No. 71 | November 2019

SPH newsletter

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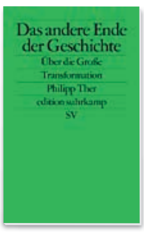

DEAR READERS!

Late autumn is a good time to look back to the past months; furthermore this is the last issue of SPH Newsletter this year. Still relatively new are the impressions of Expo Real some weeks ago. Europe's largest Trade Fair for Property and Investment is not only a platform to present companies, locations and organisations, it is also a good barometer of the industry's sentiment.

What manly stuck in mind: low interest rates are the 'new normal'. That reminds of former years when about the yield level in Germany was stated: "The 3 is the new 5." It causes the impression that the real estate industry is coming – or more exactly: has to come – to terms with every situation. But the good news is: investments in property are still booming. They are so attractive that some invest in 'virtual' property, i.e. in developments by forward deal.

Also to note is that the focus of institutional and private investors is increasingly on second-tier and even third-tier locations. Another trend is that more and more Asian capital is allocated in Europe and here CEE is also attracting Asian investors. Never before investment from the Far East to Europe's East amounted to transactions volumes like in 2019. Importance is also gaining the sensitivity of the property industry for climate protection issues.

For these autumn days I wish you time for contemplativeness – because this is also of value, not to measure immediately by figures. But it might be a counterpoint to the starting year-end business.

Yours,

Andreas Schiller

The office complex River City Prague will be enlarged by two new buildings – Mississippi House and Missouri Park. Both buildings will offer a total of nearly 21,000 square metres of leasable space.

CA IMMO STARTS CONSTRUCTION OF TWO OFFICE BUILDINGS IN PRAGUE

CA Immo has begun the construction of two office properties in the River City Prague complex, which is located in the Prague Karlín district. Mississippi House and Missouri Park will complete the office complex, which currently includes three office buildings (Amazon Court, Nile House and Danube House). Both of the new buildings were designed by Danish architectural studio Schmidt Hammer Lassen. Mississippi House and Missouri Park will offer a total of 20,750 square metres of leasable space. Completion is scheduled for the first half of 2021. CA Immo will be investing a total of around EUR 66 million.

FLE ACQUIRES ART NOUVEAU PROPERTY IN BUDAPEST

FLE GmbH, a company of the LFPI group, has acquired its eighth property in Budapest on behalf of the Luxemburg based fund FLE SICAV FIS. The acquisition relates to an art nouveau building that was constructed at the end of the 19th century and is located in the embassy quarter of Budapest's 6th district, in very close proximity to Heroes' Square. The property is currently home to the French Embassy and offers approximately 1,500 square metres of leasable space.

OPENING OF ENLARGED ALFA SHOPPING CENTRE IN RIGA

Multi Corporation and Linstow Center Management announce that after two years of construction the new enlarged Alfa shopping centre in Riga opened its doors to the public This extension once again makes Alfa Latvia's largest shopping centre, adding 20,000 square metres of retail space and increasing the overall leasable space to 71,000 square metres. Works on the Alfa extension started in September 2017 and involved the construction of a multi-storey car park, increasing the total number of parking spaces to 1,750, and a three-storey retail building. The extension also included the addition of bike parking facilities and a major landscaping upgrade. The area around the centre has been spruced up, adding 177 new trees, while the outdoor car park along Brivibas Street has been replaced with a park.

FIRST PHASE OF ELI PARK 1 HAS BEEN DELIVERED

The first phase of Eli Park 1 in Chitila, north of Bucharest, has been delivered. The 20,000-square metre warehouse is leased to Turkish appliances producer Arctic. The second phase, which will offer 30,000 square metres of space, is scheduled for completion in the spring. Eli Park 1 is being developed as a joint venture between Element Industrial and Dedeman Group. The project is being financed by Unicredit Bank.


Warsaw Spire
Office Building
Warsaw, Poland
Helaba

Liberty Technology Park in Cluj-Napoca is the conversion of the former Libertatea furniture factory into a modern business park.

WHITE STAR REAL ESTATE BUYS OFFICE COMPLEX IN CLUJ-NAPOCA

White Star Real Estate and its partner, an investment fund of a major US university have completed the acquisition of Liberty Technology Park Cluj from Fribourg Development, the real estate division of Fribourg Capital. Liberty Technology Park, located north of the city, comprises 18,000 square metres of former industrial buildings.

White Star Real Estate and the investment fund have developed a joint venture for the acquisition of Liberty Technology Park and the further development of this project. White Star Real Estate will manage both the existing property and the development of the following phases.

VASTINT SELLS FOUR BUILDINGS IN POZNAN

Vastint Poland has entered into a definitive agreement for the sale of the first stage of Business Garden Poznan. The Singapore-based Cromwell European REIT became the new owner of the property. The four office buildings located at Kolorowa Street, the first phase of the Business Garden Poznan project, were commissioned in 2015. They offer 42,000 square metres of office space. Business Garden Poznan is a complex consisting of nine office buildings with a total leasable area of 88,000 square metres and a detached multi-level garage.

BIG CEE ACQUIRES CAPITOL PARK RAKOVICA

BIG CEE has acquired Capitol Park Rakovica in Belgrade from the UK investor Poseidon Group. The price of the deal was not disclosed. The retail park was completed in 2017 and expanded last year. It now offers 65,000 square metres of retail space and more than 700 parking spots.

Over the past two years, BIG CEE has acquired four properties in Serbia. Its portfolio currently totals 130,000 square metres, with properties in Belgrade, Novi Sad, Indjija and Pancevo.

FUTUREAL STARTS LAST OFFICE PROJECT ON CORVIN PROMENADE

Futureal Group has started the development of the final office complex on Corvin Promenade in Budapest: Corvin7, developed in two phases, will offer nearly 30,000 square metres of gross leasing area. The first phase of the nine-storey complex will provide 15,800 square metres of gross leasing area, while the second has 13,800 square metres of gross leasing area.


ECE
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That's the exact distance from California's Venice Beach to Hamburg's Europa Passage. But you don't have to travel to discover authentic Californian cuisine. KINNELOA, one of our exciting and innovative food concepts, offers light street food and the Californian way of life at the Inner Alster Lake, bringing foodies together all round one table. www.ece.com/welovefood
WE ♥ FOOD

The Astoria office building in Warsaw's inner city offers 19,000 square metres of leasable space. The building has been developed by Strabag Real Estate.

PBB FINANCES ACQUISITION OF ASTORIA BUILDING IN WARSAW

pbb Deutsche Pfandbriefbank provided an investment loan and a VAT facility of EUR 90 million in total to two real estate funds managed by Credit Suisse Asset Management. The funds will utilise the proceeds for the acquisition of the office building Astoria in Warsaw from the developer Strabag Real Estate. pbb acted as arranger and sole lender under the facilities.

Astoria is an office building located in Warsaw's central business district close to Marszalkowska Street and Jerozolimskie Avenue. The 10-storey building offers a gross leasable area of over 19,000 square metres.

MLP GROUP EXPANDS ITS PORTFOLIO IN WROCŁAW

MLP Group is set to build a second logistics park in the Wrocław area. The MLP Wrocław West project will deliver a total of 70,000 square metres of space, the first handovers slated for October 2020.

MLP Wrocław West is the company's second project in or near Wrocław and will be sited in the south-western part of the city, in Mokronoska Street, just 9 kilometres from the city centre and in close proximity to the E40 European route and the A8 motorway, serving as a ring road around Wrocław.

FINANCING FOR AGORA IN BUDAPEST SECURED

HB Reavis has received a new syndicated loan from Erste Group and Raiffeisen Bank International Group (RBI Group) for the construction and development of Agora Budapest. The facility amounts to EUR 140 million. The financing club is led by Erste Group as book-runner and facility agent. Erste Group and RBI Group will finance the Agora Budapest project with equal parts. Located in the Váci office corridor Agora will ultimately offer about 130,000 square metres of gross leasable area.

OXENWOOD ACQUIRES POLISH LOGISTICS ASSET

Oxenwood Real Estate has acquired a newly developed logistics facility near Warsaw from a joint venture between Panattoni Europe and Bluehouse Capital for EUR 13.5 million. The 8,500-square metre facility at Radzymin, 30 kilometres from Warsaw city centre, was completed in November 2018 as a build-to-suit courier delivery distribution centre for DHL Parcel Polska.

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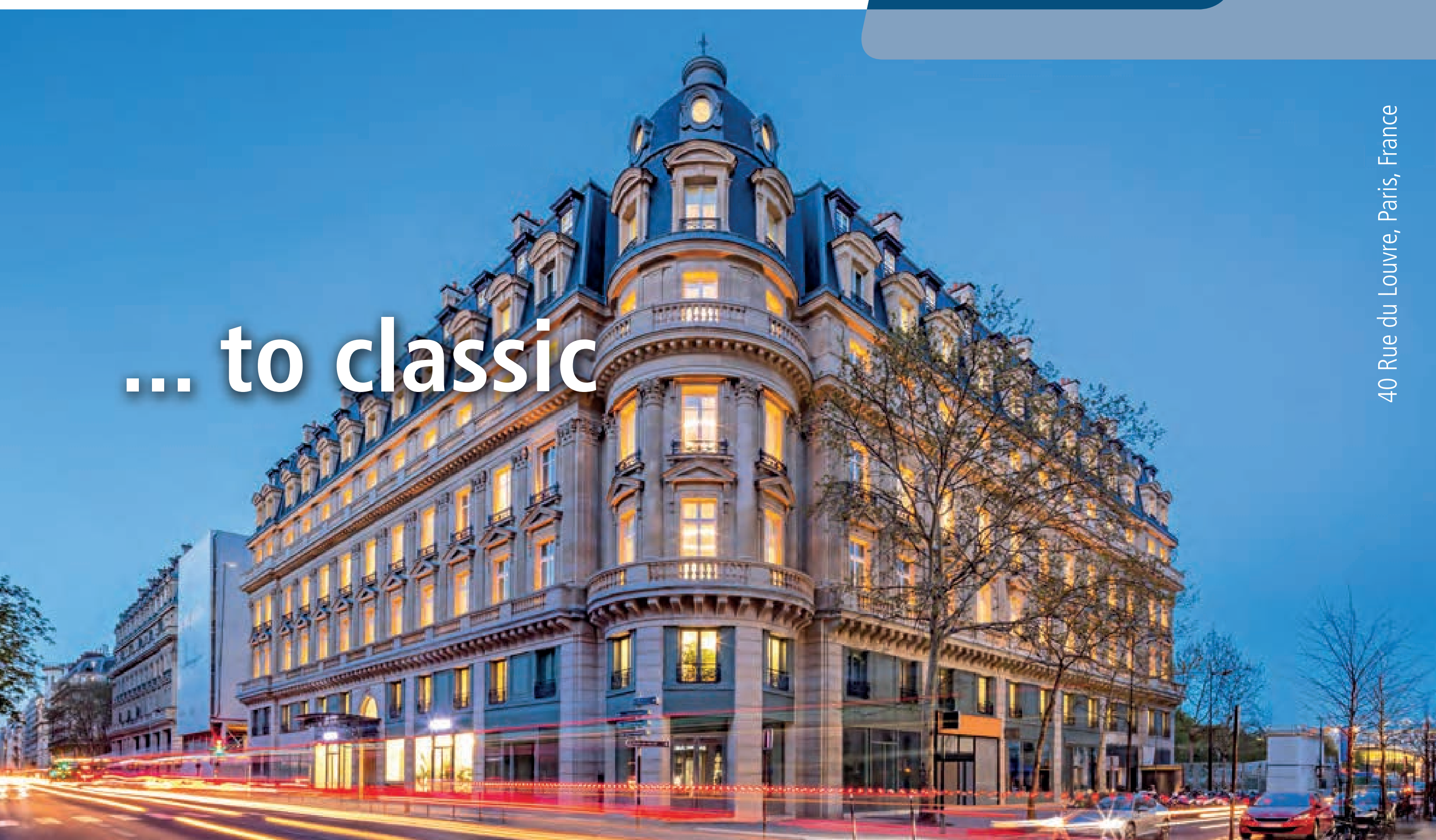


One Cotroceni Park is a mixed-use project in Bucharest's inner city: it comprises office and apartment components with retail space on the ground floor of the buildings.

ONE UNITED DEVELOPING MIXED-USE PROJECT IN BUCHAREST

The One Cotroceni Park project, to be developed by One United Properties in Bucharest on a 5.8 hectares land plot, purchased from Immofinanz, will consist of nine blocks with around 800 apartments and offices with a rentable area of approximately 80,000 square meters, the spaces on the ground floor of the buildings being mainly allocated to the retail area.

Located on Progresului Street, opposite to the future Academia Militara metro station, One Cotroceni Park will revitalize a former industrial area in the middle of the capital. The first phase of the project, which will consist of the development of the office component and the related retail spaces, will start in the upcoming weeks, while the construction of the residential component of the project is planned for the autumn of 2020.

CMN ACQUIRES BLOX IN PRAGUE

Ceskomoravská Nemovitostní (CMN) has acquired the Blox office building in Prague 6 – Dejvice for more than CZK 2 billion (approximately EUR 78 million) The building's primary tenant is Amazon. It's the third major transaction by CMN this year, having acquired the Crystal office building in June and a building on the upper portion of Wenceslas Square from the real estate magnate Václav Skala.

Blox was completed in 2015 having been designed by the DAM architekti studio and developed by BPD Development. It offers 16,200 square metres of office and commercial spaces.

TREI OPENS ITS 13TH RETAIL PARK IN POLAND

Trei Real Estate GmbH keeps expanding its portfolio of Polish retail parks. The company, which is part of the Tengelmann group of companies, opened its 13th retail park of the Vendo Park brand in Poland, this one in the town of Ostrołeka. The total investment costs equal around EUR 3.8 million. The retail park offers 3,100 square metres and was raised in direct proximity to a Lidl supermarket.

NEPI ROCKCASTLE TO START RETAIL PROJECT IN CRAIOVA

NEPI Rockcastle has announced the acquisition of a 200,000 square metres land in Craiova and plans to construct one of the biggest retail projects in the region of Oltenia. The value of the investment is estimated at approximately EUR 110 million and the construction will start after obtaining all the necessary approvals. Promenada Craiova mall will have 70,000 square metres of leasable space with a capacity of more than 150 stores. The developer plans to complete the project by Q4 2021.

New owner of the office complex River Garden 1 in Prague`s Karlín district will be an individual fund of a German investor. On behalf of this fund Warburg-HIH Invest Real Estate is to acquire the asset.

WARBURG-HIH INVEST BUYS OFFICE PROPERTY IN PRAGUE

Warburg-HIH Invest Real Estate is about to acquire the River Garden 1 in Prague's Karlín district via a share deal. The office building with its gross lettable area of 19,000 square metres and another 1,300 square metres of patio space is earmarked for the individual fund of a German investor. In addition to flexible office accommodation on six floors, the property from 2012 offers around 2,200 square metres of retail area.

FUTUREAL SELLS CORVIN TECHNOLOGY PARK

Futureal Group has sold the fifth office complex developed on Corvin Promenade in Budapest to OTP Prime Real Estate Investment Fund. The 27,300-square metre Corvin Technology Park is located on the east side of Corvin Promenade. The first phase of the building provides 14,300 square metres of gross leasing area, while its second phase will comprise 13,000 square metres. The second phase of the complex is expected to be handed over in November this year. The purchase price was not disclosed.

HINES ACQUIRES TWO LOGISTICS PARKS IN POLAND

Hines has acquired a logistics park with an area of over 30,000 square metres near Gdansk. The vendor is Segro European Logistics Partnership. The scheme consists of two warehouse buildings constructed in 2013 and 2015. The asset is located in Pruszcz Gdanski, only 11 kilometres away from the Gdansk city centre. The purchase price was not disclosed.

Only some weeks later Hines Global Income Trust has acquired a logistics property in Łódz from the CC50 fund and PG Dutch Holding I, a company associated with Panattoni. Constructed in 2019, the property contains over 36,000 square metres. Located in the eastern part of Łódz the facility offers access to urban infrastructure, the A1 motorway, as well as the junction connecting the A1 and A2 routes. The purchase of the warehouse was financed by ING Bank Slaski. The purchase price was not disclosed.

MORGAN STANLEY BUYS AMERICA HOUSE IN BUCHAREST

French-based investment fund AEW has sold the America House office building in Bucharest to the real estate investment division of Morgan Stanley in association with a group of Israeli investors, represented by David Hay, former CEO of AFI Europe Romania. America House is a 27,500-square metre office building in Bucharest's Victoriei Square. The purchase price was not disclosed.

Ceetrus is planning to develop a 77,000-square metre retail and entertainment centre in the village of Góraszka near Warsaw.

CEETRUS POLSKA PRESENTS ITS PLANS FOR GÓRASZKA PROJECT

The Góraszka project is a retail-entertainment scheme with a gross leasing area of 77,000 square metres. It will be developed in the town of Góraszka south-east of Warsaw and is expected to be completed by 2022. It is planned to allocate 56,000 square metres of gross leasing area for commercial activities. The area dedicated to entertainment and relaxation will take up 21,000 square metres of gross leasing area. Ceetrus' strategic partners, Leroy Merlin and the Majaland theme park, have already confirmed their involvement in the investment.

DEKA IMMOBILIEN ACQUIRES OFFICE COMPLEX IN LITHUANIA

Deka Immobilien has exchanged contracts to secure the purchase of the Quadrum office complex in the central business district of the Lithuanian capital of Vilnius for around EUR 156 million. The seller is UAB Schage Real Estate AS. The building complex will be added to the portfolio of the open-ended real estate fund Deka-ImmobilienGlobal.

The Quadrum consists of the East and North portfolio buildings, which were built in 2016, and the South building, which is still under construction and scheduled for completion in November 2019. The building complex offers a total of around 44,000 square metres of leasable space.

THREE BANKS PROVIDE REFINANCING FACILITY FOR WARSAW SPIRE TOWER

Helaba, Berlin Hyp and pbb Deutsche Pfandbriefbank have jointly underwritten an investment facility totalling EUR 230 million to refinance Warsaw Spire Tower. The asset is owned by Immofinanz. The financing transaction closed in September 2019. Helaba, Berlin Hyp and pbb are acting as joint lead arrangers providing equal portions of the funding, with Helaba acting as facility and security agent of the transaction.

UNIQA BUYS KRAKÓW OFFICE BUILDING

IMS Budownictwo has completed the sale of Building A of the Zabłocie Business Park in Kraków. A company from the Austrian insurance group Uniqa became the office property's new owner. The transaction amounts to nearly EUR 30 million.

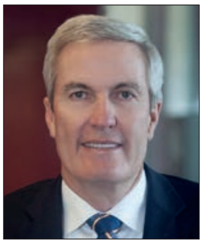
Zabłocie Business Park will consist of several office buildings. The first building, a 7-storey office property with more than 11,300 square metres of leasable space, was handed over for use in 2017. The construction of building B will be completed by mid-2020. The complex is located in the district of Zablocie, near the Kotlarski Bridge.

The Roosevelt office building on Szechenyi Square in Budapest's city centre was built in 1980, completely reconstructed in 2006 and refurbished three years ago.

OTP BUYS ROOSEVELT OFFICE BUILDING IN BUDAPEST

The OTP real estate fund has acquired the Roosevelt office building in Budapest from GLL Real Estate Partners. The property is located on Szechenyi Square, formerly known as Roosevelt Square. It was built in 1980, completely reconstructed in 2006 and refurbished by the former owner three years ago. The building offers 24,200 square metres of office space as well as 1,800 square metres of retail space on the ground floor. The purchase price was not disclosed.

STAFFING




left: Tim Beaudin
right: Karel Bor


left: Charles (Chuck) Leitner
right: Mateusz Polkowski

Kevin Turpin

Tim Beaudin has been appointed CEO of P3 Logistics Parks. Previously, Tim Beaudin served as P3 Chairman of the Board since March 2018. He is replaced as P3 Chairman by Goh Kok Huat, former Chief Operating Officer of GIC. Singapore's Sovereign Wealth Fund GIC acquired P3 Logistics Parks in December 2016.

Karel Bor has been appointed new Managing Director of BNP Paribas Real Estate in the Czech Republic. Karel Bor brings with him over 20 years of professional experience within the real estate industry including brokerage, advisory and property development. He began his career at Knight Frank's Office Agency. Over the years, Karel Bor has gained experience in property, facility and asset management as he acted as Country Manager for Immofinanz Group AG for the Czech and Slovakian markets. Prior to joining BNP Paribas Real Estate, Karel Bor held the position of General Manager and Partner in Lexxus Group.

Charles (Chuck) Leitner will join the CBRE Group as Global CEO of CBRE Global Investors. He will succeed Ritson Ferguson, who had informed the company of his intention to step down from the role of Global CEO of CBRE Global Investors. Ferguson will continue with CBRE Global Investors as CEO of CBRE Clarion Securities, the real assets securities business he co-founded in 1991. Chuck Leitner will join CBRE Global Investors from Berkshire Group, where he has served as President & CEO since 2013. Prior to Berkshire, he served as Global CEO of RREEF/Deutsche Asset Management.

Mateusz Polkowski was named Head of Research and Consulting for the CEE region at JLL. He joined JLL in 2007 as a Senior Analyst. Prior to that, he was responsible for market research and leasing at the Platan Group development company.

Kevin Turpin has been appointed as the new Regional Director of Research for Central and Eastern Europe at Colliers International. Kevin Turpin has been working in the commercial real estate industry for more than 20 years. He joins Colliers from JLL in Prague where he was Head of Research & Strategy CEE representing the CEE region on the EMEA Research Board. Prior to that, he worked in HR consultancy, IT and the public sector.

LETTINGS

ADGAR PARK WEST, WARSAW — POLAND

The provider of smart systems for domestic kitchens Franke Polska and the Franke European Shared Services Centre has leased 1,850 square metres at Adgar Park West in Warsaw's Ochota district. Adgar Park West offers 43,000 square metres of space in three buildings.

GALERIA PÓŁNOCNA, WARSAW — POLAND

The German clothing retailer Tom Tailor has leased 450 square metres at Galeria Północna in Warsaw. Galeria Północna is located along Swiatowida street in Warsaw's Białołeka district and offers 64,000 square metres. The mall was opened in 2017 and is owned by GTC.

V.OFFICES, KRAKÓW — POLAND

Printbox, which provides software for online printing houses, has leased nearly 1,000 square metres of office space in V.Offices located in Kraków. V.Offices is an office building with an area of nearly 25,000 square metres. The name of the project is reflected by the building's shape which resembles the letter "V". V.Offices is located in the centre of Kraków at 29 Listopada Avenue. It is one kilometre away from the main railway station.

BUSINESS GARDEN WROCŁAW — POLAND

Cognex, one of the world's largest suppliers of vision systems, has leased nearly 500 square metres in the F building of Business Garden in Wrocław. Business Garden Wrocław is an office park which eventually will comprise nine buildings with a total office space of 117,000 square metres. The second stage of the development is currently underway – six buildings with an area of over 76,000 square metres. The first stage of the development, commissioned in 2017 and including building F, was recently sold by Vastint Poland to ISOC Group.

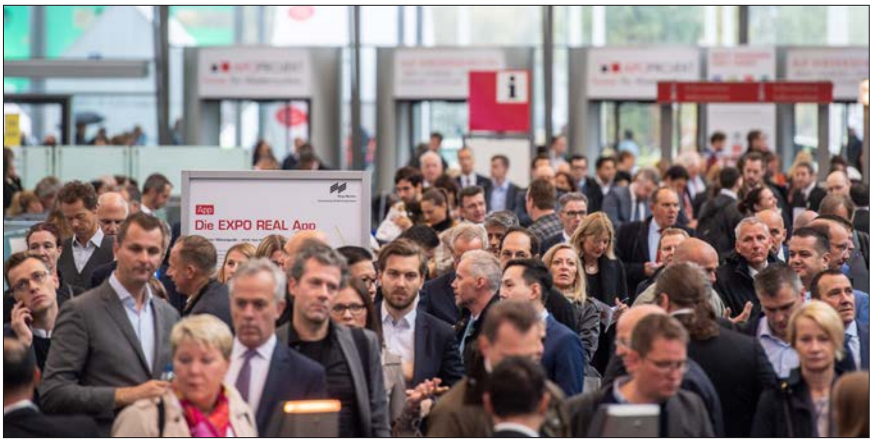
BUSINESS GARDEN BUCHAREST — ROMANIA

The pharmaceutical company Sanamed signed a lease on 3,900 square metres at Business Garden Bucharest. The company will relocate to the office complex next year. Developed by Vastint Romania, the scheme includes 43,000 square metres of space in three office buildings.

J8 OFFICE PARK, BUCHAREST — ROMANIA

The French video game producer Ubisoft Bucharest leased about 30,000 square metres at J8 Office Park, which is currently being developed by Portland Trust in Bucharest's Jiului neighbourhood. J8 Office Park will include two seven-floor buildings, with a gross built area of 78,400 square metres.

SUPERLATIVES IN A GOOD MOOD



Expo Real's focus was on real assets but as well the virtual world has found its way into the property industry.

The weather might have been cool and rainy during Expo Real, but the atmosphere in the exhibition halls was much sunnier. And given the number of exhibitors and participants, it certainly looks as if the industry is set for further growth.

Just as the real estate industry has leapt from record to record in recent years, Expo Real has continued to grow as the number of exhibitors and participants has risen every year.

This year, 2,190 exhibitors from 45 countries were on hand in Munich (2018: 2,095). In addition to Germany, the top ten exhibitor countries included Austria, the Netherlands, Switzerland, Poland, the UK, France, Romania, the USA, the Czech Republic and Luxembourg.

A total of 46,747 industry participants from 76 countries (2018: 45,058 participants from 73 countries) crowded into the exhibition halls of Expo Real over three days. On this score, too, German participants dominated, followed by the UK, the Netherlands, Austria, Poland, Switzerland, France, the Czech Republic, Luxembourg, the USA and Spain. The total number of participants comprised 22,065 trade visitors (2018: 22,029) and 24,682 company representatives (2018: 23,029).

Even though business in the real estate sector remains strong, some developments are causing uncertainty. For Europe, these include not least Brexit, which was in the focus of the opening event of the Expo Real Forum. In his keynote speech, Ulrich Kater, Chief Economist at DekaBank, provided an overview of the current situation, not only with regard to Brexit.

At the time of the fair, it was not possible to "rationally determine" how Brexit will ultimately end – whether with or without a deal or with yet another postponement. A no-deal Brexit would entail a major economic hit for all parties, both for the UK and for the euro zone countries, with the negative economic impact on the UK initially expected to be significantly higher. What happens in the long term remains unclear: Will the UK end up more like a

Ulrich Kater, Chief Economist at DekaBank, provided a general economic outlook.

new Singapore or a new Cuba? Ulrich Kater and André Zücker, Managing Director Real Estate at KGAL Investment Management, added their weight to calls to "get Brexit done!", a demand that can probably be supported by anyone who has observed the back and forth of recent weeks and months, which – as Sabine Barthauer, Member of the Board of Managing Directors of Deutsche Hypo AG, explained – is also reflected in declining transaction volumes.

Nevertheless, no matter how Brexit turns out, London will always be an important investment market according to André Zücker. Christiane Eckert, Senior Investment Manager, International Real Estate of the Danish pension fund ATP Real Estate, also sees a positive future for London, along with Manchester and Edinburgh, and does not expect any dramatic downturns, especially in those segments in which ATP intends to invest more in the future – "beds", i.e. hotels, housing, retirement homes and student apartments. She is thus in agreement with Ulrich Kater, who assumes that rents will decline this year and next, especially in the office sector, but is forecasting a renewed recovery from 2021 onwards. The retail sector in the UK is suffering from the devaluation of the pound and higher inflation, but also from the structural change caused by e-commerce, so that sales growth is rather weak. In London, however, tourism is ensuring that the British metropolis remains one of the leading retail destinations, and the number of foreign tourists is still likely to increase due to the weakness of the British Pound.

The ECB's loose monetary policy has clearly given the real estate industry a boost in recent years. Now industry observers are asking themselves whether and when the low interest rate policy will end. According to Ulrich Kater, low interest rates remain the "new normal". Particularly in view of the recent economic slowdown, the ECB has had no choice but to extend its loose monetary policy. The general consensus seems to be that it is unlikely the low-interest phase will end before the mid-2020s.

The reasons for the low interest rates, however, do not lie solely with the central banks. First, inflation is being held in check by globalisation, the growing free and sharing economy, increasing automation and, last but not least, the decreasing power of trade unions. Second, states, companies and households are all highly indebted. And last but not least, the plentiful supply of capital, which is offset by low demand for investment, means that the price – the interest rate – remains low.

Ulrich Kater does not see the weakening global economy as a priority problem, especially as "there is no prospect of a global recession". The fact that Germany is currently suffering more than many other countries is due to the sharp drop in demand for industrial products. According to Kater, this is largely a response to Brexit, slower economic growth in China and the trade conflict triggered by the USA. He also pointed out that German industry has been through the most successful decade in its history and therefore is suffering much stronger by the fall.

This raises the question of whether Germany will remain "Investor's Darling Forever", which was the provocative title of the opening panel at the Investment Locations Forum. Four international investors took part and all four maintain a positive view of the market, despite their different investment strategies. While Heitman and Madison International Realty are well established on the German market, Immobel Luxembourg only recently expanded into Germany when the cycle began to weaken. Nevertheless, Olivier Bastin, CEO of Immobel Luxembourg, expects the residential development that his company has acquired to deliver an IRR of 15 per cent. Moving away from the development segment, Tony Smedley, Managing Director, Head of European Private Equity, who is responsible for existing residential, student, retirement and infrastructure real estate at Heitman, expects an IRR of between seven and nine per cent. Madison, on the other hand, invests indirectly in office, retail and residential properties through the acquisition of shares in the respective property companies, as Derek Jacobson, Co-Chief Investment Officer, explained.

All three panellists agreed that real estate in Germany will continue to deliver above-average rental growth and that domestic liquidity is much higher than in other European locations.

When asked whether they feared a disruption in demand, the discussion very quickly turned to the issue of mixed use and co-working. Co-working has been considered a "new world of work" for some time, but as Tony Smedley pointed out, the concept has existed for decades in the form of Regus Business Centers. He did concede, however, that there is currently a shift towards serviced offices. He also agreed with Olivier Bastin, who warned of the risks of leasing an entire office building to a single co-working provider, because none of which have been on the market for long and it is difficult to market the space in question. In general, the three real estate experts came to a similar assessment as Ulrich Kater, who continued to forecast solid growth for the German property markets.

The programme at the Investment Locations Forum on Wednesday morning was dominated by CEE/SEE. The first panel discussion dealt with the question "Mobility: Moving where?" Mobility is directly associated with logistics real estate – a market segment that has been booming in CEE/SEE and elsewhere for some time. But the development of mobility is also a major issue in city centres, not only in the so-called "last mile" on the way to the consumer, but also with regard to environmentally-friendly and sustainable transport.

In addition to logistics experts such as Tomas Micek, Member of the Management Team at P3 Logistic Parks and Managing Director P3 Czech Republic, the panel also benefited from the participation of the State Secretary in the Ministry of Economy and Infrastructure of the Republic of Moldova. Alexandru Sonic, freshly installed in office this year as part of Moldova's new "government of experts", showcased the country situated between Romania and Ukraine. It is interesting to note that the Republic of Moldova has free trade agreements with both the EU and the CIS and offers industrial parks in Free Economic Zones. As a small note: From November 13 to 16, the sixth Moldova Business Week will take place in the capital Chisinau as the biggest national economic platform (see "events" on page 22). For the first time this year, the Moldova Automotive Days, traditionally held in spring, will also be integrated under the umbrella of Moldova Business Week.

To promote Moldova: State Secretary for Economy Alexandru Sonic (in the middle)

In the second round of talks, attention turned to "Refurbishments: Brownfield and Greenfield Developments". Cities have plenty of fallow land and dilapidated buildings. Revitalization creates potential for new and in some places urgently needed space. Both successful and new projects were on the agenda. One of the most spectacular new projects is Bucharest Centenary Project, which was presented by Daniel Florea, Mayor of the 5th district of the Romanian capital, where, on a total area of around 100 hectares, the public sector is launching the largest urban development project in Romania (SPH Newsletter reported in detail in Issue No. 68 of July 2019). Remarkably, the public sector will retain ownership of the land, develop the infrastructure and rely on public-private partnerships to implement the project.

The Warsaw City Administration has long adopted a similar approach. Wojciech Wagner, Deputy Director of the Architecture and Spatial Planning Department of the City of Warsaw, reported on revitalisation projects in Warsaw's Praga district on the eastern bank of the Vistula River. Successful projects include the repurposed Koneser vodka factory and the Soho Factory complex, both of which retain their historic building envelopes.

Turning from the district of Praga in Poland to the city of Prague in the Czech Republic, Pavel Streblov, Business Director Commercial Real Estate at Penta Real Estate, presented the redevelopment of the Waltrovka site in Prague's Jinonice district, area of the former Walter aircraft engine factory. Covering almost 17 hectares, Penta Real Estate has been breathing new life into the area since 2012. Once completed, Waltrovka will accommodate 700 residential units, office and retail spaces. Pavel Streblov oversaw the construction of the five office buildings Aviatica, Dynamica, Mechanica I und II. He emphasised the importance of public transport connections. However, experiences with Waltrovka showed, that the existence of a metro

New exhibitors from Romania: Bucharest's Sector 5 and Ilfov County

station alone does not guarantee urbanity and good accessibility. These can only be achieved with attractive spatial and infrastructural features – a conclusion that was also drawn in Warsaw and which Wojciech Wagner could therefore only agree with. Pavel Streblov, who is also responsible for the preparatory work for the Masaryk development in Prague for Penta Real Estate based on plans from Zaha Hadid Architects, is currently working on this aspect in a different way. He is looking at integrating the long-standing inner-city station of the same name into the new development.

In view of the large volume of activities in CEE/SEE and the once again record investment volumes – including those of international market participants – it was fitting that in the final round, "What's next? Attempting to Provide an Outlook" at 12 noon on the last day of the fair, the Investment Locations Forum was filled to capacity. Moderated by Robert McLean, Editor-in-Chief of the Prague-based Construction Development and Investment Journal CIJ, a number of industry experts shared their views. Katarzyna Zawodna-Bijoch, President and CEO, Commercial Development Unit in CEE at Skanska, expressed confidence, but stressed the importance of carefully selecting new locations for project developments. Remon Vos, CEO and founder of CTP Invest, a company active in the logistics real estate market in six CEE/SEE countries, was also optimistic. He wants to double his company's already sizeable real estate holdings by 2023. CTP still directly owns almost the entire portfolio, which was started more than 20 years ago.

Part of CTP's future portfolio is to be created in Romania. The country had a stronger presence at Expo Real this year than ever before. In addition to the large joint stand with cities, regions and companies, Bucharest's District 5 exhibited separately, as did the Ilfov County, which was promoting the Magurele Science Park just outside the city limits of Bucharest. This is home to the University of Bucharest's Faculty of Physics and Romania's largest R&D facility, the ELI Nuclear Physics Research Centre for laser-based nuclear physics with the most powerful laser in the world. Appropriately enough, it was this stand's laser hologram that fascinated so many trade fair participants and aroused their interest.

Romania is currently a very attractive market. The country's economy is booming and the current growth rate of four per cent is only expected to dip slightly to three per cent in 2020 and 2021, as Michael Heller, Lead Analyst for Real Estate Research at Raiffeisen Bank International, explained in a panel discussion entitled "Romania in the Spotlight: Market Opportunities". Unemployment has fallen to below four per cent, and it is above all domestic demand that is driving the economy. Having outlined the positives, Michael Heller also addressed some of Romania's challenges: its political and fiscal problems.

It doesn't seem to matter how much Romania's other cities catch up and prosper, international investors still look to the capital, Bucharest. This applies not only to "newcomers" on the market such as Lion's Head Investments, which acquired Oregon Park in Bucharest for EUR 170 million in July of this year, but also to long-term investors such as S Immo, which owns Novotel Bucharest, Sun Offices and the Sun Plaza shopping centre as well as the recently completed The Mark office development. Lori Collin, Director Romania of Lion's Head Investments, justified this concentration on the capital with the fact that the prerequisite for an investment is a certain size, which – at least so far – only exists in Bucharest. Bernd Himmler, Head of Property Portfolio Management CEE/SEE and Head of Project Development of S Immo, again referred to limited human resources, which make it difficult to access other locations. Both arguments are not new, but they still mean that international investments outside Bucharest are more the exception than the rule.

And the overall mood at Expo Real? Almost entirely positive, even if many participants expressed concerns about the recent global and trade upheavals. Everyone still seems confident that the real estate sector's successful run is far from over. I Marianne Schulze

THE CHANGING FACE OF RETAIL

Food courts in shopping centres are becoming architecturally and functionally more diversified to attract customers.

Private consumption is an important driver of economic growth almost everywhere in Europe. But if you follow industry trends, you might have noticed that consumers are becoming more capricious and more unpredictable. They don't just want to shop, they want an experience.

When Mapic takes over the area in and around the Palais des Festivals in Cannes for three days from 13 November, everything will revolve around retail and the retail property market. The theme of this year's event is "Retail Remixed: Rethinking Spaces and Places".

The evolution of the retail sector has long been an issue, not only for retailers, but also investors in retail real estate. The transformation of the retail sector has resulted in shorter lease terms and reduced rental income, and has also made it more difficult to market space.

Retail space in high streets in European capitals remains the most stable, especially as these locations also benefit from tourist traffic. Shopping centres, on the other hand, can be "in" today and "out" tomorrow if they are not modernised at relatively short intervals and if they do not meet the (ever faster) changing demands and needs of customers.

Although retail property remains the number two real estate investment asset class in Europe, transaction volumes are falling steadily. According to BNP Paribas Real Estate, around EUR 16 billion was invested in retail real estate in the first half of 2019 – a good 30 per cent less than in the same period of the previous year. This is the lowest figure since 2013.

Admittedly, competition with online commerce has put pressure on stationary retailers to change. According to estimates from the Ecommerce Foundation, online sales revenues are expected to increase by 13.5 per cent to EUR 621 billion (2018: EUR 547 billion), while sales in stationary retailing are expected to grow at best in the low single-digit range (by 2.0 per cent).

Many retailers have already switched to omnichannel strategies, thereby responding to their customers' "digital mobility". However, customers are no longer only interested in shopping, i.e. the simple purchase of products. They want an "experience" that makes shopping more fun, as shopping has now become a popular leisure activity. They want to grab a bite to eat, go to the cinema or fitness studio and enjoy some form of entertainment. Above all, shopping centres have to offer more than just shops if they want to remain attractive. Cinemas and other entertainment venues have long been standard. In recent years, there has been a noticeable expansion of food courts and a growing range of Food & Beverages (F&B) on offer in shopping centres.

In Poland, for example, Colliers observed that between 2015 and mid-2019, the number of shopping centres in Poland's 18 largest cities increased from 240 to 250, but that in the same period the number of F&B locations rose by 43 per cent to a total of 700, and the share of space in shopping centres dedicated to F&B increased from 8.7 to 9.7 per cent. Not only have food courts been extended, but F&B stands are now found in almost every part of the centres. What is striking is that F&B chains are the main beneficiaries of this development. Of the 700 new F&B points, 615 are operated by chains.

But food courts themselves have also changed. The days of bland, canteen-like facilities are long gone. Modern food zones are architecturally and functionally diversified spaces, where food is often combined with leisure and entertainment, where there are family-friendly facilities and playgrounds for children, and – a relatively new development – where terraces or conservatories are often used to connect to outdoor areas.

Added to this, there is another trend that has emerged in CEE/SEE in particular. German discount supermarket chains such as Aldi and Lidl, but as well non-food discounters such as Tedi and KiK have been present in the CEE markets since years. However, mostly they are not located in shopping centres or other prominent retail locations. Now they have been followed by the fashion discounter Primark who embarks on a different strategy. In June, Primark opened its first store in CEE in Citypark shopping centre of SES Spar in Ljubljana and has recently inaugurated its second store in Warsaw's Galeria Mlociny and will be launching its third in Flower House on Wenceslas Square in Prague next spring.

Different to other discounters Primark shops open up in prominent locations.

Across the CEE/SEE region, shopping centres used to be regarded as the last word in modern retail concepts, but a fundamental change has taken place, and not only in the highly developed and increasingly saturated markets such as Poland. Today, it is retail parks that are springing up like mushrooms, especially outside big cities.

Retail parks are nothing new: there are plenty of them across the region, often next to large supermarkets, DIY stores or in the proximity to shopping centres. But the concept has evolved: not only have they become smaller – they have a maximum area of 10,000 square metres – they also increasingly offer a wide range of products and cater to as many consumer wishes as possible. The typical tenant mix for such retail parks includes food, fashion and shoes, sporting goods, and household electronics, combined with discount supermarkets, drugstores and pharmacies.

Two companies that have explicitly targeted this segment are Austria's Immofinanz and Germany's Trei Real Estate.

Trei develops the Vendo Park brand and its portfolio now comprises 13 retail parks in Poland, five in the Czech Republic and four in Slovakia, always in cities that normally do not appear on the radar of international real estate investors.

Immofinanz's Stop Shop retail parks, all of which are in locations with catchment areas of 30,000 to 150,000 inhabitants, employ a similar concept. The portfolio comprises 16 retail parks in Slovakia, 14 in Hungary, 11 in the Czech Republic, seven in Poland, six in Slovenia and one in Romania. It is worth noting that the brand has been expanding aggressively in Serbia for some time now and has recently opened its tenth Stop Shop retail park there. I Christiane Leuschner

DIGITAL? IT'S TOTALLY NORMAL! OR MAY BE NOT?

The breakneck speed of digitalisation is advancing all areas of life. And the worlds of real estate and investment are no exception. Nevertheless, questions remain, especially on the subject of data security.

At Expo Real, there was a run on high-tech companies offering digital solutions …

More so than ever before, digital transformation was one of the main topics at Expo Real this year. In fact, the fair's new A3 exhibition hall was dedicated mainly to high-tech companies that offer innovative and digital solutions to the real estate sector. More than 60 start-ups and young technology pioneers showcased digital solutions along the entire real estate value chain.

Exporo was among the companies that booked a large stand in Hall A3. Founded in 2014 and based in Hamburg, the company describes itself as Germany's leading platform for digital real estate investments. Exporo's track record is certainly impressive: more than EUR 500 million of brokered capital and over 200 completed projects to date. And now the company is putting out feelers beyond Germany. After Austria, the company is now focussing on France and the Netherlands. Given its business model, it is not always clear how to categorise Exporo. Is it a technology company? Or is it basically an investment manager that offers the latest iteration of what open- and closed-ended real estate funds have long offered? If so, there is only one major difference: The company's sales are not concluded in bank branches or by investment advisors, they are achieved exclusively via the internet. Could it simply be that the digital world "out there" has now so closely converged with the traditional, analogue world that it is almost impossible to tell the difference anymore? After all, whether digital or analogue, real estate and investment companies' business fields – and strategies – seem to have more in common than many would think.

Similarities between the "new world" and the "old" were also on show at the Swiss Circle stand. As an association of market participants from Switzerland, Swiss Circle was exhibiting at Expo Real for a remarkable 21st time. Breaking with tradition, the association had moved from their familiar spot to Expo Real's new Hall A3. And fittingly they were not only hosting familiar names such as Credit Suisse and UBS, but as well start-ups, including Hegias, which displayed its virtual reality presentations, and the Swiss innovation network, SwissPropTech.

In the largest city in Switzerland, in Zurich, the Stadthaus on the Stadthausquai is currently hosting an exhibition "Privacy – Protected, Shared, Sold", until February 2020. On the second day of Expo Real, October 8, 2019, *Neue Zürcher Zeitung* reported about the exhibition. The article's opening lines read: "We seal off our apartments with curtains – and put our whole lives on display on the net".

While the exhibition focuses on private life, the themes it explores are just as relevant for companies, organisations and the public sector. Never before has so much information been on display online. Unfortunately, the internet is also home to darker actors. But the net is not just a platform for companies to present themselves in their best light, it is also a repository for a huge amount of data that can be quite sensitive. And these data need to be protected. If they are not, the nightmare scenario presented by Christof Kerkmann in *Handelsblatt* at the end of May 2019

… less attracting was the topic of cyber security. Especially increasing connectivity is one of the main risks.

could become a regular occurrence. His article opened with the headline "When hackers take an entire city hostage" and went on to report how "A small U.S. town has paid USD 500,000 to recover its data. Cyber criminals are increasingly attacking communities". And municipalities are not the only victims; companies are also being targeted.

It was the same journalist, Christof Kerkmann, who moderated the panel discussion about "Cyber Security: Just how safe is the digital world?" at the Expo Real Forum. Given the small size of the audience, especially compared to the crowds at the debates about Brexit and New Working Environments, you'd be forgiven for thinking that real estate companies' IT security officers were probably not among the fair's participants, and others didn't seem to be overly interested in the topic. But data security is an acute problem, and can prove very expensive if ignored. One of the panellists, Alexandre Grellier, Managing Director of the data room provider Drooms GmbH, confirmed that their data room firewalls repel several thousand untargeted attacks, but that the company registers between three and five targeted attacks a month.

Clearly, hackers are not only interested in gaining unauthorised access to sensitive data, they also want to spy on the structures of a company, as Markus Schmitt, Managing Director of easol GmbH, explained. easol was founded as an IT asset manager in mid-2019 by Intreal, a real estate service KVG (capital investment company) and control.IT, an IT service provider. According to Markus Schmitt, data espionage frequently revolves around CEO fraud, which involves companies being manipulated into transferring money using false identities.

Dirk Otto, Managing Director of the Gegenbauer facility management group, spoke about the threat of ransomware, which can paralyse business processes and even entire buildings. As he explained, modern buildings rely on a large number of different building services providers. This can make them vulnerable, like "Swiss cheese with lots of holes". In the past, a property was a closed system, but now data is increasingly being transferred to the outside world – keyword connectivity. Alexandre Grellier added that connectivity is an unstoppable trend, making it all the more important to take a close look and check which service providers are working in which buildings. Service providers should carry out regular stress tests, i.e. engage white hat hackers to identify security gaps.

For too many real estate companies, these costs are a stumbling block. Very few companies are willing to invest much money in security, stated Alexandre Grellier. Markus Schmitt echoed Grellier's sentiment and conceded that too many companies still underestimate the value of IT security, "The pain is not yet great enough", he observed. Another key issue identified by the panel was the training and sensitisation of employees. IT security experts are frequently perceived as "permanent obstacles" and the annoying colleagues who give you a telling off when you click on a link in the wrong email. Both views are counterproductive. In general, an effective cyber security strategy should not only address technical issues, it should also involve the drafting of emergency plans and include every stakeholder and employee within a company.

The real estate industry still has a long way to go on the subject of data security. In the run-up to Expo Real, Drooms published the results of a recent survey. The sobering conclusion: Around 41 per cent of European real estate experts believe that the real estate industry is unprepared for cyber-attacks; almost 55 per cent describe the industry's cyber security as "moderate"; and only four per cent described the industry as being "extremely well prepared". At the same time, more than 92 per cent expect the number of cyber-attacks on real estate companies in Europe to increase over the next five years. Nearly 86 per cent are "concerned" about the threat and as many as 40 per cent are "extremely concerned". According to 90 per cent of respondents, the greatest potential risk is to real estate companies' reputations. Other negative consequences include regulatory fines (57 per cent), lost revenue (43 per cent), lost customers (41 per cent), compensation to customers (33 per cent), and the cost of combating cyber-attacks (33 percent). I Andreas Schiller

FOR YOUR PLANNING

When	What about	Where	For information and registration
13.–15. November 2019	MAPIC The international retail property market	Palais des Festivals, Cannes, France	www.mapic.com
13.–16. November 2019	Moldova Business Week 2019	Palatul Republicii, Maria Cebotari St 16, Chisinau, Republic of Moldova	www.mbw.md
29.–30. November 2019	ERES Education Seminar Real Estate Education of Tomorrow	Bucharest University of Economics, 6 Piata Romana, Bucharest, Romania	www.eres.org
10.–13. March 2020	Mipim The international retail property market	Palais des Festivals, Cannes, France	www.mipim.com
24. March 2020	Cities of Tomorrow The New Waves of Urban Migration	JW Marriott Grand Hotel, Bucharest, Romania	www.citiesoftomorrow.ro
15.–18. April 2020	Real Corp 2020 Shaping Urban Future	RWTH Aachen, Super C, Templergraben 75, Aachen, Germany	www.corp.at

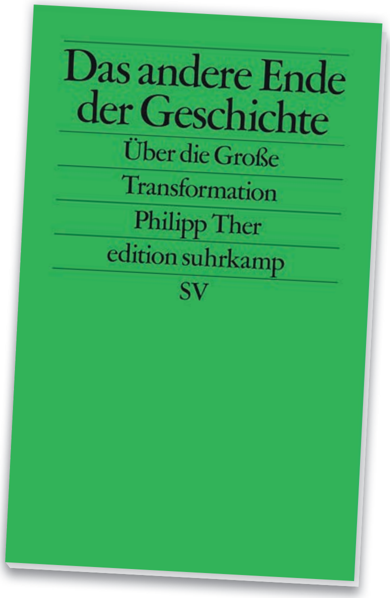
THE END OF HISTORY – DIFFERENT TO WHAT WE WERE EXPECTING

When socialism collapsed in 1989, many thought we had almost reached "the end of history". Liberal democracy and free-market economics seemed to have won and the former blocs that faced off in the Cold War appeared to have dissolved – the world had become a safer place. But now, 30 years later, not much of this optimism has survived. Nationalism and (right-wing) populism are on the rise everywhere, the two superpowers Russia and the USA are once again rattling their sabres, globalisation has brought prosperity to some, but has also widened the gap between rich and poor. The end of history? This story has unfolded very differently from what was hoped for three decades ago.

A small book, *Das andere Ende der Geschichte*, by the German contemporary historian Philipp Ther, professor at the University of Vienna, attempts to trace in essay form what, when and how things "went wrong". He draws on the Hungarian-Austrian economist and social scientist Karl Paul Polanyi, who published *The Great Transformation* in 1944, a major work in sociology to this day. Karl Paul Polanyi proceeds from the assumption of a pendulum swinging between the self-regulating forces of the market and the protection requirements of society, whereby excessive capitalism destroys communities and causes many people to feel left behind and powerless. It is therefore important to "embed capitalism" in a society in which the state does not act as an opponent of the economy – as neoliberals accuse it of doing – but as a supervisory authority committed to the common good and ensuring certain social standards.

While the first of the book's six essays deals with Polanyi's approach and examines developments over the past 30 years – after all, the transformation has not only been in CEE/SEE, but also in the West – subsequent chapters focus on developments in the USA, the Federal Republic of Germany after 1989 and Italy. While these three sections are primarily concerned with the social and psychological effects of neoliberalism, the chapter on the West, Russia and Turkey, which Philipp Ther describes as a history of alienation, is an attempt to understand why these relationships are so tense today. According to Philipp Ther's thesis, the roots of current tensions are not only to be found in Russia and Turkey, but also in the West.

In the last chapter, Philipp Ther examines the causes of the accelerating pendulum swing to the right, exploring developments in Hungary, Poland, Austria and Slovakia, whereby the latter has shown that right-wing populists can also be voted out again. One reason for the rise of right-wing populist tendencies is certainly the fact that the clear identities that once sustained established political parties are increasingly fading, while at the same time societies are becoming ever more polarised. In order to stem the tide of right-wing populism, both business leaders and political institutions need to take a much clearer stand and use what influence they have.



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