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SPH newsletter

news

infrastructure

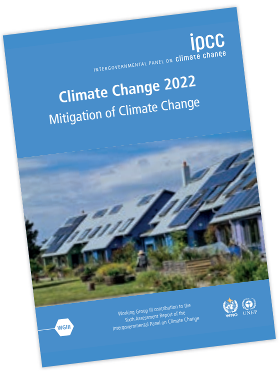
Whether airports, railways or roads – everywhere there is more or less chaos. But it is not only the mobility sector that is dangerously stuck after years of austerity programmes. .... page 9

markets

For a long time, Poland's economic development and thus also its real estate market were considered a success story. But the consequences of the pandemic and the war in Ukraine have left their marks here as well. .... page 11

book review

The 6th Assessment Report of the UN's Intergovernmental Panel on Climate Change IPCC may be dry reading, but its contents are of value to all concerned with the issue. .... page 13



DEAR READERS!

In summertime, the news about real estate and investments have always been somewhat less. But there have never been so few press releases from Central, Eastern and South-Eastern Europe as this year. This is not surprising in this year of diverse crises, but it suggests looking in the digital archive to see how many pages we published in July and August in recent years – at least since the outbreak of the pandemic. There were quite a few more.

The first page to appear when you look into former issues is the editorial. Last summer, I wrote here about the flood disaster in Germany. That was exactly one year ago. And ten years ago, there was a major earthquake in Italy. In the north, many buildings, including numerous historical assets, were damaged. In 2016, the next series of earthquakes followed in the centre of Italy – now a holiday destination again for many. The images of destruction are reminiscent of what we are seeing from Ukraine this year.

Natural forces as well as the destruction caused by people and their greed and avarice are what I think of now when I write. Of course, everything is connected, also with real estate and especially land. So, the question is whether sometimes less news is also good news. Not inaction and despondency are meant, but reflection and restraint can be helpful. Among other things, for the revitalisation and thus the preservation of historic buildings. Perhaps we can even learn from history? Shall we hope?

Yours,

Andreas Schiller

NEWS FROM CEE/SEE

B52 Office in Budapest with a total area of over 5,200 sqm was built at the beginning of the 21st century and extensively refurbished from2012 to 2016.

WARIMPEX SELLS B52 OFFICE IN BUDAPEST

Warimpex Finanz- und Beteiligungs AG concluded the sale of B52 Office in Budapest to Semmelweis University for EUR 12.575 million.

B52 Office with a total area of more than 5,200 sqm is located in the heart of the Pest side of Budapest at Baross utca 52 and is easily accessible with public transport and by car. Liszt Ferenc International Airport is only a 20-minute drive away. Built in the early 2000s, the building underwent an extensive refurbishment from 2012 to 2016. Warimpex acquired the building in 2018.

PBB PROVIDES INVESTMENT FACILITY TO REICO ČS NEMOVITOSTNÍ FOND

pbb Deutsche Pfandbriefbank has provided a EUR 118 million credit facility to the open-ended fund ČS nemovitostni fond, the biggest real estate fund on the Czech market managed by REICO. The facility will be used to fund the acquisition of two newly built logistic properties in Upper Silesia as well as for the refinancing of an office building in Warsaw.

The office building is known as Proximo I and belongs to the two office blocks in the Proximo complex, which is located in the Wola district. It offers a gross lettable area of over 29,000 sqm. The logistics portfolio consists of two assets located near the town of Tychy in Upper Silesia, in a major industrial area anchored by one of the largest FIAT factories globally. The properties are newly-built warehouse assets providing a total of 116,000 sqm GLA.

PANATTONI BUILDS A LOGISTICS CENTRE IN RADOM

Panattoni is opening up another market with modern warehouse space. This time the developer has chosen Radom, the largest city in Mazowsze following Warsaw. The Panattoni Park Radom distribution centre, which will have an area of 44,200 sqm at full build out, is being constructed 10 minutes from the expressway S7 and 10 km from Warsaw-Radom airport. The first two buildings with a combined area of 13,500 sqm are to be completed at the end of 2022/beginning of 2023. The park is located in the Wincentów district.

SUPERNOVA ACQUIRES SHOPPING CENTRE PORTFOLIO IN SLOVAKIA

Austria-based Supernova has added four Max shopping malls to its portfolio of eleven OBI supermarkets in Slovakia. The Max shopping malls are located in the regional cities of Trnava, Trencin, Nitra, and Poprad. On average, the centers are 15,000sqm, which is more than 60,000 sqm in total. The group, which is headquartered in Graz, operates 81 retail properties in Austria, Croatia, Slovenia, Romania and Slovakia with a gross value of EUR 1.85 billion.

Helaba | Ṡ

Cantata
Residential
Washington, D.C.
USA

BETC HQ
Office Building
Pantin
France

ONE
Mixed-used
Skyscraper
Frankfurt
Germany

Windmill Green
Office Building
Manchester
Great Britain

Glories
Portfolio
Barcelona
Spain

Main Point Pankrac
Office Building
Prague
Czech Republic

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Values with impact.

The Tensor 1 office building, which is part of the Tensor office park in Gdynia consisting of three buildings with 20,075 sqm of lettable space

JV OF INVESTIKA AND BUD HOLDINGS ACQUIRES TENSOR OFFICE PARK IN GDYNIA

Investika real estate fund, a non-bank retail real estate fund in the Czech Republic, together with the Luxembourg private equity company Bud Holdings SA acquired the office complex Tensor in the Polish city of Gdynia from EuroEast B.V. The value of the transaction remains undisclosed. Tensor office park, completed in 2017, consists of three separate buildings with a total leasable area of 20,075 sqm.

BANK PEKAO REFINANCES POLISH RETAIL PARK PORTFOLIO

Bank Pekao completed the refinancing of a retail park portfolio owned by Newbridge Poland for over EUR 10 millon. The three retail parks comprising the refinanced portfolio are located in Namysłow (17A Bohaterow Warszawy Street), Wlocławek (2B Komunalna Street) and Grodzisk Mazowiecki (48 Krolewska Street). The properties offer a total leasable area of approximately 13,000 sqm.

WARIMPEX ACQUIRES OFFICE BUILDING IN ŁÓDŹ

Warimpex has acquired the Red Tower office building with a total area of more than 12,000 square metres in the Polish city of Łódź. Located in the heart of the city, Red Tower office building is one of the tallest office buildings in Łódź, with a height of 80 metres. It was built in 1978 and underwent extensive modernisation between 2006 and 2008, including the replacement of its facade with a brick one, and thus became the Red Tower office building.

P3 BUYS BROWNFIELD IN KATOWICE FOR WAREHOUSE DEVELOPMENT

P3 has finalised the purchase of its third plot in Southern Poland. The acquisition is P3's first investment in Upper Silesia. The plot is just under 5 ha in size and will be built over with a facility of 22,598 sqm, of which 20,332 sqm will be occupied by a warehouse and the remainder by offices.

This new P3 investment is located in the eastern part of Katowice, on Lwowska street, at the exit of the national road 79 and near the A4 motorway. The close proximity of Katowice Szopienice Południowe railway station and many bus routes will ensure fast and comfortable access to other parts of the city – including the centre – and to the whole Katowice metropolis.

PANATTONI COMPLETES PORTFOLIO SALE OF FIVE LOGISTICS PARKS IN POLAND

Panattoni has completed the EUR 160 million sale of a portfolio of five fully-let logistics parks in Poland covering a total of 230,000 sqm GLA, to a North American real estate investment manager buyer. Three of the logistics parks are located in Warsaw; one close to the city's airport and two in the west of the Polish capital. A fourth is situated in Poznan East, strategically located between Warsaw and Berlin on the A2 highway, and another near the city of Radom in central Poland, 100 km to the south of Warsaw.

Browar Lubicz is a revitalisation project in the centre of Krakow that combines old and new architecture. Now the project developer Balmoral Properties has sold three office buildings in the complex to a French real estate fund managed by Paref Gestion.

PAREF GESTION BUYS KRAKOW OFFICE BUILDING

Balmoral Properties has disposed of three office buildings from the Browar Lubicz complex in Krakow. The new owner is French-based Paref Gestion, who made the acquisition on behalf of SCPI Interpierre Europe Centrale. The parties agreed not to disclose the value of the transaction.

Browar Lubicz is a mixed-use development that seamlessly blends the elements of the traditional architectural design of the former brewery and a modern building. The complex is located at Lubicz Street, directly opposite Krakow Main Railway Station and Galeria Krakowska, just 800 m from Krakow's Main Market Square Rynek Główny. The transaction comprised three office buildings from the complex with a combined area of 7,500 sqm.

INVESCO REAL ESTATE ACQUIRES RESIDENTIAL PROJECT IN PRAGUE

Invesco Real Estate has purchased the Hagibor residential development in Prague in a forward funding deal on behalf of its European Living Fund. The deal is Invesco's sixth acquisition for its European Living Fund, which was launched end of 2020.

The development Hagibor will comprise 168 apartments in three buildings with a total area of 14,600 sqm, including 420 sqm of leasable commercial space.

Hagibor is one of the largest urban renewal projects in Prague. The city centre can be reached in ten minutes by car and in about 15 minutes by metro, which is within walking distance. The developer Crestyl is one of the largest real estate developers in Central and Eastern Europe. The project is managed by Zeitgeist, who also advised Invesco on this transaction.

INDOTEK GROUP BUYS OFFICE BUILDING IN BUCHAREST

Hungarian investor Indotek Group has purchased the One Victoriei Center office building in central Bucharest for an undisclosed sum. With the latest transaction, the group's local portfolio includes three property assets of which two are office projects in Bucharest and one is a shopping mall in Târgu Mureș.

The project has a gross leasable area of 12,000 sqm. Following the sale to Indotek Group, the building will be rebranded as Bucharest Business Center.

One Victoriei Center was developed by One United Properties and recently underwent a refurbishment process.

PANATTONI LAUNCHES ITS LARGEST PROJECT IN LOWER SILESIA

Panattoni is launching another business platform in Lower Silesia – Wrocław Logistics South Hub. In Magnice, just 15 km from the centre of Wrocław, between the Wrocław S8 motorway bypass and the A4 motorway, the region's largest industrial and logistics complex will be built. The first phase involves the construction of a 120,000 sqm speculative hall, with the developer ultimately delivering 247,000 sqm.

STAFFING

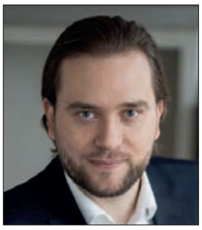

left: Günther Artner
right: Rüdiger Dany

GÜNTHER ARTNER took over as Head of Commercial Real Estate Business of Erste Group and Erste Bank Oesterreich. He succeeded Patrick Zehetmayr, who was leaving Erste Group. Günther Artner has very extensive experience in both capital markets business and equity research, always with a strong focus on real estate and the CEE region. He most recently headed the Equity & Corporate Capital Markets department at Erste Group. He started his career at Erste Group in Equity Research in 2000. Günther Artner holds a CFA degree and a Master's degree from the Vienna University of Economics and Business (WU Wien).

RÜDIGER DANY has been appointed CEO of NEPI Rockcastle. Rudiger Dany joined the company in August 2021, when he held the position of COO. After the departure of Alex Morar he took over the interim CEO position of Nepi Rockcastle starting 1 February 2022. Rüdiger Dany has over 30 years of experience in retail, real estate and asset management and has worked for large European companies such as ECE, Atrium and Multi Corporation.


left: Lars Huber
right: Veronika Themerson

LARS HUBER, CEO of Hines Europe, has been appointed as ULI Europe Chairman. Lars Huber, who succeeds Marnix Galle, Executive Chair of the Board of developer Immobel, serves on a voluntary basis for a two-year term, effective from 1 July 2022. He also joins the ULI Global Board of Directors. Lars Huber brings extensive leadership experience working with the Institute to his new role. He has served on the ULI Europe Executive Committee for the last two years and is also a ULI Global Governing Trustee.



Łukasz Wojnarowski

VERONIKA THEMERSON is Environmental Director of Skanska's commercial development business unit in Central and Eastern Europe. Veronika Themerson is a real estate project manager, architect and people leader with a 20-year track record. In her new role she will be responsible for shaping, planning and implementing the Skanska's office development business unit's strategy in the area of sustainable solutions and innovation. She also coordinates ESG-related knowledge gathering and sharing activities across the business unit. Veronika Themerson joined Skanska in 2013 and has held managerial and director positions.

ŁUKASZ WOJNAROWSKI took the position of Development Director of MDC2, a developer of warehouse and industrial space operating on the Polish market. He is responsible for the development of logistics and industrial projects in Central and Northern Poland. Łukasz Wojnarowski gained his professional experience working for key developers on the market, including Panattoni, Ghelamco and Orco Property Group. Łukasz Wojnarowski is a graduate of the Faculty of Civil Engineering at the Warsaw University of Technology. He also completed the International MBA program at the Business School of the Warsaw University of Technology and the Jacek Santorski Academy of Leadership Psychology.

LETTINGS

RIVER CITY PRAGUE — CZECH REPUBLIC

CA Immo has signed 18 lease transactions with a total of approximately 16,200 sqm of office space in the River City Prague during the first five months of 2022. The tenants in the new buildings Mississippi House and Missouri Park include the international consulting company Adastra, a cybersecurity software company SentinelOne, the international law firms Allen & Overy and Bird & Bird, online shopping advisor Heureka and the healthcare company Novo Nordisk. The largest leasing transactions are two new lease agreements covering around 5,700 sqm of office space in Nile House. River City Prague consists of five office buildings – Amazon Court, Danube House, Nile House, Mississippi House and Missouri Park – with a total of 84,450 sqm of space.

SKYLINER, WARSAW — POLAND

Onwelo, a Polish company offering modern IT solutions for business will occupy nearly 1,500 sqm of office space in the Skyliner office building located at Rondo Daszyńskiego in Warsaw. Skyliner, completed in 2021, is an investment of the Karimpol Group. The 195 m high skyscraper is offering 47,200 sqm of office space.

WADOWICKA 3, KRAKÓW — POLEN

Forum Towarzystwo Funduszy Inwestycyjnych (FTFI) will move into the third and last building of the Wadowicka 3 office complex, which is located close to Rondo Matecznego in Kraków. FTFI will occupy 880 sqm. Wadowicka 3 is a complex of three seven-storey office buildings. The complex offers a total of about 31,000 sqm of office space and additional retail and service space located on the first floor. The building is owned by Partners Group & Reino Partners.

MIDPOINT71, WROCŁAW — POLAND

CCC Group, a listed Polish company in omnichannel retail sales on the footwear market, has chosen the MidPoint71 office building for its new headquarters in Wrocław. The tenant has leased nearly 2,000 sqm of space. Furthermore, flex office provider CitySpace is to open a 3,500 sqm centre in the MidPoint71 office building. The fourteen-storey MidPoint71 office building developed by Echo Investment is located a short distance from the centre of Wrocław, at 9 Powstańców Śląskich Street. The investment offers a total of nearly 37,000 sqm of office space.

LAKEVIEW, BUCHAREST — ROMANIA

Enevo Group, a Romanian company specialized in electrical engineering and automation systems for the energy sector, will occupy about 900 sqm in the AFI Lakeview office building located in the Floreasca – Barbu Văcărescu area of Bucharest. The 25,900 sqm property was acquired by AFI Europe from NEPI in Q3 2020 in a portfolio deal.

METROPOLIS CENTER, BUCHAREST — ROMANIA

The Belgian Embassy in Bucharest rented an office space of 600 sqm, for a period of 10 years, in the Metropolis Center in Bucharest. Metropolis Center is a reconversion of a historical building into an office building. It is located on 89-97 Grigore Alexandrescu street in Sector 1 and offering 18,900 sqm of rentable space on 7 floors as well as 195 parking spaces.

MIRO OFFICES, BUCHAREST — ROMANIA

Speedwell signed a lease agreement with Swiss Coffee, the official importer of the Jura brand for Romania. Swiss Coffee will occupy a total area of 170 sqm in the Miro office building in Baneasa in Bucharest. Completed in 2021, Miro offices has a rentable area of 23,000 sqm.

ONE COTROCENI PARK, BUCHAREST — ROMANIA

Siemens Energy has leased 7,500 sqm in the second phase of One Cotroceni Park Office, developed by One United Properties. The lease transaction closed for 10 years was brokered by real estate consultancy JLL Romania. One Cotroceni Park is an urban regeneration project in the city and is developed on the site of the former Ventilatorul platform, on an area of 5.8 ha. At the beginning of this year, One United Properties has already marked the handover for Phase 1 of One Cotroceni Park, an office and commercial building, with 46,000 sqm GLA. Phase 2 with 35,000 sqm GLA, also under development, will be delivered in 2022.

ONE TOWER, BUCHAREST — ROMANIA

Car manufacturer Ford has rented an area of 800 sqm in the One Tower building in Bucharest, developed by One United Properties. One Tower is part of the mix-used project One Floreasca City and offers 23,750 sqm of GLA.

VICTORIA PARK, BUCHAREST — ROMANIA

Immofinanz has signed a 25-year lease for 6,500 sqm in Bucharest-based myhive Victoria Park to Leventer Medical Group. The leased area will host Leventer Hospital, the country's first private dermatology and surgical oncology hospital that will open in 2024 following an investment of around EUR 10 million. Located in northern Bucharest, Victoria Park is close to Baneasa Airport. The building, constructed in 2007, has 20,900 sqm of rental space, spread out over six levels.

WHEN NOTHING WORKS PROPERLY ANY MORE

Anyone who wants to fly on holiday needs a lot of time and patience because of standing in endless queues.

Summertime is travel time and after two years of the Corona pandemic, many people are looking forward to going on holiday again. Depending on the type of holiday and the destination, however, travelling can also have its downsides, turning pleasure into displeasure. But there are much more serious problems behind it.

Chaos at the airports, chaos on the railways, staff shortages in hotels and restaurants – these were the headlines at the beginning of the holiday season in Germany. At least for a few days or weeks, people just want to get out of the almost two-year pandemic rut, away from the daily news about the war in Ukraine, inflation and energy problems, faltering supply chains and economic difficulties. Nerves have been worn thin. Understandably, people are longing for some distance, a change of scenery and some carefree days.

However, who wants to fly on holiday needs strong nerves at the moment. Hours of waiting at check-in and baggage drop-off followed by endless queues at security are the first hurdles. Lucky are those who have finally overcome them, are at the gate on time for departure and the flight is not cancelled at short notice. And if the luggage is also on the flight. All this is no longer a matter of course, because in times of pandemic, airlines and airports have massively reduced their staff and now there are shortages everywhere.

Some therefore switch to the train. But things don't look much better here: overcrowded trains, even in long-distance traffic, train cancellations and lots of delays. Those who want to travel not only from A to B, but even further to C, miss their connecting train. So here, too, you have to allow for a lot of extra time and cannot rely on everything working out.

The cause here is not so much a lack of staff as the fact that the system has been broken for years in favour of large prestige projects. Now the networks are often dilapidated, technical equipment doesn't work – and the customer on the train falls literally by the wayside. What does also no longer work is a certain flexibility in the case of "increased passenger volume". There are predictable peak times when many people are on the move – e.g. the beginning and end of holidays. In the past, special trains were offered. This no longer possible, at least on long-distance routes.

Fast traffic on motorways is often all but reality.

If you don't fancy bad service at often considerable prices, you take the car. But even that is no longer a real pleasure. On the motorways, there are masses of lorries that occupy at least the entire right lane, but occasionally also want to overtake, traffic jams, constant restrictions on flowing traffic because bridges are dilapidated and may only be driven over slowly to reduce vibrations, if they are not completely closed and require corresponding diversions via country roads. But country and city roads as well are in large parts only patchwork and correspondingly bumpy, an observation that some people from other countries already made years ago. But nothing has improved in the meantime, on the contrary.

Well, one might argue that a holiday trip is a leisure activity, and if there is some trouble, then everyone expose himself to it voluntarily. But it is not quite that simple. Business travellers are just as affected by these troubles and can see the problems less calmly than leisure travellers. Even if they book business class or first class or go by car, they have to calculate considerably more time to arrive on schedule at an appointment or meeting. This makes some people think twice about whether one or the other journey is really necessary. Airlines and railways can only hope that these customers, who often pay dearly, will not be annoyed in the long run by the way the "king customer" is currently treated.

But it is not just a problem for travellers, it also has an economic impact. Anyone who sees the phalanx of lorries on the motorways may wonder: If there are already "supply chain problems" with this multitude of freight vehicles, what if these problems were not?

Fact is, however, that the volume of freight increased year by year. Industry has abandoned warehousing and switched to "just in time" deliveries, globalisation has ensured that more and more has to be imported and transported from distant countries, a lot is also driven around where it is to ask whether it is really necessary, and the increasing online trade also contributes its share. Competition from logistics companies in Eastern Europe led to enormous price pressure, which was also reflected in the wage level of drivers. Poor pay and increasingly difficult conditions and growing stress – on the one hand, the pressure to reach a destination by certain times, on the other, the uncertainties of the traffic, as well as increasingly strict regulations on driving and rest times – have made the profession unattractive. Shortage of skilled workers is currently a lamented problem in many industries, but in the transport and logistics industry it is so serious that there are already warnings that sooner or later the shortage of truck drivers could lead to supply bottlenecks.

However, this is only the topic of mobility, where some developments of the past are just falling on our feet. There are much more infrastructure problems. We all know the complaints about poorly equipped and understaffed public health departments in times of pandemics, but these are only one part of the public sector. For a long time, the credo of the "lean state" was applied and the public service was cut back more and more, until now in some cities almost nothing works at all. The most prominent example is Berlin, but in other municipalities, too, some plans and projects can no longer be implemented because of a lack of staff.

In all soapbox speeches, politicians point out how important education is for the future, but if you look at schools, they seem to be rather the stepchildren of the nation. It is not only the buildings that often needs getting used to, it is also the shortage of teachers that leads to lesson cancellations and a lack of remedial lessons. Here, the discrepancy between the politicians' claims and statements on the one hand and reality on the other is serious.

It was certainly not only the pandemic, and it is not only the current rather difficult times that are making it clear to us how fragile the situation is. Above all, it is the wrong decisions and developments in the past that are now showing their clear impact. A state or a community can be "saved to death" if less and less is invested in infrastructure of all kinds. At some point, everything will no longer work smoothly.

The same applies if the public sector withdraws from many areas and leaves them to the market – at some point the problems are so big that they can only be solved with a lot of money. And the latter is probably less available than ever at the moment. The much-cited shortage of skilled workers, which cuts across all sectors, did not just arise overnight, but has been a foreseeable development for a long time. Closing the gap through targeted immigration is certainly not a bad idea, but there are probably countries that are now more attractive to immigrants than Germany. Competitiveness, after all, also includes full functionality. I **Marianne Schulze**

POLAND: SLIGHT SIGNS OF SLOWDOWN

Poland's real estate market has boomed in recent years. But with the war in Ukraine, not only the geopolitical situation in Europe has changed. Everyday life in Poland is becoming more difficult and the further development of the real estate market could include some challenges.

Poland is suffering from rising inflation and slowing economic growth.

Poland has long been investors' darling, regularly attracting the lion's share of real estate investments in CEE. This changed little in pandemic times and in the first quarter of 2022 the run on Polish real estate investments seemed to continue. According to BNP Paribas Real Estate, the transaction volume in 2021 was EUR 5.7 billion, around 15% higher than in 2020. The upward trend also continued in the first quarter of 2022: CBRE estimates the investment volume in Poland at EUR 1.66 billion. This is twice as much as in the first quarter of 2019, the last quarter before the outbreak of the pandemic.

However, a closer look puts the result into perspective. The first quarter also includes the sale of the Warsaw Hub office towers to Google and the sale of about half of the office and retail properties held by EPP to two newly founded joint ventures. These three transactions together account for about 75% of the total investments.

The Ukraine conflict broke out at the end of February, so the changed situation was not yet reflected in the figures. In the meantime, however, the overall situation has altered substantially.

Instead of the once forecast 5.2% economic growth this year, the European Commission sees Polish economic output rising by only 3.7%. The inflation rate reached almost 14% in May compared to the previous year. Parallel to this, interest rates on loans are rising, which is causing growing difficulties for home buyers in particular, because loans in Poland are mostly granted with a variable interest rate.

Moreover, Poland was not only the country where most refugees from Ukraine came in, it is also the country with 1.2 million refugees registered in the meantime – in Europe the highest proportion of people who want to stay for the time being and are looking for flats and jobs. The residential rental market is correspondingly tight and prices are rising in this segment, while the market for owner-occupied flats has collapsed by around 20%, because the rising interest rates are no longer affordable for many, even with price reductions.

With rising inflation rate, shopping behaviour is changing in Poland as in other countries in Europe. People are paying more attention to prices and spent their money mainly in convenience centres or prefer the retail parks, which are mostly anchored by discounters. Shopping centres, on the other hand, have not yet recovered from the slump as a result of the pandemic and lockdowns – here, sales in February 2022 only reached around 80% of what was turned over two years earlier. And with steadily rising prices and correspondingly scarcer disposable income, consumer sentiment is falling in Poland. It fell from -13.5 points in July 2021 to -43.8 points at present.

The market for warehouse and logistics properties has been the fastest growing sector in recent years – both in terms of new buildings and investments. The supply of space in the first three months of 2022 rose by around 17% year-on-year – by 1.3 million sqm to a total of around 25.3 million sqm.

And the construction boom continues. According to Knight Frank, a further 4.7 million sqm were under construction at the end of March. Demand also remains high

Architectural contrasts in Łódź: on the left the Red Tower, on the right probably the most prominent revitalisation project, Manufactura.

and exceeds the supply of new space: Around 1.4 million sqm were let in the first quarter of 2022

Even in times of pandemic, the construction boom in the office property sector has hardly slowed down, on the contrary: not only in Warsaw, but also in the regional centres such as Katowice, Kraków, Łódź, Poznan, Szczecin, Tricity – Gdansk, Gdynia and Sopot – and Wrocław construction has been and is still going on, even if project developers are now somewhat more hesitant than in the past. This is not only due to the fact that vacancy rates in Warsaw as well as in the regional cities are in the double digits, but also to supply bottlenecks for materials, a lack of skilled workers in construction – exacerbated by the fact that many Ukrainian workers left the country after the outbreak of the war to join the army –, as well as rising interest rates in the financing of new projects. Projects are becoming increasingly difficult to calculate.

Likewise, investors are more cautious at the moment, as they are not spared from the general uncertainty either. No one knows how the war in Ukraine will affect the further economic development of the country.

Anyone following the news from Poland in recent weeks has noticed that comparatively little is happening. So one piece of news is attracting particular attention: Warimpex has acquired the Red Tower office building in Łódź with a total area of over 12,000 sqm. The Red Tower Office was built in 1978 and extensively modernised between 2006 and 2008, including replacing the existing façade with a brick façade, which gave the building its name. After the andel's Hotel and the Ogrodowa Office, this is Warimpex's third investment in the central Polish city.

There are good reasons why it is Łódź and not Warsaw. With 670,000 inhabitants, Łódź is Poland's third-largest city after Warsaw and Kraków and has been heavily industrialised since the 19th century. The city has undergone massive changes under the leadership of the City President Hanna Zdanowska, who has been in office since 2010, and the very agile Vice-President Adam Pustelnik was responsible for the development of the real estate company Savills in Poland for one year. Before his appointment as Vice-President in 2020, he has already been in charge of investor relations, urban development and economic promotion in Łódź since 2015. A cityscape has emerged that now features numerous new buildings alongside the extensive historical fabric – sometimes not far from each other and often in an attractive mix.

"For many years we have been watching Łódź develop and attract more and more Polish and foreign companies. With a solid business environment, a highly qualified workforce, and well-developed infrastructure, we see great potential in the local office market," says Franz Jurkowitsch, CEO of Warimpex, explaining the decision to invest again in Łódź.

Just a few weeks earlier, KGAL Investment Management announced that it had acquired the Fuzja Office I office property in Łódź for a pan-European special AIF. The seller was the Polish developer Echo Investment.

The office complex with around 22,000 sqm of lettable space is part of an extensive neighbourhood development with a total of 23 buildings. This includes six office properties, retail space and over 700 flats. One of the long-term tenants will be the Japanese technology group Fujitsu. The reason given by André Zücker, Managing Director of KGAL Investment Management and responsible for the Real Estate division, sounds similar to that of Warimpex's CEO: "All the necessary ingredients for a continued evolution with regard to becoming a modern and prosperous business location are evident in Łódź."

Although the purchase of Fuzja Office I is KGAL's fourth transaction in Poland in the last two years, it is the first outside the capital Warsaw. **I Maria Waberski**

FOCUS ON GLOBAL CLIMATE CHANGE

When the 6th Assessment Report of the UN's IPCC Intergovernmental Panel on Climate Change on *Mitigation of Climate Change* was published in spring, the results were echoed in the media for a few days, but were soon pushed aside again by other news.

Admittedly, it is a very scientific and thus rather dry read, but nevertheless it can be recommended to everyone, especially to politicians, but also to those who are responsible for the implementation of the E in ESG in their respective companies.

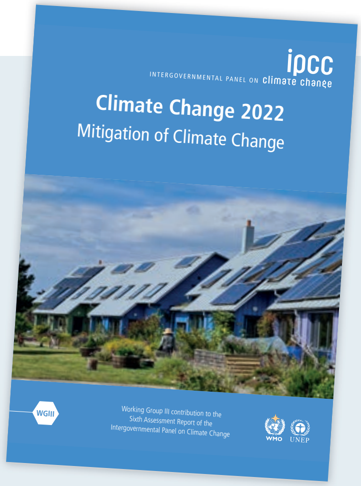
The report covers the period up to 2019/2020 and was edited in autumn 2021. Although the increase in greenhouse gases has slowed down in the second decade of the century, it is still rising. Despite all measures, it is likely that in this century the global warming will exceed the 1.5-degree limit and only with an acceleration of mitigation efforts after 2030 will it be likely to limit the warming to below 2 degrees. The fact is that increasing global warming will only stabilise when CO_2 emissions worldwide are at zero.

It is interesting to look at who emits the most greenhouse gases and where. Broken down per capita, North America is at the top (19 tCO_2-eq per person), followed by Eastern Europe and Western Central Asia, by Australia, Japan and New Zealand, and by the Middle East (13 each). In Europe, the average per capita is now at 7.8. Africa (3.9) and South Asia (2.6) are the regions with the lowest emissions per capita, but they are the most affected by climate change.

The report states clearly that there are options available in every sector – from energy, land use and industry to the urban and building sector, to transport as well as demand and services – that can at least halve the emissions by 2030.

Regarding energy production, there is currently some pressure to switch to non-fossil energy sources, albeit more as a side effect of the Ukraine conflict. For this and all other sectors, the report examines which mitigation measures are necessary to achieve the goal of halving climate-damaging gases by 2030 and explains which economic benefits can be associated with this and how these mitigation measures influence each other. Here, the so-called Technical Summary with its Feasibility Studies is of particular interest to the "practitioners".

Sometimes the reading may be a little exhausting, but the reader learns very precisely how the scientists achieve their results and what effects which mitigation measures have. And the report does not hide the fact that our current way of life has to change fundamentally, but it also pleads for supporting the weaker ones in this change.



IPCC Intergovernmental Panel on Climate Change
Mitigation on Climate Change – Sixth Assessment Report
2.913 pages
2022
Free Download at:
www.ipcc.ch/report/ar6/wg3

Hasn't there been a lot of talk lately about „green investments"? The report states that financial inflows on climate protection are 3-6 times lower than necessary to limit global warming to below 1.5 or 2 degrees. Capital and liquidity are available in sufficient quantities to close investment gaps, only it is very unevenly distributed, so that the investment gap is greatest for developing countries in particular. Despite all the difficulties of ploughing through the text, which is almost 3,000 pages long, it is certainly worthwhile.

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