No. 13 | August 2012

SPH newsletter

DEAR READERS!

The summer is drawing to a close. Anyway, holiday and tourism are topics most of us are still remembering by recent direct experiences. Therefore this issue provides an article about "Trendy tourism – A rising income for Eastern Europe". Perhaps it does not only inspire to invest into the tourist sector but also to travel in this direction this or next year—not as an investor, but as a so-called end user of tourist facilities.

Still an attracting tourist destination is Turkey. So we have a closer look at its tourist assets and the market. But Turkey is also more generally the focal topic of this issue where you will find a presentation of a study about the "Real estate sector in the vision of 2023", published this summer by Turkey's Association of Real Estate Investment Companies Gyoder.

However, Turkey and tourism are not the only topics. Among the news there is information about further countries and segments. Most of the news are from Poland and Russia obviously indicating which countries in Central and Eastern Europe are in the main focus. Exhibitors and visitors of these two countries will be present at this year's Expo Real in Munich. Preparations for the 15th International Trade Fair for Commercial Property and Investment are already on full speeds—with SPH team as well. More detailed information about what is to be expected at this year's Expo Real in Munich you will find in the next issue of SPH Newsletter in September.

Yours

Andreas Schiller

IMMOFINANZ
GROUP

Are you interested in only the best retail properties? Talk to us!

Golden Babylon Rostokino **Moscow RU**

www.immofinanz.com

The WFC Warsaw Financial Center will become new owners: a consortium of Allianz Real Estate and Tristan Capital Partners. Vendors are CA Immo and Pramerica Real Estate Investors. They had acquired the building completed in 1998 in a 50:50 co.investment in 2005.

ALLIANZ AND TRISTAN CONSORTIUM ACQUIRES WFC IN WARSAW

A consortium of Allianz Real Estate and Tristan Capital Partners is acquiring the WFC Warsaw Financial Center for about EUR 210 million. The vendors are Vienna-listed real estate company CA Immo and international investment manager Pramerica Real Estate Investors. They each hold a 50-percent share in the high-rise office building in Warsaw's central business district. Allianz holds an 87.5 percent share in the buyers' consortium with Curzon Capital Partners III, a fund managed by London-based Tristan Capital Partners, holding the remaining 12.5 percent.

WFC was one of the first class A high-rise office structures in the CEE region when completed in 1998 comprising a rentable area of around 50,000 square metres. It was acquired by CA Immo and Pramerica Real Estate Investors as a co-investment in 2005. The building is currently almost fully let to tenants that include international companies, mainly law firms, consultancy firms and banks.

Colliers International and Jones Lang LaSalle have been the agents selected by CA Immo and Pramerica Real Estate Investors for joint marketing of the transaction; Salans is their legal advisor.

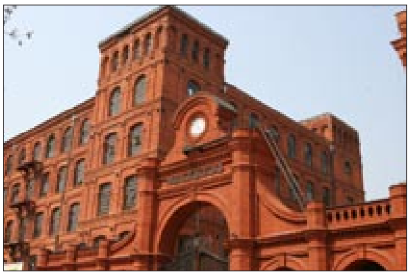
AFI EUROPE SELLS TULIPA VOKOVICE PROJECT IN PRAGUE

AFI Europe, a real estate investment and development company operating in Central Eastern and South Eastern Europe, has sold its Tulipa Vokovice project in Prague to the Daramis Group. The sale concerned a plot of land designed for residential usage located in Prague 6 near the natural park Divoká Šárka. International law firm Salans advised AFI Europe on the sale.

PIK SECURES ANCHOR INVESTOR FOR ITS FIRST RUSSIAN RETAIL REIT

PIK Group, a Russian real estate developer focusing on large-scale residential projects within the Moscow Metropolitan Area and selected Russian regions, has started collaboration with non-governmental pension fund Blagosostoyanie for its commercial real estate infrastructure management programme, PIK Retail. According to the programme, a portfolio of PIK Group's commercial real estate premises will be included into Closed End Share Real Estate Investment Fund (or ZPIFN, Russian regulated REIT) that will contain commercial ground floors of residential buildings and neighbourhood shopping centres within the Group's projects.

Blagosostoyanie was established 16 years ago and is one of the largest Russian non-governmental pension funds. At the first stage of collaboration with PIK Group, the pension fund's investment is said to be more than RUB 310 million (approximately EUR 7.8 million). The current portfolio of PIK Retail assets is valued RUB 2 billion (approximately EUR 50.7 million).



"Manufaktura" in Lodz is a former textile factory meanwhile redeveloped. It is location of the greatest shopping centre in Poland that Union Investment Real Estate has secured for its open fund Unimmo:Deutschland.

UNION INVESTMENT SECURES "MANUFAKTURA" SC IN LODZ

Hamburg-based Union Investment Real Estate GmbH is acquiring the "Manufaktura" shopping centre in the Polish city of Lodz. The seller is a property company belonging to French companies Fonciere Euris and Rallye and to project developer Apsys, who will continue to manage the shopping centre. No further details of the transaction were disclosed.

Offering some 112,500 square metres of rental space, the fully let property is currently the largest shopping centre in Poland. Union Investment is acquiring 91,240 square metres of the rental space. The DIY store and cinema are not part of the transaction and remain the property of owner-occupiers Leroy Merlin and Cinema City respectively. Following completion of the transaction, which is scheduled for end 2012, "Manufaktura" will become part of the open-ended real estate fund UniImmo: Deutschland. Hogan Lovells and Jones Lang LaSalle advise Union Investment Real Estate during the transaction process.

LARGEST DEAL IN RUSSIA'S INDUSTRIAL MARKET

National Computer Corporation (NCC) has signed an agreement with PNK Group for the purchase of a warehouse complex of more than 58,000 square metres in industrial park "PNK-Vnukovo" near the airport with the same name. Moscow-based PNK Group is specialized in investments and development of industrial parks. B.I.D.S. Ltd, represented NCC throughout the whole deal process, while Knight Frank represented PNK Group. The delivery of the asset is planned for the start of Q2 2013.

HEITMAN ACQUIRES TWO POLISH PROPERTIES FROM TK DEVELOPMENT

Heitman has acquired two properties in Poland at a total value of EUR 95 million from Danish TK Development Group. The transaction concerns the group's shopping centre Galeria Tarnovia in the city of Tarnów in southeastern Poland and a new development project in Jelenia Gora in Lower Silesia. Heitman takes over 70 percent of the projects via investment in a holding company.

Shopping centre Galeria Tarnovia, opened in 2009, comprises 16,500 square metres retail space. Galeria Tarnovia is consisting of a supermarket of about 2,000 square metres and speciality stores of about 14,500 square metres. The sales price is in the region of EUR 40 million.

In Jelenia Gora TK Development has bought a plot of land and has an option on additional land for the development of a shopping centre of approximately 24,000 square metres. The future development of the project, including the construction of the project, will take place in partnership with Heitman. The total project value is expected to be around EUR 55 million.


Messe München International
Where all threads come together.
8–10 October 2012
Messe München, Germany
15th International Trade Fair for Commercial Property and Investment
www.exporeal.net
expo real
Building networks
Common theme: Your success
Take advantage of the unique networking potential that EXPO REAL has to offer to make valuable contacts and cultivate existing business ties. Some 37,000 real-estate professionals representing the entire value chain meet at the industry's indispensable business platform. Be there!
Order your ticket now:
www.exporeal.net/tickets

KULCZYK SILVERSTEIN ACQUIRED TWO OFFICE BUILDINGS IN WARSAW

The office building at Warsaw's Małachowskiego Square has been acquired by Kulczyk Silverstein Properties. The complex, originating from 1910, is under comprehensive renovation and redevelopment.

Kulczyk Silverstein Properties (KSP), a joint venture of Kulczyk Real Estate Holding and Silverstein Properties, has acquired two office buildings in the city centre of Warsaw from Hochtief Development Poland.

The first building is located at Małachowskiego Square – in the vicinity of the Victoria Hotel and the Zacheta Gallery. The building was designed by Jan Heurich and erected in 1910. Currently, the building is under comprehensive renovation and redevelopment. Due to the historical and architectural value, the property is under the supervision of the monument conservator. Ultimately, the Małachowskiego property will comprise an existing office building with 5,000 square metres and a newly constructed adjoining building located on Traugutta Street with space amounting to 7,600 square metres, as well as retail and storage area with 1500 square metres. Additionally, there will be available 100 underground parking spaces. The renovation will be completed in mid-2014.

The second building located in central Warsaw at the intersection of Swietokrzyska and Mazowiecka streets is a historic four-floor property with 3,000 square metres of commercial space (2,250 square metres of office and 750 square metres of retail or service space). Currently the building is under comprehensive modernization. Its completion is expected in August 2013.

RAVEN RUSSIA: TWO ACQUISITIONS CLOSE TO MOSCOW

Raven Russia, a Guernsey registered property investment company specialising in commercial real estate in Russia, has signed contracts to acquire a 45,237 square metre completed grade-A warehouse at Sholokhovo, on Dmitrov Shosse north of Moscow, from a fund managed by Fleming Family and Partners for a consideration of USD 49.75 million (approximately EUR 40.52 million).

In a separate transaction the company has signed contracts to acquire 38 hectares of zoned development land at Padikovo, on the Nova Riga Shosse, to the north west of Moscow for USD 23 million (approximately EUR 18.7 million). Raven Russia intends to construct up to 200,000 square metres of new warehousing on the site.

METRO APPOINTS C&W TO SELL LAND PORTFOLIO IN POLAND

German retail group Metro has mandated Cushman & Wakefield to sell a portfolio of land plots totalling 47 hectares in Poland. The land plots are located in 28 towns and cities across the country and include mainly undeveloped land plots adjacent to the areas occupied by Metro Cash & Carry and mostly with valid local zoning plans. They can be used primarily for retail and service functions, and for logistics operations in some cases.

Eurocentrum is an office development project in Warsaw's Ochota district. The Polish property investment company Capital Park Group secured financing of the project by public bond issue and by a loan of Bank Pekao.

FINANCING FOR EUROCENTRUM OFFICE COMPLEX SECURED

Capital Park Group, a Polish development and investment company majority-owned by Patron Capital Partners and investor of the Eurocentrum Office Complex, an office building located on Jerozolimskie Avenue in Warsaw, has signed a loan agreement with Bank Pekao SA to finance the project. Bank Pekao is awarding a PLN 324 million (about EUR 78.5 million) loan. The Eurocentrum Office Complex is a fifteen-storey office building with 65,800 square metres of lettable space, including 2,200 square metres of retail and restaurant space. Completion of the scheme is scheduled for 2014.

One week earlier Capital Park Group announced that it has raised nearly EUR 24 million from Polish institutional and private investors through a public bond issue aimed at financing the construction of its projects in Poland. At least 60 percent of the proceeds will be used to finance the construction of the Eurocentrum office project. The remaining proceeds will be used to finance several other Polish office and retail projects.

THE BIGGEST SHOPPING CENTRE IN EUROPE TO BE BUILT IN MOSCOW

Amma Development has received GPZU (development plan of a land plot) for the new shopping, entertainment and office complex Avia Park with a total leasable area of 252,000 square metres. The core of Avia Park is its retail part with a total leasable area of 236,000 square metres. Avia Park will also feature an entertainment centre, the largest multiplex cinema in Russia, many restaurants and food courts as well as a two-level parking area with 7,000 parking lots. The office part of Avia Park includes two separate buildings with a gross leasable area of 8,000 square metres each. The construction works, performed by Renaissance Construction, will start in Q3 2012 with an opening planned for Q4 2014. Jones Lang LaSalle is appointed exclusive leasing agent.

Amma Development was established in 2007 by a private Russian investor through the recruitment of the management team of IKEA/MEGA Property Russia.

AMSTAR CLOSES INVESTMENT FUND FOR RETAIL DEVELOPMENT IN TURKEY

Amstar has closed Amstar Global Property Fund II, its second international real estate development fund, with EUR 95 million of total equity commitments. Participants in the Fund are institutional and high net worth investors from Europe and the United States. The Fund was raised entirely to capitalize three shopping centre developments in Turkey.

The three development properties are centrally located in the cities of Samsun, Kahramanmaras (Maras) and Sanliurfa (Urfa). Construction of the Samsun and Maras properties is 20 percent complete with openings planned for March and April of 2013, respectively. Construction of the Urfa shopping centre will start in September 2012. Opening is scheduled for Q3 2013. The Fund invests alongside its Turkey-based operating partner, Renaissance Development.

Business Garden in Warsaw is a project of real estate investment and development company SwedeCenter. The company is part of the Inter IKEA Group and has been active on the Polish commercial real estate market since the early 1990s.

CREDIT AGRICOLE WILL MOVE INTO BUSINESS GARDEN IN WARSAW

Credit Agricole Bank has signed a lease agreement with SwedeCenter, the investor and developer of the office complex Business Garden in Warsaw. The agreement regards the lease of approximately 4,000 square metres of office space of the second building in the first phase of the investment. During the negotiations the tenant was represented by CBRE. Upon completion, Business Garden Warsaw will have more than 90,000 square metres, spread over seven buildings. The first phase of investment consists of two buildings offering a total of around 33,500 square metres. Completion is planned for Q3 2012.

CEVAHIR HOLDING STARTS RESIDENTIAL COMPLEX IN SKOPJE

Cevahir Holding, a Turkish construction and investment group, has officially launched the construction of its residential and business complex in Macedonia's capital city Skopje. The complex consists of four skyscrapers with 42 floors, each 130 metres high, and a business and shopping centre with an area of 33,000 square metres. The complex requires a EUR 300 million investment. Completion is expected in three years.

STAFFING




above left: Michael Atwell
above right: Jean-Christophe Bretxa
below left: David Izett
below right: Roger P. Peters

Michael Atwell joins CBRE as Head of Capital Markets for Central and Eastern Europe (CEE). He succeeds Patrick O'Gorman, who is returning to CBRE's London office. Michael Atwell brings more than 22 years of experience in the real estate market to CBRE, most recently as Partner and Head of Cushman & Wakefield's Middle East operations based in Dubai and Bahrain. Prior to this role, Michael Atwell spent nine years in CEE in Hungary and Poland, rising to the role of Head of Capital Markets for CEE at C&W.

Jean-Christophe Bretxa is new CEO of Metro Properties. He is taking over from Thomas Ziegler who left Metro Group effective from 30 June 2012. French-born Jean-Christophe Bretxa joined Metro Properties as Managing Director Region Western Europe in June 2011. Before that, he worked for the international retail real estate company Redevco. Until 2006, he worked for Axa Reim where he had been fully responsible for twelve real estate funds.

David Izett takes COO post in Moscow at Cushman & Wakefield. He will work with and report to Sergey Riabokobylko, who became CEO of Cushman & Wakefield Russia in June 2012. David Izett joined C&W UK in 2011. Previously, he was CEO of Colliers UK from 2001 to 2010 and Joint Chairman of Colliers EMEA from 2004 to 2010.

Roger P. Peters has been appointed as Regional Director Northern and Eastern Europe at Goodman. Before joining Goodman, he worked in Singapore on commercial and residential projects for European as well as Asian investors. Prior to that he was responsible for business development with private equity firms and worked in the Czech Republic; Romania; Russia and Turkey. He was also CEO of a closed-end fund in Central Europe. From 1998 to 2006 he was Vice President Development for ProLogis Europe.

With our financing solutions.

Real Estate Finance. Offering the best in bespoke financing, we are your experts for national and international markets. With solutions tailored to suit your needs, a lean organization, and fast decision making, we are a partner you count on for your projects – today and for many tomorrows to come. **www.helaba.de**

Helaba
Landesbank
Hessen-Thüringen

OUTLOOK ON TURKEY

In May Turkey's Association of Real Estate Investment Companies Gyoder has published a study about the "Real estate sector in the vision of 2023". Although the forecasting horizon is large and during more than a decade a lot of unforeseen things may happen, the study gives an optimistic outlook.

The focus of international investors on Turkey is getting stronger. The reasons are manifold. They have their origins mainly in the development of Turkey itself and only partly in the difficulties in Europe. The turmoil of national debts, financial crisis and sickly Euro draw investor's attention more and more to Turkey. That is also true for investors from Middle East and Arabian countries that so far liked to invest in Europe.

Looking at the econimic growth rates of the country from a European point of view it is to become really envious. After a high of 8.9 and 8.5 percent in the years 2010 and 2011 the expected slow-down this year was a soft landing. In H1 2012 the economic growth was at 3.2 percent. By the end of the year the Medium Term Economic Programme of the Turkish government is expecting a growth rate of four percent, according the forecast of OECD it will be at 3.3 percent. IMF and World Bank are more conservative in their estimations and assume growth rates of 2.3 and 2.9 percent respectively. But next year the Turkish economy will gain momentum again. According to IMF the forecasts are at 3.2 percent. In comparison: Emerging Europe is expected to record a GDP growth of 3.2 percent in 2012 and 2.9 percent in 2013, in Advanced Europe there will be zero growth of the economy this year at the best and in 2013 a moderate plus of 1.1 percent.

While in Europe the downgrading by rating agencies is a continuous menace, Moody's has actually upgraded Turkey's credit rating from Ba2 to Ba1 placing the country only one notch below the investment grade. As one of the reasons for the upgrading Moody's emphasized the significant improvement in public finances. As of end 2011 Turkey's consolidated public debt to GDP was at 39.4 percent. Weaknesses, however, are the country's still significant current account deficit and its rather high inflation rate. The current account deficit, in 2011 accounting for nearly ten percent of GDP, is envisaged to

In Turkish cities, about five million households reside in shanty settlements.

decrease to 8.9 prcent during this year. As well the inflation rate is decreasing: end of June, it was at 8.9 percent, and Turkey's Central Bank is still targeting a rate of only five percent for the end of 2012.

Apart from figures it is obvious that Turkey once crisis-shaken is booming. After 2001, when the last deep crisis hit the country, structural reforms were executed that meanwhile show their positive effects and give Turkey a stability unknown so far. The economic slump following the global financial crisis in 2008 was quickly overcome and more than compensated in 2009. During the last ten years the average GDP growth was at five percent annually, a figure on which the Gyoder study "Real estate sector in the vision of 2023" is based on for its forecasts and prospects for the next decade. The study's author, Dr. Can Fuat Gürlesel, is characterizing the annual average GDP growth of five percent as a "pessimistic scenario". Two other scenarios are based on an annual average growth rate of 6 percent and 8.3 percent respectively.

But to stick on the "pessimistic" model: An average economic growth of five percent means an increase of income per capita from actually USD 10,834 to USD 16,500. At the same time Turkey's population is increasing from nearly 74 million in 2012 to about 84 million in 2023. The demographic dynamics are expected to last until the period of 2035/2040.

However, there will be significant structural changes in the society. Today already more than 75 percent of Turkey's population lives in cities, a trend, that will continue to increase with the result that in 2023 the urbanization rate is expected to reach 84 percent. However, not all of Turkey's cities will benefit in the same amount by migration. There will be cities of fast migration as well as cities suffering fast emigration. By 2023 all in all 45 cities will see an increase in inhabitants, in six of them the population by more than 500,000 people—among them Istanbul, Bursa, Ankara and Izmir. Five cities will see an increase in inhabitants between 250,000 and 499,000, and further 18 cities are expected to augment their population by 100,000 to 249,000 people. On the other hand, 19 cities will shrink. A prominent example is Erzurum, the biggest of shrinking cities. According to the study Erzurum is expected to loose one third of inhabitants during the next decade.

The increasing urbanization is accompanied by more general changes of the society: The average education level will improve significantly. Already today one third of the urban population has a higher education. On the other hand the number of people living together and forming a household will decrease. The share of families with three or four children will decline, families with one child as well as single households will go up, and more often there will be alternative forms with people living together not being linked by family ties.

The average first marriage age is getting older, as well as the child-bearing age is increasing. More people than in the past will file for divorce. One of the reasons will be that more women will have not only a good education, but will take part in professional life as well and earn their own money. Employment participation rate of women in the cities was at 17.7 percent in 2004, end of 2011 it was almost about 25 percent. This trend will continue. Also the number of elder people will grow: Today about 5 million people in Turkey are 65 years and older, in 2023 a number of 7.82 million is forecasted, and the share of elder people in the total population will rise from actually 6.94 to 9.31 percent.

These basic developments are quite "normal", but the real estate industry has to keep these changes in mind and has to react on it. People migrating into the cities have to find dwelling places there. Just given Turkey's population increase and the urbanisation and migration trends by 2023 there will be a residential requirement of about 4.8 million new flats. In this number not included is the renewal of the existing stock and the necessary urban transformation comprising the shanty settlements, buildings constructed without permit and carrying a high risk of disaster in case an earthquake takes place. The shanty settlements in Turkey's cities comprise more than five million residential units in total. The Gyoder study expects that there will be a requirement at least 7.5 million new dwellings constructed in the next decade. Cities with increasing population, cities with large shanty settlements and cities in regions with high risk of earthquakes will have the highest requirements. All three criteria coincide e.g. in Istanbul; Ankara and Izmir belong to the first and second category as well; and Van and Konya fulfil the criteria of the first and the third category.

Economic and population growth have their impact as well on the commercial real estate market. With increasing GDP the average income per capita is growing as well and people will have more money to spend. At the same time the number of consumers is augmenting. And last but not least Turkish people are showing themselves as passionate consumers. On average they spend about one third of the national income for consumer goods and services. In 2011 only, consumption spending totalled at USD 266.6 billion. By an annual average economic growth rate of five percent this figure will increase to USD 420 billion by 2023.

Therefore it is nothing to wonder about that shopping centres are the favourite assets of international investors. It is not only the backlog of modern retail facilities (strictly speaking the partly some centuries old bazaars are nothing else than shopping centres) but as well the unbroken retail spending of Turkey's population that is attracting international retailers and spurring the expansion of Turkish brands.

According to the Gyoder study in 2011 in Turkey there were nearly 300 shopping centres with a total of 7.6 million square metres of leasing area. Jones Lang LaSalle reports that as of end of June 2012 the gross leasing area reached 8 million square metres. That means that there are 104 square metres of retail space per 1,000 inhabitants available, with an above average retail density in Istanbul and Ankara—here shopping centre area for 1,000 inhabitants is at 233 and 247 square metres respectively. In comparison: In the EU the average is 247 square metres per 1,000 inhabitants. It is expected that by end of 2014 the number of shopping centres in Turkey will increase to 360 comprising a total of 10.6 million square metres of leasing area.

There is still a lot of potential on the Turkey's retail property market to realise, but the framework will change in the course of time. One trend the study is specifying is that the return period for shopping centre investments is extending from average 5–6 years today to average 9–12 years. With the increasing number of shopping centres competition will rise, and those with the nature of multipurpose living centres, with the nature of "market places" or "bazaars" will stand out. That means that shopping centres have to meet the needs of people and have to offer restaurants, entertainment and leisure facilities as well as child activities. Only then they will establish themselves as attractive meeting points and as locations for many-faceted social activities. What the study is really certain about: that also in the mid and long term international investors will continue to invest in shopping centres.

Recent news concede as true the last assumption of the study's author Dr. Can Fuat Gürlesel: Some weeks ago the Lebanon-based investment fund Edge Capital has partnered with retail developer Turkmall and both plan to invest USD 250 million in Turkey's real estate sector. The US investments company Blackstone has entered Turkey's retail market by acquiring Redevco's entire Turkish portfolio and management platform. The transaction includes the 53,000 square metre Gordion Shopping Center in Ankara, the 33,000 square metre Erzurum Shopping Center in Erzurum as well as the recently opened 19,000 square metre Magnesia Shopping Center in Manisa. And last but not least the Denver-based real estate investment manager Amstar has closed Amstar Global Property Fund II, its second international real estate development fund, with EUR 95 million of total equity commitments. The Fund was raised entirely to capitalize three shopping centre developments in Turkey, located in the cities of Samsun, Kahramanmaras and Sanliurfa.

Opened in June, Magnesia Shopping Center in Manisia now is owned by Blackstone.

At present the office market in Turkey is mainly restricted to Istanbul. Among the economic growth the drivers of supply and demand will be that the metropolis on the Bosporus is changing from an industrial city to a centre of business trade and services. Still today many international and multinational companies are choosing Istanbul as starting point for their regional and inter-regional business. Furthermore the city is implementing its Istanbul Financial Center project. All these trends and developments are expected to continue. On the other hand the study says clearly

The main high street of Istanbul (left) and a view on Levent, one of the city's new office locations (right)

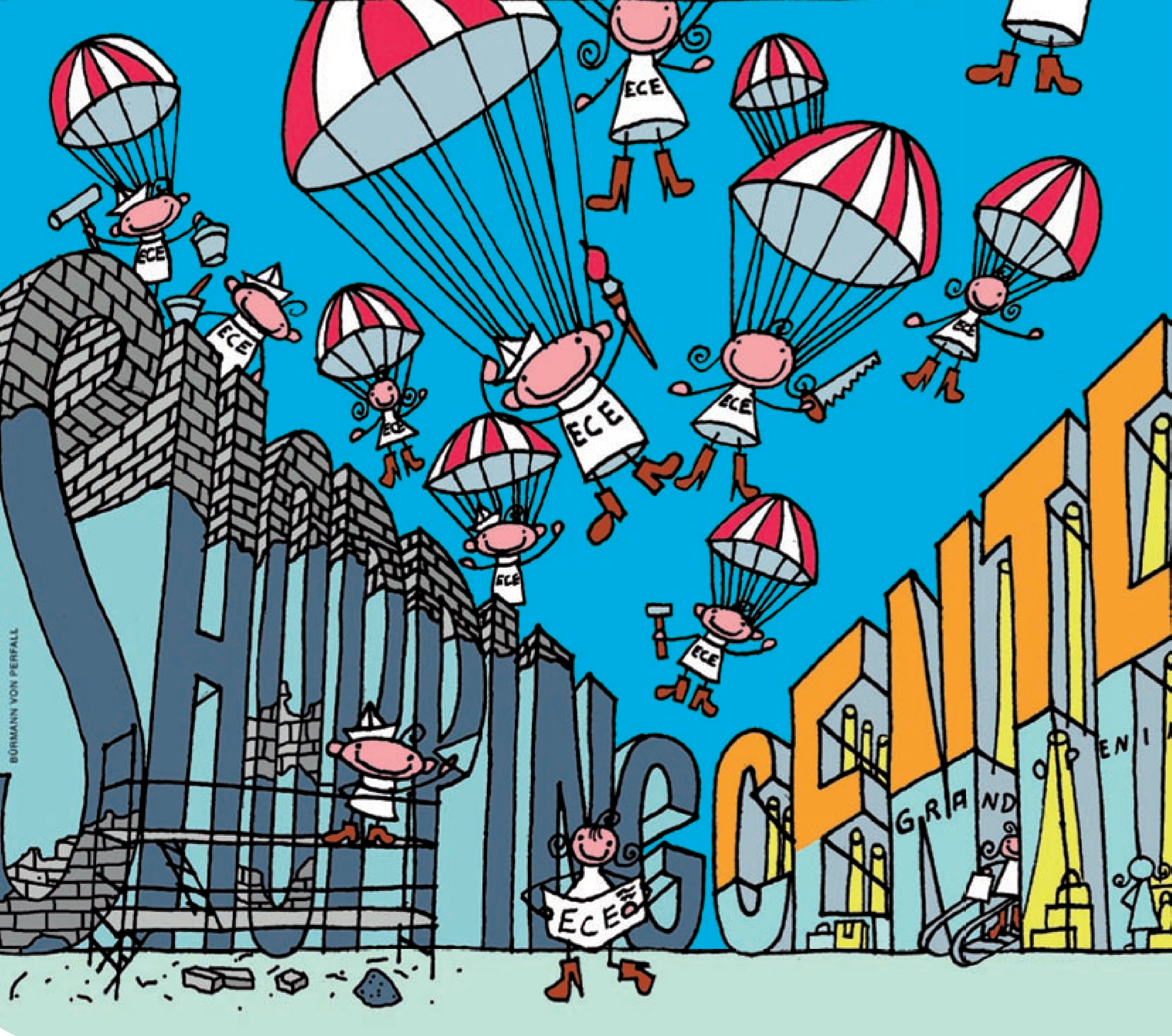
that Istanbul has still to make some efforts to catch up with other European cities. According to Cushman & Wakefield's European Cities Monitor Istanbul has the 22nd position in the listing of the best business cities, following Warsaw and preceding Vienna, Copenhagen, Prague and Helsinki. For catching up the author of the Gyoder study emphasized that Istanbul needs to make important advances in the administrative, legal, infrastructural, technological and human capital realms.

According to Jones Lang LaSalle's most recent market report the stock of modern (class A) office space totalled at 2.94 million square metres as of end of June 2012. Further 810,000 square metres are actually under construction and are scheduled for completion by late 2013. Taking into account the size of the city, Istanbul has a relatively small amount of modern office space. By the number of inhabitants Moscow and London are comparable with the Bosporus city: Moscow has nearly 13 million square metres of modern office space, London about 9 million square metres. Given the construction boom will continue, Istanbul Financial Center project will be completed and with the new supply included in urban transformation projects and with supply in new business areas to be announced the office stock estimations are 7 million square metres for 2023.

Investments in office space will remain attractive because they will continue to yield income above saturated markets in Europe such as London, Frankfurt and Zurich but as well as Hong Kong and Singapore. Office markets such as Moscow, Dubai, Doha and Kiev, on the other hand, will continue to be competitors of Istanbul in near regions. Outside Istanbul Turkey's capital city of Ankara is the leading city with development potential in office market. It is followed by Izmir and some other cities that will have office needs. The demand will be triggered mainly by industry and (foreign) trade.

The office market in Turkey will be promising Hochtief Development is convinced of. The company will open an office in Turkey soon and become active mainly in the business of office development. If Hochtief Development is successful in establishing their business in Turkey, they could kill two birds with one stone. While Turkish developers so far dominating the office market are quite sluggish in selling their projects and if they are willing to sell then they prefer so-called floor sales because of higher profits, Hochtief Development will market its projects a priori to (institutional) investors. A further advantage of the development company is that they are rather experienced with "green buildings" which are gaining more and more importance in Turkey as well. That is true not only for commercial property, but as well for residential real estate. Since 2011 all new buildings must obtain an Energy Identification Document, from 2017 on this energy pass is also obligatory for the building stock. And from 2014 on there shall be a national certification system besides the international certification systems LEED and BREEAM. This year 27 commercial projects are certified, further 60 projects are certification candidates.

Everybody knows: forecasts are one thing, but sometimes reality is something different. Eleven years are a rather long period in which a lot of unexpected developments can happen. Actually the strongest uncertainty factor is the precarious situation in the Middle East and especially the turmoil in Syria, Turkey's immediate neighbouring country. On the other side, there is nearly no doubt about some more general trends the study is carving out. Turkey is on its way from an emerging to an advanced country. The country is already one of the 20 biggest economies of the world, and with a GDP per capita of USD 10,500 Turkey is actually generating nearly the half of the average in the EU. According to estimations of economists by 2030 the GDP per capita will rise to 70 percent of the EU average. That means that among the European economies Turkey will rank fourth—in front of Italy and Spain. | Marianne Schulze



Ready to refurbish

However attractive a shopping center may be, it will lose its appeal one day. We will be there for you: ECE is the refurbishment expert – improving, extending, revitalizing, and setting new, thriving trends. We are currently planning and realizing extensive refurbishments for a total of 15 shopping centers with excellent value creation potential. In the next few years, all these centers will celebrate a glamorous reopening – attracting a multitude of visitors once again.

Shopping | Office | Traffic | Industries

ECE Projektmanagement G.m.b.H. & Co. KG
Heegbarg 30, 22391 Hamburg, Germany
Phone: +49 (0) 40 60606-0, Fax: +49 (0) 40 60606-6230
www.ece.com, info@ece.com

TOURISM IN TURKEY: ON THE RIGHT PATH TO PARADISE

Different tourist attractions: sunny coastal regions, ancient heritage like Troy and thermal springs as in Pamukkale.

Last year about 30 million tourists visited Turkey and spend USD 23 billion. Both figures shall increase. The country has best preconditions to become a sought-after destination because it has much more on offer than sea-sand-sun.

According to Turkey's Tourism Strategy 2023 during the next decade the number of tourists shall increase to 80 million. 75 percent of these 80 million tourists are expected to be foreigners, 25 percent from domestic origin. The main target of the strategy is to climb up the ranking of the most important destinations worldwide from actually rank six to rank four.

To come up to this ambitious target Turkey has to offer more than Antalya, the Mediterranean costal region that is often used as synonym for sea-sand-sun and a special kind of mass tourism ("all inclusive"). Already now this kind of holiday tourism is at its saturation point. For this reason there are activities to get the tourists out of the hotels, increasing secondary spending, and to benefit from the various assets the country owns. There is a rich cultural heritage: Anatolia contains the oldest monumental structures in the world because people were settling here since Paleolithic times and many ancient civilizations from Hittites and Phrygians to ancient Greeks and Romans left their marks. There are the thermal springs and spas attracting people in search of health cures already in ancient times. 17 locations, mainly at the southern coast of Marmara Sea, along the southern Aegean and in the western part of Anatolia, are named as "cities for health and thermal tourism". Here the development of infrastructure and superstructures for health and thermal tourism will be supported.

cling, surfing etc. Beside ten zones of new tourism development Turkey's Tourism Strategy 2023 is itemizing seven tourism development corridors, e.g. the Silk Road Corridor, the Thrace Cultural Corridor, the coastal line along the Black Sea or the Faith Tourism Corridor that starts in Tarsus and is covering Hatay, Gaziantep, Sanliurfa and Mardin and give famous examples for all past and present religious orientation in Asia Minor.

The recently opened five star hotel Le Meridien Istanbul Etiler

As well other still existing tourist destinations shall be improved and developed, and new destinations shall be created. Troy, for sure, is one of Turkey's most famous ancient site, and Cappadocia with its fairy chimneys is already attracting many tourists. Less known is the region of Lake Van in the northeastern part of Turkey, an area where Urartarian, Persian, Seleucian and Armenian people impressed their seals. As well the development of ecotourism will be supported, mainly in the lake regions of Konya, Isparta, Afyon and Budur. Here there shall be offered all outdoor sports and activities like trekking, camping, paragliding, mountaineering, speleology, hunting, horse riding, bicy-

To meet all the different targets of Turkey's Tourism Strategy 2023 there have to be developed the respective accommodation facilities. Actually Turkey has about 300,000 hotel rooms offering 650,000 beds. Average time foreigners stay is 4.3 nights, average time locals stay 1.9 nights. Taking into account the targeted number of 80 million tourists in 2023 and the average 4 nights of accommodation of 60 million foreigners and the average 2 nights of accommodation of 20 million domestic tourist, then there is a need of accommodation capacities in the range of 280 million. Even if lowering the total number of tourists to about 60 million (40 million foreigners and 20 million locals) an accommodation capacity of about 200 million is necessary.

The study "Real estate sector in the vision for 2023" published by Turkey's Association of Real Estate Investment Companies Gyoder is analysing in which cities what kind of hotel and accommodation facilities is (still) missing, from four and five star hotels as well as boutique and three star hotels over congress and business hotels to health thermal and holiday hotels and alternative tourism facilities like hotel apartments and lodges.

Still international tourism is mainly concentrated on Antalya and Istanbul. According to Jones Lang LaSalle Antalya hosted 37.7 percent of total arrivals, Istanbul 26.8 percent. Arrivals from Germany, Russia, the United Kingdom, The Netherlands and Bulgaria represent the top five incoming countries.

Mainly in Istanbul the number of rooms available increased significantly during the last years. In 2006, there were only about 25,000 rooms available, today there are nearly 35,000 rooms offered. Recently the opening of the Le Meridien Istanbul Etiler hotel with 259 rooms attracted great interest. But as well there are to mention two other recently opened hotels: the Rixos Pera with 116 rooms and the Holiday Inn Express Bayrampasa with 128 rooms. In Bayrampasa district also the Ramada Encore is under development. This year Holiday Inn will open a second Express Hotel in Ümraniye, a district in the Asian part of Istanbul. By the end of the year, on the European side there will be two more five star hotels, Radisson Blu Sisli and Renaissance Polat Balmumcu that offer accommodation possibilities.

Although international hotel brands are expanding to Turkey and although it is mainly the "luxury class" there is still demand for five and four star hotels especially in Istanbul, Ankara, Izmir, Antalya and Bursa. In other cities, however, there are other formats in demand, mostly "normal" and affordable business and city hotels. I Christiane Leuschner

TRENDY TOURISM – A RISING INCOME FOR EASTERN EUROPE

An interesting phenomenon that we rarely look at in more detail is tourism in Eastern Europe. There has been a steady rise in the numbers of tourists, and they spend more and more money, making it a vital industry for a number of countries in the region.

In Montenegro receipts from tourism have an important share in GDP.

In total, 150 million tourists visited Eastern Europe in 2011, and they spent almost USD 100 billion, which is roughly the same amount as these countries received in foreign direct investments (FDI).

The number of tourists and the resulting receipts grew around 12 percent between 2009 and 2011. The growth in tourism in Eastern Europe is not a new but rather a steady trend. There has been a constant increase in visitors since the iron curtain fell. In 1990, 35 million people visited Central and Eastern Europe, excluding Turkey and the Balkans. By 2000, the number had doubled, and more than 100 million people went to the region last year.

The numbers do not distinguish between intra-regional visitors and those from outside. But it is fair to assume that the growth is a result of both, as it has become easier and more attractive for outsiders to travel to the region, and the increased standard of living within the region is making Eastern Europeans more frequent travellers.

This trend is perhaps best exemplified by Russians, who became the seventh largest spenders in the world in 2011. Russian tourists, who seem to be everywhere these days, but in particular in places like Turkey and Dubai where they do not need visas, spent more than USD 32 billion in 2011. Russia managed to attract 23 million tourists and USD 11 billion in receipts, making it the second largest destination in Eastern Europe. These numbers are perhaps not overly strong given the size of Russia, and may partly be a result of the strict visa requirements.

That Turkey is the most visited country in the region does perhaps not come as a surprise, but that almost 30 million people visited Turkey in 2011 is perhaps news. This makes Turkey the sixth most visited country in the world, ahead of both the UK and Germany. Of the top ten countries, it was also the fastest growing tourist destination in 2011. Turkey is, however, not in the top ten in terms of tourism receipts, but is twelfth, with USD 23 billion.

There are several reasons behind the Turkish tourism success. It certainly has the assets in terms of sunny beaches, and Istanbul being one of the most vibrant cities in Europe. The active development of Turkish Airlines probably also helps, as it is relatively easy to get to Turkey from almost anywhere in Europe.

Tourism is not big business in the largest countries though. In Russia, receipts from tourism only made up 0.6 percent of GDP in 2011. It is not even that crucial in Turkey, where it constituted 3 percent of the economy last year. In Poland, another large and increasingly attractive destination, tourism receipts made up 2 percent of GDP.

It is rather the small countries that stand out in this regard. The combination of being small and on a beautiful coastline or with a beautiful capital city often means that tourism is a substantial industry. A handful countries in the region attracted more tourists than they have inhabitants, and three had receipts in double digits as a share of GDP.

A beautiful coastline as in Croatia or appealing capital cities like Budapest in Hungary, Tallinn in Estonia or Prague in the Cezch Republic are tourist attractions.

That Croatia, with its long coastline and beautiful islands in the Mediterranean, comes out on top should surprise no one, as it has become a well-known destination for Europeans. The fact that they have received a green light for EU membership should only increase the attraction. Neighbouring Montenegro, which is a favourite destination for the Russians, actually has the highest dependency on tourism, as receipts made up 17 percent of the economy last year. Tourism is important for the other coastal countries in the Balkans, such as Slovenia and Albania, while relatively unimportant for landlocked Serbia and Macedonia.

The fact that Estonia and Hungary are among the top performers in this regard is probably due to their beautiful capital cities and perhaps also a result of the emerging wellness industries (spas in both countries are increasingly popular and good value).

Tourism is by no means new in Eastern Europe. Prague has been a popular weekend destination for decades now, but it is interesting to note that tourists seem to be starting to venture deeper into the region. Georgia has been investing a lot into its tourism industry over the past few years and it is paying off. The small landlocked country in the Southern Caucasus had the fastest growth in tourist numbers in Eastern Europe in both 2010 and 2011. The number of visitors almost doubled, from 1.5 million in 2009 to 2.8 million in 2011. Other countries that enjoyed rapid growth, albeit from modest levels, include Azerbaijan, Kazakhstan and Macedonia. Meanwhile, the number of visitors to the Czech Republic has been more or less constant during the same period.

A qualified guess is that Azerbaijan, Poland and Ukraine will see steady growth when the numbers for 2012 are summed up as a result of them hosting Eurovision and Euro2012 respectively. Russia should similarly get a boost in 2014 and 2018 when it arranges the Winter Olympics and World Cup in football.

But there are other ways of promoting tourism as well. Abolishing visas for EU citizens, like Ukraine did a few years ago, is an effective way of attracting more tourists. Investing in affordable mid-range hotels is a strategy that Prague and some of the other popular weekend destinations have implemented well. Poland is trying to market itself in medicine tourism, capitalising on its renowned medical education. Kazakhstan is working hard to become a congress destination, although it may seem a stretch and probably mostly attract business travellers.

One of the most important factors, however, is to make sure that visitors can get to the country by direct and affordable flights. The role of low-cost airlines is therefore key, and the fight between Ryanair and Wizz Air over the slot times in Budapest after Malev went out of business illustrates that this is becoming big business.

A largely unexplored area is second tier cities in the region, although it is already possible to reach great cities like Saint Petersburg, Odessa and Krakow directly from Western Europe.

As summer is upon us, it may be time to encourage our readers to join the trend and go east. The fact that most currencies in the region have depreciated over the past year means that travellers get even more value for money.

And why not try one of the more exotic destinations, off the beaten track? AirBaltic arguably has one of the most interesting list of destinations and it could also be a good opportunity to stay a couple of days in Riga, which is their hub, en route to Tashkent, Tbilisi or Timisoara.

Bon voyage and have a great summer!
Marcus Svedberg

Marcus Svedberg is Chief Economist at East Capital, a Sweden-based asset manager company focused on Eastern Europe and China

PREVIEW TO THE MOST IMPORTANT AUTUMNAL EVENTS

September 12 – 14, 2012
International Real Estate Investment Forum ProEstate 2012

What about: Main topics of the exposition and conference in the city of Saint Petersburg are urban development and the real estate markets in Russia. The event is organised by the Guild of Property Managers and Developers (GMD) with the support by the Ministry of Regional Development of the Russian Federation and the City Government of Saint Petersburg. International Real Estate Investment Forum ProEstate can be a first meeting point for all who want to get informed about the Russian real estate markets, about its characteristics, trends and developments, and it is a good opportunity to get in contact with a broad range of Russian real estate professionals—from investors and developers to financing institutions and cities and regions as well.

Where: Lenexpo, 103, Bolshoy Prospect, Vasilievsky Island, Saint Petersburg, Russia

For further information and registration:
www.proestate.ru
www.gud-estate.ru

September 23 – 24, 2012
8th Conference of European Cities and Regions

What about: This year the annual conference of European Cities and Regions is themed "Overcoming regional disparities". Because 2012 is the European Year for Active Aging, the first day of the event is focused on the topic "Solidarity between generations: regional and local initiatives for active aging". Tied up with this IRE Expert Forum is the following working group dealing with the topic: "Cost efficient health care & hospital management on regional and local level". Themes of the second day of the conference are "Financial strategies for location development", "New perspectives and strategies for decentralised energy supply", and "Challenges in transport infrastructure for regional tourism". A main target of the conference is to offer sufficient possibilities for establishing new contacts not only with the representatives of the cities and regions but with the representatives of the European Union as well.

Where: Grafenegg Castle, Lower Austria, Austria

For further information and registration:
www.institut-ire.eu

October 8 – 10, 2012
EXPO REAL
15th International Trade Fair for Commercial Property and Investment

What about: Since the first issue 15 years ago Expo Real has developed into one of the largest and most important B2B trade fairs for commercial real estate globally. Last year, across the 64,000 square metre site, 1,610 exhibitors presented themselves, their products and services. All in all some 37,000 participants were registered representing the whole range of the real estate industry: developers, project managers, investors, financing institutions, consultants and brokers, architects and planners, corporate real estate managers and expansion managers but cities and regions as well. The countries of origin totalled at 72, and with Austria, Poland, Russia, the Czech Republic and Russia among the top ten Central and Eastern europe was strongly represented at the fair.

Where: New Munich Trade Fair Centre, Munich, Germany

For further information and registration:
www.exporeal.net

November 8 – 9, 2012
Real Estate Circle 2012

What about: The conference Real Estate Circle is regarded as the autumn meeting point of the Austrian real estate industry and its decision makers, from investors and developers to financing institutions. Topics being discussed are not only about Austria but also facing international trends and questions like "What impact the European debt crisis will have on the real estate industry". With the strong focus of the Austrians on Central, Eastern and Southeastern European countries these markets and their developments and trends will be an important topic in discussions and talks.

Where: Courtyard by Marriott Wien Messe, Vienna, Austria

For further information and registration:
www.businesscircle.at

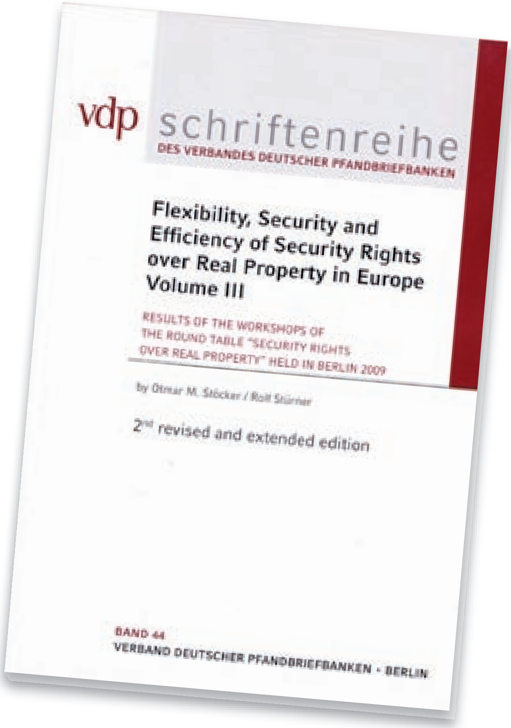
November 14 – 16, 2012
Mapic – The international market for retail real estate

What about: Main target of Mapic is to bring together global retail and real estate leaders to forge partnerships. Both are acting in quite different business worlds, but are in need of each other. Real estate people are developing the space, retailers need to expand. Especially for those who are expanding to Russia it will be interesting to hear that at Mapic 2012 Russia will be "Country of Honour". Already by size and by number of cities with more than one million inhabitants Russia is an important target market for all involved in retail and retail real estate.

Where: Palais des Festivals, Cannes, France

For further information and registration:
www.mapic.com

SECURITY RIGHTS OVER REAL PROPERTY IN EUROPE



With the opening of the borders to Central and Eastern Europe and the internationalisation of the real estate industry it became necessary to examine the legal framework for real estate financing in the individual European legal systems. In consequence there were issued a broad range of reports on the law of mortgages related in each case to one legal system.

But with increasing cross-border mortgage business in Europe the need for comparative reports on the law of mortgages covering several countries or even covering all of Europe has become more urgent than ever.

To this task the Association of German Pfandbrief Banks (vdp) has addressed itself and published the results of workshops of a round table "Flexibility of security rights over real property in Europe" in Berlin in 2009. In this round table workshops took part renowned mortgage collateral specialist of meanwhile 24 countries who are all introduced by a short CV. These experts have contributed to the development of transnational slides that facilitate rapid access to detailed information and legal facts in European countries.

The comparative presentation comprises all European countries including Turkey and Russia and (still) excluded UK, Sweden, Finland, Latvia, Italy, Slovakia, Montenegro. Albania, Macedonia, Bulgaria and Moldavia.

The commentary on the slides about the law of mortgages is divided into seven subject areas: types of security rights over real property; public disclosure requirements and protection of trust; effects of accessoriness; protection of the owner; enforcement; insolvency; and utilisation in practice.

The commentary on the slides has the following format: The meaning of the question labelling the slide is firstly described in the overall context. Then the varied responses are explained without reference to the individual legal system. Thereafter some of the particular features of individual legal systems are mentioned insofar as these may lead to important deviations from the information contained in the slide. And each chapter is supplemented by a slide that shows the legal position in the individual countries.

Another focus of the study is put on a more detailed description of a possible "Assessment system for legal framework conditions for security rights over real property in Continental Europe". It explains why a legally oriented assessment system for security rights over real property is necessary and what such a system might look like.

Otmar M. Stöcker / Rolf Stürmer
Flexibility, Security and Efficiency of Security Rights over Real Property in Europe – Volume III
Verband deutscher Pfandbriefbanken e.V., Berlin, 2nd revised and extended edition, 2010
Download free of charge:
www.pfandbrief.de

imprint

Editors: *Andreas Schiller (V.i.S.d.P.), Marianne Schulze*
Layout: *Silvia Bönisch, www.boenisch.co.at*
Frequency of publication: *monthly*
Publishing House: *Schiller Publishing House Unternehmergesellschaft (haftungsbeschränkt) Buchmühlenstr. 21, D-51465 Bergisch Gladbach*
Managing Director: *Andreas Schiller*
Handelsregister: *Amtsgericht Köln, HR: B 68026*
UID: *DE270670378*
T: *+49 22 02 989 10 80*
F: *+49 22 02 989 10 81*
E: *office@schillerpublishing.de*

Articles by authors represent the opinion of the author, and not necessarily the one of the editing office.

Photography: *Embassy of the Republic of Turkey, Cultural Department(p. 1; p. 15 above right), Faraway – Fotolia.com (p. 10), mindmap.org (p. 11, links), byawex – Fotolia.com (p. 11, above right), Joseph Renalias (p. 11 below right), dysturb – Flickr (p. 13 left), Nicolai Sorokin – Fotolia.com (p. 15 left), , P. Vasiliadis (p. 15 below right), Extremfotos – Fotolia.com (p. 18 above), Gina Sanders – Fotolia.com (p. 18, 2nd from above), Thorsten Bothe – Fotolia.com (p. 18, 2nd from below), Dreadlock – Fotolia.com (p.18, below)*