

SPH newsletter

news

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special

Every year again in March the property industry meets at Mipim in Cannes. page 17

background

Investment interest in commercial property markets in CEE is as high as never before. But beyond the record figures a closer look to the countries is showing significant differences in the markets.

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World Economic Forum in Davos was characterised by uncertainties. Digitalisation and its consequences have been an important, but only one aspect. page 24

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book review

Since long logistics property has emerged from the shadows of other real estate investments. However, it remains a sector with its own specialities. page 28



DEAR READERS!



For some real estate professionals March is for the 28th time the month to travel to Cannes. Since 1990 “Marché international des professionnels l’immobilier” is attracting the property industry as well as cities and regions presenting themselves as locations for real estate investments. And meanwhile are added so-called prop-techs, mostly start-up companies. The broad range of exhibitors and visitors is united by one topic: real estate.

The term real estate includes the word ‘real’ as in real economy. In former times it was easy: real economy was about the production of goods and services. It was clearly distinguished from the financial sector. But what does ‘real’ mean today? Do buildings belong to the real economy? Or are they only goods to buy and sell by financial considerations? Furthermore with the increasing digitalisation all has become faster, more networked and therefore more sophisticated. Working and retail environment is changing fundamentally. However, each building remains at least for some decades. Space outlasts uses.

Also Brexit and Trump will be two of the often discussed topics in Cannes. Meanwhile many external changes have an impact on the property industry: political changes, increasing populism, national solo attempts instead of openness to international cooperation as well as low, if not negative interest rates. Head winds and breaks are affecting the property markets.

I wish you, dear readers, that you will not loose orientation– neither at Mipim nor generally. And I look forward to good talks with those of you, who will be present in Cannes.

Yours,

Andreas Schiller



With a height of 230 metres and 53 storeys the office tower of Varso Place will be the tallest building in Warsaw.

HB REAVIS TO DEVELOP VARSO PLACE IN WARSAW

HB Reavis has commenced construction of Varso Place in Warsaw's city centre. Plans for the 140,000-square metre mixed-use scheme include one of Europe's tallest towers and two mid-rise buildings. Completion is scheduled for 2020. Varso Place's showpiece will be a 53-storey office tower designed by architectural studio Foster + Partners. At 230 metres tall (310 metres with the spire), it will be the tallest building in Poland and one of the tallest in Europe. The two complementary buildings (21 and 19 storeys) are designed by local Warsaw architects, Hermanowicz Rewski.

The development will revive a central brownfield area, which was razed during World War II and never fully revitalised. Situated next to the city's main transport interchange, Varso Place boasts access to trams, buses and metro, as well as direct access to the Central Railway Station.

FIRST PROPERTY GROUP TO ACQUIRE PILOT TOWER IN KRAKOW

First Property Group has signed a purchase agreement with UBM to acquire Pilot Tower in Krakow for around EUR 22 million. The 14-storey office building is located just three kilometres away from the city centre and offers around 10,000 square metres of lettable office space, with some 400 square metres of retail space on the ground floor. Pilot Tower was completed in 2014.

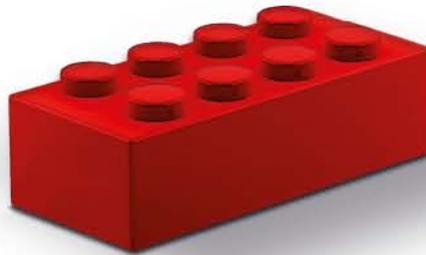
PEAKSIDE CAPITAL ACQUIRES OFFICE PROPERTY IN PRAGUE

Peaksid Capital has completed the acquisition of Argo Alpha in Prague. The office property was built in 2008 and comprises 12,600 square metres of gross leasing area. Peaksid acquired Argo Alpha on behalf of a separate account client from MOF Immo and Credo Real Estate, Austrian development and investment companies. This acquisition is the third investment by Peaksid in the Czech Republic, following the purchase of a portfolio of 72 retail assets in January 2015 and the acquisition of the Cube, an office property located in Prague, in June 2016.

TRIGRANIT TO START NEW OFFICE DEVELOPMENT IN BUDAPEST

TriGranit appointed the Hungarian office of CBRE with the exclusive leasing of its latest development in Budapest. The Millennium Gardens office building is being constructed alongside the Palace of Arts and the National Theatre, on the Danube side of Soroksári Road. It will offer 37,000 square metres of leasable space and it is expected to be completed by 2019.

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Laugaricio shopping centre in Trenčín comprises 26,000 square metres and can be extended by further 15,000 square metres.

IAD ACQUIRED LAUGARICIO SHOPPING CENTER IN TRENCÍN

Slovak investor IAD Investments, acting through its fund Prvý realitný fond o.p.f., has purchased Laugaricio Shopping Centre in Trenčín, Slovakia. The original owners were private investors represented by Mint Investments. Laugaricio, which opened its doors in 2009, hosts more than 120 brands over an area of 26,000 square metres, and has a further 15,000 square metres available for expansion. Laugaricio's initial developer was the Mint Investments Group, which has managed the centre from day one and will continue to do so for the new owner.

CBRE GI: PURCHASE OF LETNANY SHOPPING CENTRE IN PRAGUE

CBRE Global Investors has acquired, on behalf of a separate account client, the Letnany Shopping Centre in Prague. The vendor was Tesco. In the transaction CBRE Global Investors was advised by Clifford Chance and CBRE. The seller was advised by Wilson & Partners and Cushman & Wakefield. pbb Deutsche Pfandbriefbank has provided a long term acquisition facility, in a total amount of EUR 108 million to a company managed by CBRE Global Investors on behalf of a German separate account. pbb acted as arranger and sole lender under the facility.

Letnany, built in 1999, is comprising 63,478 square metres of retail, 3,551 square metres of office space, 1,791 square metres where a petrol station is located, and 3,200 parking spaces. The centre is anchored by a Tesco store. Tesco has committed to the centre by signing a long-term lease for the hypermarket and office space totalling 16,315 square metres.

WARIMPEX SELLS EIGHT HOTELS

Warimpex Finanz- und Beteiligungs-Aktiengesellschaft announced the partial sale of its hotel portfolio to the Thai investor U City Public Company Limited. The transaction includes eight hotel participations – two of which are partially (50 per cent) owned by UBM Development AG – which comprise approximately the half of Warimpex's total real estate assets and which have a property value of approximately EUR 180 million (excluding the stakes of UBM in that portfolio). Also Amber Privatstiftung and Bocca Privatstiftung, the two core shareholders of Warimpex, have signed an agreement to sell all their shares in Vienna International Hotelmanagement Aktiengesellschaft (Vienna House), the hotel management company which manages all of the sold eight hotel participations, to U City. The closing of both deals is expected by summer 2017.

The hotel portfolio that was sold includes the following hotels: in the Czech Republic Vienna House Diplomat in Prague and angelo by Vienna House in Pilsen (50 per cent share); in Poland andel's by Vienna House in Łódź, andel's by Vienna House in Krakow (operating company), Vienna House Easy Chopin in Krakow, angelo by Vienna House in Katowice (50 per cent share), and Vienna House Amber Baltic in Miedzyzdroje; in Romania angelo by Vienna House in Bucharest. All of the hotels are operated by Vienna House, which will continue to be responsible for the management after the sale.



Prosta Office Center is one of the two office buildings in Warsaw, CBRE Global Investors has sold on behalf of the Property Fund Central Eastern Europe.

CBRE GLOBAL INVESTORS SELLS OFFICE PORTFOLIO IN WARSAW

CBRE Global Investors, on behalf of the Property Fund Central Eastern Europe (PFCEE), has sold two offices in Warsaw: Trinity Office Park II and Prosta Office Center. In the transaction CBRE Global Investors was advised by Clifford Chance and Cushman & Wakefield.

Trinity Office Park II is a 26,127 square metre office building located in the Mokotów district of Warsaw. It comprises nine floors and was built in 2007. Prosta Office Centre is a 21,313 square metre office building situated in the city centre of Warsaw. It was built in 2006 and comprises 11 floors.

EBRD FINANCES NEW STUDENT HOUSING IN POLAND

The European Bank for Reconstruction and Development (EBRD) is supporting the development of Student Depot, a new network of privately-owned student housing in Poland, with a loan of up to PLN 118.83 million (EUR 27.07 million equivalent) to a Polish-owned company controlled and managed by Griffin Real Estate and Oaktree Capital Group LLC. The funds will be complemented by a loan provided by HSBC Bank Polska on a parallel basis.

The means will be invested in a portfolio of student housing assets and developments in Łódź, Lublin, Poznań and Warsaw. In addition, a pipeline of potential future projects will be created.

ECHO POLSKA PROPERTIES ACQUIRES FOUR RETAIL ASSETS IN POLAND

Echo Polska Properties NV (EPP) announced the conclusion of a preliminary agreement to acquire four retail assets located across Poland from real estate funds managed by Blackstone. The acquisition encompasses the 23,039-square metre Galeria Twierdza Shopping Centre in Kłodzko as well as the adjacent plot with a Broaster Chicken Drive restaurant. The other three malls are Galeria Twierdza Shopping Centre in Zamosc (23,785 square metres), Galeria Tecza Shopping Centre in Kalisz (16,003 square metres) and Wzorcownia Shopping Centre in Włocławek (25,629 square metres).

The centres have been operational since 2009 (Wzorcownia and Twierdza Kłodzko) and 2011 (Twierdza Zamosc and Galeria Tecza), respectively. The four shopping centres have been managed by Multi Poland since 2014.

The acquisition remains conditional on competition clearance and the issuance of an insurance policy in favour of EPP. The transaction is expected to close in April 2017. Colliers International and Linklaters were acting as commercial and legal advisor for EPP whereas JLL and Greenberg Traurig were acting as commercial and legal advisors of the seller.

developing opportunities

With an excellent track record and a clear strategic approach, UBM is a big player in the European real estate market. The company has realised impressive real estate projects in Austria and abroad for decades – ranging from individual projects to entire urban districts and from land development to the hand-over of keys.



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Zalando Headquarter, Berlin

UBM is currently developing two office buildings in Berlin for the future corporate headquarters of the fashion online retailer Zalando SE. It is UBM's largest individual office project in Germany. Around 2,700 employees will work here. Completion is planned for Q3 2018.

Aparthotel, Quartier Belvedere Central, Vienna

Apart from offices, hotels and apartments, UBM is now also developing 118 apartment hotel units (approx. 30 m² and 45 m² respectively) on the 6.2 building site of the Quartier Belvedere Central. The target group is business customers staying for longer periods, commuters or clients with temporary, project-related, activities. A range of services will be offered, e.g. towels & linen change, cleaning services etc.



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On the square in front of Budapest's Eastern station the first IntercityHotel in the Hungarian capital city will be located. The opening is scheduled for 2019.

INTERCITYHOTEL EXPANDS INTO HUNGARY

IntercityHotel is continuing to grow, and will provide Deutsche Hospitality with its first presence in Eastern Europe by 2019. The new hotel with 300 rooms will be located on the square in front of the city's Eastern Station "Keleti pályaudvar". Owner of the site and developer of the building is Hamburg-based B&L Group.

SKANSKA: START OF FIRST PHASE OF CAMPUS 6 IN BUCHAREST

Skanska invests EUR 38 million in the first phase of Campus 6, an office complex in Bucharest. The first phase will offer a total leasable area of about 22,000 square meters on 11 storeys above ground and two levels of underground parking. The Campus 6 complex, located in the Central-West area of Bucharest, will comprise four office buildings with a total leasable area of over 82,000 square meters. Construction work has already started and is scheduled for completion in the third quarter of 2018.

PROLOGIS ACQUIRES M0 CENTRAL BUSINESS PARK IN HUNGARY

Prologis European Properties Fund II (PEPFII) has acquired M0 Central Business Park in Hungary from IDI Gazeley. Two newly acquired facilities totalling 31,443 square metres will become part of the adjoining Prologis Park Budapest-Sziget, which currently comprises seven buildings totalling 150,000 square metres. JLL facilitated the transaction. M0 Central Business Park is located southeast of Budapest in the industrial zone of Szigetszentmiklós, which has direct access to national and international road networks via the M0 ring road.

W HOTELS WORLDWIDE TO OPEN W BUDAPEST BY 2020

W Hotels Worldwide, part of Marriott International, Inc., announced an agreement with QPR Properties Kft, part of Constellation Hotels Holding Ltd., to debut the W Hotels brand in Hungary with the opening of W Budapest. Located on Andrássy út the hotel will be situated directly across from the State Opera House.

W Budapest will be housed in the Drechsler Palace which will be fully renovated. The hotel will feature 162 guest rooms and suites. The opening is planned for 2020.

Drechsler Palace, which previously was home to the Ballet Institute of Budapest, has been deserted for over 20 years. In 2014 it was purchased by Ballett Properties S. A., a company established in Luxembourg and owned by Sheikh Hamad bin Jassim bin Jaber Al Thani of Qatar.



Kambanite Business Centre in Sofia was acquired by private equity fund Zeus Capital Partners LP in 2011. Now the asset changed hands. New owner is a group of European institutional investors.

ZEUS CAPITAL PARTNERS SELLS SOFIA OFFICE BUILDING

Zeus Capital Partners LP, a private equity fund managed by Zeus Capital Management has sold Kambanite Business Centre (KBC) in Sofia to a group of undisclosed European institutional investors.

KBC is an office building located opposite Business Park Sofia, one of the largest office parks in CEE. The property comprises approximately 15,150 square metres of office space and about 220 parking spaces. The property is fully leased and the anchor tenant is Hewlett Packard.

Zeus Capital Partners LP acquired the property from Bulgarian Real Estate Fund in November 2011. The Fund acquired the asset for EUR 23 million and the transaction was financed by UniCredit Bulbank. Zeus Capital Management will continue to manage the property post-acquisition.

REFINANCING FOR ZIELONA GORA SHOPPING CENTRE IN POLAND

Helaba, pbb Deutsche Pfandbriefbank and ING Bank have jointly underwritten an increase to an investment facility, totalling EUR 67 million, to refinance Focus Mall Zielona Gora in Poland. This facility is in addition to a EUR 164 million facility granted by the same banking consortium in 2016, for the Karolinka, Pogoria and Platan Shopping Centres in Poland. The assets are owned by Rockcastle.

pbb Deutsche Pfandbriefbank, Helaba and ING Bank are acting as Joint Lead Arrangers providing equal portions of the funding, with pbb acting as facility and security agent of the transaction.

Opened for trading in 2008, Focus Mall comprises 28,800 square metres of gross leasing area and is the largest shopping centre in the city of Zielona Góra. The site allows for a shopping centre extension of at least 12,000 square metres gross leasing area.

ORBIS GROUP ENTERS BOSNIA AND HERZEGOVINA

Orbis Group enters Bosnia and Herzegovina with the signature of a franchise agreement for MGallery by Sofitel Tarcin Forest Resort & Spa in Sarajevo region, Bosnia. The investor of the hotel is Tarcin International Development Company d.o.o. This luxurious boutique resort is under construction and is planned to welcome first guests in September 2017. It will offer 55 rooms and 9 villas with private gardens, a restaurant, a bar and a large wellness centre with indoor pool, spa facilities, a fitness centre and conference facilities.

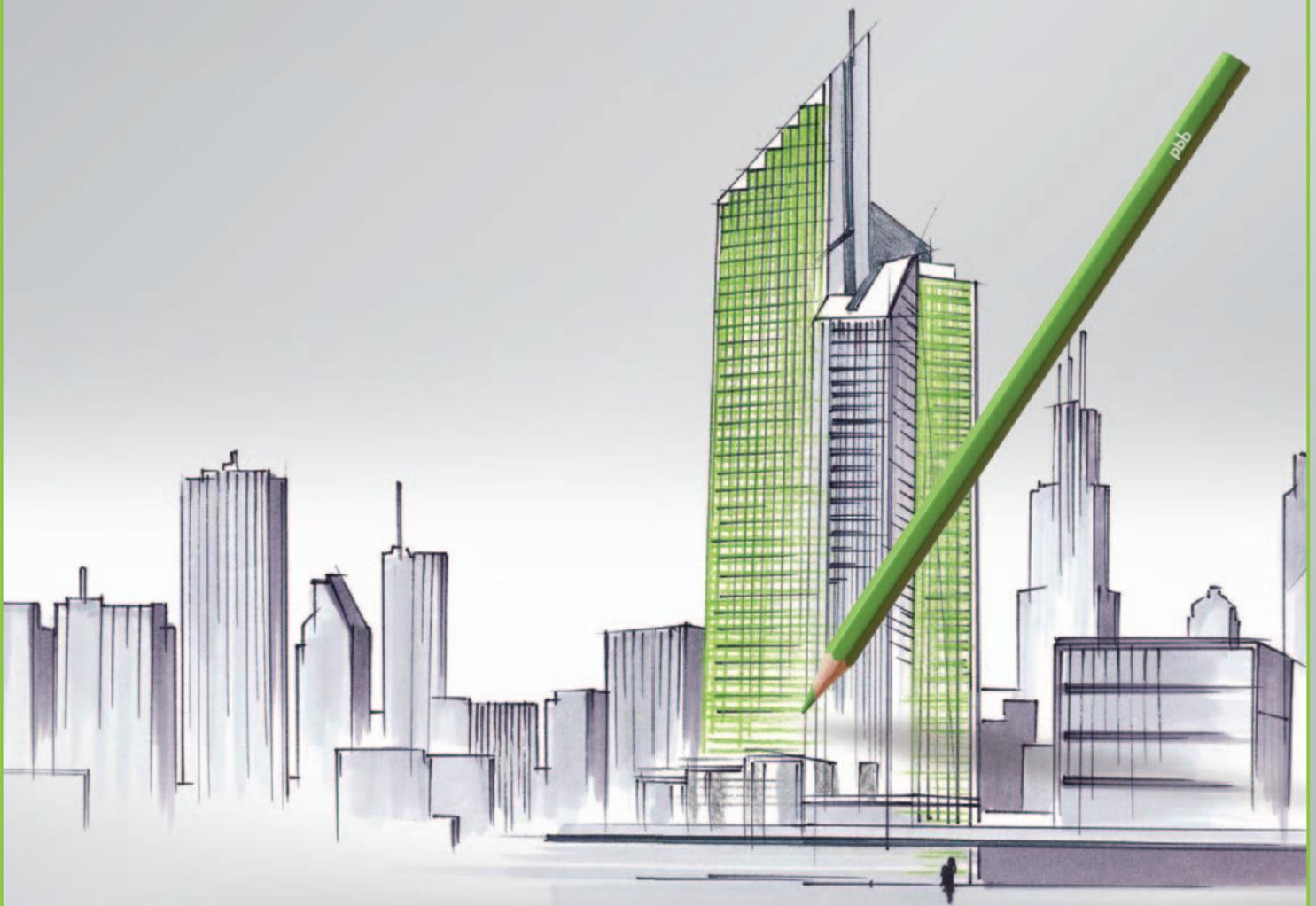
The resort is located on a 350,000 square metre area, in the valley of Tarcin village – about 15 minute drive from Sarajevo Airport.

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Hilton Prague Old Town hotel is located at the gates of Prague Old Town and has been part of Blackstone's portfolio since 2006.

SINGAPORE-BASED M&L BUYS HILTON PRAGUE

Blackstone has sold the Hilton Prague Old Town hotel and Gestin Centrum, an adjacent 6,900-square metre mixed-use commercial building, to Singapore-based real estate investment group M&L Hospitality. JLL advised Blackstone on the sale. The Hilton Prague Old Town is a 5-star, 303-bedroom hotel, located at the gates to the Old Town. It was acquired by Blackstone as a Renaissance hotel in 2006 as part of a larger portfolio deal and subsequently converted to a core brand Hilton in 2007.

CPI PROPERTY GROUP ACQUIRES CEE RETAIL PORTFOLIO

CPI Property Group has entered into a framework agreement under which subsidiaries of CPI Property Group will acquire a retail portfolio of 11 shopping centres located in the Czech Republic, Hungary, Poland and Romania from two funds managed by CBRE Global Investors.

The portfolio with a total leasable area of approximately 265,000 square metres consists of six shopping centres – Olympia shopping centre, including adjoining Retail Park in Plzen, Czech Republic; Nisa shopping centre in Liberec, Czech Republic; Ogrody shopping centre in Elblag, Poland; Felicia shopping centre in Iasi, Romania; Polus shopping centre in Budapest, Hungary; Campona shopping centre in Budapest, Hungary – high-street and office space – Zlatý Andel in Prague, Czech Republic, and Andrassy Complex in Budapest, Hungary – and two retail warehouses in Hungary – Interspar in Zalaegerszeg and Interspar in Nyiregyhaza.

HILTON GARDEN INN TO DEBUT IN HUNGARY

Hilton has reached a franchise agreement with Accent Hotel Management to open Hilton Garden Inn Budapest City Centre. The 214-guestroom hotel is set to become Hilton's third hotel in Budapest. The new build hotel will be set across 9 storeys and will be situated on the eastern side of the Danube River close to the city's major shopping district, Andrassy út.

EXETER ACQUIRES LOGISTIC PARK IN SZCZECIN

American investor Exeter Property Group has finalized its acquisition of the North-West Logistic Park warehouse and production complex in Szczecin in north-western Poland from Waimea Holding. North-West Logistic Park comprises four buildings with a total of 64,000 square metres of space. Colliers International represented the buyer in the transaction whose value has not been disclosed.



The office building Infopark Research Center is located in South-Buda in Budapest's 11. district and is part of Infopark Office & Technology Park.

CA IMMO ACQUIRES MINORITY SHAREHOLDING FROM UNION

CA Immo has successfully completed negotiations with Union Investment Real Estate GmbH on acquiring 49 per cent of shares each in the office buildings Danube House in Prague and Infopark Research Center in Budapest, both so far part of the open-ended property fund Unilmmo: Europe. With this acquisition, CA Immo increases its share in the buildings from previously 51 per cent to 100 per cent. As a result of this transaction, investment properties worth around EUR 80 million will be included in the balance sheet.

Danube House office building in Prague is comprising 21,400 square metres, while Infopark Research Center in Budapest offers 13,700 square metres.

FUTUREAL COMMENCES RESIDENTIAL DEVELOPMENT PROJECT IN BUDAPEST

Futureal Group's residential subsidiary Cordia took over the development of the Sasad Resort project from GTC in the Buda hillside area of the Hungarian capital. Cordia will develop 850 homes after buying the plots next to the already completed three phases of the project. Cordia will invest approximately EUR 140 million in continuing the development, including the purchase of the plots. Besides the homes, plans also include a 8,000-square metre private leisure park and an office building.

ACCOR BUYS SOFITEL BUDAPEST CHAIN BRIDGE

Accor, the majority shareholder of Orbis, exercised its buy-out option right over the Sofitel Budapest Chain Bridge hotel, located in Budapest, with a buy-out date of 31 May 2017. The value of the transaction has been estimated at EUR 44 million. The option right will be exercised by Orbis subsidiary Accor-Pannonia Hotels Zrt., which currently operates the hotel under a lease agreement. The sellers are HVB Leasing Maestoso Ingatlanhasznosító Kft. and Universale International Realitäten GmbH. The five-star Sofitel Budapest Chain Bridge offers 357 rooms, two restaurants and bars, 17 meeting rooms, a ballroom and a spa.

PLAZA CENTERS COMPLETES SALE OF SUWAŁKI PLAZA

Plaza Centers N.V. announced that one of its subsidiaries has completed the sale of Suwałki Plaza shopping and entertainment centre in Poland to an investment fund for EUR 42.3 million. Suwałki Plaza provides 20,000 square metres of gross leasing area. It is the only shopping centre in Suwałki, a city in the northeast of Poland, close to the border with Lithuania, with a population of circa 75,000.



Smíchov Gate was held within AEW portfolio since 2007. Now the asset has been acquired by Redside, manager of real estate open-ended investment fund Nova Real Estate

REDSIDE PURCHASES SMÍCHOV GATE IN PRAGUE

AEW sold the Smíchov Gate office building in Prague 5 – Anđel after almost ten years of ownership on behalf of one of the funds managed by AEW. The new owner is Redside, manager of real estate open-ended investment fund Nova Real Estate (SICAV). Smíchov Gate is an office building comprising 13,000 square metres and situated close to the Nový Smíchov shopping centre. Cushman & Wakefield facilitated the sale of the property.

ADAMAMERICA BUYS CONSTRUDA OFFICE BUILDING IN BUCHAREST

AdamAmerica purchased the Construdava building in Bucharest from Aberdeen Asset Management Deutschland AG. The Construdava office building has a total surface of 9,400 square metres and is located in the north-eastern part of Bucharest, directly on the Pipera-Tunari main road.

REICO ACQUIRED PARK ONE IN BRATISLAVA

The CS nemovitostní fund, managed by REICO, has bought the Park One office building in Bratislava for approximately CZK 960 million (EUR 35.6 million) from private investment firm Falcon II Fund. The transaction took the form of a transfer of 100 per cent of the shares in the real estate companies that owned the property. REICO is the real estate investment arm of České spořitelny bank, itself part of the Erste banking group. Park One was built in 2007 and is located on Námestie 1. Mája in the city centre. The 13-storey building (with 3 underground levels) comprises 13,200 square metres of office space and 167 parking spaces.

RAVEN RUSSIA SECURES THREE PROPERTIES IN ST PETERSBURG

Subsidiaries of Raven Russia have entered into a conditional agreement for the acquisition of a portfolio of three commercial properties in St Petersburg, a completed warehouse and two office buildings from EPI Russia I Ky, a fund managed by Northern Horizon Capital, for the total price of approximately EUR 77 million.

The properties are: Gorigo Logistics Park – a logistics park of 87,000 square metres situated to the South West of St Petersburg, approximately 16 kilometres from the international airport; Primium Business Centre – an office building with 11,000 square metres situated to the North West of St Petersburg and close to the new headquarters of Gazprom; and Kellerman Business Centre, a 22,000 square metres office building in the Admiralty business district of central St Petersburg.



A new shopping and entertainment centre in Pula will comprise 33,000 square metres of gross leasing area. It is one of the projects in Croatia realized with EBRD support.

EBRD SUPPORTS DEVELOPMENT OF CROATIAN CITY OF PULA

The European Bank for Reconstruction and Development (EBRD) is becoming an equity partner in the development of a new retail and entertainment centre in the Croatian city of Pula with a EUR 10 million investment via a co-investment with the Enterprise Expansion Fund (ENEF).

With the funds the EBRD and ENEF will become equity holders in EECF, the ultimate owner of Trgovacki centar Max Stoja d.o.o., a limited liability company incorporated in Croatia for the purpose of the development and management of a retail and entertainment centre in Pula. The new complex will be built on the site of a brownfield cement quarry and create a shopping centre with approximately 30,000 square metres of gross lease area and 830 parking spaces.

POLAND'S MINISTRY OF CULTURE BUYS CRACOVIA BUILDING IN KRAKOW

The former Cracovia hotel building will belong to the National Museum in Krakow. The sale agreement was signed, at the Ministry of Culture and National Heritage, in the presence of Deputy Prime Ministry, Minister of Culture and National Heritage Professor Piotr Glinski. In the future, the new owner plans to use the site as a location for a gallery of design and architecture. The value of the deal agreed by the parties is PLN 29 million PLN (EUR 6.75 million) plus VAT. Echo Investment bought Cracovia in 2011. The company planned to replace the building with a modern office complex, but due to the object's listing in the historical monuments' register, there have been prolonged conservatory agreements. At the same time, representatives of the Ministry of Culture have approached Echo Investment seeing the property as a chance to implement a project of unique urban and cultural values.

SKANSKA SELLS HOTEL IN WARSAW

Skanska has sold Westin Warsaw, a five star hotel in Warsaw, to Qatari Al Sraiya Holding Group. The value of the transaction is EUR 56 million. The transaction is expected to be closed in the first quarter of 2017. Hotel Westin Warsaw is located in the city centre and has about 21,300 square metres of usable area. It offers 361 guest rooms including 15 suites and a royal suite.

LASALLE INVESTMENT ACQUIRES RIVER GARDEN II & III IN PRAGUE

LaSalle Investment Management has acquired River Garden II & III in Prague on behalf of the Pan-European Fund, Encore+, for EUR 84 million. River Garden II & III, developed by HB Reavis, is an office building with ground floor retail, located in the Karlín district of Prague. It is the first acquisition that Encore+ has made in the Czech Republic.

STAFFING



left: Claire Fraser
right: Gerald Grill

Claire Fraser has joined Allianz Real Estate as new Head of Marketing and Communications. Claire Fraser brings over 20 years of expertise in global financial services firms like HSBC Investment Management and Baring Asset Management. As global Head of Marketing & Communications at Barings, she was responsible for the marketing to all client and corporate channels as well as the marketing strategy for existing and new regions covering EMEA, Asia and North America.

Gerald Grill has been appointed Head of Asset Management Retail Europe at Immofinanz. In this function, he will be responsible for Immofinanz's retail portfolio in Europe. Gerald Grill can look back on roughly 17 years of experience in the real estate sector with a focus on the international corporate retail environment. Most recently, he successfully realised the general redesign, renovation and expansion of the Donauzentrum in Vienna and the Shopping City Süd in Vösendorf for the French property company Unibail-Rodamco. After studies in spatial planning and regional development at the TU Wien, Gerald Grill completed a Real Estate Master at the Danube University Krems and an Executive Management course for the international real estate sector in Regensburg, Milan and Paris.



left: Lars Huber
right: Kurt Jovy

Lars Huber has assumed the role of sole CEO of Hines Europe and Member of the Hines Executive Committee in January 2017. Lars Huber joined Hines in Berlin in 1996 and later headed the firm's Munich office until 2004. In 2005, he relocated to London as fund manager for the Hines European Value Added Fund, before taking over the responsibility for equity capital raising in Europe and Asia as a Member of the Hines Capital Markets Group in 2007. In 2010, Lars Huber became CFO of Hines Europe, and Co-CEO in January 2016.



Christoph Schumacher

Kurt Jovy has been appointed Senior Vice President, Director of European Acquisitions, at Heitman LLC. Kurt Jovy comes to Heitman with more than 20 years' experience in real estate investments and asset management. Prior to joining the firm, Kurt Jovy served as Head of German & CEE Acquisitions and Dispositions for UBS Real Estate GmbH, with responsibility for all retail, office and logistics sectors. Prior to that, Kurt Jovy was employed by Credit Suisse Asset Management in Frankfurt as a Vice President and Acquisition and Sales Manager with responsibility for Germany, the Netherlands, Austria and Hungary. He also previously held senior project development and property management positions at Anterra Vermögensverwaltungs-AG, DIC Projektentwicklung GmbH & Co. and Corpus Immobilien Management und Verwaltung GmbH. Kurt Jovy earned his Master of Science degree in Real Estate from Nottingham Trent University in the UK. He also studied development and management receiving a certification as Shopping Centre Manager from Germany's EBS business school. Kurt Jovy is a Professional Member of the Royal Institution of Chartered Surveyors.

Christoph Schumacher has been appointed to succeed Beat Schwab as Head of Global Real Estate at Credit Suisse Asset Management as of June 1, 2017. Beat Schwab, who led the Global Real Estate business on an interim basis, will leave Credit Suisse by the middle of 2017 as was already announced. From March 2011, Christoph Schumacher served as Managing Director at Union Investment Institutional Property GmbH, Germany, in charge of the institutional business and a Member of Union Investment's Real Estate Investment Committee. From 2005 to 2011, Christoph Schumacher worked for Generali Real Estate, in Cologne, Luxembourg and Paris. Prior to that he was a lawyer for Linklaters in Berlin and London. He was previously a personal advisor/office manager to the Minister for Finance of the city state of Berlin.



LETTINGS

MILL PARK, BUDAPEST

HUNGARY 

IT Services Hungary has decided to move its Budapest site to Skanska's Mill Park, from Q2 2018 and will occupy approximately 17,300 square metres in the second phase of the complex. In the leasing process, ITSH was advised by Colliers International. Skanska's Mill Park project, located in the 9th district of Budapest, will comprise two office buildings with a total leasable area of approximately 36,000 square metres.

GALERIA POŁNOCNA, WARSAW

POLAND 

British retailer Hamleys – one of the world's largest network of toy stores – has decided to open its first store in Poland. For its location Hamleys picked Galeria Połnocna in Warsaw's Białołęka district, where the brand has leased a 1,600 square metre unit. During the transaction of lease GTC – the developer of Galeria Połnocna – was advised by JLL. Galeria Połnocna is currently under construction. It will offer 64,000 square metres of gross leasing area and 2,000 parking spaces.

GRÓJECKA OFFICES, WARSAW

POLAND 

Panek S.A. has leased 660 square metres of office space located on the seventh floor of the Grójecka Offices building currently under construction in Warsaw's Ochota district. The building offers 7,400 square metres of office space as well as retail and service units situated on the building's ground floor. The building will be launched in Q2 2017. The developer behind the scheme is OKRE Development.

POLECZKI BUSINESS PARK, WARSAW

POLAND 

ILF Consulting Engineers Polska has renewed its lease agreement for approximately 4,200 square metres of office space in Poleczki Business Park complex in Warsaw. JLL represented ILF Consulting Engineers Polska in the process of negotiations with UBM, the project's developer. The Poleczki Business Park complex consists of six office buildings offering 80,000 square metres of space in total. It is located in the southern part of Warsaw and in close proximity to Puławska Street, the Warsaw ring-road, and to Warsaw Frédéric Chopin international airport.

PROXIMO, WARSAW

POLAND 

Hines has signed new lease agreements at Proximo. The office building located at Rondo Daszynskiego in Warsaw will welcome four new tenants, who will occupy a total of over 5,000 square metres of office and retail space. The new tenants include the shared services centre for Marsh & McLennan Companies as well as WSP Polska, Mott MacDonald and Winestory. The Proximo office building was officially opened in June 2016. Currently construction works are underway on the second stage of the office complex, which will offer additional 20,600 square metres of space. The project close-out is scheduled for 2018.

FORUM GDANSK, GDANSK**POLAND** 

Van Graaf will take up 3,249 square metres in Forum Gdansk. The retail complex, currently under development in Gdansk city centre, will offer 62,000 square metres of gross leasing area and a multi-level car park for 1,100 vehicles. The Forum Gdansk project is being implemented by three partners working in cooperation: Multi Poland, the Gdansk Municipal Authorities and PKP, the Polish State Railways. Construction work commenced in autumn 2014, with the opening planned for 2018.

O3 BUSINESS CAMPUS, KRAKOW**POLAND** 

EPAM, an international company which is involved in the development of software and implementation of IT projects, has leased an office area of nearly 3,500 square metres in O3 Business Campus which is being developed by Echo Investment in Krakow. CBRE advised EPAM in the leasing process. O3 Business Campus consists of three 12-storey buildings offering a total area of 58,000 square metres.

SYMETRIS BUSINESS PARK, ŁÓDŹ**POLAND** 

ZF TRWV, a global automotive supplier, has selected Symetris Business Park – developed by Echo Investment – as the location for its new electronics engineering centre in Łódź. The company has leased nearly 2,400 square metres of space. JLL advised ZF TRWV on the process of selecting the new space. Symetris Business Park is an office complex providing 17,500 square metres of space.

UNIVERSITY BUSINESS PARK, ŁÓDŹ**POLAND** 

Ericsson has signed a lease agreement for 8,400 square metres of space in University Business Park in Łódź, developed by CTC Globe Trade Centre S.A. In the transaction, Ericsson was supported by JLL. University Business Park is a complex of two 7-storeys buildings offering a total of approximately 39,000 square metres of the office space.

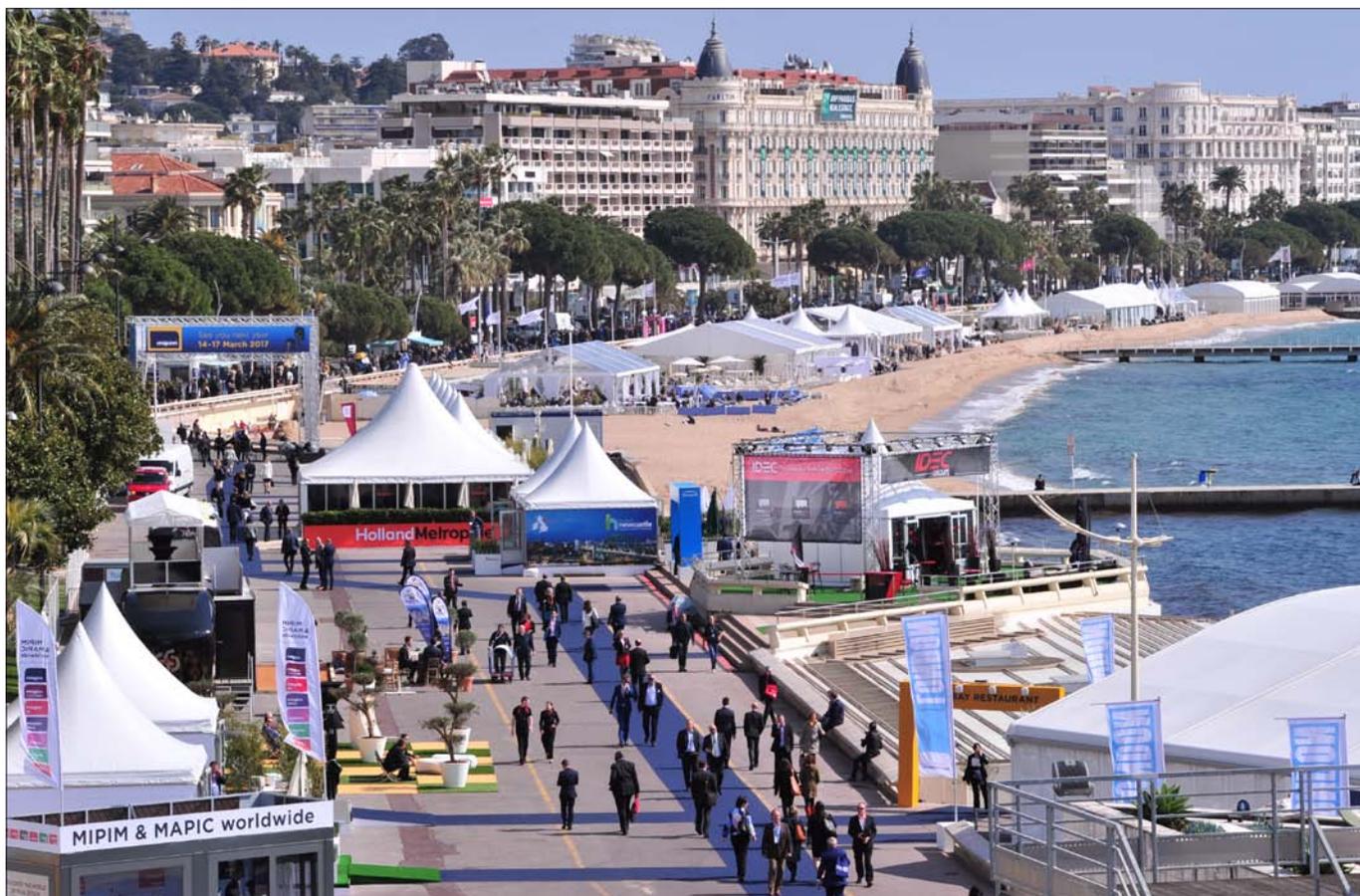
AFI PALACE COTROCENI, BUCHAREST**ROMANIA** 

German fashion retailer Peek & Cloppenburg has leased 5,200 square metres in the extension of the AFI Palace Cotroceni shopping mall in Bucharest. Extension work to add 6,800 square metres of gross leasing area to the mall is to be completed in May, bringing the total leasable area up to approximately 90,000 square metres.

COMCITY, MOSCOW**RUSSIA** 

Spectrum Brands, that represents VARTA, a battery solutions producer, has leased 555.5 square metres on the first and floor of Comcity in Moscow. CBRE represented the owner and developer of this business park, PPF Real Estate Russia. Comcity is an office park totalling 107,546 square metres with underground parking. It is located southwest of Moscow city centre along the Kievskoe highway in 1.8 kilometres distance from Moscow Ring Road (MKAD), in 350 metres from Rumyantsevo metro station, opened in 2016, and in 8 kilometres from Vnukovo airport.

EVERY YEAR IN SPRING AGAIN



Spring sunshine and Mediterranean atmosphere are not the only but also reasons why Mipim is attracting some 20,000 participants.

From March 14–17, 2017 Europe's most ancient international property fair takes place in Cannes. Exhibitors and visitors are often complaining about airfares, hotel costs and other prices during the fair. However, the event is attracting some 20,000 participants every year.

Pace the organizers of Mipim one of the main assets of the fair is the season and the location: spring time on Côte d'Azur. One need only to imagine the same event in a location north of the Alps where the sea is not directly in front of the fair ground, where instead of palms bleak limbs are swaying in the wind, and where are still no signs of spring. On the

other hand travelling to Mipim in Cannes is not really a low-cost trip. So it cannot be only the ambience that is attracting the participants.

Until now (March 1, 2017) 2,757 exhibitors have already registered for Mipim 2017. Although Mipim is claiming to represent "the world's property market", it is mainly the European real estate industry exhibiting in Cannes. 91 exhibitors are registered from North America, i.e. Canada and the US, 40 from the Asia Pacific region, 19 from the Middle East, 15 from Africa, mainly from Mauritius and Morocco, and 9 from Middle and South America. All the other exhibitors – a total of 2,582 – are of European origin.

But "Europe" also means mainly Western Europe because with 237 exhibitors the share of CEE countries including Russia and Turkey is below 10 per cent. The biggest share have business services and other service providers (114 exhibitors), followed by developers (50), investors and financial institutions (46) as well as local and public authorities (22).

By geographical origin Polish exhibitors are the strongest group from CEE – in total 53 are registered in Mipim's data base. It was to expect because the country is still the strongest investment market in Eastern Europe. Nearly all big cities and regions are present in Cannes. Who wants to visit the Polish exhibitors has no



The Warsaw stand is joined by a broad range of co-exhibitors.

long ways to go and does not waste time by searching them, because they all are gathered in Espace Riviera: Gdansk, Gdynia and Sopot (R8.A7), jointly presenting themselves together with Pomerania Development Agency und Gdansk Economic Development Agency; Krakow (R8.B1) with its co-exhibitors Airport City Cracow and Serenada shopping centre; Katowice (R8.C1) presenting itself not only as the capital of Silesian Voivodship, but as well as the seat of the Upper Silesian Metropolitan Union, a metropolis of 14 cities joined together. In the same row there is to find Echo Investment (R8.C3) with an individual stand, adjoined by the Polish Military Property Agency (R8.C4); and some steps farther Poznan (R8.C7) is showcasing a great many of investment projects.

Nearly not to miss is the stand of the city of Warsaw (R8.D1) with a broad range of co-exhibitors as Bank Zachodni WBK, BBI Development, CMT, Ghelamco Poland, Golub Gethouse, Mayland Real Estate, Skanska Poland and Vastint Poland. Directly nearby – not geographically, but at Mipim – Wroclaw (R8.D2) is located. Also at small distance there is to find Lodz (R8.D11), a former textile industry centre that has changed into a city of modern technologies and creative enterprises and attracting by its already revitalized industrial areas.

Only one level higher, but still in Espace Riviera Malopolska Region (R9.C) and Murapol Group (R9.E) will be placed. Malopolska Region is the area around Krakow, once one of the most industrialized cities in Poland. The main project they are presenting is the regeneration and the redevelopment of Nowa Huta, in former times a centre of heavy industry. It was originally founded as a separate town, but has become now an eastern district of Krakow. "Nowa Huta of the Future" is one of Poland's largest investment projects. It is aimed for regenerating over 600 hectares of land developing a logistics centre, a science and technology park as well as a 192 hectare recreation park with geothermal pools and adjoining open area for large events.

Murapol Group is a developer active nearly all over the country and specialised in residential real estate, a segment that has been served only by local developers for a long time. However, meanwhile also international investors have recognized the potential of residential development and investment in Poland.

The second and third rank by the number of exhibitors are reserved by Russia (43) and Turkey (41), by two countries that currently by economic and political insecurities do not really attract international investor's interest.

After the City of Moscow cancelled its presence as exhibitor at Mipim last year, they are returning in 2017 and take again their nearly traditional stand position directly at the sea (C11). Moscow's co-exhibitors are among others Capital Group, a Moscow based developer, Pioneer Group, also focused on residential and mix-used property and active in Moscow and Saint Petersburg as well, PSN Group, another residential developer and the property consultant Welhome.

Located in Espace Riviera and meanwhile a 'regular' exhibitor is the Russian retailer Ulmart (R7.G8). They are inviting to join the open discussions on "Multifunctional logistical centres: success criterion for the future of Russian retail?" (March 14, 2017, 14:30 – 15:10) and "From On-line to Offline and Back Again: How will the latest developments in E-commerce revolution effect investment opportunities in Russian retail in 2017 and 2018?" (March 15, 2017, 15:00 – 15:40). Both topics concern all involved in retail – not only in Russia, but all over the world.

Also in Espace Riviera the Russian real estate consultancy NDV Real Estate (R7.C42) is presenting itself. In the Palais des Festivals there is to find the joint stand of Academy of Real Estate (P-1.M57) with Geometry, Group of Companies, construction company Legenda, law firm Vegas Lex, and management companies Baltros and VLR Property Management as co-exhibitors.

As Russian 'Soloists' there are in the Palais des Festivals ADG Group (P-1.F1), developer of shopping centres, and Etalon Group (P-1.K61), another developer active in Moscow and Saint Petersburg.

Like Moscow also Istanbul (C14) has a 'prominent' location outside the Palais des Festivals. Organised by the Istanbul Chamber of Commerce and the Investment Support and Promotion Agency of Turkey Istanbul is presenting itself together with Astas Holding, a developer of luxurious residences, Emlak Konut, one of the leading property investment companies

in Turkey, and TOKI, the leading public entity of Turkey in terms of dealing with social housing and settlement issues and affiliated with the Turkish Prime Ministry.

Among the Turkish cities and regions exhibiting at Mipim are Antalya (R8.D24), Balikesir (P-1.G51) in the west of the coun-

try, Hatay (P-1.H28) located in the south between Mediterranean Sea and Syria, and Kocaeli (P-1.J10), bordering Istanbul in the west, the Black Sea in the north and the Marmara Sea in the southwest.



The Palais des Festivals is offering not only exhibition but also advertising space.

try, Hatay (P-1.H28) located in the south between Mediterranean Sea and Syria, and Kocaeli (P-1.J10), bordering Istanbul in the west, the Black Sea in the north and the Marmara Sea in the southwest.

With own stands each are present Istanbul New Airport (R7.A4) and Beyoglu Investors Group (R7.C24), the consultancy Celen Group (R7.B19), Esas Properties (R7.G15), developing mainly shopping centres, and Satya Construction (P-1.G50). Noticeable is the strong presence of Turkish architectural firms at this year's Mipim: Avci Architects (P-1.E23), Boytorun Architects (P-1.F68), Efekta Architects (P-1.G61), Sabri Pasayigit Architects (P-1.M8, P-1.N7), and Taanlioglu Architects (P-1.K51).

32 exhibitors are registered from Czech Republic – that is clearly below the number of Polish exhibitors, however, by size of the country and by number of its inhabitants Czech Republic is only a quarter of Poland. Main exhibitors are the city of Prague (P-1.D64, P-1.E65), the city of Brno (P-1.D78, P-1.E79) and Ostrava (P-1.D76, P-1.E77), the latter bringing

with it a lot of private companies active in the Czech Republic or at least having a branch there. Among those are AFI Europe, Central Group, Arch Desing, Crestyl, KPMG Czech Republic, P3 Logistic Parks, Passerinvest, PRK Partners Attorneys, RHC Europe, Round Hill Capital and Unbail-Rodamco Czech Republic.

Also in the two digit range is the number of exhibitors from Hungary (17) and Ukraine(14). The 'Hungarian meeting point' is the joint stand organised by Hungarian Investment Promotion Agency (P-1.F24, P-1.G11) with the law firm Bird & Bird, Granit-Polus Management, Immochan, Varosliget and Wing as co-exhibitors. For those interested in Ukraine the central point is mainly the stand of the City of Kiev (P-1.F55) joined by some Ukrainian subsidiaries of international consultancies and law firms.

From Slovakia a total of 5 exhibitors is coming to Mipim, among them HB Reavis (P-1.E50), the developer of Park City Triblavina in Bratislava Starland Holding (P-1.D84, P-1.E85), and the PR and marketing agency Enli (P-1.G66).

Subsidiaries of international consultancies and law firms are the only exhibitors of Romania and Serbia. Bulgaria, Croatia and Bosnia and Herzegovina are an exception to the effect that from these countries also original companies are present at Mipim. From Bulgaria Walltopia (P-1.G25), one of the leading companies in

climbing wall design and manufacturing, and hotel developer Harmony Suites (P-1.C30) is exhibiting. GB Immo (P-1.D29) will present the new tourist centre Klekovaca in the mountain region of the same name in Bosnia and Herzegovina, a project to be realized together with the Government of Republika Srpska. And for Croatia the Croatian Chamber of Economy (P-1.F80) will showcase – as it wrote – "investment projects of Croatian brokers".

The share of CEE exhibitors is approximately equivalent to the region's share of finalist for Mipim Awards: four of a total of 44. In the category "Best Office & Business Development" Warsaw Spire is nominated, with 220 metres height the currently tallest office building in Warsaw, developed by Ghelamco. Sacre Cœur 2 in Prague hopes for the Award in the category "Best Residential Development". What makes the building with its penthouses, lofts and apartments with private gardens and balconies something special is the fact that it is erected on a steel construction over the Strahov Tunnel.

In the category "Best Futura Mega Development" Skolkovo Innovation Center in Moscow and Liget Budapest in Hungary are competing against each other. Skolkovo Innovation Center is to be realised on a 400 hectares site outside the Russian capital and will be not only an innovation centre, but also offer housing and living space for those working there, in short: it will be a complete science city.

Liget Budapest comprises the renewal of the largest and perhaps most prominent park in the Hungarian capital: of Városliget, the "City Park", created in the first decades of the 19th century and one of the first public parks in the world extending to an area of 1.2 square kilometres. Now its green areas will be expanded and renewed, new cultural buildings will be added and the already existing buildings renovated. Városliget shall become a new cultural and leisure destination for Budapest citizens and tourists as well. Let us keep fingers crossed for the CEE finalists! | **Christiane Leuschner**

Warsaw Spire has redefined Warsaw's business centre

Warsaw Spire with Plac Europejski (European Square) combines a visionary approach to architecture, design, and urban planning.

The 220 m Warsaw Spire is the tallest office building in Central and Eastern Europe and its 109,000 sq m of space also makes it the biggest office complex in Poland. Warsaw Spire, the finalist of MIPIM Awards 2017, which is competing for the title of the best office investment in the world, is the result of cooperation of an international groups of professionals: the investor and developer Ghelamco and esteemed Polish and Belgian architects from Jasper-Eyers Architects (cooperation with Projekt - Polish Belgian Office of Architecture), Massive Design and Wirtz International Landscape Architects.

New landmark of Warsaw

The dynamic, soaring and fully-glassed body of the skyscraper has become one of Warsaw's landmarks and a symbol of the city's fast growth.

"We designed the buildings of Warsaw Spire in order to maximize openness to the city and to invite people to the public square on the ground floor. The volume of the tower is astonishingly slim, and seems to never end. Its façade literally folds open while reaching for the sky and announces the openness of the permeable ground floor to the community." - says architect John Eyers.

World class design

Unseen in office investments, the ground floor of the building is open to all residents. Its carefully designed interior naturally complements the public square. The lobby was designed by Przemysław "Mac" Stopa, a world-class Polish architect from the Massive Design studio. Organic shapes emerge to the building's exterior. Plac Europejski, which surrounds the buildings, was designed by Wirtz International Landscape Architects, a renowned studio whose portfolio includes, among others, gardens of the Élysée Palace in Paris. The carefully developed square full of greenery, fountains and rivers, is complemented by designer installations also created by Mac Stopa. They include Art Walk, i.e. a street art gallery, and an amazing body of the Genesis restaurant. Art Walk's original body was awarded in the Outdoor Space category in the prestigious competition Best of Year 2016 in New York.



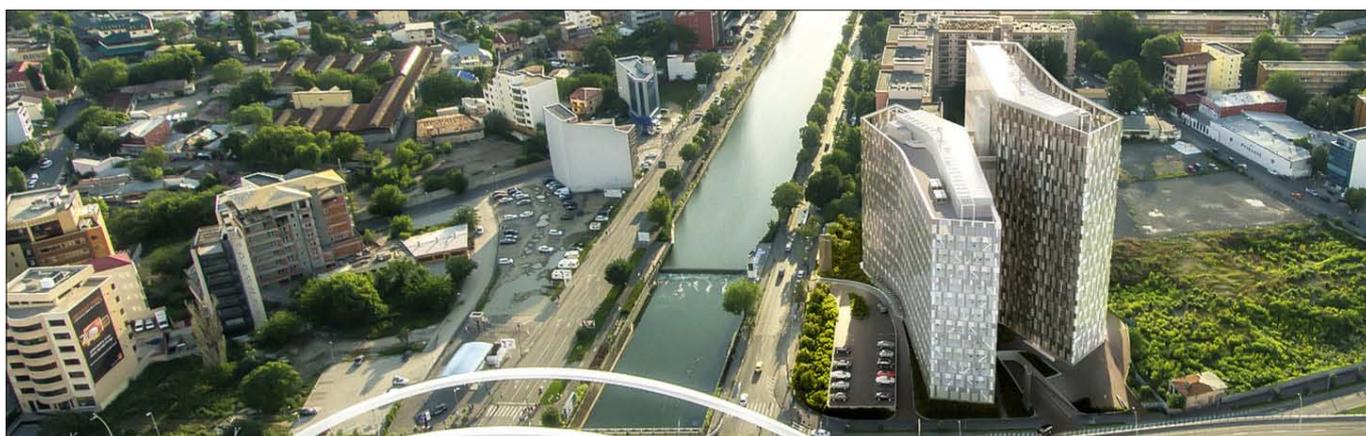
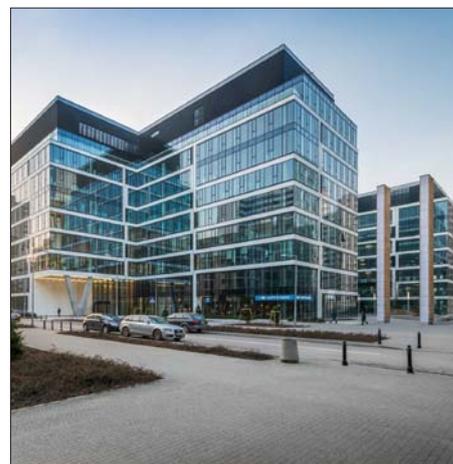
Commercial success

Warsaw Spire is also an example of a spectacular commercial success. Only half a year after completion of the construction and 100 percent of the space in the building is already leased. The building is a home to international organizations, i.e. MasterCard, Samsung, Frontex, BNP Paribas Securities Services, Adecco Poland, Benefit Systems, Bilfinger HSG Facility Management, Calypso, Compare King, Daftcode, Eleven Sports Network, Ghelamco Poland, JLL, Centre for EU Transport Projects, and The Heart Warsaw. Warsaw Spire was erected in a post-industrial area: forgotten, unfriendly and inaccessible to residents while located very near to the city centre. Ghelamco's mission was to bring the area back to life. Ghelamco has managed to create new, attractive place, the new business center of Warsaw. Currently Warsaw Spire is home to organisations which in total employ nearly 8000 people.



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NEW RECORD INVESTMENTS IN CEE



If Warsaw, Prague or Bucharest – investment interest in commercial property is higher than ever.

Never ever investments in commercial property in CEE have been as high as in 2016. It was a year of record investment volumes. And according to expert's forecasts for 2017 there is no end of investor's appetite to see. But a closer look to the respective markets shows where the differences are.

In 2016 Central and Eastern Europe's commercial property markets have seen the highest investment volumes in their history. According to JLL investment volumes amounted to a total of EUR 12.56 billion representing a 42 per cent increase over 2015 (EUR 8.82 billion). In this figure not included is Russia, but there real estate

investments also increased by 74 per cent to USD 4.2 billion (in 2015: USD 2.4 billion). But as in the last years the Russian market was dominated by mainly domestic investors.

To remain with records a bit longer: Czech Republic and Slovakia have seen the highest ever transaction volumes recorded in the history while Poland, Hungary and the SEE region reached the second best ever results.

With EUR 4.5 billion Poland attracted the lion's share of investments in CEE. That is due not only to the size of the country, but also to the attractiveness of its real estate markets and to the fact that Poland is

meanwhile often mentioned in the same breath as western markets.

However, the Polish result is to modify a bit by the fact that more than a third of the country's total investment volume was contributed by only one deal: the acquisition of a 75-per cent share in the commercial real estate platform of Echo Investment by South-African company Redefine.

Broken down by segments investment interest in Polish office and retail property is roughly equal with EUR 1.9 billion and EUR 1.8 billion respectively. Investments to an amount of EUR 770 million have been allocated to logistics and industrial property, but here again a single deal,

the purchase of P3's logistics portfolio by Singapore's sovereign wealth fund GIC, contributed nearly one quarter of the total investment volume in this segment.

Often mentioned is the high investment interest in the regional office market in Poland. In fact, these markets attracted an increasing interest during the last years. However, the main target is still Warsaw. In 2016, in the capital city alone EUR 1.15 billion have been invested in office property, while in the regional markets the transaction volume amounted to EUR 650 million. That is the more to wonder about as vacancy rates in Warsaw are at an average of 15 per cent and will continue to increase given the amount of new space under construction that will enter the market in the near future. So the already high pressure on achievable rents will continue.

Putting the investment volumes in relation to the size of the respective country, then with 29 per cent of the total CEE investment volume – about EUR 3.7 billion – Czech Republic has performed even better than Poland (36 per cent of the total CEE investment volume). However, also in Czech Republic it has been some 'big deals' that contributed significantly to the good results. What is different to Poland is the structure of investor's origin: while in Poland only about 3 per cent of the property investors are by domestic origin, it is more than 30 per cent in Czech Republic.

Investment interest is mainly attracted by office property. According to Colliers International 44 per cent of Czech Republic's total investment volume has been allocated to office property and 90 per cent of these to office assets in Prague. The general conditions are quite favourable: Czech Republic's economy is growing by 2 per cent, unemployment rate of 3.6 per cent is the lowest within the EU, and demand for office space is robust, while in 2016 office supply dropped to a historical low. However, the latter will change, because currently 330,000 square metres of office space are under

construction of which 177,000 square metres are expected to be delivered to the market this year. That sounds a lot, but there is to say that already 25 per cent of this space is pre-let.

In 2016, another record holder has been Slovakia. With EUR 846 million the country's share in the total CEE investment vol-

more than twice the investment volume of 2015. It is the second best ever result the country achieved. Like in Czech Republic the share of domestic investors is at 30 per cent.

Looking at the segments office investments have a share of 47 per cent, retail investments of 28 per cent. The biggest deal



CA Immo acquired Millennium Towers in Budapest for EUR 175 million.

ume is only at 7 per cent, but different to Poland and Czech Republic there have been no really 'big deals' that contributed to this result. The biggest investment activity took place in the retail segment – in eight transactions about 50 per cent of the total investment volume have been allocated –, followed by industrial and logistics property – in this segment the market has seen six transactions representing a 30 per cent share of the total investment volume. It is to note that some new international investors entered the Slovakian market. An example is Allianz Real Estate: they acquired Central shopping centre Bratislava – with a purchase price of EUR 174 million it was the biggest deal in the country – and are also present in Slovakia's logistics and industrial market by their joint venture with VGP.

That the investment market in Hungary is gaining momentum has already shown the increasing number of news last year. At least 13 per cent of the total CEE investment volume is allotted to Hungary – that is EUR 1.7 billion and thereby

of the year 2016, but also the biggest ever deal of the Hungarian commercial property market was the purchase of Millennium Towers in Budapest by CA Immo for EUR 175 million. Higher confidence in the Hungarian market is demonstrated also by rather conservative and risk-averse investors like the pension scheme Bayerische Versorgungskammer: on their behalf GLL has recently acquired the landmark building Váci 1.

Romania is usually included when talks are about South-East Europe, but the country is worth a closer look. With 4.8 per cent Romania is experiencing the highest economic growth rate within the EU. That is one of the main reasons, why the country returned to the map of international investors. In 2016 Romania attracted commercial property investments in the amount of EUR 890 million. That is 35 per cent more than in the previous year (EUR 663 million). Following the estimations of JLL, then at the beginning of 2017 further transactions of a total value of approximately EUR 630 million have

been in different stages of negotiations. In other words: investment interest in Romania is continuing, although Investment Sentiment Index of RICS showed a slight decrease in the fourth quarter of 2016.

To the positive result in the Romanian investment market contributed the biggest transaction of the year, closed in December: the purchase of a 26.88 per cent share of Globalworth, one of the biggest owners of office space in the country, by South African Growthpoint Group. With EUR 186.4 million this deal represents some 20 per cent of the total commercial property investment in Romania. Generally investments in office property are dominating the market by a 45 per cent share.

High amounts of capital in search of investment opportunities was one of the

reasons why also other SEE countries popped up in the headlines of the real estate press. Here it was mainly retail property that attracted investor's interest. E.g. the UK-based company Hystead acquired the shopping centre Skopje Mall in Macedonia, developed with the support of EBRD, as well as Delta City Belgrade in Serbia and Delta City Podgorica in Montenegro. In Slovenia shopping centre Planet Tus in Koper changed hands – new owner is Greenbay Properties, a company registered in Mauritius. Here as also in other CEE countries there is to notice that many new names among the investors are entering the markets.

Investor's increasing appetite is boosting developer's activity. It becomes significantly apparent in Serbia, where not only an increasing number of retail projects

are in the pipeline, but office projects as well. Still the SEE markets are mainly attracting opportunistic investors taking a higher risk for higher yields, but the augmenting interest starts already to put pressure on yields.

However, the yield spread between these and the more established markets is still remarkable, given the fact, that office yields in Poland and Czech Republic stand at about 5 per cent, in Hungary and Slovakia between 6 and 6.75 per cent, in Romania at 7.5 per cent and in the SEE countries, mainly in Slovenia, Croatia, Serbia and Bulgaria at 8 to 8.5 per cent. A similar picture is to see with retail property: in SEE yields for retail investments are between 7.25 and 8.25 per cent, in Poland and Czech Republic at only 5 per cent. | **Marianne Schulze**

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Kerstin Lauerbach, MRICS
Fund Manager
European Residential



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DAVOS, DIGITALISATION, DISRUPTION

Digitalisation and its implications have been one of the main topics at World Economic Forum 2017 in Davos. The idyllic world of the Swiss Alps was deceiving. Disruptions not only characteristic for the digital world were an omnipresent topic.

To start with a book: Last year the founder, chairman and driving force of World Economic Forum Klaus Schwab has published *The Fourth Industrial Revolution*. Such a title requires a historical explanation. The start is the First Industrial Revolution in the period from “about 1760 to around 1840”. It is characterised by the use of steam power, the invention of steam engines and the construction of railway systems. The First Industrial Revolution “ushered in mechanical production”. It evolved into the Second Industrial Revolution, dated from the late 19th century to the beginning of the 20th century. This Second Industrial Revolution “made mass production possible fostered by the advent of electricity and the assembly line”. The Third Industrial Revolution started in the 1960s with the development of mainframe computing first, followed by personal computing and the introduction of the internet. As many others Klaus Schwab referred to this period as “digital revolution”.

According to Klaus Schwab the “Fourth Industrial Revolution” started at the turn of the millennium and is based on the digital revolution. He writes: “It is characterized by a much more ubiquitous and mobile internet, by smaller and more powerful sensors that have become cheaper, and by artificial intelligence and machine learning.” In comparison with the Third Industrial Revolution Klaus Schwab states a break and that “digital technologies that have computer hardware, software and networks at their core (...) are becoming more sophisticated and integrated”.



In the “Russia House” in Davos it was not only about fancy topics.

‘More sophisticated and integrated’ applies also for the meanwhile 47th World Economic Forum in Davos. With about 3,000 participants – accompanying and security people not included – it was the best visited event in the history of WEF and integrated not only in the Swiss municipality, but also via internet worldwide.

From Russia online-retailer Ulmart travelled to Davos. The company, founded in 2008, has started in its home city Saint Petersburg. Later on it expanded to the whole European part of Russia. Today Ulmart is present in the country with 43 fulfilment centres and 450 pick-up points as well as with three larger suburban fulfilment centres. Digitalisation is an omnipresent and important topic for Ulmart because – as Chief International Officer Brian Kean says – the company’s aim is “to create the most developed retail structure” for Russia. At least with an annual turnover of more than USD 1 billion Ulmart is already Russia’s leading online retailer. So the company can afford to take part in the World Economic Forum and that in a

very special form: Together with Roscongress, organiser of the annual St. Petersburg International Economic Forum SPIEF among others, Ulmart has rented the café ‘Kaffeeklatsch’ located on Promenade in the centre of Davos, and converted the location into “Russia House”. And here the main focus was on “The Fourth Industrial Revolution” – exactly 100 years after the October Revolution.

Among the guests in Davos has also been Eugene Kaspersky, Chairman and CEO of Kaspersky Lab. Nearly everybody knows the company’s security software, perhaps less his fundamental statements about legislation and security for the internet, and only a few his blog deserving a read where he also reports about the World Economic Forum in Davos. In this blog he sums up its many activities with the phrase “infamous to some, helpful to others”.

Some talks demonstrated that potential cyber attacks, the fear of data loss and loss of control are not the only topics important with regard to digitalisation.



The idyllic world of the mountains was deceiving: discussions in Davos have been characterised by uncertainty.

Disruption comprises much more than the right of your own data. It is about fundamental ambivalences. Perception of the traditional categories of space and time has changed. On the one hand all information of the world is available within seconds and communication can take place every time and everywhere. But on the other hand that means to look at the screen and thereby less at the immediate surroundings.

The relationship between these both sides is demonstrated not only by the fact that Ulmart as an online retailer is physically dependent on a broad range of properties, but is also playing an active role in various events. The World Economic Forum is a good example. Theoretically nobody needs to go to Davos physically – and could avoid a rather expensive trip. Important lectures and discussions can be followed via internet, also the exchange of statements and opinions is possible. However, the internet does not substitute personal meetings and impressions and does not offer a joint experience.

The most important factor in the often-cited relationship between man and machine is the human being. Algorithms are something neutral, it depends on the use of them, whether they are boon or bane. And the user is a human being. It might sound paradoxical, but increasing digitalisation does not only put weight on IT technologies, but also and increasingly on ethical questions.

At World Economic Forum it became also apparent that digitalisation is only a part of many unsettling developments. Also the (geo-)political und social context in which the "Fourth Industrial Revolution" takes place is all but reassuring. That includes the increasing populist movements often offering simplified solutions, and the sentiment of the middle class to be in danger of social decline.

It was not only Christine Lagarde, Managing Director of IMF, who took up the cudgels for the middle class in Davos. "Rising income and wealth disparity" and – as a consequence – "deepening social and political polarization" are not statements found in the writings of Marx and Engels, but in this year's *Global Risks Report* of the World Economic Forum. It also states that "reforming market capitalism" is necessary. These are the topics to discuss and to solve because they are the causes for increasing populism. To deal with these challenges could fight populism more successfully and effectively than demonising it. Because also the other way around simplifying messages and slogans don't work.

The general uncertainty was proved by many discussions and talks during the World Economic Forum. "The global elites are helpless" a commentary on this year's event was headlined in the newspaper *Neue Zürcher Zeitung*. There is no better way to sum it up. Political uncertainties are dominating everywhere, na-

tional solo attempts are gaining weight compared to international co-operation, only a few things are predictable. Globalisation and digitalisation, the modern promises of salvation, are overstraining many people, especially in the Western world, wrote the German newspaper *Handelsblatt*. While in former times the main focus of the World Economic Forum was on economy, it is meanwhile more on the impact of previous economic activities, *Spiegel online* summarises.

Of the days in Davos some concrete impressions will remain. One is the arrival in the morning by train, more exactly: by Rhaetian Railway. The trip across the mountains of Graubünden, sometimes in aged wagons, was a perfect illustration of disruption – but more than 100 years ago. As in those times railways enlarged perspectives, made regions accessible and created new possibilities to discover the world, it is today with the role of digitalisation. And also ambivalence was part of the trip: the train's speed, in former times revolutionary, is today causing a feeling of 'slow-down'. What will also stick to my mind is the picture of the high-potentials of economy and politics gathered in Davos during winter time and making their way through the icy and snowy streets – some of them only some metres after leaving their saloon cars. In a certain sense the picture is symbolic: thick clothing and carefulness could help, but the uncertainty was physically apparent. | **Andreas Schiller**



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14.–17. March 2017	Mipim 2017	Palais des Festivals, Cannes, France	www.mipim.com
28. March 2017	Konferenz: „Cities of Tomorrow Competitive Regions, Cities & Communities“	JW Marriott Grand Hotel, Calea 13 Septembrie, 90 Bucharest, Romania	www.rumaenien.ahk.de
26.–27. April 2017	Real Connect CEE Property & Investment Fair	EXPO XXI, Pradzynskiego 12/14, Warsaw, Poland	www.realconnect.pl
1.–3. June 2017	SPIEF '17 St. Petersburg International Economic Forum	ExpoForum, Saint Petersburg, Russia	www.forumspb.com
28. June – 1. July 2017	ERES 24th Annual Conference	Delft University of, Technology, Delft, The Netherlands	www.eres.org
6 – 7. July 2017	Moscow Urban Forum: The Era of Agglomeration. A New Map of the World	VDNH Pavilion No. 75, Prospekt Mira, 119 Moscow, Russia	www.mosurbanforum.com
4.–6. October 2017	Expo Real 19th International Trade Fair for Property and Investment	Messe München, Munich, Germany	www.exporeal.net

ALL ABOUT LOGISTICS PROPERTY

For the first time the compendium about logistics property has been published in 2012. Last year a 2nd and enlarged issue came to the market that accommodates the increased importance of logistics property and the changed requirements to this kind of buildings.

For a long time logistics property was more or less something for 'specialists' and in the investment markets the assets had a more or less subordinated importance. That has changed fundamentally during the last years.

On the one hand, e-commerce is one of the main drivers of logistics markets accompanied by a greater differentiation of logistics real estate. On the other hand, the long-lasting low interest-rate period caused investors looking more interested to this sector of the commercial real estate markets.

However, knowledge of the specialities of this kind of real estate class is still behind the knowledge of other property assets, as Matthias Danne, Member of the Management Board of DekaBank, states in his foreword to the book. Here the compendium about logistics property can produce relief due to the fact that a broad range of professionals whose daily task is to deal with the different aspects of logistics property have contributed their specialised knowledge and experience.

The introducing chapter put logistics and logistics property in the greater context of economy. It looks at the different groups of users and the impact of global trends on supply chains and logistics property markets.

The second chapter is about the different requirements of retail, production and logistics companies for location and technical building equipment and about city logistics, a topic gaining increasingly importance.

Chapter 3 addresses (not only) investors, banks and financing institutions as well as evaluators and sheds light on the special aspects of logistics property this group has to deal with.

Chapter 4 is dedicated to development and management of logistics property and is enlarged by questions of 'green' logistics buildings and of communication and public participation in planning and locating logistics facilities.

The last two chapters examine the logistics property market in Germany by four different aspects – the market in general, its structure, successful locations and challenges by regulation – and give an overview of the European logistics locations with a closer look to the markets in the Netherlands, Poland and UK. Especially because logistics property is emerging



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from the shadows of other real estate investments and gaining increasing importance the compendium can be a helpful reference book for all involved in logistics property.

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