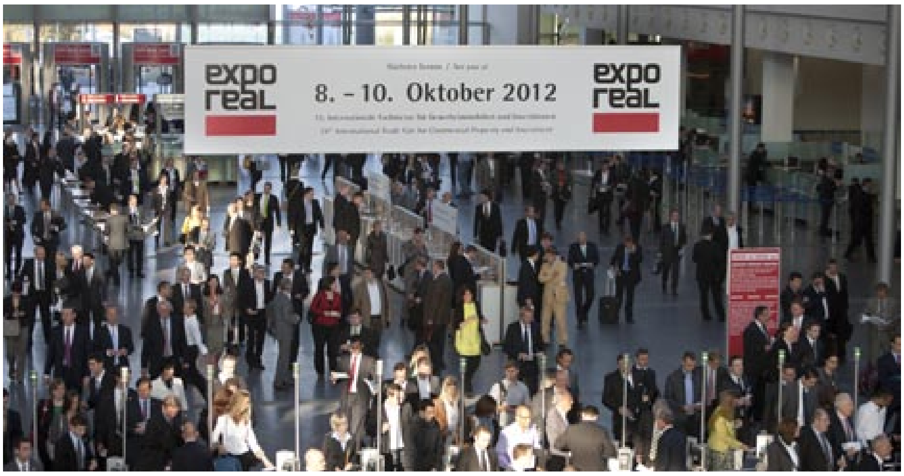
No. 14 | September 2012

SPH newsletter

DEAR READERS!



Preparations are at full steam for Expo Real, the International Trade Fair for Commercial Property and Investment, taking place in Munich from Monday, October 8, up to Wednesday, October 10, 2012. All participants, either exhibitors or visitors, are launching into the final spurt. For most of you this seems to be the same as for us. The upcoming three days in Munich will be filled up with appointments, with exchange of thoughts and experiences, with presentations, with talks and many other activities. Far into the evening an extensive programme is to be expected.

For all media advertisements are somehow a reliable indicator regarding the popularity of a fair. At the moment elements like „Please visit our stand X in hall Y" complemented by the name and the logo of the fair increase, everybody knows which event is approaching. And the amount of these elements tells a bit about the relevance of the respective fair. In this issue of our newsletter, dear readers, you can notice it as well.

Following the news section and an overview about this year's Expo Real you will find two articles about Poland. We deliberately put the focus on this country not only because Poland ranks first regarding the number of exhibitors from CEE countries, even more important: nearly everyone talks about the success story of Poland and its real estate markets. A good lot of investments have already been done, and much more are in the pipeline.

I am looking forward to see you at Expo Real—if, of course, you will be there. But I am sure, most of you will.

Yours,

Andreas Schiller

MULTI DEVELOPMENT

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New owner of Twarda Tower in Warsaw is Europa Fund III managed by Europa Capital.

EUROPA CAPITAL ACQUIRES TWARDA TOWER IN WARSAW

Europa Capital LLP has acquired the 27,000 square metre Twarda Tower in Warsaw from a fund managed by BPT Asset Management A/S. The acquisition has been made in Europa Fund III, its third pan-European investment fund.

Twarda Tower was built in 2003 and is located in the heart of Warsaw's Central Business District, next to Jana Pawla II Avenue and in close proximity to the Warsaw Financial Centre and Rondo ONZ. The building is currently occupied by Telekominukacja Polska S.A, Poland's principal telecommunications operator affiliated to France Telecom.

A comprehensive refurbishment plan will be implemented upon vacant possession in 2013 and Warimpex Polska has been retained to oversee the management of the programme. Previously, Warimpex and Europa Capital have together undertaken two successful Warsaw investments at the Sobieski Hotel & Offices and at CityPoint Distribution Park in Targowek.

STARWOOD TO DOUBLE PORTFOLIO IN RUSSIA AND CIS

Starwood Hotels & Resorts Worldwide has announced plans to expand its portfolio throughout Russia and the Commonwealth of Independent States CIS. Over the next three years, Starwood will more than double its portfolio in the region with seven new hotels.

Last year, Starwood opened three new hotels in Russia and CIS, including the debut of the W brand in Russia with the opening of W St. Petersburg and the entrance of Starwood into Ukraine and Azerbaijan. In 2013 openings planned include the Sheraton Kiev Olympiysky, Ukraine, the Sheraton hotel in Tajikistan's capital city of Dushanbe and the Sheraton Moscow Sheremetyevo Airport. In 2014 a Four Points by Sheraton hotel in Kaluga and a Sheraton hotel in Rostov-on-Don will follow, and in 2015 Starwood plans the opening of Sheraton Perm and of Russia's first Aloft hotel in St. Petersburg.

Starwood currently operates five hotels in Russia and CIS, including: Hotel National, a Luxury Collection Hotel, Sheraton Palace Hotel, both in Moscow, and the W St. Petersburg in Russia, Sheraton Baku Airport in Azerbaijan and Four Points by Sheraton Zaporozhye, Ukraine.

NIKOLSKOYE LOGISTICS CENTRE TO BE BUILT IN MOSCOW REGION

National Energy, a joint venture between Eastward Capital and National Consulting, has obtained permission for the construction of Nikolskoye logistics complex with a total area of 106,000 square metres. The Nikolskoye logistics complex is located on a plot of 20 hectares, in the vicinity of Nikolskoye village in the Dmitrov district of the Moscow region, 600 metres from A-107 road ('Moscow Small Ring'). The facility shall be put into operation in September 2013.


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Once the expansion of Arkad Örs is completed the shopping centre with a total of 68,000 square metres gross leasable area will be the largest mall in Hungary.

TOPPING OUT CEREMONY FOR SHOPPING MALL IN BUDAPEST

The main structure of the Árkád Örs vezér tere 2 shopping mall in Budapest has been completed, and the topping out ceremony was held for the construction workers and everyone else involved in the project. The mall will offer 20,000 square metres of rental space on three floors, and is due to open its doors to the public in March 2013. After that, modernisation work will start on the Árkád 1 mall, which is scheduled to last until September 2013. Once both buildings have been completed, the total rental area of 68,000 square metres will make them the largest retail area in Hungary.

Árkád 2's investors consist of ECE / Otto family and a DWS closed-end real estate fund. The total investment in the shopping mall amounts to around EUR 80 million. ECE is responsible for long-term management and leasing at both the Árkád 1 and Árkád 2 malls.

KULCZYK SILVERSTEIN PROPERTIES ESTABLISHES KSP REIM

Kulczyk Silverstein Properties KSP, a joint venture between Kulczyk Real Estate Holding and Silverstein Properties, together with investment team led by Otis Spencer and Dennis Dart establishes KSP Real Estate Investment Management (KSP REIM). KSP REIM will launch and manage Luxembourg regulated closed-end funds. The company will focus on CEE region.

The new entity intends to raise EUR 200 to EUR 300 million of equity for investments. KSP REIM will initially pursue office, retail and warehouse/logistic investment opportunities in Poland and the Czech Republic generating net returns in excess of 12% over a three to five year hold period. Furthermore KSP REIM will focus on investments demanding renovations, rebuild or repositioning including buildings with a potential to obtain ecological certificates.

PEAKSIDE ACQUIRES AIB'S POLISH FUND MANAGEMENT

European real estate private equity company Peakside Capital has completed the acquisition of Allied Irish Banks p.l.c's (AIB) Polish property fund management subsidiary and its interests in two Polonia Property Funds. This represents both Peakside's first direct investment into Poland through its Peakside Real Estate Fund I (PREF) and its first strategic acquisition of a fund and asset management business in a core market.

Under the terms of the transaction, Peakside has acquired AIB's Polish property fund management subsidiary, AIB PPM sp. z o.o., as well as, in a 50:50 joint venture with Partners Group, AIB's 9.87 percent interest in Polonia Property Fund LP and 7.5 percent interest in Polonia Property Fund II Limited. PPM, to be renamed Peakside Polonia Management Sp. z.o.o., is a real estate fund management business in CEE and currently manages a portfolio of EUR 600 million of gross assets in Poland and Hungary.

Silver City in Moscow, completed in 2007, has changed its owner: O1 Properties has purchased the business complex from Evans Randall.

O1 PROPERTIES ACQUIRES SILVER CITY IN MOSCOW

Moscow-based investment company O1 Properties announced the completion of the purchase of Silver City, a multi-purpose business centre, from Evans Randall for USD 333 million (approximately EUR 271 million). In the transaction Evans Randall was advised by CBRE and Jamison Property Capital.

Built by Delin Development and put into operation at the end of 2007, Silver City has a total net leasable area of 41,661 square metres, and is located 1.5 kilometres from the Kremlin at 29 Serebryanicheskaya Embankment in Moscow's central administrative district.

EXPANSION OF PANATTONI PARK MYSLOWICE

Panattoni Europe is expanding Panattoni Park Myslowice in Silesia near Katowice by a further building. The new seventh facility will comprise 28,100 square metres and is dedicated to three tenants: a representative of the logistics industry, which will occupy 9,500 square metres, Manuli Hydraulics which is already a tenant of the park and will take up 9,300 square metres, and Valeo, an automotive components manufacturer, will occupy 9,200 square metres.

22,000 SQUARE METRES WAREHOUSE SOLD AT PNK-VNUKOVO

Another 22,000 square metres of warehouse complexes have been sold at industrial park PNK-Vnukovo. The buyer is one of the largest Russian retailers. The deal was negotiated by the Company S.A. Ricci. The total area of industrial park PNK-Vnukovo is 308,000 square metres. The first phase of 76,000 square metres went into operation in December 2011. Completion is scheduled for Q1, 2013. The industrial park is located 19 kilometres from the Moscow Ring Road via the Kiev or Borovskiy highway.

ARRICANO GROUP OPENS ITS FIFTH SHOPPING CENTRE IN UKRAINE

Arricano Group, a developer and investor in shopping and entertainment centres active on the Ukrainian market, has opened shopping and entertainment centre Rayon in Kiev's Troyeshina district. It is the fifth completed project that Arricano opened in Ukraine after its entry into Ukrainian market in 2005.

The company has currently SECs already in operation in Simferopol (South Gallery), Krivoi Rog (Sun Gallery), Zaporishye (City Mall) and Kiev (Skymall) with a total floor area of some 136,000 square metres gross leasing area.

The closed-end fund Fonds Akron Investment Central Eastern Europe II is to sell Warsaw Trade Tower. The fund had acquired the property at the end of 2006.

WARSAW TRADE TOWER TO SELL

Warsaw Trade Tower, the tallest office building in Central Europe, has been put on the market, representatives of the owner, Akron Investment Central Eastern Europe II, have announced. Akron Investment Central Eastern Europe II is a closed-end fund which acquired the property at the end of 2006 in a EUR 150 million transaction. Property agents Colliers International and Jones Lang LaSalle have been jointly mandated to handle the sale process.

Warsaw Trade Tower is located to the northwest of the city centre. It provides over 45,000 square metres of office space and rises 43 levels over 208 metres. The property is home to major international office tenants including KPMG, American Express, Mattel and AXA, which recently renewed its lease through 2020.

Warsaw Trade Tower was delivered in 2000 and designed by US architectural firm RTKL Associates.

POINTPARK PROPERTIES EXPANDS DEVELOPMENT IN BRATISLAVA

PointPark Properties (P3), has started construction on a new 12,000 square metres extension for the furniture retailer Mobelix (XXXLutz). In total this will mean that Mobelix will occupy over 39,500 square metres in the P3 PointPark in Slovakia.

Mobelix has been the tenant at PointPark Bratislava since September 2009 with 26,000 square metres of warehouse space and 1,700 square metres of offices in a build-to-suit (BTS) facility, which stores and is a centre for the distribution of furniture to the consumer markets of Austria, Croatia, the Czech Republic, Slovakia and Hungary.

The new agreement is for the development of an additional 12,000 square metres of space, with the option to expand by a further 14,000 square metres within the park. Construction started in July 2012 and the building is due to be delivered in December this year.

DELANO BRAND EXPANDS TO RUSSIA IN 2015

Morgans Hotel Group announces plans to extend its luxury brand into Russia with the opening of Delano Moscow in 2015. Delano Moscow will be situated in the heart of Moscow's new Moscow International Business Center Moscow-City, located near the Third Ring Road in Presnensky District of western Moscow.

Morgans Hotel Group's newest Delano will be part of Capital Group's OKO project and include 160 guest rooms. OKO is a 85-storey skyscraper and a 49-storey office tower that soar from a 7-storey single transparent crystalline structure at the base of the complex. Delano Moscow commences a business partnership between Capital Group and Morgans Hotel Group, which have entered into a 20-year management agreement for the property.


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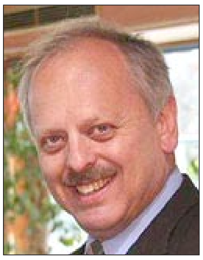
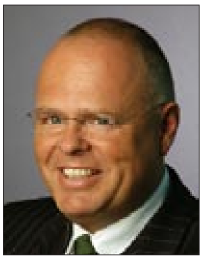


left: Jörg Banzhaf
right: Dieter Bullinger

left: Jürgen Fenk
right: Dietrich Heidtmann


left: Robert Mayhew
right: Harold Reniers

Karl-Heinz Strauss

Jörg Banzhaf has been appointed CEO of Corio Deutschland GmbH. Jörg Banzhaf was more than 10 years with ECE, at last as Managing Director and Board Member, responsible for expansion, development and acquisition activities outside Germany with special focus on CEE. In 2010, he changed as Chief Investment Officer to Atrium European Real Estate, but resigned in October 2011 for personal reasons.

Dieter Bullinger has founded debecon Dieter Bullinger Consulting for better shopping destinations". For eleven years Dieter Bullinger was active as Developer and Asset Manager for the shopping center branch of Spar Austria Group in Austria, Italy and several CEE and SEE countries. From 1990 to 2001 he was at Hamburg-based ECE, at last as Managing Director Project Development.

Jürgen Fenk has been appointed Member of Management Board of Helaba Landesbank Hessen-Thüringen and will be responsible for Helaba's German and international real estate lending, as well as property sales management and real estate management. Jürgen Fenk is returning to Helaba after two years at BAWAG P.S.K., where he had been Head of Commercial Real Estate Financing for Austria's fifth largest bank. From July, 2009, to August, 2010, he served as Head of International Real Estate Financing business of Helaba.

Dietrich Heidtmann has been appointed Global Head of Investor Relations and Capital Markets of AXA Real Estate Investment Managers. The appointment was following the decision by Antoine Jozan, AXA Real Estate's current Head of Investor Relations and Marketing, to retire from full time employment at the end of December 2012 after 12 years. Dietrich Heidtmann will be a member of the AXA Real Estate Executive Committee and will be based in Paris. Before joining AXA Real Estate, Dietrich Heidtmann was Managing Director – Capital Markets at Grosvenor. Previously, from 1993 to 2011, he was at Morgan Stanley International.

Robert Mayhew has been appointed Director of CEE Banking Valuation at Jones Lang LaSalle. Robert Mayhew began his career more than 20 years ago, joining the valuation department of Edward Erdman, which later became Colliers International. In 2001, he joined DTZ in Poland as Head of Valuation and subsequently worked as Regional Director of Valuations for the company in CEE. In 2005, he returned to Colliers International to help establish the company's pan-European valuation team. In 2007, Robert Mayhew joined Jones Lang LaSalle as Head of Valuation and Strategic Consulting within its Russia & CIS business.

Harold Reniers, Development Director and Board Member of the Turkish unit of Redevco, has resigned. The resignation was decided by mutual consent. Harold Reniers has contributed to the build-up of the local organisation since summer 2006 when Redevco entered the Turkish market. Gordion Shopping Center in Ankara, Erzurum Shopping Center in Erzurum and Magnesia Shopping Center in Manisa were Redevco Turkey's key developments in this period. Prior to Redevco, Harold Reniers worked for Multi Development Corporation.

Karl-Heinz Strauss, CEO of Vienna-headquartered Porr AG, has been awarded RICS membership as „Eminent" because of his merits for the Austrian real estate industry. This honour is rarely given, and Karl-Heinz Strauss is the first new Eminent in Austria since five years. Karl-Heinz Strauss worked in various positions at Raiffeisen Zentralbank, including in the construction and real estate divisions. He then founded Strauss & Partner Immobilien GmbH. In September 2010 he took over as CEO of Porr AG.

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BUILDING NETWORKS

That is the slogan of this year's Expo Real, taking place in Munich from October 8 to 10. At the International Trade Fair for Commercial Property and Investment networks are to be built also between participants from Central and Eastern Europe and those from the Western world.

Contacts and talks at Expo Real are fundamental for building networks.

Meanwhile Expo Real has its 15th anniversary. During these years the fair has grown substantially and today, Expo Real is the largest B2B trade fair for commercial real estate in Europe. Despite all changes Expo Real adhered to one of its basic ideas: From the beginning the real estate markets in Central and Eastern Europe were included. These countries have been and still are an important part of the fair, as exhibitors and participants as well as in the conference programme.

Since long Poland is providing the largest group of exhibitors from CEE. The country is represented nearly completely by its cities and regions. This year, however, there are three Polish private companies present at Expo Real for the first time: Capital Park, one of the biggest developers in Poland focused on office and retail property, the Polish subsidiaries of the Sweden-based construction holding Skansa, Skanska Property Poland and Skanska Commercial Development, as well as Opal Maximum, a company from Katowice specialised particularly in facility revitalisation.

Poland on the first place by number of exhibitors corresponds to the actual perception and appraisal of the country by international investors. Another preferred investment location in CEE is Czech Republic providing the second largest group of exhibitors from CEE.

Hot on Czech Republic's trail is Russia. For the first time the regions of Volgograd and of Sakhalin are presenting themselves in Munich. As a third "newcomer" Russian Sberbank is exhibiting at Expo Real. The city of Moscow and the city of St. Petersburg as well as the Russian Housing Development Foundation RHDF are acquaintances for Expo Real's participants since many years. As well Kaluga is exhibiting again in Munich. The region south-west of Moscow and its capital of the same name have developed successfully into a modern automotive and science cluster. Still the way to Kaluga is via Moscow, but with the development of an international airport the region will be directly connected to the world. Hotels and congress centres are as well on the list of projects that will have priority to be developed.

Relatively strong is the presence of Serbia at this year's Expo Real. Beside Serbia Investment and Export Promotion Agency SIEPA there are present as exhibitors the municipalities of Vranje, Obrenovac,and Smederovo, the Autonomous Province of Vojvodina together with the city of Subotica and the citiy of Zrenjanin, as well as Stara Planina, a winter sport region in the east of the country.

From the Balkans not only Serbia, but as well Croatia, Slovenia, and Bosnia and Herzegovina are exhibiting at Expo Rea. They are represented mainly by their respective investment and economic development promotion agencies.

Romania is promoted by German-Romanian Chamber of Industry and Commerce, Hungary is represented by TriGranit, the leading project developer of the country, as well for Slovakia there is HB Reavis present in Munich. The Slovakian development company is meanwhile active not only in its home market but expanding its business to other CEE countries

Here, only a small selection can be mentioned. Who wants to know more about exhibitors and/or more generally about Expo Real participants from the CEE and SEE countries will get further and up-to-date information at www.exporeal.net. And the list of participants already registered will also provide the possibility to "build networks" in preparation of the fair. I Marianne Schulze

EVENTS REGARDING CEE AT EXPO REAL – A SELECTION

Monday, October 8, 2012

11:00 - 11:50
Investment Locations Forum, Hall A1, Stand 040
Looking at markets: Türkey

Participant:
- Glenn H. Aaronson, Chairman, Forum Turkey Fund, Akatlar Istanbul, Turkey
- Buket Hayretci, First Vice President, Istanbul Representative Office, Aareal Bank AG, Istanbul, Turkey
- Burcin Sezen, Manager Advisory Services, Jones Lang LaSalle, Akatlar, Etiler, Istanbul, Turkey
- Dr. Philipp von Wilmowsky, Co-Founder and Managing Director, Prime Development Proje Gelistirme Limited, Kadiköy, Istanbul, Turkey

Moderator:
Andreas Schiller, Editor-in-chief, SPH Newsletter, Bergisch Gladbach, Germany

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14:00 - 15:30
Hall B1, Room B11
Croatia – Unique location for your business
Organised by: Croatian Chamber of Economy

15:00 - 15:30
Hall A1, Stand 135
Invest in Silesia
Organised by: Metropolia SILESIA

17:00 - 18:30
Hall B2, Stand 300
P3RFECT Reception
Organised by: PointPark Properties s.r.o.

Tuesday, Oktober 9, 2012

10:00 - 10:50
Investment Locations Forum, Hall A1, Stand 040
Looking at markets: Poland
Participants:
- Bernhard Berg, Chairman of the Management Board, IVG Institutional Funds GmbH, Frankfurt am Main, Germany
- Stefan Brendgen, CEO, Allianz Real Estate Germany GmbH, Frankfurt am Main, Germany
- Marcin Juszczyk, Board Member and Head of Investment Department, Capital Park, Warsaw, Poland
- Michal Olszewski, Deputy Mayor City of Warsaw, Warsaw, Poland

Moderator:
Wojciech Czaja, Architecture and Real Estate Journalist, Der Standard, Vienna, Austria

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11:00 - 11:50
Investment Locations Forum, Hall A1, Stand 040
Looking at markets – CEE Overview: Slovakia, Czech Republic, Hungary

Participants:
- Peter Becar, Head of Operation for Czech Republic and Slovakia, P3 Point Park Properties, Prague, Czech Republic
- Dr. Balázs Szeneczey, Deputy Lord Mayor on duty for city development, City of Budapest, Hungary
- Pavel Trenka, Strategy Director, HB Reavis Group, Bratislava, Slovakia
- Dr. Manfred Wiltschnigg, Member of the Management Board, Immofinanz AG, Vienna, Austria

Moderator:
Robert McLean, Editor-in-chief and Publisher, CIJ Construction & Investment Journal, Prague, Czech Republic

Wednesday, Oktober 10, 2012

10:00 - 10:50
Investment Locations Forum, Hall A1, Stand 040
Looking at markets: Croatia

11:00 - 11:50
Investment Locations Forum, Halle A1, Stand 040
Looking at markets: Bosnia-Herzegovina

Participants:
- Slobodanka Dubravac, Assistant Minister, Ministry for Economic Relations and Regional Cooperation, Government of the Republic of Srpska, Banja Luka, Bosnia-Herzegovina
- Jelica Grujic, Generaldirektorin, FIPA Foreign Investment Promotion Agency of Bosnia and Herzegovina, Sarajevo, Bosnia-Herzegovina
- Omer Numic, Advisor to the Director, Federal Government Agency for Privatization, Sarajevo, Bosnia-Herzegovina

Moderator:
Dr. Jutta Falkner, Editor-in-chief, Ost-West-Contact, Berlin, Germany

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12:00 - 12:50
Investment Locations Forum, Hall A1, Stand 040
Looking at markets: Serbia

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THE STAR AMONG THE CEE COUNTRIES: POLAND

Retail properties in Poland are highly appreciated by international investors.

No other country in Central and Eastern Europe is as popular as Poland with international investors. In 2011, the country attracted the lion's share of investments in CEE, and as well this year the transaction boom seems to continue.

In the first half of 2012, about EUR 1.25 billion have been invested in the commercial property markets in CEE, close to 70 percent of which—about EUR 877 million—ran to Poland. The figure is slight below the property investment volume of the first half of 2011, but in CEE in general the transaction volumes declined by about 40 percent compared with the corresponding period in 2011. Market observers agree in their forecast estimations that in 2012 in Poland the transaction volume will sum up to EUR 2–2.5 billion and therefore hit again last year's results.

However, the property transactions of the first six months are worth a more detailed look: More than half of the transaction volume in Poland was generated by one deal: The joint purchase of a 77-percent share of Zlote Tarasy in Warsaw for EUR 475 million by a fund managed by AXA Real Estate and Property Fund Europe of CBRE Group. The seller was ING Real Estate. Zlote Tarasy is a mix-use scheme in central Warsaw comprising 66,200 square metres retail area and 47,300 square metres of office space.

All in all the retail property sector attracted about 70 percent of the transaction volume. Other transactions were the purchase of six retail facilities from Redevco by a Polish private investor, Rockspring Property Investment Managers acquired Alfa Centrum in Olsztyn and Blackstone Galeria Tecza in Kalisz for its King's Street Retail fund.

Albeit in the first half of 2012 "only" 16 percent of the commercial transaction volume is allotted to office investments, office property in Poland is strongly attracting international investors' interest. One reason is the robust dynamic development of Poland's economy. During the last ten years gross domestic product increased by an average of about four percent annually (in comparison: the average annual growth of EU countries was at 1.3 percent). Today Poland ranks six among the European economies—after Germany, UK, France, Italy and Spain.

Although Euro crisis and public debt difficulties of some EU countries are causing a slowdown of Poland's economy strongly depending by exports, growth forecasts are still at 2.5 percent for 2012 while EU's economy is generally stagnating. In addition to export one of the drivers of economic growth is private consumption, another one, at least partly, the high amount of foreign direct investments that after 2008 dropped much less than in other CEE countries. Foreign direct investments are at EUR 9 billion annually. Considerable investments in traffic infrastructure, not only induced by European Football Championship EURO 2012, but mainly by the aim to reduce one of the country's structural growth barriers, also provided to the economic growth during the last years.

With purchasing power per capita of around EUR 6,500 Poland is still clearly below the average of Western EU countries. But purchasing power shows a distinct trend to grow and Polish people are not only keen consumers but as well brand-conscious. The development of modern retail space since the 90s went hand in hand with the market entry and expansion of international retail chains. As well a number of domestic brands have been

Two large and successful shopping centres in Poland: Manufaktura in Lodz and Silesia City Center in Katowice

able to firmly establish themselves on the Polish market. According to DTZ, Poland's stock in modern retail space amounts to 11 million square metres. Most of this, 8.1 million square metres, is in shopping centres. High-street retail in central locations is much less important in Poland than in Western Europe. Exceptions are the country's capital city of Warsaw and Krakow where mainly tourism is driver for this retail format.

On average, in Poland there are about 200 square metres of shopping centre space per 1,000 inhabitants. That is little more than in Germany, but still less than in Hungary and Czech Republic. However, there are great differences between the Polish cities. E.g. Warsaw with the country's highest purchasing power of EUR 8,500 per capita has about 400 square metres per 1,000 inhabitants and still potential for more large-scale retail properties. In contrast, in Lodz where purchasing power is below the average at EUR 6,000 and where nearly 500 square metres modern retail space per 1,000 inhabitants are available, the market is pretty saturated.

Generally there is high demand for retail space, and vacancy rates are low although the construction boom is continuing. In the eight important agglomerations of the country—i.e. Warsaw, Katowice, Lodz, Tri-City with Gdansk, Gdynia and Sopot, Krakow, Wroclaw, Poznan and Szcecin—vacancy rates are less than three percent. Especially shopping centres with a large number of international chain outlets and neighbourhood centres with firmly established customer base have a good market position. In contrast, the situation is problematic for retail properties with a bad layout or "first generation" centres not modernized and not adapted to consumers' changing demands.

Corresponding to the high demand of retail space and low vacancy rates rents are quite stable. They tend to increase in Warsaw, Krakow and Katowice, and they are subject to downward pressure in Poznan and Szcecin and some smaller cities and towns.

According to DTZ, during the first half of 2012 about 260,000 square metres in 19 retail properties entered the market. These recently completed retail projects include ten new shopping centres and four enlargements of existing centres. Still construction activity in the retail sector seems to remain. DTZ assumes that until end of 2014 annually between 650,000 and 800,000 square metres of retail space will be completed, the bulk of it will be in shopping centres. Partly the new space is already pre-let.

Rents are relatively high. In Warsaw they amount at EUR 90 per square metre, in other cities they are up to nearly EUR 60 per square metre. This is one of the reasons why some retailers are demanding more often space in retail parks where rents are cheaper. Correspondingly construction activity in this specific segment is increasing considerably.

There is also a trend to small and midsized convenience centres with a local focus in non-central and peripheral locations. This trend is mainly to observe in Warsaw. Here another point is also crucial: The construction of a second metro line and other traffic infrastructure developments could create new locations for retail and office properties as well.

While in many other CEE countries the office market is mainly limited to the respective capital city, in Poland at least Krakow and Wroclaw were also internationally considered as office markets worth to look at. However, the main focus of international investors is on Warsaw.

The reasons are not only Warsaw's role as Poland's capital city and its size of 1.7 million inhabitants. In fact, Warsaw has established itself as a service and administration centre, and it is CEE's most important financial centre. The tertiary sector's share in employment is nearly about 75 percent. Differently to other Polish cities industrial production in Warsaw is playing a minor role in the cities economy, aban-

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doning the fact that many industrial companies are headquartered in the capital.

Modern office stock amounts to 3.7 million square metres end Q1, 2012. In comparison to other European capital cities this stock seems to be quite small, but with respect to office completions Warsaw is far ahead of considerably larger markets. Therefore the Warsaw office market is offering investment opportunities not existing in this amount in other cities.

As IVG Market Report 2012 emphasizes Warsaw's office market is still at an early stage of development because it has started to spring up from nothing only 20 years ago. Although lessees are moving from old spaces into modern offices, an office take-up of 11 percent of the total stock of modern space is quite high. Important reasons for this high take-up are the dynamic economic growth and the structural change of the city's economy towards a service society.

The main drivers of office space demand are companies from industrial and energy sector, providers of business and financial services, as well as information and communication technology companies. They are responsible for up to 75 percent of the office lettings in Warsaw. According to CBRE during the first six months of 2012 office take-up was at 298,000 square metres, only seven percent less than during the same period of the previous year.

After the outbreak of the financial crisis in 2008 in Poland as in other countries many developments were put on hold. Therefore completions dropped continuously since 2009. The decrease bottomed out in 2011 when only 120,000 square metres new office space came to the market. This year completions will amount to 184,000 square metres. A characteristic of the current developments is their size: Most of the newly constructed office buildings comprise more than 20,000 square metres space volume. Because large transaction are rather the exception than the rule and mostly space less than 1,000 square metres is in demand, office buildings in Warsaw are usually multi-tenant properties, a fact that makes these properties even more attractive for international investors.

Plac Unii in Warsaw comprises office and retail space as well.

The average vacancy rate in Warsaw was at 7.4 percent end of June 2012, seven basic points higher than end of December 2011. However, there is to differentiate between established office locations in the city centre, in Wola district, along Jerozolimskie Avenue as well as in Mokotow and the more peripheral locations where vacancies are significantly higher and partly reaches the double-digit range. The increase in vacancies, mainly caused by the strong construction activity, will continue at least until end of 2013, because only next year 300,000 square metres of office space will be completed, two thirds of it speculative. "As far as the take-up will continue to be dynamic—the still positive economic forecasts and the high demand have a lot to commend it—the intensive construction activity is not threatening", Bernhard Berg, Speaker and Managing Director of IVG Institutional Funds GmbH, comments the current situation.

The new metro line from Wola in the west of Warsaw via the city centre to Wilenska train station at the eastern Vistula bank which is scheduled for completion by 2013 will make Wola submarket and parts of the city centre more attractive for office tenants. As well the new train connection between the international Frédéric Chopin airport and the city centre, completed by the beginning of EURO 2012 will increase the value of both the city centre and the airport zone as an office location. The same is true for the construction of a ring road surrounding Warsaw that furthermore will also improve access to the office submarket in Mokotow.

Warsaw's office market offers a lot of investment opportunities.

Other important office markets in Poland have developed in Wroclaw and Krakow, to a certain amount as well in Tri-City, Lodz, Poznan, Katowice,Szczecin and—still very moderately—in Lublin. In Lodz and Katowice demand is caused mainly by industrial companies, but as a result of the transport infrastructure improvements there will be some change. The transport infrastructure improvements include the construction of a high-speed railway and the A1 (E75) motorway from Gdansk via Lodz and Gliwice to the Czech border. Demand for office space outside Warsaw is mainly driven by the business process outsourcing (BPO) of international companies that try to benefit from low wages and the fact that in Polish cities well-trained young labour with a broad range of language skills is available. Actually this is true for Wroclaw and Krakow, but with better transport connections other cities may come into the focus as BPO locations as well.

The improvements in Poland's transport infrastructure, mainly the expansion of motorway construction, will have a positive impact also on the logistics market. With a modern stock of about 7 million square metres Poland represents CEE's largest market for logistics property. This prominence is reinforced economically by the large domestic market with 38 million inhabitants and the geographical proximity to the sales markets in Germany and Eastern Europe. However, the market for logistics properties is dominated by two project developers, Prologis und Panattoni Europe. In their hands is more than the half of the existing modern logistics stock.

Modern logistic space is concentrated around Warsaw with 2.7 million square metres, on Upper Silesia region around Katowice with 1.3 milllion square metres and on central Poland around Lodz with about 1 million square metres. The areas around Poland's two most important port cities of Gdansk and Sczecin have hardly any modern logistics space. At least for Gdansk there are plans for improvement: Here Goodman will develop an area of about half a million square metres of logistics space near the deep-sea container terminal.

After a deep dip following the worldwide financial crisis in 2008 the logistics property market has rebound and demand has increased again significantly. The crash was followed by an high oversupply, so developers were reluctant to start with new projects. Now the high demand is met by a relatively modest completion volume. Of the 350,000 square metres logistics space completed last year the lion's share was already pre-let or built-to-suit. Given this vacancy rates are generally decreasing. However, there are great differences between the regions: While vacancy rates for logistics properties in Upper Silesia are at 4.5 to 6 percent, they amount clearly to the double-digit range in Greater Warsaw because of the enormous oversupply.

Will Poland remain the star among the CEE countries? As far as forecasts are possible, the answer can be "yes". In many aspects Poland has managed the transition to a western style market economy better than others. One of the reasons is the size and economic power of the country. But putting Poland as a core market in the same category as western European economies does not seem adequate: In contrast to western European countries Poland as well as its property market is still in a relatively young state of development. It is very successful, but a class on its own. | Marianne Schulze

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VERY PARTICULAR: POLAND'S RESIDENTIAL MARKET

In Poland, currently supply of residential units is by far exceeding demand.

International developers and investors are not only focusing the commercial but also the residential market in Poland. However, the residential market has its own rules and challenges.

During the crisis of 2008, Poland has acquitted itself better than all other countries in Europe. Even in 2009, the country experienced positive economic growth and from 2010 the growth rates started to accelerate again. However, during these years the residential market has changed remarkably.

Before the crisis demand, developments and prices were steeply rising, since 2008 at least the prices dopped significantly. However, the gap between supply and demand continues to grow because supply is increasing faster than demand. According to the Polish consultancy REAS, focused on the six main residential markets in Warsaw, Krakow, Wroclaw, Tri-City, Poznan and Lodz, about 29.700 units were transacted in 2011—this was the highest number of transactions since the boom year 2007. In the same period 37.500 units were launched, 7 percent more than in the previous year. In the first half of 2012 again 22.600 units were launched, but only around 15.000 units transacted.

End of June 2012, in the six cities monitored by REAS, 57.600 new residential units were on offer. For comparison: end of 2010 about 39.000 dwellings were in search for a buyer. The oversupply is quite significant. One of the reasons for this untypical developer's activity is the "Developer Act", coming into effect at the end of April 2012.

The aim of the "Developer Act" is to protect the residential buyer's rights better than in the past. It introduces the obligation to conclude developer contracts in the form of a notarial deed as well as to enter the buyer's claim to transfer ownership of the premises into the land and mortgage register kept for the relevant real estate. The real estate developer shall pay half of the notary's fees and court fees for the entry; so far the buyer has been obliged to bear the full costs.

Another point is the obligation to open escrow accounts for the buyers to which all the payments shall be deposited. In the case of the developer's bankruptcy, the funds accrued on the escrow accounts shall be paid out first to the buyers, and subsequently to remaining creditors.

While the "Developer Act" caused strong activity in launching and developing new dwellings, it becomes increasingly difficult for buyers to get a mortgage loan, a fact that has its dampening effect on demand. Today, banks are more cautious and assessment of the potential buyer's creditworthiness is much more critical than in the past.

On the other hand average prices for residential are as low as they have never been since long. Sales prices as well as prices of offered units continue to drift downwards. Noticeable is that newly launched units for sale do not follow this general trend. This is the result of several factors: There are offered more high-end unit than in the recent past; the setting of relatively high prices for dwellings with distant completion dates—REAS characterize these dwellings as "pre-act pool"—shall avoid inner competition with projects already completed or due for completion in the near future; furthermore these projects have a greater share of the lower-middle segment.

However, the high supply is putting pressure on prices. Since beginning of 2008, average prices of residential units in the market offer have decreased by nearly 20 percent. Warsaw and Krakow perform better with 14 and nearly 12 percent respectively, in Wroclaw and Tri-City the prices for dwellings in the market offer decreased by nearly one third and one quarter respectively. Although demand will remain quite stable, selling the already launched projects will require more effort and more time while sales per average project will decrease significantly.

In Warsaw and Tri-City the situation is still comparably favourable. Provided that sales remain at the current level, the current offer would take more than 21 months to sell out. Five months longer the sell-out period will last in Krakow, because according to REAS the city is the most oversupplied. It seems to be unlikely that developers will continue to launch new projects, the more as the number of building permits is decreasing significantly. Forecasts estimate that in 2012, the number of building permits will be about 100,000 units below the 2011 figure.

On the other hand economic growth is slowing in Poland: In 2011 growth rate were at four percent, this year 2.5 percent are forecasted, and estimations for 2013 are at 2.8 percent. At the same time will start a period of consolidation of public finance, which will manifest itself in a decreased level of investment in the public sector and in a stricter tax policy resulting in lower real incomes. A possible consequence of this might be a reduction of the number of transactions taking place in the residential market. However, REAS is convinced that the reduction will be less dramatic than in the beginning of 2009. Today the current offer is much better adjusted to buyers' financial possibilities than in 2009. | Marianne Schulze

EXPOSITIONS AND CONVENTIONS

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 International Trade Fair for Commercial Property and Investment.
Where: New Munich Trade Fair Centre, Munich, Germany
For further information and registration: www.exporeal.net

October 19, 2012
ERES Industry Seminar
New EU Real Estate Markets: Opportunities and Threats
What about: The European Real Estate Society ERES, an international real estate network between academics and professionals across Europe, is regularly organising industry seminars about up-to-date topics of the property industry. As location for the event in October 2012 Romania's capital city of Bucharest was chosen. In cooperation with National Association of Romanian Valuers (ANEVAR) and RICS Romania ERES is organising an industry seminar about the topic "New EU Real Estate Markets: Opportunities and Threats". The focus is on the question "Real estate value in today's property market: a result of a precise science or a science fiction?" and on "Alternative financial solution for new EU real estate markets". The more theoretical part of the seminar is followed by a tour to prominent projects in Bucharest: Metropolis Center, Skytower, the tallest building in Bucharest and Romania, and Baneasa, one of the biggest urban development project in Europe with about one million square metres of gross built area.
Where: Bucharest University of Economics, Aula Magna, Cladirea Ion Angelescu, Piata Romana 6, Bucharest, Romania
For further information and registration: ion.anghel@cig.ase.ro

October 23, 2012
8th Expert Forum
Waiting for the "Go"
Prospects for Real Estate and Retail in CEE/ SEE
What about: The Expert Forum of the Austrian RegioPlan Consulting is about future retail and real estate investments in Central, Eastern and Southeastern Europe. With about 250 guests it is one of the largest CEE/SEE real estate conferences in Austria. This year programme includes a look at "Real Estate and Economy" and topics like "Carpe Diem! About the proper preperation for the recovery", "Refurbishment: Setting up for the second life" and "Trade Expansion and Optimization". The conference starts at 3 pm and ends at 6 pm followed by an evening reception for all participants that will also offer as well the opportunity for contacts and talks.

Where: Studio 44, Rennweg 44, Vienna, Austria
For further information and registration: www.regioplan.eu

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

November 15, 2012
IRE Expert Conference
Challenges and Solutions for Urban Mobility in European Cities and Towns

What about: In most European cities and towns urban transport infrastructure cannot keep up with the rising population, an increasing number of private cars and an enhanced mobility demand. The question of how to enhance mobility while at the same time reducing congestion, accidents and pollution is a common challenge to all major European cities and towns. The main challenge lies in how to implement a transition in European cities and towns to a mobility based on walking, cycling, public transport and clean cars and how to achieve this without jeopardizing the economic vitality and social inclusion in urban areas. This requires concerted effort by policy practice in the cities, research and implementing of new technology and sustainable mobility plans. IRE Expert Conference offers a possibility for exchange of ideas and experiences in the European context.
Where: Tübingen, Germany
For further information and registration: www.institut-ire.eu

November 22 – 24, 2012
10th denkmal:
European Trade Fair for Conservation, Restoration and Old Building Renovation

What about: Since its premiere in 1994, denkmal has been held in Leipzig every two years and has established itself as the leading fair in Europe for this sector. Its addressees are not only restorers, heritage conservationists and skilled craftsman but also private, local government and church property owners and investors and owners of historical buildings as well. Partner Country of this year's event is Russia. The country is present in Leipzig since the first issue of the denkmal fair. Mainly in Russian cities with built traditions of sometimes some centuries new urban refurbishment concepts cause discussions about modernisation and re-development of ancient buildings. In former time historic buildings were often demolished, today the focus is on to preserve and to renovate them and to find a new concept for use. An exchange of know-how and experiences between East and West might be helpful for both sides. Especially in Russia craftsmen are often still able to cope with traditional techniques the knowledge about has been nearly lost in Western countries.
Where: Messe Leipzig, Messe-Allee 1, Leipzig, Deutschland
For further information and registration: www.denkmal-leipzig.de

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TRANSPORT INFRASTRUCTURE: CHALLENGING THE REAL ESTATE INDUSTRY

Dr. Thomas Beyerle,
Head of Corporate Sustainability
& Research, IVG Immobilien AG

Nearly no factor of the real estate industry's well-known mantra "location, location, location" is so multifaceted as transport infrastructure. Everybody is emphasizing the importance of transport infrastructure, but when is comes down to the specific requirements of mobility the focus is to a large extent depending by the respective use of a property. The one who, for example, has his working place in an office building in the inner city, is pleased to have a functioning public transport system with trams or busses coming along at ten-minute intervals at least. The one who is in search of a town house from the late 19th century with stucco ceilings and parquet floors in one of the trendy districts or city quarters knows one thing for sure: These properties are sold without parking space because in general there is none. Traffic mostly in the evening caused by the search for a parking lot is the horror of residents and urban planners.

Speaking of urban planning: Meanwhile the planning of the stationary traffic is just as important as moving traffic. "Intelligent solutions" are required but the fewest know what intelligent solutions might be: Here a parking garage, there a ban on lorries delivering their goods in the early morning at 4.30 a.m., a city with a reduced and limited number of cars or simply the possibility to come from A to B as fast as possible and all these possibilities synchronized in some way. Under lab conditions demonstrations are convincing, in reality, however, it is still at the level of "synchronized traffic lights at the speed of 70 km/h".

There are many signs to anticipate how much transport infrastructure will change the real estate industry in the upcoming years. For example in Western Germany about 60 percent of bridges and 55 percent of the main roads have to be renovated fundamentally. Therefore the main topic is more on refurbishment activities and less on building permits for new streets or multi-storey car parks. Investors are primed and ready to invest in infrastructure segment because the often-discussed PPP models are promising stable and long-term cash flows and reliable yields.

Another push-factor is the planned reorganisation and reconstruction of urban districts into "green cities". During the last century streets were considered as "blood vessels" of the urban economy. Today they are more or less seen as a component of possible CO_2 reduction. There is delivered a number of studies proofing that living in the city with its high density is generally more ecological than living in the suburbs or in the urban sprawl. In dense cities carbon dioxide emission per capita is significantly lower than outside. One reason is that urban dwellers are using their cars less and/or for shorter distances because they have the public transport system as an alternative and they can ride by bicycles or walk. Furthermore they are living in smaller apartments than people in the periphery. Therefore a dense "green city" seems to be the key for a sustainable way of living, a fact to which the real estate industry has to pay its tribute.

In the 80s it was politically declared intention to block inner cities and city centres for private cars. Today the construction of SUV-compliant car parking, offering expanded lots, is the new magic formula. However, this phase will come to an end. The discussion about emissions is already starting and their image is becoming more and more negative. A good example for this development is Singapore. While they have invested a high amount in the expansion and improvement of public transport, they made car driving in the city less attractive. The number of cars was limited by licences brought to account by congestion charge. Small and energy efficient cars are getting more licences That this development is going hand in hand with putting into operation innovative technologies is practically already decided. The cross-linking and controlling of all modes of transport is nothing more than a logical consequence. Woe to those having an office building or a residential complex that will not be linked to the system! To make this aspect visible by land value and property sales prices is only a small step.

Transport infrastructure that has significantly influenced the property values during the last decades is to change fundamentally, at least partly. Location factors such as land value will become increasingly influenced by their general mobility potential, less by the question how to come from A to B on the fastest way. Commercial property investors should be aware that discussion about parking duties are only the beginning of the future development.