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SPH newsletter

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markets

The Czech Republic's economy is facing a variety of challenges. It's not just the weak growth, there are also structural problems that need to be solved. .... page 9

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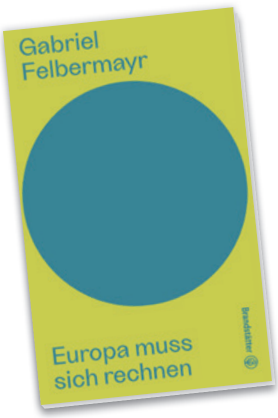

DEAR READERS!

The European Parliament elections will take place from 6 to 9 June 2024. In the run-up to the elections, there are very different attitudes, ranging from euphoria and a matter of course to criticism of the European Union. The latter cannot be dismissed when it comes to some decisions as well as political and administrative peculiarities. There is no doubt that many things are not running smoothly in the EU. At the same time, attitudes are changing: Demagogy instead of democracy, inciting instead of explaining, splitting instead of reconciliation. Populism and new nationalism, egoism and protectionism are on the rise.

Since the first election for the European Parliament in 1979, I have been one of those who have welcomed the European idea and thus a living Europe. And I still do it. There is no way around thinking in larger dimensions – not only from a global perspective, but also in the European internal area and in each individual member state. Europe takes place in all cities and regions.

Shortly before the election, you can read a review of Gabriel Felbermayr's book *Europa muss sich rechnen* (Europe must pay off) in this issue. The economist is Director of the Austrian Institute of Economic Research in Vienna and was previously President of the Kiel Institute for the World Economy. My request for all who are sceptical about Europe is simple: read the review and, even better, the book. But feel free to read the other articles too.

Yours,

Andreas Schiller

NEWS FROM CEE/SEE

Completed in 2006, Zagrebtower – a complex consisting of an elliptical high-rise building with 22 floors and an adjacent eight-storey building – offers almost 26,000 square metres of rental space.

OTP TO ACQUIRE ZAGREBTOWER OFFICE BUILDING

S Immo has signed a contract to sell Zagrebtower to Hungary's OTP Group. The office building comprises a total net area of almost 26,000 sqm. The transaction is expected to close in the third quarter of 2024, subject to the necessary regulatory approvals.

The disposal is in line with S Immo's adjusted strategy of gradually withdrawing from the Croatian market.

NEPI ROCKCASTLE HAS SOLD ITS WAREHOUSE IN OTOPENI

NEPI Rockcastle Group has sold the company Otopeni Warehouse and Logistics SRL to River Property SRL. Otopeni Warehouse and Logistics SRL owns a building with a net leasable area of 4,801 sqm, of which 3,227 sqm logistics are warehouse space and 1,574 sqm offices, and the related land with an area of 14,807 sqm, located in Otopeni, Ilfov county. The sale value of the property was EUR 5.75 million. The Otopeni warehouse has been in NEPI's portfolio since 2010.

PANATTONI RECEIVES FINANCING FOR A LOGISTICS CENTRE IN RUDA ŚLĄSKA

Panattoni has recently started construction of another hall within Panattoni Park Ruda Śląska II. Now the company has secured financing for the investment. The EUR 9.4 million loan was provided by Millennium Bank.

The new stage of Panattoni Park Ruda Śląska will comprise an area of 16,000 sqm that has been fully leased. The Park is located near A4 and A1 motorways.

MONDRIAN HOTEL WILL BE DEVELOPED BY ONE UNITED PROPERTIES IN BUCHAREST

The lifestyle and hospitality company Ennismore, and One United Properties have signed a partnership for the opening of a Mondrian hotel in Bucharest. Mondrian Bucharest will be located at 8-10 Georges Clemenceau Street, near the Romanian Athenaeum. The hotel will offer approximately 100 rooms and suites, as well as leisure facilities, including a swimming pool and spa.

7R ENTERS THE CZECH MARKET

Having secured the necessary building permit, the 7R Group is set to launch its first warehouse development in the Czech Republic, located along the Prague-Brno connecting road. 7R Park Lavicky D1 Highway will consist of a warehouse building with a total area of 26,000 sqm. The value of the investment is EUR 30 million. Completion is planned for Q3 2025.

Revetas Capital acquired the project developer TriGranit in 2018 and with it the Bonarka for Business B4B in Krakow. The neighbouring Bonarka Meadows residential project has now been sold to Henninger Investment S.A.

REVETAS CAPITAL SOLD KRAKOW RESI PROJECT TO HENNIGER INVESTMENT S.A.

Revetas Capital has recently concluded the disposal of Bonarka Meadows in Krakow, a permitted residential development project, to Henniger Investment S.A. Bonarka Meadows is positioned on two land plots adjacent to Building G and Building H which are part of the office complex Bonarka for Business B4B.

The project is located next to a shopping centre. The land plots have a total development area of 10,400 sqm with building permits in place for 20,800 sqm residential purposes and are planned to deliver 434 apartments spread across 4 buildings, each with 10 above-ground storeys.

FUTUREAL SELLS TWO BUILDINGS IN LIPOWY OFFICE PARK IN WARSAW

Vilnius-based 1 Asset Management together with real estate company Hanner announced the completion of the acquisition of two buildings in the Lipowy office park in Warsaw from Futureal Investment Partners. 1 Asset Management will convert the existing office buildings into student accommodation SHED Living and invest more than EUR 50 million. The location of the objects is on Zwirki I Wigury Street in the Ochota district, where the main universities of Warsaw are located. 1 Asset Management has established a separate fund called CEE Student Housing Fund, whose strategic investor is Hanner to develop projects in Poland and other Central and Eastern European countries.

CTP LAUNCHES 16TH INDUSTRIAL PARK IN POLAND

CTP is starting construction of its first manufacturing and logistics complex in the Podkarpackie region in Poland. In Rzeszów, the developer will build a complex of two facilities with a total leasable area of nearly 50,000 sqm. This will be the company's 16th investment in Poland. The first phase of the project is scheduled for completion in Q3 of this year. The location of CTPark Rzeszów will provide access to the S19 expressway, part of the Via Carpatia international route linking northern and southern Europe, and the A4 motorway leading to Germany.

META ESTATE TRUST BUYS POIANA SPV 6814 SRL

Meta Estate Trust bought Poiana SPV 6814 SRL for EUR 1.25 million. This transaction was concluded to consolidate Meta Estate's position in Poiana Brasov. Poiana SPV 6814 SRL owns the land intended for the aparthotel project developed by Rock Development Holding.

Rock Development Holding has announced plans to construct a Kempinki hotel in Poiana Brasov. The hotel will be located on the shore of the resort's lake, opposite the Aurelius hotel. Additionally, an aparthotel will be constructed between Sura Dacilor and Imparatul Romanilor, approximately 300 m from the lake.

In December, Meta Estate Trust shared that the developer of the Neagoe Basarab project in Poiana Brasov, in which the company has invested EUR 1.5 million, has partnered with the Accor group to open the Swissotel hotel in 2024.

Hotel Ambasador is located on Boulevard Magheru in Bucharest. It was opened in 1939 and privatised in 1995. One half of the building belongs to Ambasador SA, the other half to the heirs of the architect Arghir Culin, who designed the hotel.

JULIUS MEINL TO PURCHASE BUCHAREST'S AMBASADOR HOTEL

House of Julius Meinl is close to completing the purchase of the Ambasador hotel in Bucharest. The Austrian group is preparing to invest approximately EUR 35 million in the acquisition and bringing the entire hotel up to 4-5 star standard.

Upon the completion of the transaction, the plan is to create around 130 accommodation spaces, out of which 40% will be double rooms. The expectation is to obtain the necessary approvals from the mayor's office for the project by the end of the year.

Hotel Ambasador, was privatized in 1995. Half of the building is owned by Ambasador SA and is operated as a tourist reception structure with 99 accommodation spaces, catering services, and a conference hall. It is rated as a 4-star hotel. Both building bodies have a constructed area of 6,200 sqm, and their footprint is 530 sqm each.

PANATTONI HAS SOLD AN INDUSTRIAL PARK IN WROCŁAW

Panattoni has finalised the sale of a centre in Lower Silesia. An international real estate company has purchased Panattoni Park Wrocław West Gate with a total area of 46,900 sqm.

Panattoni Park Wrocław West Gate is a complex of two buildings with 17,600 sqm and 29,300 sqm respectively. The park is located in the Miękinia area of the Średzki district near to Intel's future semi-conductor factory.

The location is 20 minutes away from Wrocław's city centre and a 5-minute drive from the airport. Nearby the development runs national road 94, that leads on to the S3 expressway, which runs parallel to Poland's western border, and also leads on to the Wrocław Motorway Bypass, which connects the A4 with the S5 and S8 expressways.

SYNDICATED LOAN FOR CTPARK BUCHAREST

CTP signed for a syndicated credit facility for the refinancing of the development of 40 green logistics and industrial buildings, with a combined leasable area of 565,000 sqm within the CTPark Bucharest project. Alpha Bank SA, BRD – Groupe Société Génerale SA and ING Bank Romania made available a credit line worth EUR 200 million.

Romania is the second largest market for CTP, representing over 2.6 million sqm of its portfolio of industrial and logistics spaces in over 15 cities in Romania. The company has invested over EUR 1.5 billion in Romania to date.

WDP ACQUIRES EXPO MARKET DORALY IN BUCHAREST

WDP acquires Expo Market Doraly from ARA Europe & Gheorghe Iaciu, who founded the project in 1993. Expo Market Doraly is the oldest wholesale, cash & carry and urban logistics park in Romania. Located north-east of the boundary of the city of Bucharest, Expo Market Doraly covers an area of approximately 110,000 sqm and comprises a total of 37 pavilions, where more than 400 traders operate.

Arges Mall in the Romanian city of Pitești is the largest shopping centre in Argeș County with more than 77,000 sqm.

PRIME KAPITAL OPENS ARGES MALL SHOPPING CENTRE

On April 25, Prime Kapital will open Arges Mall, the largest shopping centre in Argeș county. With a constructed area of over 77,000 sqm, spread over two floors, and approximately 2,000 parking spaces, the shopping centre brings, in addition to fashion brands, a Carrefour hypermarket, a playground, a gym, a dining area with a capacity of 900 seats, as well as an outdoor terrace with over 250 seats. Arges Mall is located in the city of Pitești, on Tudor Vladimirescu street no. 37. The value of the investment in the shopping centre reaches over EUR 100 million.

VASTINT ROMANIA INITIATES THE SECOND PHASE OF TIMPURI NOI SQUARE

Vastint Romania announces the commencement of the second phase of its real estate project, Timpuri Noi Square, an urban regeneration project for the Timpuri Noi area in Bucharest. The second phase will total 105,000 sqm of gross built area and will include two new office buildings.

PANATTONI SECURES FINANCING FOR THE CONSTRUCTION OF PANATTONI PARK SZCZECIN V

Panattoni has won financing for the development of its latest project in Western Pomerania, Panattoni Park Szczecin V. The EUR 20 million loan was granted by mBank. Panattoni Park Szczecin V will comprise 30,000 sqm of which around a third has already been leased to a client from the food and hospitality sector. Panattoni Park Szczecin V is located around 20 minutes from both the centre of Szczecin and the German border.

ACCESSION CAPITAL PARTNERS ACQUIRES SMYK

The Vienna-based Accession Capital Partners group is buying the Polish chain of stores SMYK, from the British investment fund Bridgepoint. SMYK, a brand present on the market for 45 years, retailer of toys and children's clothing, currently operates a network of more than 280 stores in Poland, Romania and Ukraine, as well as an e-commerce platform. The company was launched in 1952, in Warsaw. In 2016, the chain was bought by the Bridgepoint investment fund from Empik Media & Fashion, a Warsaw-based retailer group, in a deal worth a total of EUR 247 million.

EPP AND ECHO SECURED REFINANCING FOR GALERIA MLOCINY IN WARSAW

EPP Poland along with Echo Investment have successfully secured a loan worth EUR 145.2 million for the new financing of the Galeria Mlociny shopping centre in Warsaw. Erste Bank Group AG (Austria), Rand Merchant Bank (RMB), a division of FirstRand Bank Limited (Republic of South Africa) and Santander Bank Polska (Poland) acted as arrangers of the new credit facility, with Santander Bank Polska also acting as Facility Agent, Security Agent and Account Bank.

Galeria Mlociny, owned by EPP (70% stake) and Echo Investment (30% stake), is located in the Bielany district of Warsaw. The shopping centre opened in 2019 and offers about 81,000 sqm of retail and office space.

STAFFING


left: Daniela Boytcheva
right: Piotr Flugel


left: Gerald Kremer
right: Michał Orłowski


left: Gesa Wilms
right: Szymon Zduńczyk

DANIELA BOYTCHEVA has been appointed as the Managing Director for CTP Bulgaria, effective from 1st March 2024. With almost two decades of experience in property consultancy specialising in the office and industrial & logistics sectors, Daniela Boytcheva joined CTP in 2022 as Business Development Director.

PIOTR FLUGEL is new Managing Director for CTP Poland, effective from 1st March 2024. Piotr Flugel has been instrumental in spearheading numerous initiatives since he joined CTP Poland at the beginning of March 2022 as Country Construction Director & COO. Piotr Flugel has a strong background in civil engineering and has been more than ten years active for Goldbeck in Poland.

GERALD KREMER has been appointed as a new member of the Management Board of Union Investment Real Estate GmbH with effect from 1 April 2024. Gerald Kremer joins Union Investment from Credit Suisse Asset Management, where as Chief Digital Officer he has been responsible for managing digital transformation of the Global Real Estate division since 2018. He also headed the Data Science, Innovation Management and Digital Operations units. In his new role as Chief Operating Officer (COO) at Union Investment, he will be primarily responsible for digitalisation, real estate operations/processes, data management and tax. Gerald Kremer replaces Christoph Holzmann as Chief Operating Officer, who is stepping down from the Management Board as of 1 April 2024 for personal reasons and will leave the company on 30 June 2024 after a handover period.

MICHAŁ ORŁOWSKI has been appointed as Director, Head of Leasing and Asset Management at Karimpol Polska. Michał Orłowski brings with him ample experience of more than 18 years on the Polish real estate market. Before joining Karimpol Group, Michał Orłowski served as Leasing Director at Revetas. He previously worked at BBI Development, DTZ, Cushman & Wakefield, and Bank BNP Paribas. Michał Orłowski received his law degree from the University of Warsaw and continued his education with a degree in American law from the Levin College of Law in Florida, and in British and European law from the University of Cambridge. He holds the title of Certified Commercial Investment Member CCIM.

GESA WILMS is the new Managing Director at Deka Immobilien and WestInvest Gesellschaft für Investmentfonds. As Chief Operating Officer (COO), she will be responsible for the newly created Asset Management Property division. The previous COO and Chief Risk Officer (CRO) of Deka Immobilien and WestInvest, Burkhard Dallosch, will leave Deka at his own request at the end of September 2025. Gesa Wilms has around 20 years of experience in the property sector. Before joining Deka Immobilien in 2008, she worked in the property division of Deutsche Telekom and most recently headed the Management Property Services division at Deka. She holds a MA and a degree in property economics from the University of Regensburg.

SZYMON ZDUŃCZYK has joined the Management Board of Karimpol Poland as of 1 March 2024. The former Executive Director has been promoted to Managing Director and Member of the Management Board of the Group's Polish subsidiary. Szymon Zduńczyk is a manager with 13 years of experience. He joined Karimpol Polska five years ago. He is a graduate of the Warsaw University of Technology and the Military University of Technology in Warsaw.

LETTINGS

AFI CITY 1, PRAGUE — CZECH REPUBLIC

Logistic company Hegelmann Transporte will occupy a total of 1,867 sqm of office space on two different floors in the AFI City 1 office building in Prague. Since Škoda Auto also used the option to expand the existing premises, AFI City 1 is now 100% occupied. The AFI City 1 is part of a newly emerging multifunctional district on the Vysočany brownfield near the Kolbenova metro station. The building is 75 meters high and offers 17,300 sqm of office space.

PALÁC DUNAJ, PRAGUE — CZECH REPUBLIC

The international law firm CMS and the European Investment Bank EIB have rented office space in the newly renovated Palác Dunaj building on Národní třída in Prague. Palác Dunaj is located on the corner of Národní and Voršilská streets in the city centre. Zeitgeist Asset Management bought the original 100-year-old building for a German pension fund in 2017 from the construction company Eurovia, which had its headquarters here since 1958. Palác Dunaj offers office and commercial premises with a total area of 8,800 sqm.

DIUNA, WARSAW — POLAND

Diuna office complex, part of the Syrena Real Estate portfolio, has welcomed a new tenant – JDE Peet's. The company has taken 900 sqm in the Warsaw office building. With a total usable area of 46,000 sqm Diuna, formerly known as Marynarska Business Park, has undergone a huge redesign thanks to the efforts of Syrena Real Estate and PineBridge Benson Elliot. The office complex in Warsaw's Służewiec district has been brought up to current market standards.

SASKI CRESCENT, WARSAW — POLAND

A global IT company will establish its Polish headquarters in the Saski Crescent office building, occupying nearly 50% of its total space. The property, situated at the intersection of Marszałkowska and Królewska streets in Warsaw, has been extensively modernized since the beginning of last year. It has been reopened and put into operation at the end of March. Saski Crescent offers more than 15,000 sqm of office space.

BONARKA FOR BUSINESS B4B, KRAKOW — POLAND

Two new office lease transactions have been concluded at Bonarka for Business B4B complex in Kraków, with a total GLA of 825 sqm. Apollo Investment is the newest tenant in B4B and SeproTec Multilingual Solutions will relocate from their space in Building F to the new premises in Building D. B4B business park, located in the heart of Bonarka City Center in the Krakow Podgórze district, consists of 8 office buildings with a total leasable area of 75,000 sqm.

FACING MULTIPLE CHALLENGES: THE CZECH REPUBLIC

The sluggish economy in Germany is also having a negative impact on the Czech Republic's highly export-orientated economy.

Europe's economy was expected to recover by the end of the Covid pandemic. But then the Ukraine conflict broke out in 2022 and dashed all hopes of growth. This hit export-orientated economies like the Czech Republic particularly hard.

For years, the Czech Republic's economic growth rates were not record-breaking, but relatively stable. The country shared the economic swings in the wake of the Covid pandemic with many others, but since then the growth engine is sputtering and the Czech economy has not really got off the ground.

GDP shrank by 0.4% in 2023 and estimates predict growth of 1.1% in 2024. By comparison, the EU economy grew by 0.5% in 2023 and is forecast to grow by 0.9% in 2024.

When it comes to the question of whether the Czech Republic's economy will recover sustainably this year, there are some doubts among economic experts. Real GDP is still below that of the end of 2019, making the Czech Republic the only country in the EU that has not yet compensated the economic losses caused by the Covid crisis. This brings some to talk about the "sick man of Europe", an unflattering attribution the country currently shares with Germany.

To stay with Germany: The economic stagnation in the country is one of the reasons why also the Czech economy is sluggish. Almost a third of all exports from the Czech Republic go to Germany – and since not only growth within the EU is relatively modest, but is currently near zero in Germany, exports are not expected to provide an additional boost for the Czech economy.

Another issue is the high dependence on energy imports. In 2021, around 40% of the Czech Republic's energy needs were covered by imports, around a quarter of which came from Russia. Following the loss of gas imports from Russia in particular – gas came almost exclusively from there – the Czech Republic is now sourcing liquefied natural gas from Western Europe. Energy prices have risen accordingly. Electricity prices in particular are continuing to rise after the state scaled back its measures to cap electricity prices. This means that the Czech Republic is currently one of the countries whose electricity prices are significantly higher than the EU average – in the CEE region, only Romania has prices per kWh that are even higher. This is a further handicap for a country whose production is energy-intensive, or more precisely: not very energy-efficient.

Added to this is inflation, which shot up to over 15% in the Czech Republic in 2022, twice as high as in the eurozone. Inflation was still a good 10.7% in 2023 and is only now falling to below 3%. The Czech National Bank counteracted this with significant interest rate increase – the key interest rate is currently at 7%. The downside, however, is that with the high interest rates, investment activity fell significantly and loans became much more expensive.

What is also slowing down the economic recovery is the government's austerity policy. The Czech Republic has spent a lot of money to support the economy and households both during the Corona pandemic and after the energy crisis broke out in 2022. In order to consolidate the budget and to reduce the national debt from almost 46% of GDP, the government increased taxes and duties and cut subsidies as of 1 January 2024.

All of this puts additional strain on companies and households. Consumer spending had largely recovered from the Corona slump at the end of 2021, but has been declining again since then and remains at a significantly lower level – a consequence of higher prices. Despite increased salaries and wages, real incomes have fallen significantly causing growing – not only economic – uncertainty.

The country is the third-largest economy in CEE/SEE after Poland and Romania and is well ahead of Poland in terms of economic output per capita – in 2022 GDP per capita was at EUR 17,300 in Poland, and at EUR 26,000 in the Czech Republic. But it has structural problems. As in other European countries, the population in Czech Republic is "ageing" and is in danger to shrink in the long term.

Another point is, that the country urgently needs to catch up in terms of climate protection and energy efficiency – the Czech Republic is lagging far behind in this area and in order to achieve the EU's climate goals it has at least to triple the current efforts to turn to renewable energies. However, this is counteracted by a lack of production capacity and bureaucratic slowness.

Furthermore, higher investments in the area of R&D and education as well as more innovations are urgently needed if the country is not to fall into the "middle-income trap" due to rising production costs and declining competitiveness. In recent decades, the Czech Republic has benefited from high levels of foreign direct investment and the associated development of export-oriented capacities, particularly in the manufacturing industry, additionally supported by the availability of initially cheap labour. The country's accession to the EU further boosted this development.

The flip side of the coin is the Czech economy's high dependence on external factors, especially on the manufacturing industry in neighbouring Germany. To put it bluntly, one could say that when Germany has a cold, the Czech economy is coughing and sniffling violently. For a more independent economy there is an urgent need for a shift away from the production of intermediate stages towards higher-value end products.

With high inflation, the key interest rate in the Czech Republic rose to 7%.

Looking at the property investment market, the Czech Republic got off relatively lightly in 2023. According to Cushman & Wakefield, investments in commercial real estate fell by more than half to EUR 5.02 billion in the CEE as a whole (Bulgaria, Poland, Romania, Slovakia, the Czech Republic and Hungary). While Poland experienced the sharpest slump with a decline of 68%, investments in the Czech Republic fell by "only" 32% to around EUR 1.2 billion.

What is striking is the high proportion of Czech investors. According to Colliers, 83% of the capital invested in 2023 came from the domestic market. The second strongest group are Austrians with 7%.

With over 40% retail properties accounted for the largest share of the transaction volume. Two major transactions in particular contributed to this result: the sale of the Trei Real Estate portfolio to Plan B Investments and the acquisition of the Palác Pardubice Shopping Centre by Redstone.

At present, it is only retail parks that contribute to the growing retail space in the Czech Republic. Last year, more than 62,000 sqm were completed in 17 retail parks. This brought the total area of retail parks to 1.2 million sqm, which, according to Cushman & Wakefield, corresponds to almost a third of the total retail space in the Czech Republic. And growth in this segment is continuing: 87,200 sqm are currently under construction, and a further 380,000 sqm are in the planning stage.

Office investments were in second place in 2023 with a 34% share of the transaction volume. Taking the number of transactions into account, this sector is still in first place. In 2023, almost 100,000 sqm of new space have been completed in Prague, the Czech Republic's most important office market. This is less than half of the completions in 2019, but more than in 2021 and 2022. A further 84,000 sqm are expected to be completed this year. However, the pipeline of planned new office buildings is empty. Only at the beginning of this year a new project in Prague 8 was announced, the first one in a long time.

Whether new office buildings like Nova Waltrovka (above) or logistics parks like CTPark Bor (below) – demand for space is still high.

With 525,000 sqm demand is significantly higher. Accordingly, in Prague – unlike in other CEE capitals – the vacancy rate is falling and is currently 7.2%. When it comes to demand, however, a distinction must be made between gross and net absorption. Net absorption amounted to 238,000 sqm, around 45% of total take-up. The other 55% are lease renewals.

Residential investments (13% of the transaction volume) have increased due to the group of those who have focussed on this area and are currently encountering project developers who are happy to sell their portfolio "in toto" in view of the reluctance of private home buyers. Although house and apartment prices have also fallen slightly in the Czech Republic, high inflation has left households with little scope for purchasing home ownership, especially since increased interest rates have made financing significantly more expensive.

Despite the difficult economic situation, industrial and logistics properties are springing up like mushrooms in the Czech Republic. Around 921,000 sqm were added last year, with a further 1.348 million sqm under construction. Demand for space totalled 1.5 million sqm in 2023. Although the vacancy rate has increased slightly, it is currently 1.75% which is well below the rates in other CEE countries. However, there are also some signs of a deterioration here: According to Colliers, letting performance is around 30% below the previous year's figure, meaning that demand is declining.

Despite all the challenges the Czech Republic is facing, the economy has bottomed out. With falling inflation and a corresponding decline in interest rates, consumption is likely to pick up again. And one advantage that is not subject to change is the country's geographical location. This applies not only to the logistics sector, which has connections from here to Germany, Poland, Slovakia and Austria, but also to so-called nearshoring, which is receiving a new boost with the Middle East conflict. **I Marianne Schulze**

GOING GREEN OR GREENWASHING?

Many companies try to give themselves and their products an environmentally friendly image – unfortunately often without any real basis.

Everything has to become more sustainable, and in order to achieve the climate targets CO_2 emissions should be reduced as much as possible – this is the noble goal that the Europe has set itself. But can this work? And where to start and where to end?

The fact is that we in Europe are living far beyond our means – in terms of our consumption of raw materials and our emissions of climate-damaging gases. And hardly anyone will deny that we have to do everything we can to significantly reduce both. However, the willingness to do more to protect the climate and resources ends when it comes to our own wallets and our own behaviour.

At the same time, more and more companies are advertising with the claim of being "green", everything is labelled as "organic", is produced in a way that is "resource-saving" or is "made from recycled materials". This calms the conscience of consumers, but in most cases it is more like greenwashing than truly environmentally friendly and sustainable.

According to calculations by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, consumption (excluding food) contributes a good 30% to the average carbon footprint per capita in Germany – more than housing and mobility (20% each).But woe betide consumers if they become cautious. Then there will be a lot of lamentation, as consumption is considered an important driver of economic growth.

No matter what is being produced, whether refrigerators, T-shirts or paper bags – it always involves resources and energy, in the best case renewable raw materials and energy from renewable sources. But petroleum products are already involved in all plastics, with the added complication that the majority of these materials are hardly biodegradable and the resulting waste becomes a further problem for the planet.

A look around your own household is enough to show how much plastic we are surrounded by. And the attempt to large-

Not always chasing the latest fashion may be easy, but avoiding plastic in the household is more difficult.

ly avoid plastic products quickly reaches its limits. After all, it's not just about plastic bags – which have now largely been abolished – and fruit and vegetable packaging, but also, for example, cleaning products and cosmetics, microfibres and functional clothing and much more.

Waste separation and the hope of recycling serve to ease our conscience. However, before we go shopping, we should generally consider whether we really need the product in question and what alternatives there might be.

But haven't we all similar experiences? The smartphone or laptop may be a few years old, but it still works. At some point, however, there are no more updates and apps need a newer operating system. And already we think about whether we need a new device, even though we know that rare earths and raw materials are necessary for production, that these are often mined under conditions that we want to know as little about as possible, and that just these resources are finite.

The goal cannot be "back to the Stone Age", but "going green" requires a lot of thought, sometimes even giving up things that are "nice to have" but not really necessary, and using things once they have been produced for as long as possible. It also means resisting the temptations of advertising, which constantly persuades us to buy "new fashions", although these "new fashions" are usually not very sustainable and are produced for quick consumption, only to be disposed of again soon and make room for the next "new fashion".

Private consumption is a private decision that everyone has to make for themselves. The situation is somewhat different when it comes to construction and buildings. Here too, it takes a lot of energy and resources to construct and operate a building. And again, conscience can be calmed.

You can meet the requirements of the E in ESG by having your new building certified and thus confirming not only how environmentally friendly you have built it, but also what energy and resource savings you can achieve in operation. These sustainability certificates are usually awarded after the building has been completed and hardly anyone checks later on whether the planned savings have actually been achieved during operation. In addition, very different aspects are evaluated and then summarised in the certification process, so there may be a certain compensation of higher energy consumption by the green areas around the building. Some experts in the property sector are already pointing out that suspicions of greenwashing can easily arise here.

But even assuming the building is operated as economically as possible, it is not possible to compensate for the consumption of raw materials and energy during construction. The idea of a net-zero building that does not require more energy than it produces over the course of a year is therefore a euphemism that does not take into account all the energy that is already in the building.

So stop building for climate protection? Hardly possible, but perhaps "building differently" would be a way of using resources and energy more economically.

The first question is whether it always has to be a new building. One way is to reuse existing properties and renovating them in such a way that they can be operated as climate-neutrally as possible.

However, investors should also have to rethink things a little. The most sought-after investment properties are newly constructed modern buildings, followed by buildings that are only a few years old. Refurbishments come a long way behind. And fast-moving as our times are, also buildings "age" faster.

Many once modern buildings now barely have a lifespan of 50 years. The reason is often that the building no longer meets today's requirements. So it will be demolished, disposed of and the site used for a new construction. From a sustainability point of view, we can no longer really afford this "luxury" of resource consumption.

In this context, one often hears the objection that renovation is the more expensive solution. However, depending on the type of building and location, demolition is not exactly cheap either and can easily run into the seven-figure range for a taller building. Perhaps – similar to consumer decisions – we should also ask whether all the requirements for "modernity" always have to be met or whether it is sometimes possible to be a little more "modest". Ultimately, it is again a question of what is really necessary and what is perhaps just "nice to have".

But whether new construction, refurbishment or even an extension to an existing building – from an ecological point of view, we can no longer really afford the current construction methods using concrete and steel. If we are going to build, then we should build in such a way that buildings can be dismantled at the end of their life cycle and the construction material can be reused – not as "lower quality" material (downcycling), but with as little loss of quality as possible.

In order to achieve the "cradle-to-cradle" principle, i.e. a genuine circular economy for buildings, recyclable building materials must be used whose production has only a small or no CO_2 footprint. This can even pay off, because then every building becomes a "material bank", the capital tied up in the building materials is not lost, but can be activated through recycling. And if raw materials become increasingly scarce and therefore more expensive, the value of the material can even increase. However, this all requires different planning and construction processes, which are currently still much more complex than conventional construction methods.

The radical question is how much new construction is really needed. At the moment, there is a shortage of housing in Germany and "affordable housing" in particular has become a very scarce commodity. There are many reasons for this shortage. These include high land prices and the fact that the requirements for housing construction have increased enormously. It is somewhat surprising when the Federal Statistical Office states that the costs per cubic metre of building volume are higher for apartments than for offices.

There is no doubt that new buildings will continue to be needed in the future, but the existing building stock should be examined to see whether and how it can continue to be used and be operated as climate-neutrally as possible. This includes former department stores – usually located in the city centre and therefore well connected – but also office buildings that are no longer in demand because they are a bit older. In general, "preserve" should have priority over "build new" and if new construction is required, then in such a way that as little damage as possible is caused to the environment. It is possible, it just requires radical rethinking. **I Christiane Leuschner**

Opened in 1972, demolished in 2013: the AfE tower in Frankfurt am Main.

EUROPE MUST PAY OFF

When the European elections take place at the beginning of June 2024, there will once again be discussions about voter turnout afterwards. Some people already fear the widespread tiredness of Europe, not to say hostility towards the EU.

Nevertheless, despite all reservations and criticism, one has to agree with economist Gabriel Felbermayr when he says "that there is no better alternative for Europeans than to continue to push on and improve the integration project [of the EU]". But prior condition is that "Europe must pay off", as the title of his book reads.

In his opinion, this must go hand in hand with „reform processes that bring new economic and political impetus". He demands on the one hand that the member states must be prepared to work even more closely together, but on the other hand that "some of the things that are currently decided and administered in Brussels should once again be more the responsibility of the member states". Above all, "it has to become clearer and more evident that Europe pays off for the people and the member states", that "the advantages of European integration have to be noticeable and visible" and that "they must clearly outweigh the undeniable disadvantages that also exist".

The book starts with a comprehensive introduction that addresses the challenges the EU is facing. In the following ten chapters it highlights the different areas where there is a need for action and improvement in the EU and points out the solutions that could help to achieve the goal that "Europe pays off".

It starts with the fact that the EU should focus on creating added value and further strengthening the internal market, the EU's "crown jewel". It looks at the Euro, the advantages but also the weaknesses of the so-called common currency, which is still not "common" in all EU countries. Another chapter deals with net contributors and net recipients, explains why the EU needs a larger budget and at the same time calls for the EU Parliament to have the right to budget –incidentally the only parliament that does not have this right – and that European money should be used for European public goods. The last three chapters deal with the "Lessons to learn from Brexit or deepening versus enlargement", the controversial topic of "Schengen, immigration and asylum policy" and "Europe, free trade and the new geoeconomics". Finally, the conclusions from the previous chapters are summarised.

The author gives is a clear warning that without fundamental reforms and particularly in view of the changes in the global political environment, Europe is in danger to end up in a marginal position with the inevitable consequence of a loss of prosperity.

There is literature about Europe like sand by the sea, but rarely has a book summarised the topic of the EU, the positive aspects and the challenges of the future for the community so concisely. And even those who have not studied economics can easily understand it. A pity is that the book is only available in German, which limits the number of readers, of which there cannot be enough.

Gabriel Felbermayr
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