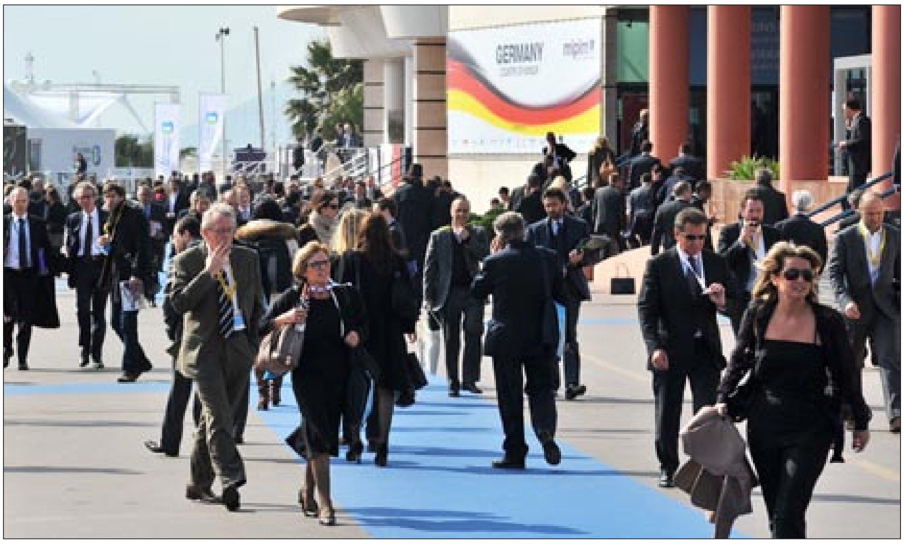
No. 17 | February 2013

SPH newsletter

DEAR READERS!



The current main topic of SPH Newsletter's first issue in 2013 is Mipim, taking place from 12th to 15th March in Cannes in Southern France. Many of the international real estate community know that a visit at Mipim pays off. In addition, some of the exhibitors in Cannes have decided to be present in SPH Newsletter by an ad. Of course, we commend especially to visit these companies that gave us support by this way. And two of them are also elected to take part in the race for the coveted Mipim Awards. Those of you who will be in Cannes should give special attention to these companies' candidate properties, "Marmara Park" and "The Squaire".

With Turkey as "Country of Honour" at Mipim we have decided to integrate a short up-date into the preview of the exhibition, because this year both themes are interlinked. Special attention we give to Russia by plain reasons. Among the many exhibitors from CEE Russia is again the largest group. And for the first time Moscow is present not only with a booth, but with additional appearance in a special tent. Here the capital city of Russia will present plans for the future enlargement of its territory.

Already now I wish all of you who will come to Cannes successful days at the fair. I will be glad to see many of you again at Mipim, but the number of you, dear readers of SPH Newsletter, is continuously growing, so I am afraid that I will not be able to meet you all. And looking outside I hope for all of us that in Cannes there will be some sun and more springlike temperatures than we actually have on the northern side of the Alps.

Yours,

Andreas Schiller

New tenant in Airportcity St. Petersburg is a subsidiary of the Russian energy production corporation Gazprom. The company will occupy roughly 80 percent of the already completed office space.

GAZPROM IS NEW TENANT AT AIRPORTCITY ST. PETERSBURG

ZAO Avielen AG, a joint venture of the Austrian real estate companies Warimpex, CA Immo and UBM, is renting two-thirds of its office space at Airportcity St. Petersburg to Gazprom Invest Zapad, a subsidiary of OAO Gazprom.

Airportcity St. Petersburg is located in close proximity to Pulkovo 2 international airport. It is the first business centre and a key infrastructure project in Airport Pulkovo area, which is a fast growing economic zone of St. Petersburg.

In addition to a four-star Crowne Plaza hotel, the complex includes three modern office buildings with a total leasable space of 31,000 square metres. Two towers of the first construction phase, "Jupiter 1" and "Jupiter 2" with a total of 16,000 square metres have already been opened, and roughly 80 percent of their space is now let out thanks to the lease with Gazprom.

The shell of the third tower "Zeppelin" of the second construction phase (15,000 square metres) has been completed, and the building will be finished in accordance with rental demand.

DEKA IMMOBILIEN ACQUIRES COMMERCIAL PROPERTY IN WARSAW

Deka Immobilien GmbH has acquired the office and retail complex "International Business Center" in the inner city of Warsaw for around EUR 148 million. The completely let-out property has been acquired on behalf of open real estate fund Deka-ImmobilienEuropa. Vendor of the building is an institutional real estate fund of GLL Real Estate Partners GmbH, Munich.

Constructed in 2002 and enlarged in 2007, "International Business Center" comprises a total of leasable area of 37,000 square metres. About 2,500 square metres are dedicated to retail. Currently there are 19 different tenants occupying the building. Main tenant is auditing company PricewaterhouseCoopers.

HOCHTIEF SOLUTIONS EXPANDS INTO TURKEY

Hochtief Solutions AG has founded two companies in Turkey: As the parent, the national company Hochtief Insaat Hizmetleri A.S. (Hochtief Construction Services, a joint stock corporation in accordance with Turkish law) will in future have the function of a holding company, the same as the German Hochtief Solutions AG, while Hochtief Gayrimenkul Gelistirme Ltd. Sti. (Hochtief Real Estate Development, a limited company in accordance with Turkish law) will be engaged in operational project development business. Hochtief Gayrimenkul Gelistirme Ltd. Sti. will initially focus on Istanbul and the office real estate market segment for new development.

Turkmall has opened Novada brand's second shopping Centre in Istanbul's district Atasehir on the Asian side of the city.

SECOND CENTRE OF "NOVADA" BRANDS HAS OPENED IN ISTANBUL

Developed by Turkmall in Turkey, Novada brand's second shopping centre has opened in Atasehir, Istanbul. The shopping centre, which has an investment value of EUR 50 million, includes a 3,950 square metres hypermarket, a 4,000 square metres wedding hall owned by the Atasehir Municipality, as well as bars, restaurants and several mid-sized retail units.

SHERATON KRAKÓW AND SOFIA HILTON HOTELS COME TO MARKET

Jones Lang LaSalle has been appointed as exclusive agent to sell the freehold interests in the hotels Sheraton Kraków (Poland) and Hilton Sofia (Bulgaria). Located in Krakow on the banks of the Wisła River and overlooking the historic Wawel Castle, the five-star Sheraton Kraków includes 232 guestrooms. Five-star Hilton Sofia, located in the capital city of Bulgaria at 1 Bulgaria Boulevard, next to Sofia Congress Centre (NDK), City Centre Sofia and a newly opened Metro station includes 245 guestrooms.

BLACKSTONE BUYS TWO POLISH LOGISTICS PORTFOLIOS

LogiCor, the pan-European logistics platform established by real estate funds managed by affiliates of The Blackstone Group L.P, has acquired two portfolios of logistics assets located in Poland, totalling 402,000 square metres of space from Panattoni Europe.

The first transaction closed in October 2012 and consisted of four projects, totalling 218,000 square metres of space. The projects were previously held by a joint venture between Panattoni and another investor. Bank Pekao S.A. provided the debt financing for the acquisition as sole lender. The second transaction closed in December 2012, and consisted of a portfolio of nine newly built logistics assets throughout Poland, totalling 184,000 square metres. The portfolio was co-developed with Pramerica Real Estate Investors, the European arm of the US-based Prudential Financial, Inc.'s real estate investment management and advisory business. German bank Helaba (Landesbank Hessen-Thüringen) provided the debt financing for the acquisition as sole lender.

RAIFFEISEN BANK IS FINANCING PLOIESTI SHOPPING CENTRE

AFI Europe has received a loan of over EUR 30 million from Raiffeisen Bank International for the construction of the AFI Palace Ploiesti project in the Romanian city of Ploiesti. AFI Palace Ploiesti will be the first modern shopping centre in Ploiesti and is scheduled to open in October 2013. Once completed, the mall will comprise 28,500 square metres of leasable space and 1,000 parking spots.

Warta Tower comprises 28,000 square metres of office space and is one of the largest office buildings in Warsaw.

WARTA TOWER IN WARSAW FINANCED BY HELABA

German bank Helaba is financing the office property Warta Tower in Warsaw with EUR 59 million for Chmielna Inwestycje Sp. z o.o., a special purpose entity of Kulczyk Holding S. A.. Helaba is acting as Sole Lender, Arranger and Agent in this transaction. Built in 2000, Warta Tower is situated in the centre of Warsaw's CBD. The office property houses the headquarters of TUIR Warta S.A., one of Poland's biggest insurance companies. Rising 82 metres, the building comprises 22 floors with 28,000 square metres of leasable area. It is one of the largest office buildings in Warsaw.

VIG FUND ACQUIRES OFFICE BUILDING IN PRAGUE

VIG (Vienna Insurance Group) fund has acquired the office building BB Centrum Building C in Prague from Immofinanz Group. The purchase price was not disclosed. The property is part of the business park BB Centrum comprising a total of ten office buildings in Prague 4. Of these, three others are owned by Immofinanz Group: the properties A, B and Gamma. BB Centrum Building C offers approximately 13,000 square metres of space on seven floors as well as two underground levels with 207 parking spaces. In 1998 the office building was the first property in the BB Centrum business park.

W. P. CAREY ACQUIRES RETAIL PORTFOLIO IN CROATIA

W. P. Carey Inc. announced that CPA®:17 – Global, one of its publicly held non-traded REIT affiliates, has acquired a portfolio of eight retail stores in Croatia. The total acquisition price was approximately EUR 34.6 million. Located in the towns surrounding Zagreb as well as in busy tourist destinations along the Adriatic Coast, the stores range from modern hypermarkets to smaller traditional supermarkets. The sites will be long-term, triple-net leased to Konzum, a subsidiary of Agrokor d.d. With approximately EUR 4 billion in annual revenues and nearly 35,000 employees, Agrokor d.d. is the largest private company in Croatia and one of the leading food companies in Eastern Europe.

PANATTONI COMPLETES ANOTHER FACILITY IN MYSLOWICE

Panattoni Europe has completed another development stage at Panattoni Park Myslowice near Katowice, Poland. The seventh facility with 28,000 square metres of industrial space is leased by three companies: CEVA Logistics, Manuli Hydraulics (9,300 square metres) and Valeo (9,200 square metres). Panattoni Park Myslowice is one of the largest distribution centres in Poland: It will ultimately consist of eight buildings and after the final phase of construction will total over 200,000 square metres.

RREEF Real Estate Special Funds has acquired Green Corner office complex in Warsaw. Vendor and developer of the Green Corner complex was Skanska.

RREEF ACQUIRES GREEN CORNER OFFICE COMPLEX IN WARSAW

RREEF real estate special funds has acquired Green Corner complex in Warsaw, for about EUR 94.6 million. Green Corner complex is consisting of two recently completed office buildings, located in Warsaw's upcoming business district Wola. Green Corner complex offers a total leasable area of 27,000 square metres and is leased to 95 percent. One of the biggest tenants is the Swedish bank Nordea Group. Therefore the first building has been renamed Nordea House. Other tenants include Grant Thornton and Jones Lang LaSalle Group Services. The second building, Green Corner, has been fully leased to one of the Polish central administration authorities.

FUTUREAL AND GANT DEVELOPMENT JOIN FORCES IN POLAND

Hungarian development company Futureal and Polish Gant Development S.A. have agreed to jointly invest in the development of some of Gant's residential projects with up to 1,200 homes in three cities, representing approximately EUR 87 million of total investment value. Pursuant to the framework agreement, Futureal Group shall invest up to EUR 10 million of equity capital in development projects run by Gant Development S.A.

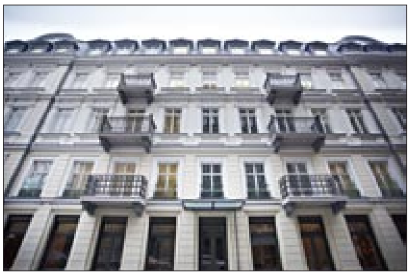
The joint venture with Gant is a part of Futureal's 'Partnership Program' in the context of which the group plans to invest EUR 100 million in partnerships with other developers, investors and banking partners to run perspective projects in Central Europe.

PBB EXTENDS INVESTMENT FACILITY TO CEIF

pbb Deutsche Pfandbriefbank has agreed a three-year extension to its EUR 169 million senior facility to the Central European Industrial Fund (CEIF), a fund jointly managed by Valad Europe and Aviva Investors. pbb is acting as arranger, sole lender and hedge provider for this facility. CEIF, a closed-ended Luxembourg FCP (Fonds Commun de Placement), was launched in September 2005. The fund invests in multi-let industrial and logistics real estate assets in Poland, the Czech Republic, Hungary and Romania.

START OF CONSTRUCTION ON NIMBUS OFFICE PROJECT IN WARSAW

Immofinanz Group has started construction of its first office development in Warsaw: Nimbus, located on the Jerozolimskie office corridor, will have over 19,000 square metres of rentable space. Porr Polska S.A. will serve as the general contractor, while CBRE and DTZ will be responsible for the marketing as co-exclusive brokers. The project is scheduled for completion in August 2014, and the outstanding construction costs amount to approximately EUR 27 million.



Le Palais in Warsaw: The historical buildings were refurbished and modernised and extended by a newly constructed building.

LE PALAIS OFFICE BUILDING IN WARSAW COMPLETED

Warimpex Finanz- und Beteiligungs AG has successfully completed the construction works of Le Palais office building in Warsaw. The property is located in the Central Business District of Warsaw. It provides approximately 5,300 square metres of office space plus retail space on the ground floor. The development covered the restoration and refurbishment of historic buildings along with the extension and expansion of the complex with new construction. Warimpex intends to sell the Le Palais to an international institutional investor. A preliminary sales agreement has been signed already. The closing is expected around mid 2013.

GRIFFIN REAL ESTATE ACQUIRED RENOMA SC IN WROCLAW

Griffin Real Estate has acquired Renoma Shopping Centre in the Polish city of Wroclaw for almost EUR 120 million. The vendor was Centrum Development & Investments (CDI) who will continue to manage the property. Griffin, an investment manager active in most of CEE, was acting on behalf of a fund it manages. Colliers International advised Griffin in the transaction. The 41,000 square metres mixed-use property comprises a shopping centre with 140 retail units on 31,000 square metres gross leasable area on four levels and a 10,000 square metre office component as well as a 600-space parking garage. Renoma reopened in 2006 after being substantially redeveloped by CDI. The shopping centre originally opened in 1930 as the Wertheim Department Store that was designed by German architect Hermann Dernburg.

EBRD MAKES MORE ROOM FOR SHOPPING IN BELGRADE

European Bank for Reconstruction and Development EBRD is providing a EUR 13.5 million loan to build a retail park in the Serbian capital of Belgrade. The new park in the municipality of Zemun, on the right bank of the Danube, adds 15,309 square metres of retail space to the city and provides parking for 584 cars. The project will be carried out by Jelmil d.o.o. and Konzulpro d.o.o., special purpose companies indirectly owned by Jerusalem Economy Ltd. and Industrial Buildings Corporation Ltd from the Fishman Group, a leading Israeli real estate group.

FENIKS BUILDING IN WARSAW FOR SALE

Developer Europlan and co-investor Griffin Real Estate have instructed Colliers International to market the new Feniks office building in central Warsaw. The property comprises 9,000 square metres of office space on seven storeys, with around 1,000 square metres of retail on the ground floor and 48 underground parking spaces.

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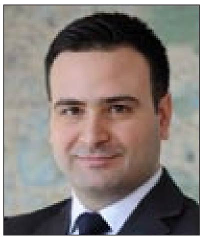



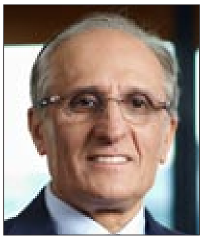

First line
left: Alexander Bosak
right: Peter Czapek

Second line
left:Togrul Gönden
right: Joanna Richter

Third line
left: Marcia Schless
right: Hubert Spechtenhauser

Fourth line: Aziz Torun

Alexander Bosak has an endowed professorship Real Estate with special focus on property valuation and property marketing at Institute for Real Estate Management of FH Wien University of Applied Sciences of WKW (Wirtschaftskammer Wien). Alexander Bosak is also Managing Director of BREC Bosak Real Estate Consulting GbmH, a Vienna-based company focused on international real estate marketing.

Peter Czapek has been appointed new CEO and spokesperson of the Managing Board at Bank Austria Real Invest on 1 January 2013 and is to take over fund management, human resources and sales strategy. Peter Czapek began his career in a branch of Länderbank, a predecessor institute of Bank Austria, in 1976. This was followed by various management positions within marketing and product strategy for private customers and small and medium-sized businesses. Most recently he was Head of Private Customers at Bank Austria. Additionally, he sits on the supervisory boards of some Bank Austria subsidiaries.

Togrul Gönden has joined as Managing Partner for Cushman & Wakefield in Turkey. Togrul Gönden is a Turkish National and was previously Director and Head of Retail Property & Asset Management for Jones Lang LaSalle in Russia. Togrul Gönden was educated in Germany, the US and Spain, and over the past twelve years, he worked and lived in Germany, Turkey and Russia.

Joanna Richter has become the Chairman of the Board of Centrum Development. She has been committed to the Group since 2003. Having worked on the real estate market for more than ten years, she is now the Asset Managing Director and a Management Board member. From 1996 to 2003 she was working as a director in Euroimpex Trade Sp. z o. o., a company from Poznan, where her duties included commercial market analyses and surface rent negotiations. Joanna Richter graduated from London Valley University.

Marcia Schless has accepted sales position at FD Mediagroep with major brands Het Financieele Dagblad and BNR Nieuwsradio. After more than 20 years as Marketing & Communications Manager of Multi Corporation Marcia Schless decided to leave Multi and accept a new position at FD Mediagroep as Account Manager Sales. She is also director-owner of Pink Line Communication, member of the board of ULI Urban Land Institute Netherlands, Chair of DWIRE Dutch Women in Real Estate and member of the Real Estate Table and Ladies Table IGC Industrieele Groote Club (Business Club of Industry). Marcia Schless is also Ambassador of Reed Midem for Mipim and Mapic.

Hubert Spechtenhauser is leaving Hannover Leasing at end of February 2013 at his own request. He has been a member of Hannover Leasing's management team since February 2010 and as Managing Director he was responsible of foreign and domestic property, asset management as well as treasury. Hubert Spechtenhauser will address new professional challenges in the banking sector.

Aziz Torun, Chairman and CEO of Torunlar Group , has been appointed Chairman of the Board of Directors at GYODER, the Turkish Association of Real Estate Investment Companies. Aziz Torun has worked with Torunlar Group since 1982. Since 1996 he is also Chairman of the Board of Directors of Torunlar Real Estate Investment Company (Torunlar REIC). He started his professional career in 1976 at the Turkish Ministry of Labour and Social Security. Aziz Torun helds a degree in economics from Istanbul University.

SPRING EVENT ON CÔTE D'AZUR WITH A VIEW TO THE BOSPORUS

Turkey, connecting Europe and Asia, is "Country of Honour" at Mipim 2013.

From March 12 to 15, 2013 representatives of the real estate industry from all over the world will meet in Cannes. This year's Mipim is themed "Building tomorrow's world", and a special focus will be on Turkey as "Country of Honour".

Since long Mipim has established as one of leading international expositions and meeting points for all involved in the real estate business. That includes investors as well as developers, local authorities as well as investment and business development agencies, architects as well as urban planners, service providers as well as consultants. Exhibitors and visitors are coming from all over the world to Cannes. According to Reed Midem, organizer of Mipim, last year 19,400 participants from 83 countries were bustling in and around the Palais des Festivals where 1,860 exhibitors were presenting themselves on an area of 18,800 square metres.

Also the CEE/SEE countries show a rather strong presence in Cannes. For this year's edition actually (February 18, 2013) more than 400 companies and local authorities from Central, Eastern and South-Eastern Europe are already registered—274 of them will be present as exhibitors. The strongest group is coming from Europe's largest country, Russia (103 exhibitors), followed by Poland (63 exhibitors), the country that actually is attracting investor's greatest interest in CEE. On the third rank is Turkey (31 exhibitors), this year's "Country of Honour".

Since end of 2009 Turkey is experiencing a not only continuous, but also—in comparison to the European countries—an above average economic growth. In 2010 and 2011 Turkish gross domestic product grew by more than eight percent annually. Last year, Turkey's economy slowed down, but with around three percent GDP growth it was more or less a soft landing. Euro-zone debt crisis was one of the main reasons for the deceleration because about 65 percent of all Turkish exports are going to the European markets.

Also in other respects Turkey can claim a top-ranking position. Since 2010 the country linking Europe and Asia is leading the global league table of transparency improvement. According to the Global Real Estate Transparency Index, an annual survey by Jones Lang LaSalle, Turkey is ranking at position 31: That is still

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METRO-CITY, ISTANBUL
MIGROS-CENTER, ANTALYA
NEOMARIN, ISTANBUL
MARMARA PARK, ISTANBUL
ANKAMALL, ANKARA
MALTEPE PARK, ISTANBUL
ESPARK, ESKIŞEHIR
ECE

behind Poland (19), Czech Republic (24) and Hungary (26), but better than Greece (33), Slovakia (36), Russia (37), Romania (40), Croatia (51), Bulgaria (57), Ukraine (61), Slovenia (62) and Serbia (69).

So far, Western developers and investors in Turkey are mainly focused on shopping centres. A relatively young population, high private consumption and the country's need to catch up with modern shopping facilities are the reasons why especially this segment of the real estate market is the most preferred. But at least in Istanbul and Ankara, the shopping centre market is approaching saturation, and as well the one or the other regional city is well equipped with shopping facilities.

Another sector of international interest is the hotel sector. At least in Istanbul near all big international hotel chains are well established. Especially in the segment of five star hotels there is a great variety in Istanbul and in the most sought-after tourist destinations like Bodrum and Antalya as well. The picture is different with middle-class hotels and with other locations: There is still some need for accommodation facilities.

According to the survey "Emerging Trends in Europe 2013", annually issued by ULI Urban Land Institute and Pricewaterhouse-Coopers, Turkey belongs to the top markets regarding retail, hotel, and leisure. And with "Markets to Watch" Istanbul ranks still four (behind Munich, Berlin and London), after being on the top the years before.

However, Turkey has to offer more opportunities than hotel and retail. Since long, investors from the Middle East and from Arabian countries have discovered the promising office sector, only (Western) European players are still reluctant to enter this market segment. That might change soon in Istanbul with the development of the new IFC Istanbul Financial Centre. Its location has been designated within the district boundaries of Atasehir und Ümraniye on the Asian side of the city. With an investment of USD 2.6 billion, on an area of 1.6 million square metres, there will be developed a new urban district. According to the master plan there will be 560,000 square metres of office space and 70,000 square metres of hotels, residential, conference facilities and retail. Once completed, the headquarters of state banks and other public financing institutes as well as the Banking Regulation and Supervisory Agency (BDDK), the Capital Market Board (SPK), the Central Bank and The Banks Association of Turkey (TBB) will move to IFC. The complex will also provide area for private banks and financing institutes. A new metro line will connect IFC to the major metro lines of the city and with Marmaray, the most crucial infrastructure project in Istanbul, which connects European and Asian side via a railway tunnel under the Bosporus. As another link a four lane third bridge on the Bosporus will be developed.

Istanbul will be developed into an international financial centre.

At Mipim, Turkey as this year's "Country of Honour" will also play a prominent place in the conference programme of the fair. Besides a look at the real estate markets and segments there will be the question answered: "Where is Turkey situated within Europe and the Middle East real estate universe?" Another point of interest may be "Turkey's economic outlook and key investment opportunities". The organizers count on great interest in the question because this event does not take place in the Turkish Pavilion, but in the large Auditorium A in the Palais des Festivals.

What is new at this year's Mipim is a so-called Innovation Forum, a pavilion with 1,000 square metres in the Gare Maritime, next to the Palais des Festival. Mipim Innovation Forum is dedicated to innovative solutions able to increase the value of properties. Although terms like sustainability, energy efficiency, smart cities and smart building are used all too frequently and tend to become buzzwords, in the middle and long term—periods the real estate industry is normally calculating with—cities and the built environment will and have to change. In Cannes, keynotes and discussions in a special conference area as well as the presentation of innovative solutions will show the different ways to tomorrow's cities. And as well Mipim Innovation Forum will be a meeting place where architects, developers, investors and users—who at the end of the day have to deal every day with the new building technologies—have the possibility to get in contact with those who are working intensively on innovative solutions. The conference programme of Mipim Innovation Forum and the names of keynote speakers are worth a closer look at, also because the changes will affect everybody's life. | Marianne Schulze

INVESTMENT IN RUSSIA ON RECORD HIGH, BUT NEARLY NOBODY IS GOING THERE

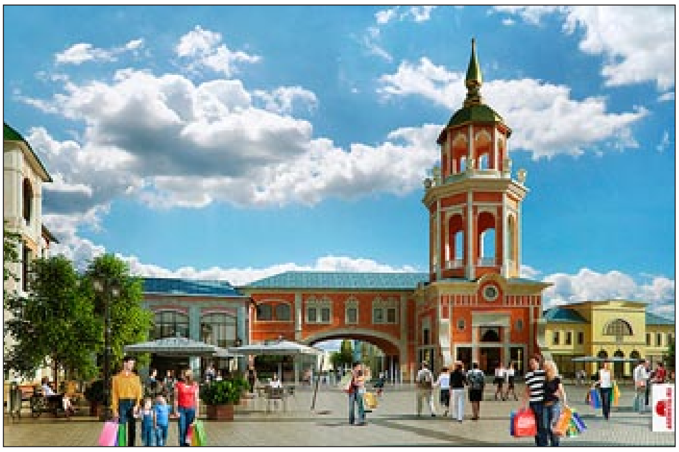
The real estate investment market in Russia has recovered from the slump in investment activity in 2009. Since 2011, annual total investment volumes are higher than before the crisis. However, Western investor's interest remains low. Nearly 75 percent of the total transaction volume is generated by Russian players.

Russian investment company O1 Properties purchased Ducat Place III office building.

According to the most recent figures surveyed by Jones Lang LaSalle, in 2012 the transaction volume on the real estate investment market Russia (excluding land purchases, joint ventures and direct residential sales to end-users) amounted to USD 8.6 billion, slightly higher than in 2011 (USD 8.5 billion). At the same time commercial real estate component of this investment volume reached USD 7.9 billion, according to Jones Lang LaSalle. Cushman & Wakefield reports "only" USD 7.2 billion. Compared to 2011, that is a decrease by around five percent. However, all these figures are clearly higher than those of the times before the financing crisis: In 2008, the year of pre-crisis investment records, Jones Lang LaSalle recorded a transaction volume of USD 5.1 billion.

Looking at the different segments, office attracted more than 40 percent of the total investment volume, reaching a historical high of USD 3.5 billion. Remarkable as well is the increase of investments in the warehouse and logistics sector: Compared to 2011, the transaction volume augmented by more than one third to USD 607 million. That is a share of about seven percent of the total investment volume. Retail property, however, seems to have lost some of the attractiveness it has shown in previous years: In this segment investments decrease from 40 percent of the total transaction volume in 2011 to just under 20 percent.

Geographically the capital city of Moscow is investor's most preferred market. According to Jones Lang LaSalle, in 2012 nearly 90 percent of the total real estate investment volume in Russia was allocated in Moscow—much more than the year before when the capital city attracted "only" nearly 70 percent. Looking at the office investment market, Moscow's share is even higher: The city gained 97 percent of the total investment into Russian office market. With this lion's share of the total investment volume Moscow remains the third largest real estate investment market in Europe, following London and Paris. According to Real Capital Analytics Data Russia's second largest city and second largest property market, Saint



Completed in 2012 in Moscow: left Belaya Dacha Outlet Village, right Alcon Business Center

Petersburg, follows with some distance at rank 14. But in addition to Moscow and Saint Petersburg Russia has several other big cities, ten of them with more than a million inhabitants. According to Cushman & Wakefield, for these regional markets there are only left USD 75 million of investments, 55 percent less than in the previous year and even 75 percent less than in 2010.

Following the financing crisis in 2008 Russia experienced an economic drop fiercer than other European countries. But Russia has recovered quickly and is showing growth rates clearly above the European average. According to IMF, Russian economy grew by 4.3 and 3.7 percent in 2011 and 2012 respectively. For 2013 IMF forecasts an economic growth of 3.8 percent. Following IMF estimations, the slow-down of the growth rates is mainly an impact of Euro crisis and of the flagging economies in the Euro zone.

No doubt, the again increasing prices for raw materials and energy (oil and gas) play an important role in Russia's economic growth, but as well it is supported by strong private consumption and generally rising wages. In 2012, growth of retail turnover at more than five percent exceeded that of most other European countries, despite the fact, that inflation has picked up to nearly seven percent mainly due to an increase in food prices and public tariffs.

That investor's interest is mainly focused on Moscow market is nothing really new, surprising is only that it is nearly exclusively concentrated on the capital city. However, supply of new buildings is rather small. In the first nine months of 2012 only around 400,000 million square metres of new office space were completed increasing the existing stock in Moscow to 14.5 million square metres. The relatively low number of new developments and increasing occupier demand is causing a decline in vacancy rates that—depending from location and quality of space—levelled off between ten and 15 percent. Therefore pressure on rents is easing. According to CBRE, rental prices for Class B office space is at USD 400 to 450 per square metre and year, for Class A at USD 650 to 750 per square metre and year.

Regarding the dimensions and the importance of the city, the existing office stock in Moscow is still relatively small. It comes up to the office stock in Hamburg, but it is still below the total office space in Berlin and Munich. Even lower is the office stock in Saint Petersburg. According to Knight Frank, the office stock amounts to 1.7 million square metres, Jones Lang LaSalle is reporting 2.15 million square metres. Nearly 100,000 square metres of new office space were completed during the first nine months of 2012, further 70,000 square metres were due to completion till end of the year. And the first phase of Nevskaya Ratusha (New Town Hall), one of the major projects in the city centre, is scheduled to be completed in 2013. Of a total of 350,000 square metres the City Government of Saint Petersburg will take up about 100,000 square metres for own purposes.

As well as in Moscow demand for office space is quite high in Saint Petersburg. Here, too, vacancy rates are continuously decreasing, and despite rather high development activities Knight Frank reports vacancy rates at eight percent with Class A and at seven percent with Class A offices. Jones Lang LaSalle states slightly higher figures with an average vacancy rate at 9.7 percent—twelve percent with Class A and nearly nine percent with Class B offices.

Retail property market in Russia is also well performing and turned out to be rather stable. All in all, in Russia there are more than 13 million square metres of retail space in modern shopping centres. But again the lion's share is on Moscow and Saint Petersburg: Around 40 percent of all modern retail space in Russia is located in both cities—3.3 million square metres in Moscow and nearly 1.8 square metres in Saint Petersburg. Per 1,000 inhabitants, there are 278 square metres of shopping centre area available in Moscow and 356 square metres in Saint Petersburg. In comparison: Berlin with 348 square metres of shopping centre area per

1,000 inhabitants ranks between the two Russian cities, Warsaw with 673 square metres and Prague with 620 square metres per 1,000 inhabitants are clearly in front of Moscow and Saint Petersburg.

Modern logistics space is high in demand—vacancy rates are below one percent.

During the crisis 2008/2009 vacancy rates in modern shopping centres rocketed to ten percent and more. Today they are at two percent in Moscow and at four percent in Saint Petersburg. Respectively rents have also stabilised reaching USD 4,000 per square metre and year in Moscow and USD 2,000 per square metre and year in Saint Petersburg.

Apart from 'classic' shopping and entertainment centres, new retail formats, namely outlet centres, are making stronger appearance on the Russian market. They were to be developed mainly around Moscow and Saint Petersburg. Generally developers are looking more often to the regions and their cities and towns because in the metropolises it becomes more and more difficult to get a building permit for large-scale shopping facilities—at least it is no longer as easy as some years ago.

A market segment that has really recovered and gained new momentum since 2011 is warehouse and logistics property. In terms of supply and demand it returned to the level of the booming years before the crisis. However, the market has changed substantially. Today, developers are much more risk-avers, they avoid speculative developments and do not start construction before the tenant or buyer of the space is fixed. In addition, developers are building in moderate batches of 50,000 to 100,000 square metres. Furthermore, the group of developers specialised in warehouse and logistics is today rather small but has become more professional.

But developers are also more cautious concerning locations. They are focused mainly on Moscow and Moscow region because the capital city with the country's largest consumer market is the largest distribution hub. Although there are also some positive trends in other cities like Novosibirsk and Yekaterinburg, the volumes coming into the market in regional cities are quite low.

Together with the recovery of Russia's economy demand for warehouse and logistics space increased significantly. But demand is mainly driven by Russian, not by international companies. Vacancy rates have steeply declined—from more than ten percent at the peak of the crisis in 2009 to less than one percent at the end of 2012. In Moscow's warehouse and logistics market take-up was around 1.3 million square metres in 2012, completions amounted to nearly 600,000 square metres. According to CBRE this "structural deficit of supply is likely to continue for the next few years", since Moscow has three to four times fewer market penetration rate than, for example, Warsaw or Prague. However, all consultancies point out unanimously that with the slow-down of global economy demand for warehouse and logistics space in Russia could decrease again, a threat to that market segment that will pass or become manifest in the course of this year.

Due to the lack of available space Moscow is currently one of the most expensive locations for warehouse and logistics space in Europe. Only in London, Helsinki, Oslo, Zurich and Stockholm rental prices are still higher. As CBRE states, rental prices in Moscow are at USD 140 per square metre and year, and according to Jones Lang LaSalle prime rents asked can be up to USD 145 per square metre and year.

In general, the real estate markets in Russia and especially the markets in Moscow and Saint Petersburg have turned upward since the years of crisis in 2008/2009 and are currently sounder than before. In 2011 it seemed that international investors are gradually returning to Russia—the share of Russian investors in the total transaction volume declined to nearly 60 percent. However, this year the share of domestic players was again at 78 percent. All international consultants try to put this into the right perspective arguing that local players have better networks, are often quicker in their decision making and have easier access to financing. But that is only one part of the truth. Another part is that investments in Russia are still at higher risk than investments in European core markets, and currently most investors are not disposed to take these risks. And risky are not only the markets itself, but as well the political and legal conditions. | Marianne Schulze

NEW HOUSING IN RUSSIA

Main task of Russian Housing Development Foundation RHDF is to provide average Russian families with affordable housing. Established in 2008, RHDF is a federal self-financing enterprise active all over Russia.

Smaller housing complexes than high-rise buildings is one of the goals of RHDF.

Housing in Russia has been always a rare thing, and the development of a market economy has changed little so far. Although residential construction was booming in the years from 2000 to 2007, the supply was mainly for higher-income earner. Furthermore during the same time prices for newly built apartments were rocketing upwards by more than 360 percent. Therefore in 2008, by federal law, Russian Housing Development Foundation RHDF was established to promote and to facilitate housing development in Russia and to provide the Russian residential market with affordable housing. Although the crisis in 2008 was followed by a steep decrease in real estate prices, apartments launched and promoted by RHDF are still more reasonably priced. "The average price of an apartment is RUB 30,000 per square metre", states Denis Filippov, Deputy Director General of RHDF. Converted it is nearly EUR 740 per square metre and far below the average price for residential real estate in Russia that was at RUB 44,000 (EUR 1,000) in 2012.

But Russia does not only need affordable housing, the country has extensive demand in new residential buildings in general. According to the Russian Federal State Statistics Service Rosstat, there are only about 3.3 billion square metres of housing available for 143.1 million inhabitants—that is 23 square metres per capita and only the half of the average every German inhabitant has to live on. Furthermore there is immense demand for renewal and replacement, mainly with the so-called Khrushchyovkas, a type of low-cost, cement-panelled or brick five-storey apartment buildings developed during the 1960s and early 1970s that still count for about ten percent of all housing area in Russia. And although once in demand, today many occupants of the gigantic residential complexes made from prefabricated slabs would be quite happy to be able to leave this "housing machines". According to research of RHDF, about 60 percent of all Russian families would like to move into a better apartment.

Generally, in Russia there is a requirement of 2.2 billion square metres of modern housing. Ten percent or around 3.3 million families have the necessary purchasing power available to enhance their housing situation. Only these ten percent are representing a demand of 239 million square metres.

One of the main goals of RHDF is to create the necessary conditions for an increase in residential construction. Therefore RHDF has the right to integrate properties owned by the Russian Federation and no longer required or inefficiently used into their land bank. As well the RHDF has closed co-operation agreements with all 83 Russian regions regarding land for housing and housing developments. In the RHDF land bank there are currently registered the specifications of 1,780 properties totalling 1.5 million hectares. For 932 land plots Russian regions have provided information. Only last year in five regions—in Kursk, Kirov, Cheboksary, Moscow, and Tyumen—there have been completed about 350,000 square metres of residential buildings. During the same period lease and investment contracts about 82 land plots with a total area of 3,425 hectares, located in 20 different regions, have been concluded with investors and developers. And in 23 regions, on 80 land plots with a total area of 3,413 hectares, there are 56 projects under development. These projects will comprise 8.837 million square metres of housing area, of which 3.75 million square metres will be developed in single and two-family-houses.

RHDF does not only provide land plots for housing developments, but is also organising and executing the tenders for the purchase of leasing rights. As well RHDF is supporting investors and developers to realize their project plans, especially when it comes to the administrative procedures. And RHDF takes care that in greater residential areas there will be also the necessary social facilities like kindergarten and school, that there will be a convenience shopping centre—to operate these centres RHDF has closed agreements with Metro and most recently with Tengelmann—, and that the new quarters are linked to the public transport system.

The advantage for investors and developers working together with RHDF is that there is no risk to get stuck with unsold apartments. High demand causes that planned apartments are often sold out long before completed. "If apartments do not find a user within a period of six months after completion, RHDF is taking over these units", explains Denis Filippov. And with single and semi-detached houses designed for families with low income RHDF is taking directly from the developer up to one third of the units.

Looking at the high demand of new housing in Russia, it is obvious that by traditional construction methods the output will be too small. What is in need are new technologies for the production of construction materials and elements. And taking in mind the dimensions of Russia there have to be production facilities on several different locations. In this regard again RHDF is one of the driving forces to introduce not only new technologies in Russia but also to establish the respective production companies and facilities in the regions. "During last year we have signed a preliminary agreement with the Italian company Itaco Precast about the establishment of a production factory for ready-mixed concrete elements in the region of Saratov. The investment volume for the factory with a capacity of about 400,000 square metres housing area annually is at EUR 100 million. And in summer together with the same company we decided to establish a second factory in the region of Rostov-on-Don", reports Denis Filippov.

Another project Denis Filippov is obviously proud of is a social project in Novosibirsk. Here RHDF has provided the land plots free of charge for a co-operative of young scientists that will build their houses themselves. That fits well in another business area of RHDF: The company is also active in the development of high-tech business parks and business incubators. To avoid the impression that RHDF is some kind of "We-do-all" company, there is to add: The superior commitment of RHDF is "to improve the quality of people's life" and "to secure living conditions for the benefits of everyone". And that also means not only to offer young professionals and their families space to live in, but as well to create possibilities to earn their money. | Christiane Leuschner

EXPOSITIONS AND CONFERENCES

March 12 – 15, 2013
Mipim: Building tomorrow's world
What about: To present Mipim to the real estate industry is similar to carry coals to Newcastle. The exhibition takes place in Cannes every spring since 1991 and is well established in the international property community. In 2013, Turkey will be Mipim's "Country of Honour". One palpable sign will be the Turkish Pavilion, a 1,000 square metres tent designed to highlight Turkish organisations, companies and projects. And in the Turkish Pavilion Live Conference Area there will be continuously discussions, panels and presentations with international and Turkish speakers. Perhaps the one or the other real estate professional will "discover" the booming country that in many aspects is a link between Europe and Asia.
Where: Palais des Festivals, Cannes, France
For further information and registration: www.mipim.com

March 18 – 21, 2013
Russian Retail Forum
What about: Each of the conference's four days is headed by an overall headline: Expand, Profit, Lead and Engage. For those who want to expand to Russia mainly the first day will be the most interesting because it is about the promising regional retail markets in Russia and CIS. But the wide range of topics is also about how to establish a direct communications relationship with customers. New retail projects and concepts will be presented and discussed as well as the question which winning ideas will shape the retail landscape in the next few years. Although the main focus is on Russia and CIS Russian Retail Forum offers a lot of themes and ideas being interesting also far beyond this geographical region.
Where: Marriott Grand Hotel, Moscow, Russia
For further information and registration: www.adamsmithconferences.com

May, 20 – 23, 2013
Real Corp: Planning Times

What about: The 18th International Conference on Urban Planning and Regional Development in the Information Society gives attention to the relationship between "Space and Time". Rome as venue will show this relationship very clearly and will be a further cause for many thoughts about it. The conference is divided in five sections: The first one adds "environment" to space and time: Environment and Space over Time. The second section is dedicated to "Slow or Fast Economy". Economy is the basic principle for prosperity in regions, cities and municipalities. "Timing Society", the third section, focuses on social changes and the respective requirements to cities. Section 4, "Moving a Tempo", wants to find an answer on the increasing pressure of time planning processes are exposed to. And the fifth and last section is headlined "Times go by … Never-ending (Under-)Development Stories" and is dedicated to the opportunities changes in time and space are offering.
Where: Casa della Architettura,
Piazza Manfredo Fanti, 47, Rome, Italy
For further information and registration:
www.corp.at

June 4 – 6, 2013
EIRE Expo Italia Real Estate

What about: Unlike the last editions when EIRE took place in the new fair ground in Rho-Pero, the location of this year's event will be the traditional exhibition area of FieraMilanoCity in Milan's centre. The location will facilitate accessibility of exposition and conferences and it suits more to the nature of the event because a substantial part of EIRE is dedicated to the regeneration of cities and especially to the privatisation programme of large properties owned by public authorities offering development potential the regions and municipalities cannot realise by themselves. Albeit Italy is currently one of EU's problem children there is to keep in mind that the country's economy is the third strongest of Europe. That means the real estate market is of considerable size and therefore worth a closer look.
Where: FieraMilanoCity, Milan, Italy
For further information and registration:
www.italiarealestate.it and eire.mi.it

June 4 – 6, 2013
Provada – The real estate meeting point

What about: Provada, historically a Dutch convention, is developing into a more and more international event. In this development internationally active Dutch companies such as Multi Development, ING Real Estate Finance and Bouwfonds as well as exhibitors from border regions in Germany have given the first push. To enhance this trend in 2013 Provada is focusing on „International Investment". An international pavilion will facilitate the chance to exchange ideas, plans and knowledge and will present an opportunity for both Dutch and international professionals to communicate and to establish networks.
Where: Amsterdam RAI, Europaplein 22, Amsterdam, The Netherlands
For further information and registration:
www.provada.nl

June 4 – 7, 2013
transport logistic

What about: The trade fair for all engaged in transports and logistics takes place every two years. Over the last three decades transport logistic has developed a reputation as one of the world's leading trade fairs for logistics, mobility, IT and supply chain management. As well it is an important meeting point for all involved in logistics real estate. In 2011, 1,893 exhibitors from 59 countries took part in the fair, and more than 50,000 trade visitors came the fair. A special benefit of the exposition is the accompanying programme. Among workshops, conferences and presentations of logistics solutions there is also a broad range of themes of a more general interest, such as European transport connections and corridors or a closer look at the single markets for logistics real estate.
Where: New Munich Trade Fair Centre, Munich, Germany
For further information and registration:
www.transportlogistic.de

June 12 – 13, 2013
GREET Vienna

What about: GREET is the acronym of Global Real Estate & Economy Talks. GREET Vienna is built on two pillars: One pillar is exhibition and networking, the other one is a comprehensive conference programme. The main focus is on commercial real estate and investment in CEE/SEE including Russia, CIS and Turkey. But GREEET Vienna also seeks to open additional windows to other business sectors interested in doing business in CEE/SEE. The participants in GREET Vienna can expect a multifaceted conference programme, organised by Sylvia Foissy | The International Business Multiplier in cooperation with SPH Publishing House.
Where: Palais Niederösterreich,
Herrengasse 13, Vienna, Austria
For further information and registration:
www.greetvienna.com

imprint

Editors: *Andreas Schiller (V.i.S.d.P.), Marianne Schulze*
Layout: *Silvia Bönisch, www.boenisch.co.at*
Frequency of publication: *8 x yearly*
Publishing House: *Schiller Publishing House Unternehmergesellschaft (haftungsbeschränkt) Buchmühlenstr. 21, D-51465 Bergisch Gladbach*
Managing Director: *Andreas Schiller*
Registered: *Amtsgericht Köln, HR: B 68026*
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Articles by authors represent the opinion of the author, and not necessarily the one of the editing office.

Photography: *Reed Midem (p. 1 right), RHDF (p. 1 left, p. 19), diak – Fotolia.com (p. 11), Tomas Sereda – Fotolia.com (p. 13), O1 Properties (p. 15), Hines (p. 16 left), Alcon Group (p. 16 right), PNK Group (p. 17)*

CALL FROM THE SIDELINE

Wolfgang Schnurr held the post of CEO in a large German housing company until recently.

Business as usual. In the weeks leading up to the new year a few property positions were cleared just in time to produce new headlines about record-breaking sales and expected yield increases at the beginning of the New Year. It's the usual exercise, only the names of the experts passing on the good news do change every now and again. The same old routines and nothing much has changed over the years.

Though there are still reports about the Euro crisis and the mountains of sovereign debt, but they are merely considered a political problem, otherwise the crisis has just moved elsewhere. In the German property sector everything works according to plan. Or does it? I wonder if the collective memory works so poorly that it fully represses the financial crisis and the impeding threat of a collapse of the entire system. Just five years ago the markets nearly imploded in a hitherto unforeseen manner. Bad news in the financial and capital markets kept piling up. The culprits were quickly spotted. They were investment bankers, rating agencies and politicians. It all seems more of an Anglo-Saxon problem and of course that of the Greeks. A more fundamental analysis was notable only by its absence. And today all the questions concerning the required and workable measures necessary for a stabilization of the markets are well hidden and covered up by the recent successes in the market.

So everything is back to normal. Really? In order to minimise the vulnerability of the markets, it is important to find trustworthy indicators, which are able to detect early warning signals of looming difficulties. Microeconomic and macroeconomic analyses alone will not suffice. With the passing of time and the emerging distance to the events in the international property markets in 2008 we now realise that the market analysis has often been focused on quantitative models to the exclusion of everything else.

It is encouraging to note that apart from the economic experts, representatives of the humanities and the social sciences are also working to find explanations for causal relationships and the workings of economic processes. If the roots of market upheavals are not solely explained by looking at the numbers, but also unorthodox explanatory mechanisms are being looked at, it may perhaps lead to new and better information about the cause and effects of failures in the financial markets.

The financial service industry benefits from the fact that it constitutes an important subsystem in our society, and due to its significance it occupies an exceptional position in our observations. Nonetheless the role it plays is being called into question by civil society. Ethical questions concerning responsibility and morally sustainable business models are being asked. The current discussion about the introduction of an institutional separation of commercial and investment banking functions, the legitimacy of certain financial products, and a banking industry, which has lost its connection to the real economy, all bear witness to this. As it is set up today, parts of the financial service sector are riddled with moral hazard. Moral hazard describes a phenomenon where one partners takes on greater risk at the expense of the other. It incentivises entering higher risk positions, which when a business falters another party is left to pick up the pieces. If the regulatory mechanisms of our economic systems allow for such endeavours, natural losers are bound to be the result. Hardly a measure designed to contribute to establishing a stable system.

However, it does seem that such an ethical discussion has yet to arrive in the real estate industry. Currently, the use of scientific knowledge from the humanities and the social sciences in particular from sociology, (financial) behaviour and psychology as well as other social sciences is limited to using the results in designing new products or sale strategies. In this vein there is hardly a presentation in the property industry that does not contain a discussion about the demographic change, the population pyramid or the potential growth in numbers of people suffering from dementia. The pithy idealisation of demographic or demoscopic insights, which signify a requirement for assisted living, architecture focused on the need of singles are all too well known. This discussion remains superficial, because it only points to a lack of demand for certain products or focuses on individual successes.

This is changed little by the hype around sustainable economic activity, green buildings and energy saving constructions. Here, too, the arguments are mainly of a quantitative nature. But ethical thinking does not lend itself to being expressed in numbers! Ethical decision making requires a value foundation, which in turn needs to be communicated in order to be applied. If we fail to give priority to responsible acting and to create systems which take this into account and which are able to achieve that which we desire, then we will fail to counteract the vulnerability of today's economic system.