

SPH newsletter

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2022 was characterised by many changes in general, but also for the real estate industry. Decision makers from different real estate areas give their views on further developments.....page 13

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DEAR READERS!



With exactly 30 years in real estate journalism, the perspective is somewhat broader when it comes to venturing an outlook for the year. Many of the younger market participants speak of “challenges”: War in Europe, climate change, Corona and its consequences, social dynamite, financial imponderables are just a few. Perhaps it is better to speak of changes. Because looking back to three decades, there has never been such a complex and explosive mix. And where all this will lead in the long term, we really don't know.

The crisis scenario is as heterogeneous as the real estate industry. The real estate industry, in turn, will continue to be confronted with the issue of ESG in 2023. Perhaps, and hopefully, there will be a growing understanding in the industry that this is about much more than just collecting data on energy consumption and meeting the criteria of an EU taxonomy – necessary, but certainly not sufficient. For quite existential questions arise – affecting real estate and investments from the outside, but thus also precisely to one's own understanding and action.

You may say, but that was not a real outlook. True! However, you will find outlooks in this issue – from experts in the industry. I read their opinions with great interest and hope that you feel the same way.

In these difficult times, I wish you all the best and add a wish on my own behalf: Stay with us in 2023.

Yours,

Andreas Schiller

NEWS FROM CEE/SEE



Dock In in Prague's District 8 is an urban development project built on the site of a former Vltava harbour. It includes five office buildings, housing as well as service facilities and offers green spaces and a marina.

PBB AND HELABA PROVIDE MEDIUM TERM REFINANCING LOAN FACILITY FOR DOCK IN FIVE IN PRAGUE

Following the previous financing of four phases of the Dock In Office Park in Prague, pbb Deutsche Pfandbriefbank and Helaba have jointly underwritten an investment facility, totalling EUR 63 million to refinance Dock In Five, the last addition to the Dock project developed by Crestyl Group. pbb and Helaba acted as Joint Lead Arrangers and provided equal portions of the funding; pbb also acts as the facility and security agent for the transaction.

Dock In Five offers 21,500 sqm of office and retail space spread over six floors. The property has been completed in May 2022 and represents the final addition to the Dock scheme where Crestyl created a new district along the Vltava River anchored by residential apartments and including restaurants, cafés and even a public park with a marina. Helaba and pbb now finance the entire Dock-In scheme with a total loan amount of EUR 190 million.

NEPI ROCKCASTLE BUYS FORUM GDANSK SHOPPING CENTRE

NEPI Rockcastle has acquired Forum Gdansk Shopping Centre for EUR 250 million. The property covering 63,500 sqm GLA was sold by Multi Veste 339 B.V., which is an entity ultimately owned by Blackstone-managed funds.

Forum Gdańsk covers a six-hectare canal side location on the inner-city ring road and between the city's two main railway stations, right next to the old town. It has 1,100 parking spaces. The shopping centre opened in 2018.

IMMOFINANZ INCREASES SHAREHOLDING IN S IMMO

Immofinanz is acquiring 17,305,012 shares in S Immo AG from its core shareholder, CPI Property Group, thus obtaining a controlling stake in S Immo of 50% plus one share. The purchase price amounts to EUR 337.5 million. The transaction will be financed through a long-term credit facility provided to Immofinanz by CPIPG.

ONE UNITED PROPERTIES ACQUIRES THREE HISTORIC BUILDINGS IN BUCHAREST

One United Properties announces the acquisition of three historical buildings in Bucharest with the purpose of restoring and transforming them into a new development – One Downtown.

The three buildings are located on Academiei street no. 19, 21 and 23, near the Odeon Theatre and the Ion Mincu University of Architecture and Urban Planning. The value of the transaction amounts to EUR 3.73 million and the gross development value is estimated at EUR 35 million. The total surface of the land is approximately 1,300 sqm and the gross buildable area is 7,100 sqm.



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Values with impact.



UPS's headquarters and principal logistics hub in the Czech Republic has now been sold to the Swiss Safichem Group. The property is located in the municipality of Tuchoměřice in the immediate vicinity of Prague Airport.

VERDION SELLS UPS HEADQUARTERS AND LOGISTICS HUB IN PRAGUE

Pan-European developer and investor Verdion has sold UPS's Czech headquarters and principal logistics hub to Safichem Invest a.s., the investment management arm of complex engineering, manufacturing and asset management company Safichem Group AG based in Switzerland. The 13,600 sqm building in Tuchoměřice is located near Prague's Václav Havel international airport.

The property was acquired by Verdion in 2018 as a forward funded development and became the first asset in the Verdion European Logistics Fund (VELF1). The property was developed for UPS's own occupation and let on a 15-year lease from practical completion in December 2019.

DL INVEST GROUP SECURES EUR 30 MILLION FACILITY

The European Bank for Reconstruction and Development EBRD is extending a EUR 30 million mezzanine loan facility to DL Invest Group, a Polish real-estate developer and investor focused on commercial real estate. The mezzanine loan will support the development of sustainable industrial and logistics real estate projects in Polish regions.

DL Invest Group is an existing EBRD client, having benefitted from an up to EUR 72 million mezzanine loan in 2021. The EBRD's financing supported DL Invest Group to successfully complete six build-to-suit warehouse projects in regional cities in Poland with a total GLA of circa 85,000 sqm. The new loan strengthens the Bank's cooperation with DL Invest Group, and provides the financing needed for three new build-to-suit industrial and logistics development projects for a variety of clients, including a global automotive supplier and a leading regional pharmacy chain.

PANATTONI EXPANDS WROCŁAW CAMPUS PROJECT

Panattoni has purchased 35 ha of land and will begin construction of 160,000 sqm of new buildings as part of the Wrocław Campus in Q2 of this year. Wrocław Campus is located in close proximity to S8 road and the Wrocław South (A4) highway interchange.

DWS BUYS POZNAN LOGISTICS PROPERTY

7R has sold 7R Park Poznań East II, a warehouse park with over 51,000 qm GLA to DWS. DWS acquired the warehouse park on behalf of one of its German institutional real estate funds. The purchase price has not been disclosed. 7R Park Poznań East II is located 7 km from the centre of Poznań, in the Franowo district. Distance to A2 motorway is 3.5 km.

FOCUS ESTATE FUND ACQUIRES ATRIUM MOSTY IN POLAND

Focus Estate Fund has closed the transaction on the acquisition of the Atrium Mosty shopping Centre in Płock in the Masovian Voivodeship. The total area of the centre is 18,000 sqm GLA. It is the fifth investment of the fund into the Polish retail sector. The other four assets are located in the cities Opole, Sandomierz, Zgorzelec, Bartoszyce.

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10%

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*There is no guarantee targets will be achieved.



The Rex Hotel in Mamaia, a Romanian seaside resort on the Black Sea, was built in the 1930s. Now the complex is to be converted into flats.

HAGAG TRANSFORMS THE REX HOTEL IN MAMAIA INTO APARTMENTS

Hagag Development Europe is preparing the renovation and transformation into apartments of the famous Rex hotel in Mamaia, which it is going to buy for EUR 13.3 million from the family of Carmen Palade.

The hotel has a total built area of approximately 14,000 sqm, plus two 100 sqm buildings for storage, located on a plot of land with an area of approximately 7,000 sqm and a parking lot of 345 sqm.

ACCOLADE GETS FINANCING LOAN FROM HELABA

Accolade and Helaba Landesbank Hessen-Thüringen have agreed on the refinancing of five industrial parks located in Gorzów Wielkopolski, Szczecin, Częstochowa and Kielce. The new financing, with an aggregate value of EUR 129 million, provided for five years period, is the first transaction between the parties.

PALMIRA ACQUIRES POLAND LOGISTIC PROPERTY

Palmira Capital Partners has acquired a logistics property in Sosnowiec near Katowice. The vendor belongs to the group of companies of Bluehouse Property Fund IV. The parties have agreed not to disclose the purchase price. Sosnowiec Park is located at Inwestycyjna Street 14 in Sosnowiec and was constructed in 2020. Standing on a site of approximately 59,700 sqm it provides a lettable area of around 32,000 sqm – 30,000 sqm of this is warehouse space, with around 2,000 sqm of office.

S IMMO ACQUIRES OFFICE PROPERTIES IN BUDAPEST FROM IMMOFINANZ

S Immo AG has signed the purchase of six office properties of Immofinanz AG in the Hungarian capital. The purchase comprises around 124,000 sqm of main usable space, with rental income of around EUR 18.9 million per year. The purchase price is based on the valuation of the property portfolio carried out by an external expert, with a value of EUR 244.1 million as of 22 December 2022. The acquisition includes the following six buildings: Thirteen Globe, Thirteen Xenter, Greenpoint 7, Atrium Park, Haller Gardens and Szepvölgyi Business Park. Most of the properties are located in the office submarkets "Vaci Corridor" and "Central Pest".

CA IMMO SELLS ROMANIAN PLATFORM

CA Immo has signed the sale of seven office buildings in Bucharest. The sales price achieved represents a discount of around 3% to the book value as of 30 June 2022. Along with the properties, the Romanian CA Immo team was also taken over by the buyer. The portfolio comprises approximately 165,000 sqm of total GLA and circa EUR 30.4 million of annualized gross rental income.

CA Immo has been invested in Romania since 2001. The portfolio consists of seven office buildings in Bucharest: Opera Center One and Two, Riverplace, Europe House, Bucharest Business Park, Campus 6.1 and Orhideea Towers.

pbb

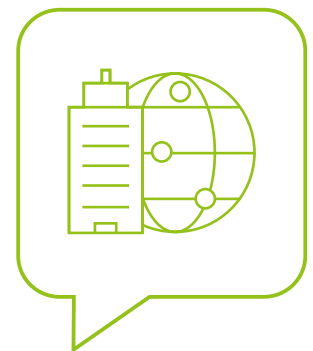
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The Maraton office building was developed by Skanska and acquired by Union Investment for the open-ended real estate fund Unilmmo in 2017. Now the property has been acquired by UNIQA Real Estate.

UNIQA REAL ESTATE ACQUIRES MARATON OFFICE BUILDING IN POZNAŃ

Union Investment has sold the Maraton office building in Poznań to a subsidiary of UNIQA Real Estate, the real estate company of the Austrian insurance company UNIQA Insurance Group AG. The building has been held by open-ended real estate fund Unilmmo: Deutschland since 2017. The purchase price was not disclosed.

Maraton is located in the southern part of Poznań city centre, near the historic old town. It is situated on one of the city's main arterial roads and well served by public transport. The rental space totals 26,151 sqm.

AFI EUROPE REFINANCES ITS ROMANIA SHOPPING MALLS

AFI Europe has signed an agreement for a EUR 450 million loan to refinance loans extended to the company's three shopping malls in Romania. The loan of the non-recourse type will be used, among other things, to repay other loans AFI Europe had contracted to finance its AFI Cotroceni, AFI Brasov and AFI Ploiesti shopping malls. The syndicate of lenders was led by major Austrian and Romanian banks.

PANATTONI SELLS SILESIA EAST PARK NEAR KATOWICE TO PALMIRA

Panattoni has sold its Silesia East logistics park near Katowice to Palmira Polska, the Polish subsidiary of Frankfurt-headquartered investor and asset manager Palmira Capital Partners. The 32,000-sqm complex is part of a major logistics hub around Katowice. It is located close to the S1, A1 and A4 motorways.

INVESCO AND LOGPORT TO DEVELOP LAST-MILE LOGISTICS PARK IN PRAGUE

Logport Development and Invesco Real Estate have teamed up and, via a forward funding structure, committed to developing a 37,900 sqm last-mile logistics facility, Logport Prague West, located adjacent to the Prague ring road. Constructed by Logport Development, the facility will consist of 11 separate units to be completed by Q1 2024. Seven units – called LogSpace – will be traditional logistics buildings; the remaining four – called LogBox – will be a blend of smaller warehousing, office and showroom assets.

TREI OPENS ITS 32ND VENDO PARK IN POLAND

Trei Real Estate GmbH opened another retail park of its Vendo Park brand in Poland. It is located in Mielec, a small town of around 60,000 residents in the Subcarpathian Voivodeship in south-eastern Poland. The new Vendo Park has a lettable area of around 7,000 sqm. Trei invested EUR 11.9 million in the property.

The Vendo Park in Mielec is the third site of its kind to come on-stream in 2022, after previous openings in Skarzysko-Kamienna and Otwock. At present, Trei has another four retail parks under construction in Poland: in Krakow, Zambrow, Gorzow Wielkopolski and Lapy.



Grundmanna Office Park is the second project Cavatina Holding is developing in Katowice. The complex is to offer around 48,000 sqm of office space.

CAVATINA ANNOUNCES NEW OFFICE PROJECT IN KATOWICE

Following Global Office Park in Katowice, which was commissioned in 2022, Cavatina Holding is launching another building. The development offers nearly 48,000 sqm of office space, more than 1,000 sqm of green terraces, outdoor areas and social spaces. The complex will consist of two 7-story buildings connected by a green patio, more than a thousand surface and underground parking spaces. Construction of the building has already begun.

The latest project – Grundmanna Office Park – is Cavatina Holding's second investment in Silesia. The name of the development is not coincidental and refers not only to its location on Grundmanna Street, but also to the legacy of a famous Katowice resident who contributed to the city's development and industrial transformation – Friedrich Wilhelm Grundmann. Grundmanna Office Park is located in the central part of Katowice, near numerous streetcar and bus stops and a short distance from the A1 and A4 highways, as well as the S86 expressway.

HUNGARIAN FUND ADVENTUM BUYS @EXPO OFFICE COMPLEX IN BUCHAREST

The Hungarian fund Adventum expands in Romania and buys 100% of the shareholding interest in NOR Real Estate SRL, owner of the office complex @Expo in Bucharest, from Atenor. The transaction is estimated at EUR 120 million. The @Expo complex comprises three office buildings with a total leasable area of 48,900 sqm. The first two buildings were completed last year and the third is to be completed in the first quarter of this year.

NEPI ROCKCASTLE GETS GREEN LOAN FOR PLOIEȘTI SHOPPING CITY

NEPI Rockcastle has secured a green loan totalling EUR 60 million for Ploiești Shopping City from a syndicate of banks. The loan deal was led by BRD Groupe Societe Generale, which was joined by Alpha Bank as a new bank for NEPI Rockcastle. The financing comes three months after NEPI Rockcastle acquired a 50% stake in Ploiești Shopping City from its partner in a EUR 55.5 million deal. The shopping centre was inaugurated in 2012 and has a leasable area of 46,800 sqm.

LCUBE SELLS WAREHOUSE PROJECT NEAR SZCZECIN

LCube has finalized the sale of a company that owns a plot of land along with an investment project involving the construction of an industrial and logistics park in Goleniów near Szczecin. The buyer is a fund managed by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. The agreement on further cooperation between the investor and the developer stipulates that LCube will continue to be responsible for the implementation and commercialization of the project. According to the assumed schedule, the new warehouse will be delivered to the market in the first quarter of 2023.

The investment is located in Łozienica, within the Goleniów Industrial Park, in close proximity to the S3 and S6 expressways and the A6 highway leading to Berlin. The park in Goleniow will offer 11,000 sqm of warehouse space and 1,100 sqm office space.

STAFFING



left: Nicole Arnold
right: Daniel Bienias

NICOLE ARNOLD has been appointed to the Board of Managing Directors of Commerz Real. She is succeeding Siegfried Eschen, who has returned to Commerzbank. Nicole Arnold has more than 15 years' experience in the structuring and management of a wide variety of investment vehicles for national and international investors and eight years' management experience at renowned asset managers. She is joining the company from BNP Paribas Real Estate Investment Management, where she had held the positions of Chief Operating Officer and Chief Financial Officer since January 2020. Prior to this she had spent around seven years at Universal Investment, ultimately as Director Real Estate Investment Management. The graduate in business administration began her professional career in 2004 at the shopping centre operator and project developer ECE Projektmanagement in Hamburg.



left: Anthony Bull-Diamond
right: Klemens Haselsteiner

DANIEL BIENIAS has been appointed as the new Managing Director of the CEE region at CBRE. He will take over this role from Andreas Ridder who has been successfully building CBRE's presence in the region for the last 20 years. Andreas Ridder will remain in his position as Managing Director, CBRE Austria. Daniel Bienias has been with CBRE since 2010, and in 2015 he was appointed as the company's Managing Director in Poland. Prior to joining CBRE, Daniel Bienias was responsible for the development and implementation of marketing and business strategies as the Head of Marketing and Leasing at CA Immo. He has a degree from the University of Szczecin and completed post-graduate courses at the Warsaw University of Technology, as well as Sheffield Hallam University and Harvard Business School.

ANTHONY BULL-DIAMOND has been appointed to the Management Board of KanAm Grund Real Estate Asset Management with effect from January 1, 2023. He is to head the division in charge of corporate real estate investments in Europe (ex France and Germany). Anthony Bull-Diamond joined KanAm Grund Kapitalverwaltungsgesellschaft mbH in 2018 as Director, Head of Investment and Asset Management. Alongside his new role as Managing Director at REAM, he will continue to work in this position and be responsible for real estate sales and acquisitions in Europe. Prior to his work with KanAm Grund Group, he was a Director in the investment management team of TRIUVA Kapitalverwaltungsgesellschaft mbH. Anthony Bull-Diamond studied business management with majors in entrepreneurship and finance at Babson College in Boston.

KLEMENS HASELSTEINER is the new Chief Executive Officer of STRABAG SE. With effect from 1 January 2023, he takes over the post from Thomas Birtel, who has reached the maximum age limit after ten years in office. Klemens Haselsteiner's responsibilities will continue to include digitalisation, innovation and business development, as well as staff functions such as business compliance and work safety. Klemens Haselsteiner has been with the Group and has held various management positions since 2011. As a Member of the Management Board, he has spent the past two years establishing the new Digitalisation, Innovation and Business Development portfolio and played a key role in developing the new STRABAG sustainability strategy as well as the Group's new positioning under the slogan "Work On Progress".



left: Petra Hemetsberger
right: Dr. Pamela Hoerr

PETRA HEMETSBERGER has taken over as the Head of Asset Management at SES Spar European Shopping Centers. Petra Hemetsberger, who has a degree in economics, started her career at SES in 2011 as an asset manager and contact person for external investors. The certified asset manager completed a bachelor's degree in law and economics, while simultaneously working, and graduated from the International Real Estate Business School (IREBS) in Munich. After taking two years of parental leave, Petra Hemetsberger returned to SES in 2021. She has taken over as Head of Asset Management, succeeding SES CFO Johannes Köth, who had been in charge of the department since 2011.



left: Stephan Mühlbauer
right: Britta Roden

DR. PAMELA HOERR will take on responsibility for the business area Real Estate Investment Management. pbb Deutsche Pfandbriefbank is expanding its business model with the new business area Real Estate Investment Management. In connection with this, Dr Pamela Hoerr will join pbb as a Chief Representative on April 17th, 2023. Following a period of familiarisation with the company and subject to the regulatory approvals, she will take over the relevant responsibilities on the Management Board. Dr. Pamela Hoerr comes from Real I.S. AG Munich, where she has been Member of the Management Board responsible for Funds and Asset Management since 2020. Prior to that, she was a Member of the Management Board and Managing Director responsible for the business areas AIFM, and fund management as well as asset management in Germany at Patrizia Real Estate Investment Management in Luxembourg. As a business graduate with a PhD, she started her career at Ernst & Young Real Estate GmbH.

STEPHAN MÜHLBAUER has been appointed as Chief Representative of Real I.S. AG and Managing Director at Real I.S. Investment GmbH by the Supervisory Board of Real I.S. AG, as of 1 January 2023. The in-house tax advisor and former certified auditor is Global Head of Tax and Operations and succeeds Silke Weber in the role of Managing Director at Real I.S. Investment GmbH. Silke Weber took the responsibility as COO of BNP Paribas Real Estate Investment Management Germany at the start of 2023.

BRITTA RODEN is Head of Research of KGAL Group as of 1 January 2023. Britta Roden (MRICS) has almost 20 years of professional experience and was most recently employed at Münchener Hypothekenbank as Head of Real Estate Research. Having joined Münchener Hypothekenbank in 2018, she built up the research department and advised the Management Board on developments in the European real estate markets. Other professional positions she has held include several years as a bulwiengesa appraiser, Head of Research at Westdeutsche Immobilienbank A.G., and research analyst and consultant at JLL, Invesco and ERM. The economist holds a Master's Degree from Tufts University in Boston, USA.

LETTINGS



PALÁC DUNAJ, PRAGUE

CZECH REPUBLIC 

Zeitgeist Asset Management has signed a lease agreement for 2,600 sqm of space in Prague's Dunaj Palace with the Czech Representation of the European Commission and the European Parliament Liaison Office. The lease agreement is signed for 15 years. Zeitgeist Asset Management is behind the reconstruction of Palác Dunaj, the constructivist building in the centre of Prague on Národní třída. Owner of the building, offering 8,761 sqm leasable space, is a German pension fund.

VARSO TOWER, WARSAW

POLAND 

After more than 25 years of operating in Poland, the international law firm CMS is moving its Warsaw headquarters to the Varso Tower building in Warsaw. The new CMS office in Warsaw occupies over 7,000 sqm spread over five floors - from the 39th to the 43rd. Varso Tower is located in the capital's Wola district. Developed by HB Reavis, the 53-storey Tower has been completed in summer 2022 and is offering 67,428 sqm of office space.

MALTA OFFICE PARK, POZNAŃ

POLAND 

The EPP-managed Poznań complex Malta Office Park has extended contracts with four tenants – Locotransped, IT-leasing company Grenke, Data System and Astek Polska. The total area covered by the contracts is more than 1,600 sqm. Malta Office Park is located on Lake Malta in Poznań, consisting of six independent buildings with a total of 28,000 sqm of leasable space. Malta Office Park is owned by Henderson Park (70% stake) and EPP (30%), which is also responsible for managing the complex.

CENTRUM POŁUDNIE, WROCŁAW

POLAND 

The Centrum Południe office building will be Business Link's second Wrocław location. The flex office operator belonging to the Skanska Group will offer future tenants more than 1,700 sqm of flexible space. The completion date for the space is scheduled for May 2023. Centrum Południe is a complex of five buildings located in Powstańców Śląskich Street. The first phase of the project has been completed in July 2020 and offers 28,112 sqm gross leasable area. As of 2022, Phase I of the Centrum Południe office complex is owned by Stena Real Estate BV.

CITY GATE, BUCHAREST

ROMANIA 

GTC Romania has signed a long-term contract with Regus, part of IWG, the world's largest provider of hybrid working solutions, which will occupy 1200 sqm in the City Gate South Tower, starting June 2023. The City Gate complex includes two tower buildings (ground floor + 18 floors), located in Piața Presei Libere area, and has a total leasable space of 47,700 sqm. City Gate recently went through an extensive refurbishment process, following an investment of EUR 3.5 million.

ORIENTATION IN UNCERTAIN TIMES



Many hoped for a return to normality after two years of pandemic. But then it turned out last year that almost nothing was the same as before. The challenges were greater than ever and the real estate industry also had to adapt to changed times. We asked decision makers from different real estate areas for their assessment of further developments.

2022 was a year like never before. When I think about real estate and investment against the background of all the serious changes, then ...

Matthias Brodeßer: ... I have to state that I can't remember a market phase in which so many cumulative factors of influence, both positive and negative, on real estate and its business plans had to be taken into account or anticipated.

Sebastiano Ferrante: ... I am proud of our team at PGIM Real Estate, which has adapted very quickly and decisively to the changing market conditions. Investment markets have been characterised in recent years by the fact that the cost of capital has become cheaper. This tailwind has now come to a halt for the time being. This requires a reorientation, but actually also a return to sustainable earnings and growth prospects.

Tobias Just: ... I see a picture of tough negotiations between banks and project developers and investors, of shattered dreams and postponed plans.

Coen van Oostrom: ... it's clear that the industry has had to adapt and evolve quickly to keep up with the geopolitical crises we've lived. We as a company perfectly timed the signature of our strategic partnership with Macquarie. This surely enabled us to diversify our activities and investment partnerships to navigate through the difficult year and explore new opportunities.

Jarosław Zagórski: ... I realize, how a huge challenge all our achievements from the last year were: the sale of The Warsaw HUB to Google, which was the largest single office transaction in the history of CEE, the start of construction of our own photovoltaic farms, 115,000 sqm of modern office space under construction on three markets, including The Bridge skyscraper in Warsaw, the first SmartScore and WiredScore certificates in CEE, a new office project in the centre of Warsaw (VIBE), and the sale of two retail parks ... And all of this during the year of the outbreak of war beyond our eastern border, post-pandemic economic turbulences, energy crisis, and high inflation.

Some say that things can only get better in 2023. I expect ...

Matthias Brodeßer: ... that at best from Q3 2023 onwards, and I fear that it will get worse at first. However, I have to admit that the year has started better than expected.

Sebastiano Ferrante: ... not quite like that. We also expect inflation rates to fall, which will give central banks more room to manoeuvre and should in turn be good



*Matthias Brodeßer,
Head of Transaction
Management Office
International,
HHH Invest Real Estate,
Hamburg*



*Sebastiano Ferrante,
Managing Director and
Deputy Head Europe,
PGIM Real Estate,
Frankfurt am Main*



*Prof. Dr. Tobias Just,
Chair for Real Estate at
IREBS Institute at the
University of Regensburg*

for property price developments. However, we are still at the beginning of finding a price level for assets that is adjusted to the increased cost of capital. It remains to be seen what risk premiums investors consider appropriate for different asset classes. Much depends on return expectations, i.e. rental markets, indexation expectations and capital expenditure for the sustainability transformation. In this respect, 2023 will be a year of transition.

Tobias Just: ... that this is also the case with regard to the rental markets, because there is still a shortage in many market segments. But in order for the investment and project development markets to pick up again, prices must first match the new interest rates. I am encouraged by the fact that inflationary pressure is easing.

Coen van Oostrom: ... that we will continue to see a rebound in the market, as people and businesses adjust to another new normal. At Edge we are well positioned to capitalize on this trend by expanding our operations in key markets. I'm excited for the opportunities 2023 will bring and keep delivering the most sustainable buildings with my team.

Jarosław Zagórski: ... quite the contrary. The year 2023 promises to be difficult for the entire market, as companies refrain from investing due to the unstable macroeconomic environment. Also, banks are currently approaching the market very selectively. Only the most reliable, experienced and stable players will be able to afford new investments.

From the set of possible locations only few can be selected. For 2023, my focus is on ...

Matthias Brodeßer: ... the growth regions in Western and Northern Europe.

Sebastiano Ferrante: ... core markets in which we have gained a lot of experience over the last few years and in which liquidity will accumulate. In addition, in 2023 we want to focus on markets where we think the rental markets could come through the year relatively unscathed.

Tobias Just: ... Regensburg, of course. But speaking seriously, I think that for the time being it is still less about specific cities than about risk avoidance strategies in general. These are more likely to be pursued in conurbations and there in the centres, and more likely in cities with a sufficiently diversified sector mix, preferably with a high proportion of public, and thus stabilising, demand for space.

Coen van Oostrom: ... innovations.

Jarosław Zagórski: ... Warsaw. This is a key market for us with huge development potential. It is in Warsaw that we have implemented and are still implementing our most spectacular projects.

When considering buildings and types of use, I favour for 2023 ...

Matthias Brodeßer: ... very sustainable office buildings in good to very good city centre locations and in urban quarters.



Coen van Oostrom,
CEO,
Edge Technologies,
Amsterdam



Jarosław Zagórski,
Commercial & Business
Development Director,
Member of the
Management Board,
Ghelamco Poland,
Warsaw

Sebastiano Ferrante: ... housing, logistics and buildings that are well equipped for the next few years or decades in terms of ESG factors or where improvements can be implemented efficiently and effectively. In addition, there is the hospitality sector we are looking at.

Tobias Just: ... mixed-use as the new core. In the coming years, researchers and investors will have to do a lot of work to find the right answer to the central question of the best mix for the location.

Coen van Oostrom: ... those that are energy-efficient, sustainable, and not only featuring amazing designs but also enabling people to meet, giving a sense of Italian villages. At Edge, we are committed to delivering Net Zero buildings which will not only be profitable to our clients but also beneficial for the environment. I very much look forward to delivering Edge East Side in Berlin.

Jarosław Zagórski: ... sustainable high-rise buildings. They have become landmarks, changing panoramas of cities, and shaping their modern image.

The notorious bubble that can burst is now being mentioned more often again. In terms of the bubble ...

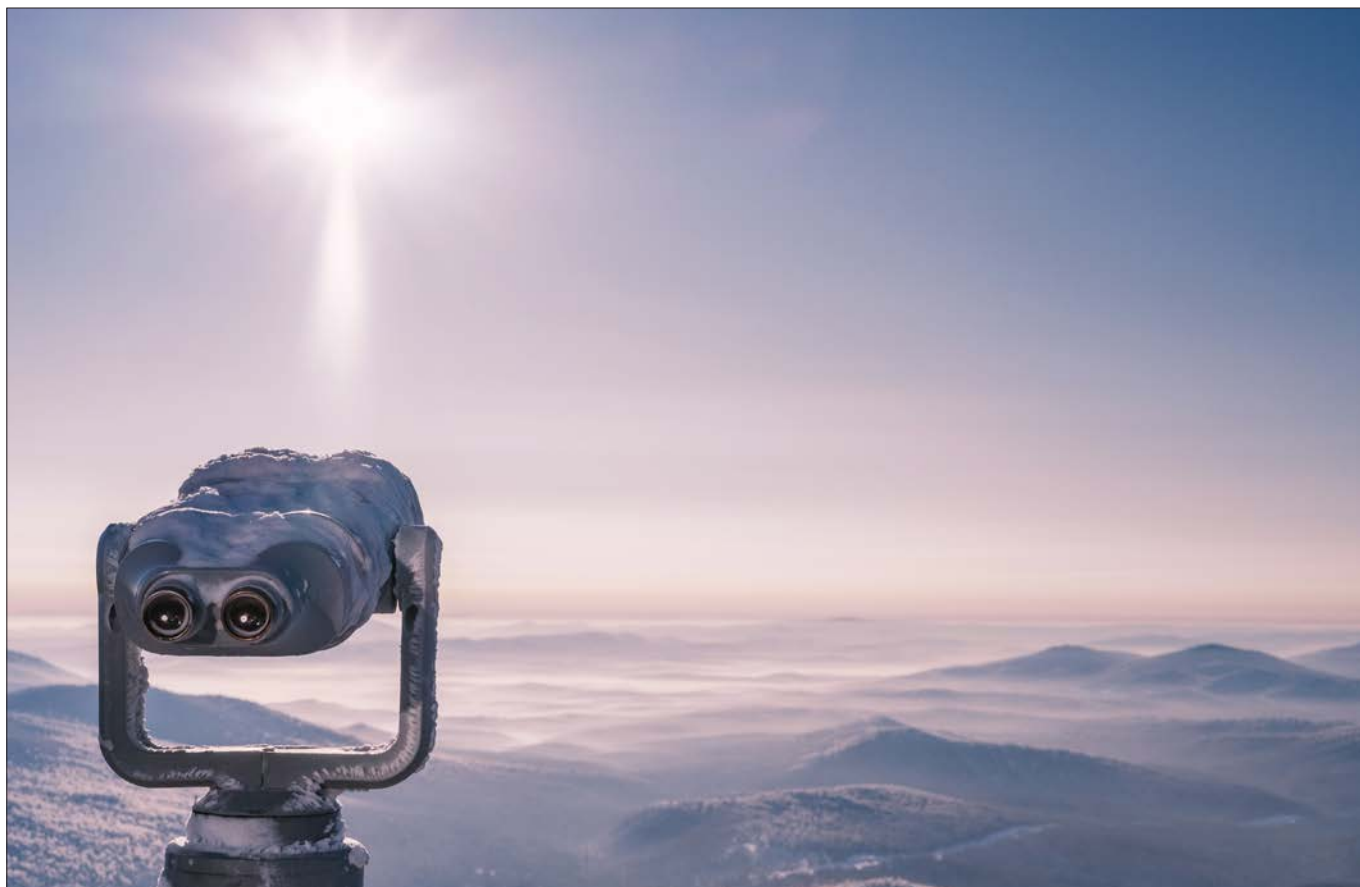
Matthias Brodeßer: ... I think that there will have to be a significant deflation, which – depending on the assessment of the interest rate development – will result in price corrections of minus 25% to 30%. However, these only compensate for the increased cost of debt capital. Depending on the type of risk, asset class and location, investors may expect further price reductions for the current and expected risk environment.

Sebastiano Ferrante: ... as I said, we are in a significant transformation phase. Asset prices and market valuations have been boosted enormously by an extremely low interest rate environment over the last 12 years. This has not been supported by profit development. Now that these conditions are over, considerable air has been let out of the bubble, but this does not mean that prices cannot continue to fall and we will therefore remain cautious.

Tobias Just: ... some things are getting mixed up here. A bubble describes a price dynamic that cannot be described by fundamental factors. But if interest rates are first pushed down to record levels and then rise at a record pace, that is a fundamental change for real estate markets. Then prices adjust, not because there are irrational dislocations, but because there are adjustments to new frameworks. That this violent ups and downs additionally brings speculators onto the scene is not ruled out by this, but it is rather the smaller part of the explanation, not the dominant one.

Coen van Oostrom: ... I tend to be cautious and keep a close eye on the market trends and indicators. We have a solid risk management strategy in place that helps us avoid any potential pitfalls but my teams are also ready to take calculated risks in this exciting market.

Jarosław Zagórski: ... I am relieved that our business is based on a diverse portfolio of projects when it comes to functionality. But still, it is hard to talk about a bubble on the Polish market. In the segment of the real estate market, most interesting for us – offices –, the only threat is ... a supply gap.



It is still in the fog whether the year 2023 will develop better or worse than 2022.

I wish everyone involved in real estate and investments ...

Matthias Brodeßer: ... a little patience for new acquisitions and a disciplined investment approach, because – after a phase of stagnation – there will be an exciting window of opportunity for good new investments. When that time comes, it will also take some courage.

Sebastiano Ferrante: ... resilience and prosperity! If only because we as an industry can and must make a significant contribution to the transformation towards ecological and social sustainability.

Tobias Just: ... sufficient equity capital to avoid a hectic rush, the foresight not to take advantage of every opportunity to increase rents, the insight that real estate markets are cyclical and will remain so, as well as the prospect that things will calm down again in 2024, with a bit of luck a little sooner; well, and finally the clear-sightedness that constant qualification of employees is not only important in upswing years, but always.

Coen van Oostrom: ... would put more effort into understanding the extent of the progress that can be achieved in terms of sustainability by pushing investments in innovations. I hope Europe will wake up and act fast to create the right carrot and stick approach for the public and private sectors to better collaborate.

Jarosław Zagórski: ... health, strength and open-mindedness. If we have them, we can get through any crisis.



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CROATIA: WELCOME TO THE CLUB!



Mediterranean climate and blue sea – these are the “assets” that make Croatia a sought-after tourist destination.

Since 1 January 2023, Croatia is part of the Schengen area and has introduced the euro as its national currency. In the country itself, this is associated with both hopes and fears. But it is likely to put the country increasingly on the map for international investors.

When the champagne corks popped at midnight on 31 December 2022, Croatia welcomed not only the new year 2023, but also two further decisive steps on the path of European integration: the youngest of the EU accession countries – Croatia had only become a member of the EU in 2013 – is now part of the Schengen area and has also introduced the euro as its national currency on 1 January 2023.

Joining the Schengen area means that in future there will be no border controls for

citizens from other member states of the Schengen area, and with the euro as the national currency, there will be no need to exchange and convert currencies, at least for the majority of tourists coming to Croatia.

In Croatia itself, where tourists' currencies have been handled quite pragmatically in the past, the introduction of the euro comes at a time when the country is groaning under inflation and some fear that prices will be rounded up further with the conversion into euros, making life even more expensive.

The banks, which have so far made a good living from the exchange – it is estimated that exchange fees amounted to about EUR 185 million and thus accounted for about 20% of the profit generated by this sector – are also likely to welcome the euro with a teary eye.

On the other hand – and this is the rather laughing eye – they gain better access to capital markets and borrowing becomes cheaper as the currency risk for lenders is eliminated.

Nevertheless, two years of the Corona pandemic and the economic consequences of the war in Ukraine have not left Croatia unscathed. In a coun-



Since January 1, 2023 the euro has been the official currency in Croatia.

try whose strongest economic sector is tourism, which contributes about one fifth to the total GDP, the Corona pandemic with its travel restrictions led to a massive decline in economic growth. In 2020, arrivals fell by almost two-thirds, overnight stays by more than half, and turnover in the sector fell to around 40% of what the tourism sector generated in 2019. Accordingly, GDP shrank by 8.4% in 2020.

However, the Croatian tourism sector recovered very quickly from this slump – already in 2021, both the number of visitors to Croatia and the number of overnight stays rose again significantly and in 2022 almost reached the level of 2019. Correspondingly, GDP rose by a good 10% in 2021 and was also around 6% in 2022 according to estimates by the Croatian Central Bank.

But the rather gloomy economic outlook in Europe, inflation and general uncertainty have their impact also on Croatia. Estimates of the Central Bank forecast growth of 1.4%, of the EU Commission of 1% in 2023. Low wage increases and declining demand from trading partners are putting pressure on private consumption and exports. On the other hand, inflation, which was over 10% in 2022, is expected to fall to 7.5% this year, according to Central Bank's forecasts.

The fact that tourism is one of the country's main sources of income is due to its geographical location. With a 1,777 km long coastline along the Adriatic Sea, many offshore islands and a Mediterranean climate in the coastal region, Croatia has been a sought-after destination since the beginnings of tourism in the 19th century.

As Croatia belonged to the Habsburg Empire, it was initially mainly Austrians who discovered and developed Croatia's coastal region. Above all, Istria, the peninsula in the northwest of the country that stretches between the Gulf of Trieste and the Kvarner Bay at Rijeka, is the locomotive of Croatian tourism. The

Brijuni archipelago in particular has been a meeting place for the rich and beautiful since the beginning of the 20th century, and Yugoslav President Tito also spent his summer holidays here. Today, the archipelago is a national park and you can cross over to the main island of Brijuni Velika from Fažana or from Pula.

developed is north of Fažana – Fažanska Pineta. The second site Hidrobase is northwest of the city of Pula, and the third option on the development programme is the Muzil peninsula located southwest of Pula. All three sites are located directly on the coast and opposite of the Brijuni Islands.



Brijuni Velika, the main island of the Brijuni archipelago, is now a national park.

On the coast opposite the islands, Brijuni Rivijera now offers the opportunity for three major development projects. The company, in which the Republic of Croatia holds a 67% stake and the Istrian Region 33%, was founded with the aim of initiating developments to make the coastal region even more attractive for tourists, but also to further strengthen it economically.

The respective areas are the property of the Croatian Republic, which does not want to sell the land, but only to grant the rights of use. Three municipalities are involved in the development programme, the cities of Pula and Vodnjan as well as the fishing village of Fažana.

Following the coastline from north to south, the first of the three sites to be

The three locations have different character, different potential, partly historical buildings, often from the time of the Austro-Hungarian Empire, such as the fortifications on the Muzil peninsula, but also the former military station for seaplanes at the Hidrobase site, which is named after it.

The aim of the development programme is to avoid the "uncontrolled growth" of tourist facilities here – well-known are the examples, which have shown little consideration for the ambience and the surrounding area and have become more notorious than famous in the meantime.

Rather, the intention is to create a high-quality tourist "riviera" that integrates spatially and functionally with the surrounding countryside and preserves



Hidrobaza Pula is a popular beach area, which should be complemented and further enhanced by tourism facilities.

and improves natural as well as existing elements of the area.

The Fažanska Pineta area is about 2 km from Fažana, 10 km from Pula and 14 km from Pula airport. It is located directly on the coast and covers about 29 ha, of which 7 ha are available for development and the remaining area is to be developed for sports and recreational facilities. Those responsible for the development programme envisage a four- to five-star hotel with a maximum of 1,200 beds, a holiday apartment complex with 300 beds (3-4 stars) and a modern camping facility.

Similar plans are in place for the Hidrobaza Pula area: a four-star hotel, also with up to 1,200 beds, a holiday village, and a campsite. Hidrobaza Pula is about 10 km from Pula airport and has a marina at its southern end.

Compared to these two areas, the considerations for the development of the Muzil peninsula are much more complex. The owners of the former military base are the Republic of Croatia and the city

of Pula. The area covers a total of over 160 ha and is predominantly forested.

For future development, the peninsula has been divided into six different zones:

- the Marie Louise zone: It is located at the tip of the peninsula at Fort Marie Louise. Two hotels with a maximum of 750 beds and a garage with 200 parking spaces are to be built here. The fort itself is not part of the area and is intended for the establishment of the Naval Museum;
- the zone "Dolina suza" (Valley of Tears), located south of the Marie Louise zone and in the west of the peninsula: in the future it is to offer a beach complex with a landing site for hot air balloons;
- the "Utvrdna Muzil" (Fort Muzil) zone: A hotel with 550 beds, a garage with 280 parking spaces, a tourist settlement with 250 beds and a residential area are to be developed here. An 18-hole golf course is also planned in the vicinity of Fort Muzil;
- the "Fižela" zone: this zone is planned for an entertainment centre and a sailing club. In addition, plans have been drawn up for the construction of a sports port with 120 berths;

- the "Smokvica" zone: Here, mixed use is intended – two hotels, but also residential complexes, an aqua park and a shopping centre with a cinema, as well as several garages with more than 500 parking spaces. Two marinas are also to be built in this area;
- the "Mali Plato" (Small Plateau) zone, for which a cultural and congress centre is planned.

The development of the Musil peninsula is probably a long-term task for the Brijuni Rivijera company because it will not be as easy to find the appropriate partners.

The two rather "manageable" development areas Fažanska Pineta and Hidrobaza offer above all the advantage that both are already more or less established "beach destinations" and are presumably easier and faster to develop due to their structure. Nevertheless: Croatia, and Istria in particular, are on their way to becoming a more upscale destination attracting tourists who value culture, sports opportunities, nature and ambience and are willing to pay the corresponding price for it. | **Marianne Schulze**

MIPIM: CAMPING SITE INSTEAD OF YACHT?



Andreas Schiller,
Editor in Chief, SPH Newsletter

March is traditionally Mipim month. Many real estate professionals from all over the world travel to the Côte d'Azur to participate in the international real estate fair. The question is what it will look like in Cannes this year.

Will one yacht rented by exhibitors again line up next to the next in the old harbour directly at the Palais des Festivals as the actual venue? Will there once again be lots of receptions and big parties in the evenings, just like along the promenade

and in the luxury hotels on the Croisette? Do such forms of image cultivation still suit the times?

In some talks with participants, most of whom have been present at Mipim for a long time, it is often said behind closed doors: "Not really!" I agree and say it openly: No, it is improper.

This does not in any way cast doubt on Mipim's raison d'être. On the contrary: meetings and personal exchange remain important, and so do some conferences in and around the Palais. Showy representations, on the other hand, seem to have fallen out of time.

Even more meets disapproval. While some companies and public authorities continue to exhibit as usual, others are not even travelling this year or are only presenting themselves in a more modest setting. The reasons are mostly similar and have been the same for a long time: exorbitant prices for accommodation and sometimes adventurous journeys.

On the other hand, I have to say many of the contacts still important for me today were made or strengthened at Mipim. It is most likely the case for many other exhibitors and visitors. It is in such ambivalence that Mipim stands – this year with all the ethical, financial, globalisation-related, infrastructural, war-related, polit-

ical and economic upheavals even more than before.

To remain with the accommodation: maybe camping could be an option. Camping at Mipim? Yes, it works. Until last year, I didn't know either. Because there were some who didn't trust the widespread anti-pandemic optimism and shied away from the imponderables of both flying and travelling by train, and instead of staying at home they took the trip to Cannes and Mipim by car. Arrivals and departures in camper vans were part of it.

And on the spot? During the day in business dress at Mipim, in the evening in leisure clothes and then better without a badge at the campsite. Perhaps that, too, is more suitable for the current times than the overpriced hotel room as close to the Palais as possible or the overnight stay on a yacht.

Such commitment shows the importance that continues to be attached to Mipim. Yes, the spring meeting on the Côte d'Azur is relevant not least because of its internationality. And no, I am not arguing that the real estate industry should only walk around in a penitential robe and drink oat milk at best. But discussing affordable housing or climate protection on a yacht, perhaps with oysters and champagne, seems – to put it kindly – bizarre.

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