

# SPH newsletter

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## special

Germany as target country for real estate investments is in the focus since long – especially of international investors. page 16

## background

Digitalisation is currently resounded throughout the land – also in the real estate industry. However, digitalisation does not only facilitate many things, it has also its flip sides. page 19

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65 hiking tours around a scenic road that will become listed as World Heritage. page 23

## DEAR READERS!



Summer time is holiday time! And for many of us it means also to experience the differences between urban and rural environment. Whether in cities or in the countryside, some challenges are the same. However, structures and problems of towns and villages are very special. The countryside is struggling with migration especially of younger people into the cities and the respective results such as aging population and deserted settlements. To work against this trend much more is needed than housing offers. Mainly commercial developments and settlements are necessary. Because only by these existing buildings can be revitalised, inhabitants maintained and even new ones attracted. Exactly on these topics the focus will be in a panel discussion about 'Start-ups in the regions'. I will moderate the discussion that is part of the 13th Conference of European Regions and Cities on September 25, 2017. The three-day event is organised by the Institute of the Regions of Europe IRE in Salzburg and headlined 'Next Generation – Attractive Regions and Cities for Future Generations'. Who wants to take part, should register soon.

At last year's conference one of the topics was 'Cultural and historical heritage – A chance for regional tourism'. At this symposium I learned a lot about Großglockner High Alpine Road. In this issue you find a book review about the respective region, also fitting perfectly to holiday time.

All who have their holidays still ahead, I wish a recreative and inspiring time – perhaps in the countryside.

Yours,

Andreas Schiller



*Galeria Młociny in Warsaw is currently under construction with completion scheduled for Q2 2019.*

## EPP AND ECHO INVESTMENT FINALIZE PURCHASE OF GALERIA MŁOCINY

EPP (Echo Polska Properties) and Echo Investment have finalized the purchase of shares in the Galeria Młociny shopping centre in Warsaw, which is under construction. EPP is its majority shareholder (70 per cent) and it will manage the completed asset whereas Echo Investment holds the remaining 30 per cent, it is to finish the construction process and will be responsible for the commercialization and marketing of the project. Galeria Młociny is a retail and office project with a combined leasable area of 82,000 square metres, 71,000 square metres of which is earmarked for retail, entertainment and gastronomy. The facility is planned to include a modern cinema, a fitness club, an extensive food court and a medical centre. Construction of the first phase commenced in October 2016 with completion scheduled for Q2 2019.

## IULIUS JOINS FORCES WITH ATTERBURY EUROPE

Iulius and Atterbury Europe have established a joint financial fund, with equal participation shares (50/50) for the development of the mixed-use project Openville Timisoara, as well as other development projects to be started.

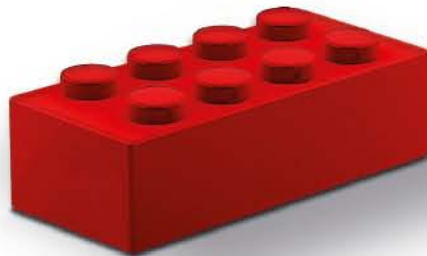
Atterbury Europe is a European real estate investment company with an emphasis on co-investing with local partners who have access to a development pipeline that can be accelerated. Romania is Atterbury Europe's third investment jurisdiction after successful acquisitions in Serbia and Cyprus.

Iulius is currently developing the Openville project in the vicinity of Iulius Mall Timisoara. This is the second mixed-use project in the company portfolio, after Palas Iasi. Openville offers more than 130,000 square metres of office premises in seven buildings, 131,000 square metres of retail space.

## CONSTRUCTION WORKS BEGINS ON DESIGNER OUTLET CROATIA

The construction of Designer Outlet Croatia, the largest outlet complex in the Croatian market, has started in Zagreb. The project is a joint venture of Ikea Centers and Mutschler Outlet Holding AG, and is scheduled to open its doors to the public in 2018. As announced by the investors, the complex will be developed in two phases. The first phase will include the development of 15,000 square metres of space, housing around 90 retail units. The second construction phase will see the retail area expand by further 60 stores. Designer Outlet Croatia will be located next to the Ikea Zagreb department store at Alfreda Nobela Street No. 2. The project will be constructed according to the latest sustainability standards at a total cost of EUR 22.9 million (HRK 170 million). The construction will be performed by the Croatian company Strabag d.o.o., which had participated in the development of the Ikea store in Zagreb. Designer Outlet Croatia will be managed by Austrian ROS Retail Outlet Shopping.

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*The existing Hotel Bristol in Sarajevo will become a Novotel in Q3 2017. Orbis Hotel Group and investor Al Shiddi Group have signed a respective franchise agreement.*

## THE FIRST NOVOTEL OPENS IN SARAJEVO

Orbis Hotel Group is further developing its network of hotels in the Balkan region with the signature of a franchise agreement for a Novotel hotel in Sarajevo with its local partner and investor, Al Shiddi Group.

The existing Hotel Bristol will join the Novotel network in Q3 2017, and will be part of the Novotel family, midscale brand of AccorHotels. Novotel Sarajevo, located in the neighborhood of the Old Town will offer 186 rooms, 7 meeting rooms, a restaurant as well as a fitness and wellness centre with indoor pool.

Besides the Novotel project, Al Shiddi Group entered into a franchise agreement April this year with Swissôtel, part of AccorHotels, for the development of a new 218-room urban resort scheduled to open in early 2018.

## NEW OFFICE BUILDING TO BE BUILT IN DEBRECEN

The construction of a new office building, Forest Offices Debrecen, was announced in Debrecen. The project is set to be completed in the 3rd quarter of 2018. The building consists of three separate wings with 5 floors, with a total of about 22,000 square metres of office space and 200 parking spaces. Office leasing, green certification and project consultation will be provided by the Hungarian office of Colliers International.

## SKANSKA: CONSTRUCTION START OF SPARK 2 IN WARSAW

Skanska invests EUR 44 million in Spark 2, the second phase of the office complex Spark in Warsaw. The office building will have 10 levels of office space, with a total leasable area of around 18,000 square metres, and two levels of underground parking. The construction of the second phase has started in May 2017 and is scheduled for completion in the first quarter of 2019. Spark as a complex will comprise three office buildings with a total leasable area of over 70,000 square metres. In the third phase of the project, a 130-meter skyscraper will be built.

## CTP ACQUIRES LOGISTICS PROJECT IN BUDAPEST

CTP has acquired the logistics scheme Rozália Park in western Budapest. The project offers 57,800 square metres of logistics space. The vendor was Challenger. Cushman & Wakefield brokered the acquisition. The cost of the deal was not disclosed. CTP entered the Hungarian market two years ago. The developer's Hungarian portfolio currently stands at 360,000 square metres of leasable space.



*TriGranit starts the construction of building H, the eighth building of Bonarka for Business complex in Krakow. Once B4B is completed, it will offer a total of 95,000 square metres of office space.*

## CONSTRUCTION START OF BUILDING H AT B4B IN KRAKOW

In summer 2017 TriGranit will start the construction of building H with a gross leasing area of approximately 10,000 square metres at the Bonarka for Business (B4B) complex in Krakow. It will be the eighth building at B4B. The 8-storey office building will offer the tenants 221 parking spaces. At a later stage, building H may be connected directly to building I and to building J through special footbridges.

B4B business park is located in the heart of Bonarka City Center – a multifunctional city centre in Krakow's Podgórze district. This project is a brownfield development – a 19 ha industrial area had been turned into a modern business area. Buildings A, B, C, D, E, F and G are already completed providing 65,000 square metres of gross leasing area. Further three buildings (H, I, and J) are planned to be built in the coming years. Once completed Bonarka for Business will offer 10 office buildings with a total leasable area of 95,000 square metres.

## LIDL BUYS TWO STORES FROM PENNY MARKET IN ROMANIA

German retailer Lidl bought two XXL Mega Discount stores, located in Sibiu and Galati, from Penny Market. Each property offers 2,500 square metres of retail space. Lidl will also take over the land surrounding the stores. Rewe Group, the owner of Penny Market, closed eight XXL Mega Discount stores in Romania last year. At that time it was announced that six of them would be remodelled as Penny Market and two would be sold.

## CBRE GLOBAL INVESTORS ACQUIRES OSTRAVA LOGISTICS PARK

CBRE Global Investors, on behalf of its clients, has acquired Ostrava Logistics Park. The seller was Prologis. The 65,910 square metre logistics/light manufacturing property comprises two buildings. The property is located in the Silesia region in Eastern Czech Republic on the northern European transportation corridors (Ten-T Baltic-Adriatic and Rhine-Danube) and next to D1 highway.

## PANATTONI EUROPE SELLS WARSZAWA-KONOTOPA PARK

By the end of the coming August, the developer will have disposed of its logistics centre Panattoni Park Warszawa-Konotopa. The multi-tenant logistics centre comprises two buildings totalling close to 50,000 square metres and is located in the Ozarów Mazowiecki commune, near Warsaw, in direct vicinity of the Konotopa junction where the A2 motorway connects with the Warsaw bypass made up of the S8 and S2.

# VERONA'S NEW ARENA IS FOR SHOPPING

New Adigeo shopping center in Verona has been attracting its customers since March. On a leasable area of approx. 47.000 m<sup>2</sup>, it accommodates more than 130 shops providing an exciting mix of italian and international retailers as well as high-quality dining options. Visitors can also look forward to the opening of a Primark store in July. [www.ece.com](http://www.ece.com)





*In Bursa, a city on the western part of Turkey, the new Sur Yapı Marka shopping centre has opened its doors. The shopping centre is managed by ECE.*

## SUR YAPI MARKA IN BURSA HAS OPENED

The new Sur Yapı Marka shopping centre in Bursa has opened its doors. The centre is part of a mixed-use development that also includes several office and residential buildings. On a leasable area of 75.000 square metres Sur Yapı Marka accommodates a total of 250 shops, 35 cafés and restaurants, as well as a food court with a seating capacity for 1,400 people. 1,800 parking spaces are available for visitors and the centre is also directly connected to the subway and bus network of the city. The project is a joint investment of the Turkish investors Sur Yapı, a member of the Sur group of companies, and Ekart Gayrimenkul. The investment volume for the entire complex amounts to EUR 600 million. ECE has carried out the concept optimization for Sur Yapı Marka shopping centre and is responsible for the long-term management and leasing.

## THE FIRST MERCURE HOTEL OUTSIDE BUCHAREST TO OPEN IN SIGHISOARA

Orbis Hotel Group, strategic partner of AccorHotels in Eastern Europe, strengthens its development in Romania with the opening of Mercure Sighisoara, the first Mercure hotel outside Bucharest. Following its transformation, the existing Binderbubi Hotel and Spa in Sighisoara will join the Mercure network and will be managed by Orbis Hotel Group in the frame of a management contract with the local company Daflog. Mercure Sighisoara Binderbubi Hotel and Spa will offer 52 rooms and is scheduled to be opened end of Q3 2017.

## AFI PARK IN BUKAREST IS CHANGING HANDS

Romanian Do-it-Yourself retailer Dedeman has signed a pre-agreement to buy the first three buildings of the AFI Park compound, with an option to buy the 4th and 5th buildings as well, all from seller AFI Europe for EUR 164 million. The transaction value covers all five buildings, with a total of 70,000 square metres. It is AFI's first exit in Romania and Dedeman's first commercial real estate investment. Colliers International advised the buyer. AFI Europe was advised by law firm NNDKP, while Dedeman, by law firm Popovici, Nitu & Asociatii. AFI Park is adjacent to the AFI Palace Cotroceni Mall.

## M7 ACQUIRES LIGHT INDUSTRIAL PORTFOLIO IN CEE FOR CEREF I

M7 Real Estate has acquired a portfolio of 11 light industrial assets in Hungary and the Czech Republic, on behalf of M7 CEREF I fund, from a joint venture between Partners Group and Cromwell Property Group. This portfolio comprises 209,832 square metres across 276 units. Seven of the assets are located in Hungary, while the remaining four are in the Czech Republic.



*The former vodka distillery Monopol Wódzany in Łódź will be transformed into a mixed-use complex and complemented by newly developed office buildings.*

## TRANSFORMATION OF AN OLD VODKA DISTILLERY IN ŁÓDŹ

The historic area of the old Monopol Wódzany vodka distillery in Łódź will be transformed into Monopolis – a project that will combine office space, services and cultural amenities along with a wide range of restaurants. Monopolis is a project developed in the centre of Łódź by Virako. It will offer 23,400 square metres of office space developed in the historical building and two new projects. In the post-industrial and historic M1 building, Virako will develop 7,000 square metres of office space. In the two newly developed projects, M2 and M3, there will be 8,050 square metres and 8,350 square metres of office space respectively.

The new investment is located on the crossroads of Al. Piłsudskiego and Kopcińskiego Streets. The complex is within easy reach of Łódź Fabryczna railway station, Łódź Airport and the A1 motorway. Construction works at Monopolis will be launched in H2 2017. The M1 Building, together with all the revitalized areas of Monopolis, will be delivered to market in H2 2018. Buildings M2 and M3 will be developed during the next phase and completed in 2019 and 2020 respectively.

## WARIMPEX CLOSES THE SALE OF EIGHT HOTELS

In spring, Warimpex Finanz- und Beteiligungs Aktiengesellschaft (Warimpex) announced the sale of a portfolio of eight hotels to the Thai investor U City Public Company Limited (U City). Meanwhile the transaction is successfully closed. The transaction includes eight hotels – two of which are 50 per cent owned by UBM Development AG (UBM) – that comprise around half of Warimpex's total gross real estate asset value, amounting to approximately EUR 180 million (excluding the stakes of UBM in that portfolio). The purchase price is in line with the recent valuation opinions by independent property appraisers.

The hotel portfolio that was sold includes the following hotels: in Czech Republic Vienna House Diplomat in Prague and angelo by Vienna House in Plzeň (50 per cent share); in Poland andel's by Vienna House in Łódź, andel's by Vienna House in Kraków (operating company), Vienna House Easy Chopin in Kraków, 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.

## SKANSKA: ACQUISITION OF A PLOT IN HOLEŠOVICE IN PRAGUE

Skanska Property Czech Republic has completed the acquisition of another plot in Holešovice, where next to the Vltava it will build an office centre called Port7. The project, with an overall space of 48,000 square metres, will also include stores, restaurants, a kindergarten, and hotel or premises for short-term accommodation. Skanska plans to start construction of Port7 during 2019.



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*The office building River Garden I in Prague's Karlin district comprises 19,200 square metres of leasable space and has been finished in 2012.*

## LASALLE ACQUIRES OFFICE COMPLEX RIVER GARDEN IN PRAGUE

LaSalle announces that it has acquired the office complex River Garden I (RiGa I) in Prague on behalf of its LaVA LaSalle Value Add mandate for approximately EUR 57 million. The seller is the Slovak asset management company, IAD Investments. The sale was made on behalf of its Prvý realitný fond, a mutual fund investing throughout Central Europe. This is the first acquisition that LaVA has made in the Czech Republic, and the first sale of a prime office project for IAD Investments from its fund's portfolio. RiGa I is located in Prague's Karlin district. Construction has been finished in 2012. The total leasable area of RiGa I is 19,200 square metres.

## DEUTSCHE AM PURCHASES THREE OUTLET CENTRES FROM PEAKSIDE

Deutsche Asset Management (Deutsche AM) has acquired the Fashion House Portfolio in Poland which consists of three shopping outlets located in Warsaw, Gdansk and Sosnowiec. The acquisition, from a fund managed by Peakside Capital, is on behalf of Deutsche AM's German funds. Built mostly in 2005, the outlets comprise over 50,000 square metres of retail space. In addition, Deutsche AM has appointed PRÔM as the portfolio centre and asset manager. PRÔM is a joint venture of Peakside Capital and ROS Retail Outlet Shopping.

## NEPI TO ACQUIRE SERDIKA IN SOFIA

Through its subsidiary NEPI has concluded agreements to acquire the Serdika Center and Serdika Office building in Sofia, Bulgaria for EUR 207.4 million. Serdika Center opened in 2010 and has a gross leasing area of 51,468 square metres. Serdika Office is an office building opened in 2011, built on top of the shopping centre. It has a gross leasing area of 28,488 square metres.

With the sale of its participation (65 per cent) in the shopping centre Serdika Center and the sale of its office building Serdika Office S Immo is withdrawing from Bulgaria. The transaction will be effective upon approval of the Bulgarian competition authority being obtained.

## TRIUVA IS NEW OWNER OF AN OFFICE BUILDING IN PRAGUE

A real estate fund managed by Triuva Kapitalverwaltungsgesellschaft acquired the office building Five in Prague for EUR 50 million. Seller and developer of the building was Skanska. Five, which offers a total leasable area of 14,400 square metres, was commissioned for use in April 2017. The office building is located near Andel in Prague 5, in close vicinity to Riverview – one of Skanska's former office developments in the city.



*Galeria Swidnicka was built on a former industrial area and offers 15,500 square metres of space.*

## GALERIA SWIDNICKA HAS A NEW OWNER

Calioppe Investments has acquired Galeria Swidnicka from Rank Progress, a Warsaw Stock Exchange listed company engaged in the property investment and development sector. The total value of the transaction amounts to EUR 26.7 million including EUR 15.2 million of debt financing. The seller, Rank Progress S.A., has been advised by BNP Paribas Real Estate.

Galeria Swidnicka started its operations in March 2012 in Swidnicka, a city with some 58,000 inhabitants in Lower Silesia. The scheme was built on a site of former industrial plants. It offers an area of 15,500 square metres with nearly 50 shops, a multi-screen cinema and a fitness centre, as well as three restaurants.

## EPP COMPLETES ACQUISITION OF THREE RETAIL ASSETS

Echo Polska Properties NV (EPP) announced the conclusion of the acquisition of three retail assets in Poland. All three properties are located in the Southern and Northern part of the country. EPP purchased Twierdza in Kłodzko, Twierdza in Zamosc and Wzorcownia in Włocławek from real estate funds managed by Blackstone for EUR 141.60 million. The transaction was originally announced on 1 February 2017. EPP acquired an established portfolio of 73,000 square metres gross leasing area.

## SKANSKA INVESTS IN NEW OFFICE PROJECT IN WROCLAW

Skanska invests EUR 46 million in Nowy Targ, an office project located in Wrocław. The seven-storey building will have a total leasable area of about 22,000 square metres, with two levels below ground for parking lots. Nowy Targ will be located next to a square near the Old Town in Wrocław. Construction started in June 2017 and is scheduled for completion in the second quarter of 2019. Nowy Targ is Skanska's sixth office development project in Wrocław.

## PORTLAND TRUST BUYS OFFICE PARK IN PRAGUE

Portland Trust, a commercial real estate developer and asset manager headquartered in Prague, and its long-term joint venture partner Ares Management announced the acquisition of Office Park Nové Butovice in the Czech capital for EUR 65 million. Office Park Nové Butovice, which has a total floor size of 36,000 square metres and includes one of Prague's few high-rise office buildings with panoramic views over Prague 13, was purchased from real estate investment company CEE Property Development Portfolio 2 (CPDP 2).



*On the area of the former brewery Haberbusch & Schiele in Warsaw the first office building will be developed. Permit for construction has been granted.*

## FIRST OFFICE BUILDING AT BROWARY WARSZAWSKIE

Echo Investment has been granted a permit for the construction of the first office building which is part of the Browary Warszawskie project in Warsaw's Wola district. Browary Warszawskie will be developed on the area of the former Haberbusch & Schiele brewery established at this site over 170 years ago. 'Offices at the Gate' [Biura przy Bramie] will offer nearly 13,000 square metres of office space as well as 1,100 square metres of services. It will consist of two parts (11 and 7 floors) with a two-storey underground car park for 106 cars.

## GLOBALWORTH PURCHASES OFFICE BUILDING IN BUCHAREST

Skanska has sold the office building Green Court Bucharest C in Bucharest to Globalworth Real Estate Investments Ltd for EUR 38 million. The 12-storey Building C offers 16,300 square metres of leasable space. Green Court Bucharest is the first office complex developed by Skanska in Romania. It comprises three office buildings with a total leasable area of about 54,300 square metres. The sale of Green Court Bucharest C is the third transaction between Skanska and Globalworth Real Estate Investments Ltd., thus the buyer has now become the owner of the whole complex. The other two transactions were finalized in June and December 2015.

## CAERUS IM ACQUIRES BUILDING F OF FUTURAMA BUSINESS PARK

Caerus Investment Management announced that together with, and on behalf of the same private separate account client for which it acquired Phase II and Phase I of Futurama Business Park in Prague 8 (respectively in 2015 and in spring 2017), that it has now advised and structured the off-market acquisition of Phase III of the same park. Known as Building F, the property provides 9,500 square metres of office premises. The purchase price remained undisclosed. The property was contracted to be acquired during mid 2016 whilst in the construction phase. Seller of the building is Erste Group Immorent (EGI), the development subsidiary of Erste Group.

## POSEIDON GROUP PLANS CAPITOL PARK LESKOVAC

UK property developer Poseidon Group plans to start in the spring of 2018 the construction of a retail park under the Capitol Park brand in Leskovac, in southern Serbia. The retail park with a total lettable area of 8,320 square metres is scheduled for opening in the autumn of 2018. In Serbia, Poseidon Group operates a retail park under the Capitol Park brand in Sabac, and plans to open two more, in Belgrade and in Sombor, later this year.



*The office project Sagittarius Business House in Wrocław will offer 24,000 square metres of leasable space. Financing of the development was granted by PKO BP.*

## ECHO INVESTMENT GETS LOAN FOR SAGITTARIUS BUSINESS HOUSE

Echo Investment concluded a contract with PKO BP bank concerning an investment loan of nearly EUR 32 million and a VAT loan of PLN 6 million. The funds will be used for the execution of the Sagittarius Business House office project in Wrocław. Sagittarius Business House is an office building which offers a leasable area of 24,000 square metres. The project is located at the junction of Borowska Street and Sucha Street, opposite to an office building which also has been completed by Echo Investment – Aquarius Business House.

## PLAZA CENTERS TO SELL TORUN PLAZA

Plaza Centers N.V. announced that its subsidiary, Plaza Centers Polish Operations B.V., has signed a non-binding Letter of Intent (LOI) with an investment fund regarding the sale of Torun Plaza shopping and entertainment centre in Poland. The LOI binds the purchaser to a strict timeline for undertaking a comprehensive due diligence process which would result in the transaction being completed by the middle of September 2017. Should the transaction proceed towards a signed share purchase agreement, following the due diligence process, Plaza will receive circa EUR 70 million followed by additional payments up to a maximum potential amount of EUR 4 million after an additional earn out period following the closing of the transaction.

## HB REAVIS STARTS CONSTRUCTION OF STANICA NIVY IN BRATISLAVA

HB Reavis has started the construction of the Stanica Nivy project in Bratislava. The Nivy Tower office building reaching 125 metres is the first to be built. It will deliver over 31,000 square metres of lettable office space and is scheduled for completion by the beginning of 2020. The remaining construction of the scheme, which will include a five-storey shopping centre with 70,000 square metres of retail space, a modern marketplace and the international bus terminal, will be launched this year.

## CPI TO EXPAND HOTEL IN ČESKÉ BUDEJOVICE

CPI Property Group plans to expand the Clarion Congress Hotel in České Budějovice (Budweis), by additional hotel rooms and a new multi-purpose hall. The multi-purpose hall will be built on the existing car park, which will be replaced by a 263 capacity multi-storey car park, with the ground floor below the congress hall remaining accessible for bus and truck parking. Above the congress hall and car park, 75 new hotel rooms will be located on three floors. Construction start is scheduled for the beginning of 2019, with the opening planned for mid 2020. Investment is estimated at EUR 16 million.

## STAFFING



left: Jonathan Doughty  
right: Henning Koch



left: Markus Kuttner  
right: Steffen Sebastian



Christian Schmid

**Jonathan Doughty** moves from JLL Foodservice Consulting to ECE. He has been appointed Global Head of Foodservice. Jonathan Doughty became known in 1993 as Founder and Global Managing Director of Coverpoint Foodservice Consultants based in the UK. In November 2014, the company was acquired by Jones Lang LaSalle. Until recently, Jonathan Doughty has managed the business line as Head of EMEA Foodservice Consulting. ECE has already been working with Jonathan Doughty since 2014. Together with ECE's leasing experts, he developed the 'Foodtopia' dining area at Frankfurt's MyZeil shopping centre, which is currently under re-construction and is due for an opening in spring 2019.

**Henning Koch** is to become Global Head of Transactions at Commerz Real as of 1 September 2017 and will be responsible for and coordinate all international real estate acquisitions and selling activities. Henning Koch comes from Credit Suisse, where as Head of Acquisition & Sales Europe at Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft in Frankfurt am Main from 2013 onwards he was responsible for international transactions for the various real estate investment products. Before moving to Credit Suisse in 2006, he worked in several departments at the real estate service provider Savills in Frankfurt am Main and London.

**Markus Kuttner**, previously in charge of asset management for Eastern Europe, will take over as Group Head of Asset Management. His former deputy, Michael Rausch, will head the asset management activities in Eastern Europe. Markus Kuttner MRICS started his professional career with Bank Austria Creditanstalt Real Invest GmbH, where he was in charge of asset management in Germany, CEE and SEE. In 2007 he joined Raiffeisen Capital Management as Investment Manager for Real Estate Fund Products before he took over as Head of Asset Management CEE/SEE at CA Immo in 2009.

**Steffen Sebastian**, Professor of Real Estate Financing at IREBS International Real Estate Business School, University of Regensburg, is new President of ERES European Real Estate Society as of July 1, 2017. He takes over the presidency (rotating every year) from Kerem Yavuz Arslanli, Professor for Urban Planning at Istanbul Technical University. Besides his activities in the Board of ERES Steffen Sebastian is also Member of the Editorial Board of *European Journal of Real Estate Research* and of *Zeitschrift für Immobilienökonomie (German Journal of Real Estate Research)*. At Gesellschaft für immobilienwirtschaftliche Forschung (gfw e.V. – Society of Property Researchers, Germany) he is Head of the research committee 'Indirect Investments'.

**Christian Schmid** is to become new Board Member for Real Estate of Helaba. The resolution is subject to approval by the German and European supervisory authorities. Christian Schmid is expected to succeed Jürgen Fenk, who is ending his term as a Member of the Board of Managing Directors on 30 September 2017 at his own request. Previously, Christian Schmid was Head of Business & Syndication Management for almost five years at Aareal Bank AG in Wiesbaden. The banking specialist (Bankfachwirt) began his professional career in 1989 at Deutsche Bank AG, where he was mainly involved in corporate finance and real estate activities. In 2002, he moved to Eurohypo AG, where he initially headed up the newly created syndication team for Continental Europe. Three years later, in 2005, he assumed the management of the company's Debt Capital Partnership department. From 2007 until his appointment at Aareal Bank, he was General Manager of the entire Debt Capital Markets unit, in which a variety of the bank's debt instruments were placed on the market by means of syndication, securitisation or portfolio measures.



## LETTINGS

### ASTRUM BUSINESS PARK, WARSAW

POLAND 

Arthrex Polska – the Polish division of an orthopedic medical device company – has leased 540 square metres of office space along with 135 square metres of industrial space in Astrum Business Park located in the Włochy district of Warsaw. JLL represented Arthrex in the process of selecting the new office location for the company. Astrum Business Park is located on the crossroads of Aleje Jerozolimskie and Łopuszczanska Streets and in close proximity to a Warsaw Commuter Railway station – WKD Raków. Currently, it offers over 22,000 square metres of office space. Once its second phase is completed, it will offer a total of 30,000 square metres.

### C200 OFFICE, GDANSK

POLAND 

IHS Global sp. z o.o will occupy nearly 4,300 square metres of space in the C200 Office in Gdansk. The office scheme was revamped by Euro Styl. JLL represented IHS Global in the negotiation of lease terms. C200 Office offers 17,600 square metres of office space on seven floors above ground.

### GALERIA LIBERO, KATOWICE

POLAND 

All the brands from the LPP group, i.e. Reserved, Mohito, Sinsay, Cropp, and House, will be available in Galeria Libero. The Polish fashion chain has leased nearly 4,500 square metres. Empik, a Polish chain selling books, international press and media products, will occupy an area of 400 square metres. A shop offering products of the home&you brand will occupy more than 300 square metres. And further 1,400 square metres have been leased by MK Bowling to establish a 10-lane bowling alley, a pub including billiards and an Italian restaurant. Galeria Libero is being developed by Echo Investment. It will comprise 45,000 square metres of gross leasing area. Its opening is planned for the spring of 2018.

### UNIVERSITY BUSINESS PARK I, ŁÓDŹ

POLAND 

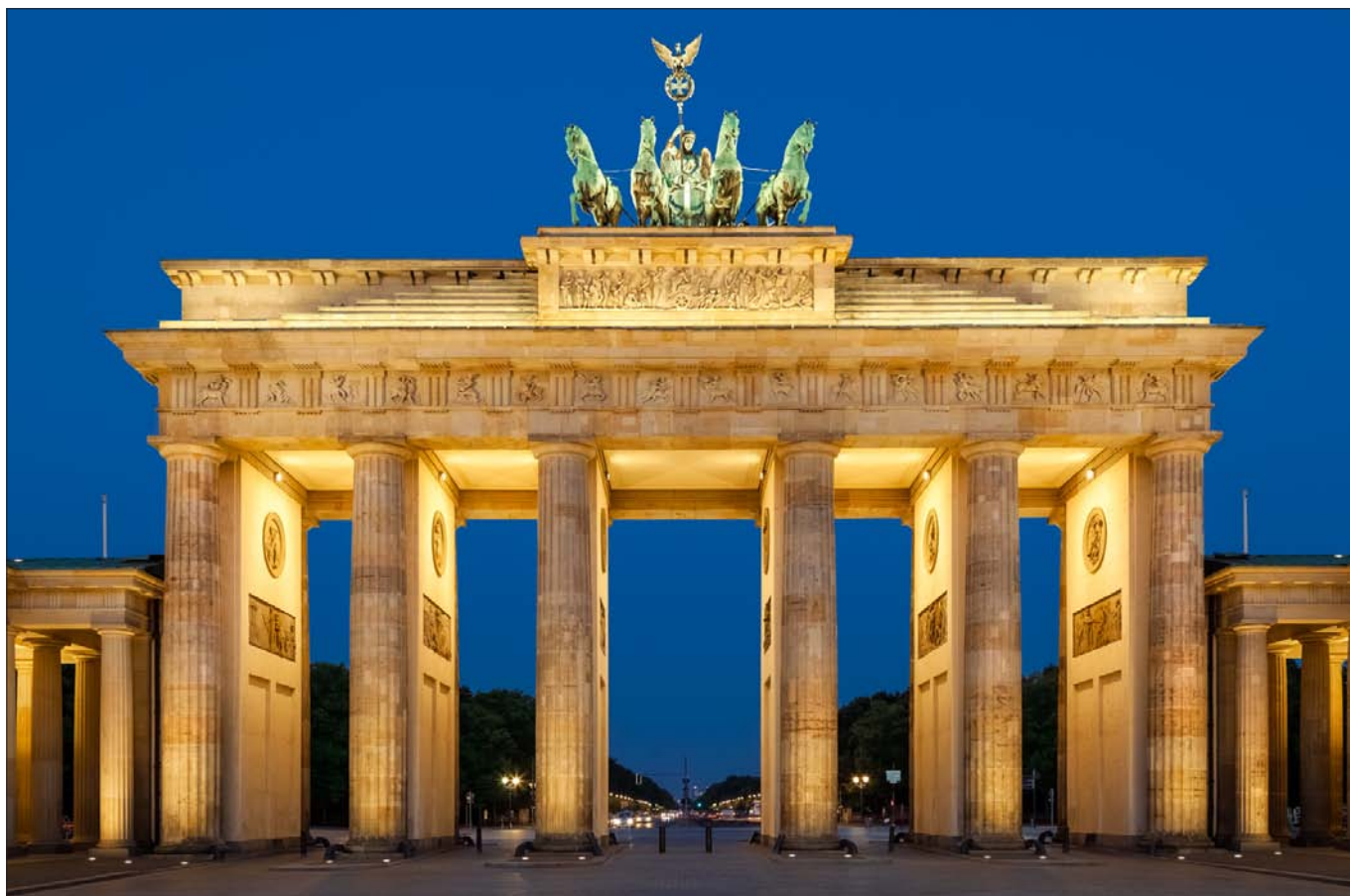
Mobica, an international software services company, has leased an additional 800 square metres of space in the University Business Park (UBP) office complex in Łódź. As a result of this transaction, the company will now occupy a total of 2,800 square metres of office space. JLL represented Mobica in the negotiation of lease terms. University Business Park owned by GTC Group consists of two seven-floor office buildings providing a total over 40,000 square metres of office space.

### TWIN CITY, BRATISLAVA

SLOVAKIA 

SAP Slovakia is leasing more than 3,000 square metres of office space within the Twin City office complex in Bratislava. The branch moved from the BBC V office building after having its seat there for the past 10 years. Twin City is a newly-established business district in the Bratislava city centre with close proximity to the Main Bus Station Mlynské Nivy and next to the junction of the streets Karadžicova and Mlynské Nivy. JLL Slovakia represented SAP during the negotiation process.

# GERMANOMANIA



*The capital city Berlin is a sought-after, but not the only important real estate market in Germany.*

**Since years the German real estate investment market is booming – even though prices are high and yields are low. Especially international interest is unchanged, and investors are coming not only from the western part of the world, but also from Central and Eastern Europe.**

German real estate is highly desirable. Last year alone the transaction volume in commercial property was around EUR 52.9 billion, according to international property consultants JLL Jones Lang LaSalle. Following the record sum of EUR 55.1 billion in 2015 and EUR 54.7 billion in 2007 – before the financial crisis – that is the third-highest level ever recorded

in JLL's long-term statistics. And the trend is continuing: In the first half of the year of 2017 transaction volumes reached EUR 25.8 billion. This figure represents an increase of almost 47 per cent over H1 2016. Worth noting is that the proportion of foreign purchasers in real-estate transactions has been between 50 per cent on average over the last four years.

So, what is Germany doing right? Why is international interest, and therefore trust, so high? What Theresa May proclaimed for the United Kingdom, was always the case in Germany: "strong and stable". In addition to political and legal security, there is another aspect: Unlike, for example, France and the UK, Germany has

a distinct polycentric structure. This is a historical legacy. The diversity across the country is marked, and the range on offer very broad: in Berlin, the capital; in Frankfurt am Main, the financial centre; in big cities such as Munich and Hamburg; but also in cities like Bremen, Hannover, Leipzig, Nuremberg and many more. The picture is not one of a single dominant city, leaving all other locations in its shadow.

However, the polycentric structure has some peculiarities not easy to become familiar with for international market participants. Germany is a federal state comprising 16 different federal regions, each Land having its own capital city. But already that can be sometimes confusing:

For example, Berlin is the capital of the Federal Republic of Germany, but the capital of Brandenburg, the Land around the capital, is Potsdam, located only a few kilometres away from Berlin. In the Land of Hessen, the capital is not Frankfurt am Main, the biggest city in that region, but Wiesbaden. Likewise in Saxony, the smaller city of Dresden takes the honours before Leipzig. In North-Rhine Westphalia, too, Düsseldorf is the administrative centre, not as one might expect Bonn, the former capital of West Germany.

In other federal regions, however, things are a bit simpler: Munich, Stuttgart and Hannover are not only the cities with the most inhabitants in Bavaria, Baden-Württemberg and Lower Saxony respectively, they are also their capital cities. A unique status is afforded to Hamburg, Bremen and Berlin, in that each of these cities has the status of a city-state, a Land. Spread around the 16 federal regions of Germany are 2,060 cities, but only 79 of them have a population of over 100,000, 14 cities have more than 500,000 inhabitants, and Hamburg, Munich and Cologne as well as Berlin are megacities with more than one million inhabitants.

When mention is made in the real estate industry of the German 'Big 7', then that refers to (in alphabetical order): Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart. 'Big' here relates to population figures. In these cities there is a shortage of real estate and prices are correspondingly higher. When projects are launched or when properties do come onto the market in these places, competition is fierce. Purchase prices of 40 times the annual rental income – and even higher – are asked for. And yet demand for real estate continues. For this reason investors have for some years now been turning their attention to medium-sized, even small cities. Project developers and investors are indeed exploring the geographically diverse offering.

Nevertheless, let's look at the Big 7, as around half the transaction volume occurs in these cities. However, statistics can only

present a snapshot of trends. Purchasing processes and the associated due diligences don't necessarily stick to a quarterly or half year timetable. It's very similar with the statistics for rentals and vacancy rates. It makes more sense, therefore, to look a little more closely at the individual cities.

Berlin, as the capital of Germany and home to around 3.5 million people, is not

ings down by the Rhine have been converted to house new functions, and spectacular new buildings have been added.

In neighbouring Düsseldorf the site at the end of the main shopping street of Königsallee, close to the city's 'Schauspielhaus' theatre, is being transformed in the 'Kö-Bogen' development project, currently in phase II. Close to the central station, too, several new projects are in the pipeline,



*The Kö-Bogen in Düsseldorf is an example of an inner-city district development.*

only the most populous city, it is also the main city for project developments. And that applies across all segments of the market, including residential. The focus is nevertheless clearly on office property. Co-working concepts are especially popular in Berlin at the moment, because the city is also the German capital for start-ups. And, as the people involved in this type of business favour a lively and thriving urban environment, there is much emphasis on the refurbishment of existing buildings, some of which are historic.

The projects happening in Germany's "Big 7" cities are too numerous to present here. A particularly noteworthy example is HafenCity in Hamburg, where in the heart of the city 127 hectares of new space have been created by building out over the river Elbe.

In Cologne, something similar has been achieved, but on a smaller scale: close to the city centre old and disused port build-

among them the redesign of an area with no longer needed post-office buildings.

In fact there is a general trend for project developments in and around the central railway stations in a number of major cities. In Frankfurt am Main, for example, a new district called the 'Europaviertel' is being built on a redundant site formerly owned by the German railways, Deutsche Bahn, between the central station and Frankfurt trade fair centre. Covering almost 90 hectares in area, this is one of the largest inner-city district developments in Germany at present. In Stuttgart there is a similar situation: There, right behind the central station, on a site of former sidings, a brand new urban district is being created. Already the office, commercial and residential space available in Stuttgart's city centre has expanded significantly. And in Munich in the coming years the central station will be completely refurbished and extended to include new office and retail space.



*In Nuremberg a former shoe factory has been redeveloped into mixed-use 'Loftwerk'.*

If we look at the different types of property attracting investment, the picture continues to be dominated by office functions. According to JLL office property accounted for the lion's share of invested capital in H1 2017, at 40 per cent. The favoured locations were the main cities: the Big 7 and a few others. At around 22 per cent of the invested capital, logistics ranked second in popularity among investors, followed by retail with 19 percent. Office space has always accounted for a significant share. What is new, however, is that logistics facilities outperformed retail. The growing interest in logistics – a trend that has been observed now for a few years, and not only in Germany – has much to do with e-commerce. Whether warehouses will become the shopping malls of the future remains to be seen, but what is certain is that online shopping is radically changing distribution channels. And stores with only a physical presence are the losers. To a lesser extent, but nevertheless evident, there is a level of uncertainty about office property. Because the internet is also changing the world of work.

The changes as a result of digitalization are one of the topical issues when it comes to real estate in Germany. As in other countries, too, it is having an impact on investment behaviour. The uncertainties as regards the future development of demand, especially for retail space, but

also office space, is prompting investors to look more closely at logistics facilities. Because goods are delivered direct to the consumer's home from centralized and decentralized warehouses. And indeed homes, i.e. residential, is another area attracting increased attention from real estate investors.

Many institutional investors who previously invested their capital only in commercial property, have now discovered the market in residential apartments. Large portfolios of existing properties are changing hands, but demand is also increasing for smaller stocks and indirect investment in residential property companies. In addition, it can be expected that investor interest will continue to grow in mixed-used properties, i.e. office and retail, and office and residential, or some other combination. Although so far mixed-use real estate accounts for only a small proportion of the total, at 8 percent, diversification is popular, not only geographically but also in terms of rental income. If things are not going so well in one segment, then another segment may be remaining stable.

All market segments, as different and diverse as they are, nevertheless share one thing: Economy is no longer possible without ecology. Ecological awareness has risen strongly among the younger generations. In the real estate business

one-time certifications for buildings are no longer sufficient. Sensible ecological strategies are gaining ever more ground in Germany.

Project developers are well aware of this. They are the stars currently. Because for the very large amounts of capital that are available in Germany for investment in property, corresponding products are needed. As project development is also always product development, and as the number of marketable properties is limited, the developers haven't had it so good for a long time. Ever more, the investors are also getting involved at an early stage in developments still to be completed. At the same time the product for this must be right. The key criterion remains location, but ecological criteria are also important. For example, to avoid concreting over more land, sites that have already been built on are being re-purposed for new functions. Ideally the existing building is refurbished and re-used. Given this, project developments on existing buildings are becoming ever more important.

Another aspect in favour of the German real estate market: Within the European Union, Germany is the biggest economy. Yet size does not explain all of its attractiveness. The German economy is doing well overall, and all the forecasts point to it doing well in the future too. Economic growth is likely to continue to be moderate, but it is solid.

The situation is very similar with the yields from real-estate investments. Currently, yields of between 3 and 4 percent are realistic for office and retail property. But these figures serve only for general orientation. Depending on location and other criteria the yield can go up or down. With investments in residential or logistics, things are a little different: Here the diversity across Germany is also producing diversity in the yields. However, in general, yields from investment in real estate are still higher than some interest rates offered by the banks, and an investment of this kind is backed by a real asset, i.e. a building. | **Andreas Schiller**

## PROPERTY INDUSTRY GOES DIGITAL



*Mobile gadgets such as smart phones or tablets are the main reason for the triumphant success of digitalisation.*

Currently “proceeding digitalisation” is cited nearly everywhere. Meanwhile in the area of PropTech start-ups are springing up like mushrooms. No doubt, algorithms are making life more comfortable. But as anywhere the German proverb is true saying ‘there is no light without shadow’.

Start-ups have been a hot tip already before. At that time it was called ‘New Economy’ and was accompanied by many hopes regarding the benefits of information technology. Then in 2000 the dot-com bubble started to collapse. Therefore it is a justified question if we experience again a similar development. The answer is: rather not. On the one hand all involved in the dot-com bubble

have their lessons learned. On the other hand time and possibilities have changed fundamentally. At the turn of the millennium smart phones and tablets were still unknown, only very few people had a laptop that was still quite heavy, and the personal computers we had at home were ‘bix boxes’ often located below the desk with only keyboard and screen on the desk. Since then the gadgets have become smaller and smaller and – still more important – mobile because they are able to connect with the internet everywhere and at any time. Not only the development but as well the great popularity of smart phones and other mobile gadgets were exactly the reasons why the current ‘digital revolution’ gained a new impulse. Aside from the role of ‘little helpers’ that

we all are using for getting information, for communicating, for listening to music and for taking photos and videos and to send them all over the world – technological progress and digitalisation have changed also many other things. If self-driving cars, progress in robotics and in biomedical engineering, ‘smart homes’ where lighting, heating, ventilation, air conditioning, and security, as well as home appliances are controlled via application programmes, or the field of artificial intelligence and speech recognition systems – there is nearly no area left where the digital revolution is coming to a stop.

Meanwhile online banking is already old hat and available since at least 20 years. But today the banking business has

become 'mobile'. The FinTech industry is booming and is creating new digital forms of banking. The impact can be assessed at the best by experts. If credit lending or money transfer to foreign countries, if investment possibilities like time deposits or money market accounts, if crowdfunding – all that can be done not only online but also mobile. And in future we will pay for many things not by cash but by smart phone. In this regard Sweden is already showing the future reality: here cashless payments are common also for three bread rolls or the newspaper in the kiosk, and meanwhile many shops are no longer taking cash.

Modern scanners are replacing cashiers – and that is the other side of the coin: with the progress in digitalisation certain jobs will become obsolete. This is nothing new – we from the publishing business for example have only to remember for how many years we do not need typesetters anymore. Today, only few elder people are still familiar with this job title. But the development is gaining momentum. Nearly all tasks based on routine and standard operations can be better, easier and quicker done by 'digital helpers'. As well information of any kind is available in very short time – and much more comprehensive than in former times. That we are sometimes flooded by information and that it can be difficult to separate the wheat from the chaff is another problem the user has to solve mainly by the ability to judge what is important and what is negligible. Another question but of great importance is if information is really mere information or what algorithms 'think' we are interested in because they are watching the traces we leave in the internet and they are analysing private communication via messenger apps and social networks.

But let us first stay with the facilitation the era of digitalisation is offering. Whether in the construction industry or in the facility management – digitalisation has found its way into the business since long. In the field of construction tablets are helping not only to record data directly from the construction site. They can be also used

to take photos to document certain steps and/or problems. This information is available not only immediately but also later on if problems are emerging. When in former times one had to handle metres of folders, today there are only some clicks necessary to get the right informa-



*One of the most challenging issues of digitalisation is data security.*

tion. It is similar with facility management: maintenance tasks are regularly returning and have to be documented, mostly also for legal requirements. Here also mobile gadgets are the ideal 'little helpers'.

Meanwhile digitalisation is an often-discussed topic also in the real estate industry. Of course, also property companies are not behind the times. According to a survey of E&Y more than 80 per cent of the asked companies are using digital technologies and 70 per cent have their data and information structured in a digital form. What PropTech start-ups are working on are new forms of letting and marketing, process optimization in transactions, in loan and mortgage management as well as in building evaluation.

Platforms for rentable housing are available since nearly 20 years. The first and meanwhile biggest players in this field in Germany are ImmobilienScout 24 and Immowelt. For newcomers it will be challenging to compete with those top dogs, at least they have to offer more or different services than the already established companies. Meanwhile we observe digital solutions not only in the residential market but in the commercial property market as well. Since some time the big brokers are

offering their clients digital tools to recall much more information about certain objects than the respective synopses offered in former times. Furthermore, these tools can also be used to interact.

However, lettings are one thing, transactions another one where people prefer to have a human counterpart because there is a lot of money involved. To transfer money or other 'sensible' business online requires a lot of trust in the security of this process. The solution developed first by the FinTech industry is called block chain, a decentralized and distributed digital system that is used to record transactions across many computers so that the record cannot be altered retroactively without the alteration of all subsequent blocks and the collusion of the network. The chain of blocks is cryptographically secured. This blockchain technology can be integrated into multiple areas, not only in the field of digital money.

As thrilling many developments are and as much they simplify many processes and help to save time, they all have their flip sides. One of the most challenging topics is data security. Headlines about cyber attacks are increasing – at last it was ransom software spreading over the world and attacking not only private computers but the systems of big companies as well. All data have been encrypted and should be decrypted only after a certain payment. A complete 100 per cent protection against hackers is not possible because every system can have security leaks. The biggest risk, however, is the human being forgetting to install the necessary updates or opening so called phishing emails or messages. The latter is by no means simple foolishness because some phishing attempts appear completely proper so it is difficult to realise the danger.

Another flip side is that in the 'new digital world' many jobs and professions will disappear. Looking at the consequences of the first industrial revolution on the labour market and on society in the 19th century then we have at least an idea what it will mean. And unemployment due to tech-

nological progress we will see in many areas. All that can be standardised will be taken over by digital systems. On the other hand, these systems are (still) not able to undertake complex sensorimotor tasks such as cooking and also in the area of healthcare digital systems have their limits. Difficult also for 'learning systems' is complex communication. Speech recognition systems experienced great progress but still they can only tell what they are able to find in the internet and they react only according to their programme. And at least one human characteristic the digital world is missing: creativity. No digital device is able to create a new programme and to have new ideas. For progress and improvements still the human being is in charge. But as in the world of chess is proved human beings can surpass themselves in the cooperation with the 'machine'.

A third challenge is monopolisation. To remain with two prominent examples: the market power of Google and Facebook is no longer to break. The problem is that whenever we use the products of these companies we leave a lot of information. The result is that the systems are providing us with respective advertisement and so-called customer-oriented information. That all is very near to what is called manipulation. Both companies mentioned are of US origin and know how to avoid European rules and regulations for data protection and privacy.

Thereby another topic comes into the play: policies. If on a national or on a European level – regulation is lagging behind the digital progress in all respects. Policy is only able to react to stop the worst excesses. How difficult that is can be observed with the respective proce-

dures of EU Commission lasting for years. For sure, regulation is not always the best way and can slow down progressive developments, but unregulated proliferation is also including risks.

To put that all into a nutshell: the writer – no digital native, rather a digital dinosaur, – does not want to go back into the digital stone age, quite the contrary: I estimate many facilitations the digital possibilities are offering. However – and now the dinosaur in me is making its way –, nobody should allow the digital gadgets to take off thinking from us. It is more important than ever to keep a critical distance to the often too optimistic promises of a 'brave new world'. Digitalisation in whatever area it is progressing can help to facilitate many things, but it has its limits when it comes to solve problems. That we have still to do ourselves. | **Marianne Schulze**



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## FOR YOUR PLANNING

When	What about	Where	For information and registration
8. September 2017	RICS: Cross-Border Investments in D-A-CH: Märkte, Assets, Chancen	Erste Campus Conference Center, Am Belvedere 1, Vienna, Austria	<a href="http://www.rics.org">www.rics.org</a>
12.–14. September 2017	RealCorp 2017 22nd International Conference on Urban Planning and Regional Development in the Information Society	Technische Universität Wien, Karlsplatz 13, Vienna, Austria	<a href="http://www.corp.at">www.corp.at</a>
19. September 2017	CEE Property Forum 2017	Hotel Park Royal Palace, Schlossallee 8, Vienna, Austria	<a href="http://www.property-forum.eu">http://www.property-forum.eu</a>
24.–26. September 2017	13th Conference of European Regions and Cities: „Next Generation“	Salzburg Congress, Auerspergstraße 6, Salzburg, Austria	<a href="http://www.institut-ire.eu">www.institut-ire.eu</a>
4.–6. October 2017	Expo Real 20th Trade Fair for Property and Investment	Messe München, Munich, Germany	<a href="http://www.exporeal.net">www.exporeal.net</a>
13. October 2017	24th ERES Industry Seminar Real Estate Derivatives Summit 2017	Prime Tower, Hardstrasse 201, Zürich, Switzerland	<a href="http://www.eres.org">www.eres.org</a>
8.–9. November 2017	IRE Logistics and Transport – Intermodality & cross-border facilitation-	Rijeka, Croatia	<a href="http://www.institut-ire.eu">www.institut-ire.eu</a>

# FOR A SUSTAINABLE TOURISM

Quite recently UNESCO has placed the historic centre of Vienna on its red list, so Vienna's World Heritage status is under threat because of a planned high-rise building in the inner city. These plans are the last straw after the developments around the new main station have already been quite controversial. While Vienna is at risk of losing its World Heritage status, the Großglockner High Alpine Road is on the tentative list and hopes to become a World Heritage Site in 2018.

48 kilometres long, the Großglockner High Alpine Road is connecting the Austrian states of Salzburg and Carinthia and climbs up to some 2,500 metres height. Although the way was already used by the Celts to cross the main chain of the Alps, today the Großglockner High Alpine Road is no transit route to the south but mainly a scenic route leading into High Tauern National Park, with 1.800 square kilometres by far the largest national park in Austria. The Großglockner High Alpine Road, the highest paved road in Austria, has been opened in 1935, is particularly a technical monument and has been modernised only very carefully.

Who is travelling on the Großglockner High Alpine Road and to the High Tauern National Park, should not only pass the area but take the chance to explore the nature. The new hiking guide "Großglock-

ner Hochalpenstraße. Die schönsten Wanderungen und Bergtouren" (Großglockner High Alpine Road: the most beautiful hiking tours) is offering ideas and possibilities. All the 65 hiking tours start along the Großglockner High Alpine Road and are including idyllic mountain pastures as well as the peaks of the Goldberg and Glockner group. As a special advantage all respective GPS information can be downloaded.

Author of the book is Walter Mair, born in 1939 in Eastern Tyrol and an enthusiastic alpinist with profound knowledge of the Großglockner region and the High Tauern National Park. As basis for his book he took the notes of Franz Wallack, who designed and built the Großglockner High Alpine Road. He did many hiking tours in the Großglockner region and left extensive documentation about it.

Austria has a lot of World Heritage Sites – perhaps this is one of the reasons for Vienna's careless handling of this award. That the inscription in the list of World Heritage Sites is more than only a tourism-marketing tool demonstrates the Großglockner High Alpine Road. Constructed as a scenic road to Austria's highest mountain, the Großglockner, the target was tourism development in the region. However, with the High Tauern National Park has been created a protected area limiting disturb-



Walter Mair  
*Großglockner Hochalpenstraße*  
*Die schönsten Wanderungen und Bergtouren (in German only)*  
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 Euro 17,40 (A) resp. Euro 16,90 (D)

ing developments, uniting nature and work of man, and targeting not so much at mass, but mainly at sustainable tourism.

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