that are also offering the opportunity to integrate the once closed areas in the city again.

All these cities and towns have in common that they must really fight for investments. Some of them are really inventive: Tarnów organised own events and offered blackthorn tea, Piotrków-Trybunalski attracted by its special stand design, and Legnica had a humanoid robot Eugenius, fondly named Genek, greeting people at the entrance to the hall. While investments in Poland are currently record highs, second- and third-tier cities and towns are getting only very small amounts at the best. Better to go to Warsaw, seems to be the motto of investors.

Mainly two panel discussions of the conference programme – 'European economy and its meaning for the real estate market' and 'Investment attractiveness of CEE' – offered insights in the current situation of Poland and its real estate markets and mentioned also tricky political topics. About the investment attractiveness of real estate markets in CEE the figures are giving clear evidence. After a record-high transaction volume in 2016 – it reached about EUR 12.2 billion – the investment rally is continuing. In the first quarter of 2017 investments in commercial property in CEE was 40 per cent above the results of the same period in 2016, as John Palmer, Director Industrial Investments & Valuations CEE of BNP Paribas Real Estate, stated in his market overview. However, in this first quarter Czech Republic outrun Poland for the first time attracting the lions share of 60 per cent of the total CEE transaction volume. Therefore the statement of Anna Kicinska, Partner of the EY Real Estate Advisory Group in CEE/SEE, is comprehensible that the Czech Republic is the strongest competitor of Poland.

Although the focus was on 'European economy', the discussion soon changed to the new political situation in Poland that is causing many investors to wait and see how law and regulation are affecting them. The keyword was 'repolonisation of the economy', the boosting of state control of economy. Other negative signals were the introduction of a new banking tax and new taxes on international supermarket chains. Also the political pressure on the media and the conflict with the Constitutional Tribunal are all but raising confidence. One of the panellist said it directly: "Justice and stability we don't have." The first outcomes are already showing: the depreciation of Polish Zloty and a slowed-down economic growth with 2.8 per cent last year being clearly below the forecasts.

These quite critical statements Grzegorz Mickiewicz, Consultant in the Ministry of Development, replied with the conviction that investors will adapt themselves to the changed conditions. He emphasised the endeavour of the government to ease the administrative processes. Already at this point he was confronted with the fact that already now a building permit should be issued latest 65 days after all necessary documents are submitted. However, which documents are 'necessary' seems to be broad field, so there are often additional requirements and the process can be extended to a quite long time.

In the course of the discussion it became obvious what the thorn in the government's side is: 90 per cent of the real estate investors in Poland are foreigners and only 10 per cent of Polish origin. In Hungary and in the Czech Republic the share of local investors is much higher. "Foreigners are opening an office or a business in Poland and the profits are going abroad", Grzegorz Mickiewicz complained. That should be changed. One of the instruments is the introduction of REITs in 2018. The target are the bank savings of Polish people amounting to PLN 200 billion (approximately EUR 47.5 billion). As well by REITs the 1.5 million Ukrainian people, living and working in the country should get the opportunity to invest in Poland.

Ukrainian people in Poland are mainly substituting the work forces the country has lost by migration. A problem coming apparent with their presence is the lack of rental housing. Poland's rate of housing ownership is 77 per cent. Who is developing apartments is selling them to end-users. As Marek Kruchlik, Investment Director of BGK Nieruchomosci, stated, to date there has been only a small international interest in the Polish housing market because one the one hand investors want to acquire entire buildings and not only a certain number of apartments, on the other hand it was difficult to find tenants. "That is changing", he continued, "and REITs can be an instrument to boost the development of rental housing".

An explanation of the fact that only a small amount of Polish investors is active in their home market delivered Adrian Apanel, at the Polish fund management company MM Prime TFI responsible for the division Investment and Risk Management: "Polish investors do not have the necessary capital for the 'big deals', so they prefer to invest in shares of development companies."

With the question about the attractiveness of real estate investment markets in CEE again the focus was mainly on Poland. It was John Palmer who at least offered an overview of the property markets in the four countries Czech Republic, Hungary, Poland and Romania. What is general to observe: It is increasingly Asian investors entering the CEE markets. The share of investments from the G10 countries decreased from 44 per cent in 2011 to 22 per cent in 2016 while last year Asian investors contributed 14 per cent to all commercial property investments in the region. Yield compression is high in all the named four countries, but while in Prague, Budapest and Bucharest office rents are increasing, Warsaw is experiencing the strange situation that prices are going up, but rents are declining.

But as well retail and industrial property markets are booming. Retail is benefiting from increasing demand, driven by higher consumption due to hikes in the minimum wages mainly in Romania and Hungary. Industrial property is also high in demand all over the region. However, one of the macro-risk in this segment is the shortage of labour force becoming more and more apparent in the CEE countries.

It was easy to contact each other and topics to discuss were a lot.

Beyond these more general statements the panellists agreed that the CEE markets are in different stages of development and that every market has its own challenges. The question if they are still 'ermerging' or already 'mature' markets – the latter is often mentioned referring to Poland – Michael Wurzinger, COO and Member of the Board at UBM Development, answered indicating to the fact that different to the markets within the Euro zone the CEE countries have their own currencies and therefore their special risks. This is still "a small barrier" for investors.

The panellists were generally optimistic about Poland. Although Bogdan Zasada, since January 2017 Managing Director, Branch Office Poland, of Strabag Real Estate and prior to this nine years Head of Development at Kulczyk Silverstein Properties, mentioned the fact that "the political situation is to discuss", he confirmed that Warsaw office market where Strabag is currently realising their first development, as well as the regional office locations are offering good opportunities. In Warsaw, however, he also observes a large yield spread and great differences between headline and real rents having an impact on effective yields.

Also Michael Wurzinger is convinced of Warsaw's potential. But he stated that especially office rents are overheated and not sustainable. Kirsten Felden, Senior Investment Manager CEE of Union Investment Real Estate, put the focus on the regional markets. "In the regional cities rents are less volatile than in Warsaw", she pointed out. "Another advantage is that there are clearly defined central business districts, while in Warsaw there are many different office locations", she continued. Also with retail investments she prefers the smaller cities. In recent years Union Investment Real Estate has acquired retail properties in cities like Konin (76,000 inhabitants) and Rybnik (140,000 inhabitants). In these cities rents are stable and showing growth potential. Furthermore competition is less fierce than in Warsaw.

The first Real Connect was (still) small, but who was in search of insights into the Polish real estate market has been in the right place. Because market reports are one thing, another thing is the own experience. And Polish real estate market means much more than only Warsaw and a handful of regional cities. | **Marianne Schulze**

SERBIA:
BACKLOG DEMAND IN EVERY RESPECT

Serbia's capital city Belgrade has around 1.6 million inhabitants. Here nearly one third of the Serbian GDP is generated.

After the fall or the Iron Curtain the western Balkans experienced an eventful time. Croatia and Slovenia are meanwhile members of the EU, but all the other succession states of the former Yugoslavia are at the best 'on their way'. That is also true for Serbia.

In the European history Serbia often played an important role – if not decisive, so at least triggering. That is true for the resistance to the Ottoman regime, for the assassination of Archduke Franz Ferdinand of Austria that led directly to the First World War, and for the Balkan Wars in the last decade of the 20th century. Furthermore, Serbia is geographically as well as by number of inhabitants the biggest country in the western Balkans. So in many respects the question if the western Balkans are growing closer together with Europe will be decided in Serbia.

But still the way to the EU accession of Serbia is a long one. In 2014 the negotiations started and Serbia aims to become a EU member by 2020. But the negotiations are tough and many politically difficult chapters are not even opened. Furthermore the country's economy is still weak. Although during the last two years Serbia experienced positive economic growth again, GDP in absolute figures was just that of 2008. GDP growth in 2016 was at 2.7 per cent, for 2017 about 3 per cent are forecast.

But Serbia is fighting with some more difficulties: an aging population – the average age of the population is at 40 years – and a respective low birth rate. Salaries and wages are significantly lower than in the EU member states in CEE/SEE – the average is at EUR 5,000 per year. The Serbian industry is partly obsolete and cannot compete on the global market – here international investment and even more know-how is urgently needed. On the other hand, the list of international investors in Serbia can be read as the

Belgrade Waterfront is one of the biggest urban developments in CEE/SEE.

Who is who of blue-chip corporations. But mining and manufacturing are contributing only 20 per cent to the GDP, further 20 per cent are coming from agriculture and food processing. The main part – 50 per cent of the GDP – is generated by the service sector.

With the growing economy also investments increased again. Drivers are mainly big developments in traffic and energy infrastructure and in urban developments. That causes a boom in the construction industry. And Serbia is in need of all kinds of new buildings, because the country is still undersupplied with modern property.

For the big urban development Belgrade Waterfront, the conversion of the old harbour in the Serbian capital city, construction work has already started. Serbia's government is realising the project together with Eagle Hills from Abu Dhabi. The estimated investment is approximately EUR 3 billion, the money is mainly coming from the United Arab Emirates. Belgrade Waterfront will comprise a Promenade along the Sava River, about 6,000 residential units, office space, cultural facilities, with 93,000 square metres of gross leasing area the biggest shopping centre in the region and with 40 storeys the tallest residential and office tower not only in Serbia but all SEE.

While Belgrade Waterfront is developing on the right side of Sava River, New Belgrade (Novi Beograd) on the left side has meanwhile established as the Central Business District of the Serbian capital. More of 80 per cent of office leasing transactions are taking place in this part of the city, and here the highest development activity is to observe. In 2016, a total of about 50,000 square metres of new office space were delivered to the market – according to CBRE it was the most active year as of 2010. A further 50,000 square metres of office space have been under development at the end of 2016. With a total stock of approximately 812,000 square metres of modern office space Belgrade is still far behind the other capital cities in CEE/SEE. In 2016 gross take-up exceeded 77,000 square metres. As CBRE specifies, the net absorption – new leases, expansion and pre-lettings – was at 80 per cent (61,500 square metres) of total demand. That means that net absorption is clearly higher than the new supply. But given the high development activity both, CBRE and JLL, expect that the vacancy rates will rise. Currently vacancies are on a rather moderate level – the rate is between six and seven per cent – and thus far away from the record vacancies of more than 20 per cent in the years 2010 and 2011.

Interesting is who is active in the development sector in Serbia. Besides Serbian developers like MPC Properties and Imel Group there is to mention AFI Europe, developing office and residential property as well as mixed-use buildings and together with Tidhar Business Park Airport City Belgrade which is located not directly near the airport, but in New Belgrade (Novi Beograd). GTC, a company originally active in Poland, but meanwhile expanding in whole CEE/SEE, is developing Ada Mall in Belgrade, has recently completed the third and last phase of the office complex Fortyone and is planning to start with the office development Green Heart already this year. Among the international developers active in Serbia is also a subsidiary of Erste Group Immorent – Immorent Singidunum. The company is realising in two phases the office complex Sirius with nearly 25,000 square metres of leasable area in Novi Beograd.

As with modern office space Belgrade and Serbia in general are still far behind other SEE countries regarding modern retail facilities. While in CEE/SEE there are on average 475 square metres of modern retail space per 1,000 inhabitants available, in Belgrade it is only 160 square metres.

For a long time only very few shopping centres have been developed, the main focus was on retail parks and with those especially on regional cities. An example

If new office or retail space – demand for new buildings in Belgrade is still high.

is the Austrian Immofinanz with Stop.shop concept: The first Stop.shop opened in 2015 in Cacak, last year followed retail parks in Nis and Valjevo, and this year three others will be opened in Pozarevac, Lazarevac and Vrsac.

Meanwhile there are to observe some changes in the retail sector. While in the past also 'classic' shopping centre developer like NEPI focussed on retail parks, now more and more shopping centre developments have started or are at least in planning. Plaza Centres for example opened most recently Belgrade Plaza with 32,200 square metres of leasing area. In March GTC laid the cornerstone for Ada Mall in Belgrade and secured financing for the shopping centre with 34,000 square metres of lettable space by signing an agreement with Italian Intesa Sanpaolo group. Ada Mall is scheduled to open next year. Also the 115,000 square metre shopping centre Promenada Novi Sad NEPI is developing in the capital of Vojvodina is scheduled for completion in 2018.

The market for industrial and logistics real estate is underdeveloped. According to CBRE Serbia's stock of industrial space amounts to 1.6 million square metres – the half of it – 830,000 square metres – is located in and around Belgrade and a further 334,000 square metres in Vojvodina, the second industrial and financial centre of Serbia besides Belgrade. Still the market for industrial space is rudimental because production and logistics companies as well as big retail chains like for example Lidl and Delhaize take built-to-suit facilities or are developing themselves the buildings they need.

What finally remains is a look to the real estate investment market. Investors are still mainly those developing office or retail space in Serbia. For a long time the commercial real estate market did not show any noteworthy transactions. But this seems to be changing. Among the first ones entering the Serbian real estate investment market has been NEPI: At the end of 2014 they purchased the shopping centre Plaza Kragujevac, at this time the only modern mall in Serbia outside of the capital city of Belgrade. Another first mover was Mitiska REIM buying an 85-per cent share in the retail park Capitol Park in Sabac. In 2016 followed Atterbury Europe that acquired one third of MPC's retail portfolio. The portfolio has an estimated value of EUR 259 million and comprises Usce Shopping Center in Belgrade, with 47,000 square metres of leasable space one of the biggest malls in the Serbian capital, four smaller retail properties also located in Belgrade and two others in Subotica. And last year the South African companies Hydropop Investments and Homestead Group have bought Delta City in Belgrade. | **Marianne Schulze**

TO SCORE IN THE COMPETITION

At IME Investment Management Exhibition participants got in contact and talks easily.

After the first IME Investment Management Exhibition in 2015 in Zurich, this spring the second IME took place in Hotel Villa Kennedy in Frankfurt. International participants got to know about Germany and some of its locations. Vice versa they presented their home countries, cities and regions as well as projects.

Again an exhibition with still another conference programme, an organizer originally from Kosovo, a broad range of topics including locations like Saarland, Kazakhstan, Hong Kong and the Chinese province Hebei, the concept of the Free Economic Zone Balti in Moldova and the development of a nursing hotel on Tenerife – and that all in Frankfurt on the Main, in a city where a lot of fairs and conferences take place. Could that really work? Yes, it did, even though some more visitors of the event should have been preferable. On the other hand, events small by number of participants have the advantage that they are often more intensive and the visitor does not (have the feeling to) miss anything. Furthermore it is much easier to get in contact with each other.

For Michael Ries of Hongkong Trade Development Council is was plain sailing: Nearly everybody knows Hong Kong. Economic fundamentals and facts about the city were perfectly presented, but it was something else that stuck in mind: the phrases "Greater China" and "China Mainland" remembering that since 1997 the former British colony Hong Kong is part of China, but still 'something special', an autonomous territory, officially named 'Hong Kong Special Administrative Region of the People's Republic of China'. And that means much more than an own taxation system and a tax of 16.5 per cent.

A much more difficult standing have locations not internationally well known as Hong Kong. It was a strange mixture, but all, Kazakhstan, the German state Saarland and the Chinese province Hebei, belong to this group of less known locations. It was fascinating to see – and to compare – the presentations following one after the next. In a certain sense these presentations are similar to a beauty contest. Since long it is not sufficient to emphasise motorway exits, air and train connections and to show the logos of already established companies in the region. Also pointing to the position in or near one of the European 'bananas' can sometime evoke the association of banana republic. And beware! One can slip not only on a banana peel, but also marketing can have its pitfalls. More successful is creativity in the presentation. For example, for Saarland the abbreviation GEWISS (meaning 'sure' or 'certain') for the Gewerbeflächen Informationssystem Saarland (information system for commercial sites in the Saarland) is easy to remember. Also the presentation of the province Hebei in Chinese has a long lasting place in the memory. Though after some sentences the English translation followed, the audience got at least an impression of the language spoken there.

Since centuries China and Europe are linked by the Silk Road. The revival of the old trade route is named 'New Silk Road'. However, it should be better to talk about 'Silk Rail' because transport by railway will play an important role in the concept. Whatever it will be, road or railway, one way of the New Silk Road net from China to Europe will go via Kazakhstan. We presented this country already in January/February 2017 in SPH Newsletter No.48. That Kazakhstan is much more than only a transit country was also proved by the presentation in Frankfurt. Currently the country is strongly promoting the World Exposition 2017, taking place from June to September 2017 in the capital city Astana. This event will draw international attention to the country but only for a certain time. The planned follow-up use of the Expo 2017 site and of parts of the pavilions as the new financial district sounds much more sustainable. And still another criterion was – although with a smile – mentioned during the IME conference: Kazakhstan is only 5,000 kilometres away from Frankfurt, to Hong Kong it is at least 9,000 kilometres.

Another positive effect of the event: participants had many talks about their respective experiences. There were for example talks about the fact, that times have gone when subsidies played the most decisive role for investment decisions and people were in the second row. Today – that was the impression – it is the other way round.

Hong Kong is known by everybody, but the Saarland is more for 'specialists'.

More important are skilled, well-educated and trained people and their mental attitude. In informal talks at the conference also the topic of privatisation was mentioned. Soon very great differences between the single locations emerged. To take the example of Kazakhstan and Kosovo: While in 'rich' countries the health care system is normally subsidised and thereby its functioning ensured, in 'poorer' countries a functioning health care system is not granted.

Although it may not really please the organisers, Bekim Xhafa and his team from Xhafa Exhibition, there is to say that the small number of participants was one of the advantages of the IME exhibition and conference. Because it was easy to get in contact with each other. Especially smaller and internationally relatively unknown locations could be sure to attract interest.

Nevertheless, the organiser plans in the forefront of the next IME conference to allot investment opportunities to different clusters. Furthermore he is expecting more participants. The latter is really preferable for the event. But with more people there is to hope that easy networking and the close exchange about presentations will remain. I **Andreas Schiller**

FOR YOUR PLANNING

When	What about	Where	For information and registration
1.–3. June 2017	SPIEF '17 St. Petersburg International Economic Forum	ExpoForum, St. Petersburg, Russia	www.forumspb.com
19.–21. June 2017	REBEC X SEE Real Estate Belgrade Exhibition & Conference	Hotel Metropol Palace, Bulevar Kralja, Aleksandra 69, Belgrade, Serbia	www.rebec.rs/
28. June – 1. July 2017	ERES 24th Annual Conference	Delft University of, Technology, Delft, The Netherlands	www.eres.org
6 – 7. July 2017	Moscow Urban Forum: The Era of Agglomeration. A New Map of the World	VDNH Pavilion No. 75, Prospekt Mira, 119 Moscow, Russia	www.mosurbanforum.com
12.–14. September 2017	RealCorp 2017 22nd International Conference on Urban Planning and Regional Developement in the Information Society	TU Vienna, Karlsplatz 13 Vienna, Austria,	www.corp.at
24.–26. September 2017	13th Conference of European Regions and Cities: "Next Generation"	Salzburg Congress, Auerspergstraße 6, Salzburg, Austria	www.institut-ire.eu
4.–6. October 2017	Expo Real 20th International Trade Fair for Property and Investment	Messe München, Munich, Germany	www.exporeal.net

TO BECOME A MANAGER, NOT A SLAVE OF DATA

Prof. Dr. Tobias Just,
Professor of Real Estate Economy at the University of Regensburg and Managing Director and Scientific Head of IREBS Department of Real Estate at the University of Regensburg, Germany

We all depend on data. IBM estimates that every day all over the world 2.5 x 10^{18} bytes of new data are generated – that equals roughly 2.5 x 10^{12} books. And the development is accelerating. We all – and that includes the real estate industry – are not only on a data drip, we have to live with a torrential river of information. But information does not mean knowledge and knowledge is not wisdom. However, it would be awkward and quite stupid not to use the gazillions of bytes for decision making in the real estate industry.

To avoid to be drowned by the diluvian of data real estate industry is jumping on the bandwagon called 'digitalisation': data about customers and clients, about processes, contracts, suppliers and finally about buildings are helpful to offer products and services more efficiently and tailor-made for the customer – the only way to remain successful in a highly competitive market.

That means data is sine qua non but not sufficient for future business success. Sometimes there is to get the impression that big data means only to collect data. Of course, the compilation of information is necessary, as long as official statistics do not say anything about the office stock and as we did need an official census to come to know about the number of residential units in Germany – with half a million more or less.

However, a data pile high as a mountain is worth nothing, if we do not have the expertise to analyse it properly. Without this expertise we will stumble still across every molehill of data. And expertise to analyse comprises not only knowledge of methods but even more the capability to interpret the data appropriately.

To give you four examples:
(1) Gross Domestic Product is used to determine the economic performance of a country and is one of the key economic parameters for real estate markets. Imagine that the economy grows, but that incomes grow very differently between two income groups; group 1 benefits strongly and group 2 not at all. If you develop new homes for group 2, it is worthless to track GDP growth. This means, we need to analyse the data much more carefully.
(2) Statements about top and average rents (and about the respective yields) are informative and important for comparing the value of targeted property assets. But all these values are only details of the respective market. The distribution and mainly the changes within the distribution of these parameters are revealing as well – especially outside the top segment.
(3) For many people it is difficult to think in cycles. When a value is increasing three times in succession, then immediately a new trend is proclaimed. Wherever uncertain cycles are dominating the extrapolation of time series does not work. In this case scenario techniques and simulations are necessary.
(4) In comparison to other countries the property assets of German households are deemed to be only a small proportion. However, what is compared are monetary ratings, not the quality of the buildings. About these qualities we know nearly nothing, but we feel uncomfortable when a badly insulated building in London costs the double of a well-insulated building in a German second-tier city like Böblingen. Why do we?

All these examples illustrate that sometimes data have to be (1) complemented, (2) rearranged, (3) re-analysed and (4) to be re-collected. Only then we will be data managers instead of data slaves. That might also include to ignore trendy data collections because they are (or have become) irrelevant for certain research goals.

imprint

Editors: *Andreas Schiller (V.i.S.d.P.), Marianne Schulze*
Layout: *Silvia Hogl, www.diehogl.at*
Frequency of publication: *8-mal jährlich*
Publishing House: *Schiller Publishing House Unternehmergesellschaft (haftungsbeschränkt) Lohplatz 13, D-51465 Bergisch Gladbach*
Managing Director: *Andreas Schiller*
Registered: *Amtsgericht Köln, HR: B 68026*
UID: *DE270670378*
T: *+49 22 02 989 10 80,* **E:** *office@schillerpublishing.de*

Photography: *railwayfx – Fotolia.com (p. 1 left), Brian Jackson – Fotolia.com (p. 1 right), Frank Boston – Fotolia.com (p. 12), Real Connect (p. 14, p. 15, p. 16), Julian Nitzsche – Wikimedia Commons (p. 17), Eagle Hills (p. 18), Immorent Singidunum (p. 19 above left), GTC (p. 19 above right), AFI Europe (p. 19 below left), Dusan Stojancevic (p. 19 below right), Xhafa Exhibition (p. 21), chensiyuan – Wikimedia Commons (p. 22 above), Dirk Weishaar – Wikimedia Commons (p. 22 below), Thomas Plettenberg (p. 24)*