

# SPH newsletter

## news

News from CEE/SEE page 2  
Staffing page 9  
Lettings page 10

## special

For the second time, Real Connect takes place in Warsaw. The combination of fair and conference puts the main focus on the Polish property market. page 11

Since some years the Polish residential market is changing and is meanwhile offering good opportunities for institutional investors. page 13

## background

For climate protection energy shall be used as efficient as possible. However, despite all technological possibilities energy consumption is increasing instead of declining. page 16

## events

Exhibitions, conventions, and congresses page 19

## opinion

Warsaw has reached Western European standards and is attracting investors as yet not present in the market. page 20

## DEAR READERS!



This editorial I wrote in Brasov or Kronstadt respectively in Transylvania in Romania – with a wonderful view to the historical centre with the Citadel and the Black Church from my room in Hotel Kolping. The reason for the trip was an event on May 9, Romania's Independence Day as well as the Europe Day.

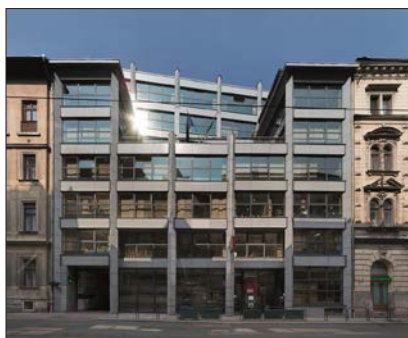
Following a conference about "Smart Tourism at a Smart Destination" a festive concert celebrating the Europe Day took place in the cultural centre "Reduta". The event was fascinating. When do you have the opportunity to listen to the anthem of Romania and Beethoven's "Ode to Joy" as anthem of Europe by a fanfare corps and a school choir? Too, the programme included performances by Brasov-born pianist Ioan Dragos Dimitriu and pupils from the local Honterus high school. They took the audience on a musical journey through the EU member states with vocal and instrumental music as well as dance in ensemble and individual performances.

With their skills and enthusiasm the young protagonists counterpointed the often heard and many times understandable scepticism regarding the EU. It may sound a bit elevated, but in a cultural sense, on May 9 during the concert Europe's future took place on the stage in "Reduta" in Brasov.

Now I wish you a fruitful reading of the new edition, but in addition similarly inspiring cultural experiences, perhaps also with young artists and with a European perspective, at least a cross-border one.

Yours,

Andreas Schiller



*B52 Office in Budapest was constructed shortly after the turn of the millennium and has been renovated fundamentally in the years 2012 to 2016.*

## WARIMPEX: PURCHASE AND SALE OF PROPERTIES IN BUDAPEST

Warimpex Finanz- und Beteiligungs AG announced the purchase of the B52 Office building in Budapest for an undisclosed price. The transaction will be closed before the end of the second quarter. The seller is CCE Investment Kft., the investment arm of the Hungarian real estate investor and development company ConvergenCE.

The office building is located in the heart of the Pest area at Baross utca 52. It was built in the early 2000s and underwent an extensive renovation from 2012 to 2016. The property offers a total area of more than 5,200 square metres

Independently of the purchase of B52 Office, Warimpex has signed the sale of a building plot with an area of over 3,000 square metres that is also located in Budapest. The deal is scheduled to be closed in the second quarter. The purchaser is Stonehill in cooperation with IC Campus, who are international student housing developers.

## PBB: FINANCING FOR NEWBRIDGE RETAIL DEAL

pbb Deutsche Pfandbriefbank has provided an investment facility of EUR 74 million to companies owned by Newbridge for the acquisition of three shopping malls in Poland, namely Bielawy in Torun, Guliwer in Łódź and Czyżyny in Kraków. The 72,000 square metre portfolio is nearly fully leased, with Carrefour Polska as the anchor tenant on long leases for all three centres.

## BULGARIA'S FIRST MARRIOTT HOTEL TO BE BUILT IN SOFIA

I Tower Development is developing the first Marriott hotel in Bulgaria in downtown Sofia on Macedonia Square. The project is being financed by Black Sea Trade and Development Bank and Bulgaria's Postbank, a unit of Greece's Eurobank, which are providing a EUR 58.3 million 12-year loan to the company. The new Marriott will be in a 107m high tower and is expected to be completed during 2020.

## GTC BREAKS GROUND ON MATRIX OFFICE PARK IN ZAGREB

GTC Group started construction on the Matrix Office Park in Zagreb. The project is going up at the intersection of Slavenska avenue and Radnicka and Heinzelova streets, 10 minutes from the capital's airport. Completion is scheduled for next year. Development costs are estimated to reach EUR 40 million. Matrix Office Park will offer more than 20,000 square metres of space in two buildings as well as 2,272 parking lots for vehicles.



Shopping Center Ogrody  
Elblag, Poland



**81.336.000 €**

Long Term Financing  
Arranger and Sole Lender

Warsaw Spire  
Warsaw, Poland



**370.000.000 €**

Long Term Financing  
Agent, Arranger  
and Co-Lender

Retail Portfolio  
Poland



**80.000.000 €**

Long Term Financing  
Co-Arranger and Co-Agent

The Park  
Warsaw, Poland



**105.000.000 €**

Development and  
Long Term Financing  
Co-Arranger and Co-Lender

Retail & Office Portfolio  
Czech Republic



**221.698.000 €**

Long Term Financing  
Agent, Arranger, Co-Lender

CTPark Bor  
Czech Republic



**176.756.000 €**

Long Term Financing  
Agent, Co-Arranger/Lender

**Europe is growing.**

**With our financing solutions.**

**Real Estate Finance.** Offering the best in bespoke financing, we are your experts for national and international markets. With solutions tailored to suit your needs, a lean organization, and fast decision making, we are a partner you can count on for your projects – today and for many tomorrows to come. [www.helaba.com](http://www.helaba.com)

**Helaba** |





*Warsaw Spire near Rondo Daszynskiego in Warsaw is one of the tallest office buildings in CEE and has been developed by Ghelamco.*

## MADISON ACQUIRES 50 PER CENT STAKE IN WARSAW SPIRE

Madison International Realty and Ghelamco announce that the Madison International Real Estate Liquidity Fund VI LP has taken a 50 per cent stake in the Warsaw Spire office tower, becoming an equal owner alongside the Ghelamco GP12 fund. The value of the tower is approximately EUR 350 million. The acquisition is one of the country's largest office real estate transactions in recent times. In the transaction Madison International Realty was represented by Greenberg Traurig. Ghelamco was represented by Dentons, JLL and CBRE.

At 220 metres high and with 49 floors Warsaw Spire is one of the tallest office buildings in CEE and comprises 64 500 square metres of office space. The building is located in the new business district of Warsaw at Rondo Daszynskiego.

## LAUNCH OF SECOND PHASE OF ADVANCE TOWER IN BUDAPEST

Futureal Group has started the construction of the second phase of its EUR 68 million Advance Tower office project in Budapest. The expansion of the office complex will offer an additional 8,000 square metres of gross leasing area. The completion is expected for the H2 2019. The first phase of Advance Tower offers 12,100 square metres of office space and will be completed in June this year.

## UNION INVESTMENT ACQUIRES PARK INN BY RADISSON IN KRAKOW

Union Investment has acquired the Park Inn by Radisson Krakow, which opened in 2009. The transfer of rights and obligations with regard to the property is scheduled to take place by the end of May 2018.

The 152-room hotel is located south of the Vistula river, close to the city centre and in the immediate vicinity of the modern ICE Congress Centre. The vendor is a joint venture between subsidiaries of UBM Development AG and Lindorcenia Ltd. The Radisson Hotel Group manages the hotel and provides the brand name. The hotel is let on a long-term lease. The purchase price is approximately EUR 26 million. Union Investment is acquiring the property for an institutional real estate fund.

## CUSHMAN & WAKEFIELD EXPANDS TO SERBIA

Cushman & Wakefield has signed an exclusive arrangement with CBS International as its affiliate in Serbia and Montenegro. The former CBRE affiliate rebrands to Cushman & Wakefield CBS International with immediate effect.



*UBM and Crestyl have again joined forces for the development of the residential project Neugraf in Prague's 5th district.*

## UBM AND CRESTYL: NEW RESIDENTIAL DEVELOPMENT IN PRAGUE

UBM Bohemia Development and Crestyl have again joined forces on a residential project called Neugraf in Prague 5's Smíchov district. Located just beyond the Strahov tunnel to the west of Park Sacre Coeur, the project will offer 177 apartments spread between several buildings on Grafická and Kmochova streets. Project amenities will include car charging stations, concierge services, a private garden and wellness centre along with a common rooftop terrace with benches and grills. Construction is currently being prepared for the CZK 1.2 billion (EUR 47 million) project that's expected to be completed in 2020.

## CTP EXTENDS ITS PORTFOLIO IN HUNGARY

CTP announced two new land acquisitions in Hungary. The first plot of land is located in Biatorbágy, next to the M1 highway, where CTP already owns 165,000 square metres of lettable space. With this acquisition, future lettable area can reach more than 450,000 square metres. The second land plot is near Dunaharaszti, next to road 51 and the Coca-Cola beverage factory. It is CTP's first venture into this area and its second location in the southeast area of Budapest. Construction in both locations will begin in Q2 2018. Completion is scheduled for Q1 2019.

## IMMOFINANZ PURCHASES BEARER SHARES OF S IMMO AG

Immofinanz AG has purchased 19,499,437 bearer shares (representing an investment of 29.14 per cent) of S Immo AG from member companies of the RPR Group (approximately 14.6 million shares) and the Signa Group (approximately 4.9 million shares). The transaction is subject to various conditions precedent, in particular the approval of the antitrust authorities in Austria, Germany and other jurisdictions. The purchase price amounts to EUR 20 per share, for a total transaction volume of approximately EUR 390 million. It will be funded from available liquidity and, if necessary, through additional bank financing. The transaction is expected to close in several months.

## NIAM ACQUIRES GREEN2DAY OFFICE BUILDING IN WROCŁAW

Skanska has sold the Green2Day building in Wrocław to the real estate fund manager Niam for EUR 51 million. Green2Day was completed in Q4 2017 and offers approximately 18,000 square metres of gross leasing area. It is the fifth project Skanska has divested in Wrocław. Colliers and Cushman & Wakefield acted as the exclusive agent for Skanska.



*GTC acquired Mall of Sofia in the capital city of Bulgaria from Europa Capital. Sofia Mall combines a shopping centre with an office tower.*

## MALL OF SOFIA IN GTC'S PORTFOLIO

GTC acquired Mall of Sofia in the centre of the Bulgarian capital city. The property was formerly owned by Europa Capital. Mall of Sofia combines a shopping centre and an office tower and is providing 23,700 square metres gross leasing area of retail space and 10,300 square metres of office space as well as more than 600 underground parking places.

## ATRIUM EXITS ROMANIA

Atrium European Real Estate has entered into an agreement to sell Atrium Militari shopping centre in Bucharest to MAS Real Estate Inc. for EUR 95 million. The transaction is subject to the fulfilment of certain conditions precedent, which are expected to be finalised by the end of the third quarter of 2018.

The divestment of the company's only shopping centre in Romania forms part of Atrium's ongoing strategy of rebalancing its portfolio both geographically, towards Poland and the Czech Republic, and by asset class towards larger scale shopping centres in strong urban locations which dominate their catchment areas.

## CORNERSTONE OF ARENA BUSINESS CAMPUS IN BUDAPEST LAID

Belgian real estate developer Atenor laid the cornerstone of the 72,000 square-metre office complex Aréna Business Campus in Budapest's District 8. It will consist of four office buildings. Each of them will be eight stories high and have a two-level underground car park. The price of the investment was not disclosed, but the development will be financed from own funds. Besides offices, each building in the complex will house retail units. The first of the four office buildings is expected to open by the fourth quarter of 2019.

## START FOR FLOREASCA CITY IN BUCHAREST

One United Properties and Auchan Romania have joined forces to develop a multi functional real estate project in Bucharest. Located at the junction of Boulevard Mircea Eliade and Calea Floreasca, One Floreasca City, will occupy an area which was abandoned for the last 20 years. The scheme comprises the former Ford factory, which will be transformed in a contemporary retail space, operated by Auchan Romania, an office building, One Tower, and three apartment blocks One Mircea Eliade. The entire project will be built on a 2.8 hectares plot, 30 per cent of which will be occupied by green areas. The former Ford factory dates back from 1935 when the American company was manufacturing luxury cars in Bucharest. The EUR 100 million development is expected to start immediately, with the completion expected for 2020. As a part of the project, the developers will also invest EUR 1 million for infrastructure improvement.



*The historical building on Lonyay Street in Budapest's District 9 will be revitalised and shall offer 10,872 square metres of leasable residential area.*

## ZEITGEIST ENTERS HUNGARIAN MARKET

Zeitgeist Asset Management, a company specializing in property development and asset management services for private and institutional investors, has expanded its portfolio by the acquisition of a new property for a German pension fund, administered by Institutional Investment Partners.

The residential project is located on Lonyay Street in Budapest's District 9 (Ferencváros). The company will transform the property into a residential building with a leasable area of 10,782 square metres. The conversion includes the renovation of an existing building along with the construction of new sections, while preserving the building's historical value.

## SLOVENIA'S FIRST REGULATED REAL ESTATE AIF ACQUIRES TIVOLI CENTERS

Peaksid Capital and KD Funds, one of the oldest asset managers in SEE, have launched the KD Adriatic Value Fund, the first regulated real estate alternative investment fund (AIF) in Slovenia, and made its first acquisition with the purchase of the Tivoli Center, an office building in Ljubljana for EUR 13 million. To date, the KD Adriatic Value Fund has raised commitments from regional institutional investors giving it a buying power in excess of EUR 50 million. Tivoli Center, located in downtown Ljubljana provides a gross lettable area of around 8,000 square metres across two connected buildings.

## IMMOFINANZ OPENS TWO FURTHER RETAIL PARKS IN SERBIA

Immofinanz has opened two further retail parks in its Stop Shop brand. The new properties are located in the Serbian cities of Požarevac (7,200 square metres) and Vršac (8,250 square metres). Following the market entry in Serbia during 2015, Immofinanz now operates six Stop Shops in the country. A further location in Sremska Mitrovica is scheduled to open in 2019.

## LAUNCH OF THE FIRST DEVELOPMENT AT PROLOGIS PARK BRNO

Prologis has launched the construction of Prologis Park Brno, a new logistics park in the Czech Republic, with the first speculative development of 27,860 square metres. The property is scheduled to be completed in the third quarter of 2018.

Prologis Park Brno is situated 10 kilometres south of Brno directly on the D52 motorway, which links Brno to Vienna. It will ultimately comprise three buildings totalling 90,000 square metres.



*Infinity in Wrocław will offer 22,365 square metres of office space with ancillary retail on the ground floor.*

## TRISTAN FUND ACQUIRES SITE FOR WROCLAW OFFICE DEVELOPMENT

European Property Investors Special Opportunities 4 (EPI SO 4) advised by Tristan Capital Partners has acquired a site with full development rights in the centre of Wrocław to build circa 22,365 square metres of office space with ancillary retail to be known as 'Infinity'. EPI SO 4 completed the acquisition with Avestus Real Estate, the fund's local operating partner and development manager for the project. The site is ready for immediate development to achieve a delivery date of Q3 2020.

## ORBIS OPENS IBIS STYLES IN ARAD

Orbis Group has officially opened its first three-star ibis Styles hotel in Romania, in the city of Arad. The hotel is held and was built by local investor FAB Industry, part of MR FAB Group. The ibis Styles Arad hotel has 72 rooms, a restaurant, a lobby bar, three conference halls and a multifunctional events hall. The investment is evaluated at EUR 8 million.

## CPI ACQUIRES SHOPPING CENTRE IN HRADEC KRÁLOVÉ

Meyer Bergman has sold the Futurum shopping centre in the Czech city of Hradec Králové to CPI Property Group. Meyer Bergman acted on behalf of its funds, Meyer Bergman European Retail Partners II. The fund purchased the 39,000 square metre shopping centre in late 2014.

## WING INVESTS IN SOFIA

Hungarian investor and developer Wing has acquired two office buildings in Bulgaria for a total of EUR 9.85 million. One of the buildings, the DXC office building, has 8,000 square metres of leaseable area, while the other one, Bulmag office building, offers 770 square metres. The company will partially finance the acquisition through a EUR 6.36 million loan from Eurobank Bulgaria.

## HAGAG PURCHASES TWO BUILDINGS IN BUCHAREST

Israeli developer Hagag Development Europe has purchased two buildings on Bucharest's Calea Victoriei and a 3 hectare land plot in Northern Bucharest for EUR 20 million. The group plans to invest another EUR 50 million in the procurement and development of the projects. Hagag bought the buildings on Calea Victoriei at 109 – the former Petrom headquarters – and 139.





*20,000 square metres of Sun Plaza shopping centre in Bucharest have been redesigned and modernised. Sun Plaza is offering more than 80,000 square metres of leasable area.*

## RENOVATION OF SUN PLAZA IN BUCHAREST COMPLETED

The renovation work at the Sun Plaza shopping centre in Bucharest, one of the largest development projects in the history of S Immo AG, is completed and the 20,000 square metres of revamped space opened. The renovation was completed in multiple phases over the past two years. The investment into the project amounted to EUR 30 million.

## STAFFING



*left: Fulga Dinu  
right: Karim Habra*

**Fulga Dinu** was named Country Manager of Immofinanz for Romania and Bulgaria, following the departure of Sorin Visoianu who left the real estate company after an eight-year term. Fulga Dinu previously served as CFO of Iulius Group and was also Country Manager of the German bank Eurohypo.

**Karim Habra** has been appointed Head of Europe at Ivanhoé Cambridge. He will be responsible for Ivanhoé Cambridge's European platform. He will officially assume his new duties on July 2, 2018. Karim Habra began his career with GE Real Estate in 1998, and was given responsibility for its Central European operations in 2003, before joining JER Partners in 2008 as Managing Director, European Funds. In 2012, he joined LaSalle Investment Management as Managing Director of Central Europe before serving successively as Managing Director of France, then Head of Continental Europe.



*left: Vaclav Jonas  
right: Aurelia Luca*

**Vaclav Jonas** takes over as Managing Director of CA Immo Czech Republic and is thus responsible for all asset and property management activities of CA Immo in the Czech Republic. Vaclav Jonas started his career in 2001 with Europolis Group, a Volksbanken real estate subsidiary, where he was a project manager. When CA Immo acquired Europolis AG in 2011, he joined CA Immo's asset management team as Head of Asset Management Czech Republic.

**Aurelia Luca** has been appointed MD at Skanska Property Romania. She will also become a permanent member of Skanska CEE's commercial development unit Management Team. Aurelia Luca has over 16 years' experience in the real estate market. She started in Skanska Property Romania in 2012, where she held the position of Leasing Manager, and from 2016 to 2017 as Country Director.



*Thomas Villadsen*

**Thomas Villadsen** has been appointed as Director of Austria and CEE at Allianz Real Estate. He will be Head of the newly opened office in Vienna and be responsible for the markets Austria, Hungary, Slovenia and Poland. A Danish national, Thomas Villadsen has extensive experience of various real estate sectors, particularly retail and office, as well as real estate development and asset management. He has worked across the CEE region for many years, most recently as CEO of Belgrade-based MPC Properties. Prior to this, he was the General Manager and Senior Vice President for TK Development in Prague.




## LETTINGS

### BUSINESS GARDEN, WARSAW

POLAND 

Continental Opony Polska has leased 1,566 square metres of office space in the Business Garden complex in Warsaw. The tenant was represented by Cresa Polska. The 90,000 square metre complex, which is located at Zwirki and Wigury streets, comprises seven buildings. The scheme was developed by Vastint Poland.

### HARMONY OFFICE CENTER II, WARSAW

POLAND 


Bank Millennium has prolonged its 7,500 square metre lease until 2030 at Harmony Office Center II in Warsaw. The tenant was represented by Cushman & Wakefield, while Knight Frank represented the building's owner, Azora Europa. Harmony Office Center, also known as Millennium Park, is an office complex located on Zaryna street in Warsaw's Mokotów district.

### POLNA CORNER, WARSAW

POLAND 

Regus has leased 1,550 square metres over two floors of Building C of the Polna Corner complex in Warsaw. JLL advised Regus during the lease negotiation, while CBRE represented the landlord, Ceraco. Polna Corner is located at the corner of Polna and Waryńskiego streets near the metro station Politechnika and offers 5,700 square metres of office space as well as a three level underground car park. The building was completed in the third quarter of last year.

### WARSAW SPIRE, WARSAW

POLAND 

Liber Finance Group is set to move to the Warsaw Spire tower building, expanding its headquarters to nearly 3,300 square metres. The Norwegian company signed a five-year lease on the space. Warsaw Spire offers 109,000 square metres of space. Warsaw Spire was developed by Ghelamco and completed in 2016.

### TIMPURI NOI SQUARE, BUCHAREST

ROMANIA 

Zitec has leased 1,700 square metres of office space at Timपुरi Noi Square in Bucharest. The mixed-use development project is located along Splaiul Unirii, at the junction with Nerva Traian Street. The first phase of the development project features three mid-rise office buildings, in combination with commercial and public services. The three buildings are offering up to 50,000 square metres of office space, 3,000 square metres of retail space in the ground floors and 920 parking places.

### UNIRII VIEW, BUCHAREST

ROMANIA 

Pernod Ricard Romania is leasing 600 square metres at the Unirii View office project in central Bucharest. The development of the Belgian investor Yves Weerts will offer 17,500 square metres of total leasable area. The building will have 19 floors, of which 17 floors are dedicated to offices.

## FOCUSED ON POLAND



*This year again Real Connect takes place on Warsaw's fair ground Expo XXI.*

**Small, but clearly focused on the Polish property market is Real Connect taking place at May 23 and 24, 2018 in Warsaw. The combination of exhibition and conference offers an overview of trends in the market and the opportunity to learn more about locations not always on the top of international interest.**

The difference between Real Connect and the big international trade fairs for property is in size, but as well in the clear focus on only one country – Poland.

That makes sense, because since years Poland is the one of the CEE countries that attracts the greatest interest of international investors, at least by quantity of investments. Last year transaction volume in commercial property amounted to EUR 5.1 billion – that is half a billion more than in 2016 (EUR 4.6 billion).

Therefore the first panel discussion after the opening of the event by Artur Sobon, State Secretary at the Ministry of Investment and Development, is headlined "Investing in Central and Eastern Europe". Five international players active in Poland – Matthias Brodeßer, Head of Transaction Management International of Warburg HIIH, Martin Erbe, Head of International Real Estate Finance Continental Europe of Helaba, Adam Iranyi, Head of Investment Management Poland of Union investment Real Estate, Franz Jurkowitsch, CEO of Warimpex, and Piotr Trzcinski, Asset Manager of Savills Investment Management – will talk about Poland as an investment location and about advantages of the market in comparison with other CEE countries (Wednesday, 23. May 2018, 12:00 to 13:55, Room A).

The following two panel discussions will have a more detailed look at the many

aspects of the Polish real estate investment market. "Poland in a nutshell – opportunities and potential risks on the Polish market" (Wednesday, 23. May 2018, 14:00 to 14:45, Room A) will put the main focus on macroeconomic conditions, on the legal and tax system and will ask about the availability of investment products.

Although economic growth in Poland is lower than forecast – in 2017 BIP increased by 4.6 per cent –, it is very robust. While construction activity in Poland is very high, investment opportunities are not available in a rich variety. One reason for the lack of product is the still great amount of capital in search of investment opportunities. More and more often investors get into a very early stage of a development securing the future asset by so-called Forward Purchases. Also to note is an increase in portfolio and platform investments.





*Cities like (from above) Legnica, Piotrków Trybunalski or Chorzow are not on top of international investor's list. However, not only the big cities, also the smaller ones are offering good investment opportunities and are worth a second look.*

The legal and tax aspects are gaining importance because since 2015 when the Law and Justice Party (PiS) won the election, the government caused some surprise – e.g. by the retail tax for big supermarket chains or the increasing exertion of influence by politicians on jurisdiction. Still there is no impact on the real estate markets, but there are 'red lines' also for investors. Are these lines crossed, investors will be scared.

Since years unemployment rate in Poland is declining to currently 4.4 per cent. Meanwhile more and more companies are complaining about labour shortage. That will have a long-term impact on economic development, and companies face the challenge not only to find skilled workers and employees but also to retain the existing staff and to avoid high fluctuation. Therefore the topic "Labour market – consequences for business development" (Wednesday, 23. May 2018, 15:00 to 15:45, Room A) is a reasonable part of the macroeconomic view on Poland.

Competition for labour force is also one of the reasons behind discussions about "WELL Certification – an innovative look at a comfortable workplace attractive for employees" (Thursday, 24. May 2018, 13:00 to 13:45, Room C).

Generally at the Warsaw event there are topic on the agenda well-known by western participants: "Smart Cities" and "Cities 2050 – functioning cities of the future" (Thursday, 24. May 2018, 10:00 to 10:45 and 11:00 to 11:45, both events take place in Room B). And also in Poland, one of the first countries in CEE that introduced Green Buildings in the office sector, architects (APA Wojciechowski Architekci), developers (Skanska Commercial Development Europe) and consultants (Cushman & Wakefield) discuss about "The impact of ecological certification on the commercialisation of buildings" (Thursday, 24. May 2018, 12:00 to 12:45, Room B). After the great attractiveness, the android promoting Legnica proved among the participants of at last year's Real Connect, the topic "Artificial intelli-

gence in the real estate world" (Wednesday, 23. May 2018, 14:00 to 14:45, Room B) is also included in the conference programme.

In the conference programme a look at the different segments of the real estate market is not missing: from new office concepts (Wednesday, 23. May 2018, 13:00 to 13:45, Room B) and "Warehouse 4.0 – storage – logistics – industry" (Wednesday, 23. May 2018, 15:00 to 15:45, Room B) to "Mixed-use projects, planning, financing and realisation. New challenges on a changing real estate market" (Thursday, 24. May 2018, 11:00 to 11:45, Room A), "Revitalisation of real estate" (Thursday, 24. May 2018, 12:00 to 12:45, Room A) and hotel properties (Thursday, 24. May 2018, 14:00 to 14:45, Room A).

There is one round table promising an exiting experience: four international investors will meet representatives of the cities taking part in Real Connect and discuss about development projects (Wednesday, 23. May 2018, 15:00 to 16:30, Room C).

Last year the majority of cities present at Real Connect were those which are not on top of international interest concentrated on Warsaw and the big regional centres. For these smaller cities it is much more difficult to attract interest and investments, so they have to make greater efforts. However, it might be that in the near future that will change a bit because in 2017, 75 per cent of all investment transaction in Poland took place in regional centres. That is a positive sign and there is to expect that this development will spill from the secondary to the third-tier cities. At least in Germany a similar development is to state. Either office, hotels or mixed-use buildings – there is demand for and a broad range of opportunities. These opportunities have to be discovered, though it will be projects not as big in size as in Warsaw where developers often seem to surpass each other by the number of square metres a project is offering. **I Marianne Schulze**

# POLAND'S HOUSING MARKET IN CHANGE

In 2017 the residential market in Poland outperformed the previous year's records. However, the market is facing big challenges and is changing fundamentally. Meanwhile also institutional investors are active in the market offering profitable business opportunities.

Poland's residential market is flourishing. Since five years sales are increasing by 17 to 20 per cent annually. According to the most recent report of the consultancy REAS, in 2017, a total of 67.000 units were launched for sale in multifamily development projects in the six largest cities – an increase of 3.6 per cent compared to 2016. During the same time almost 73,000 units were sold. That means new supply was not able to keep up with the growing demand. As a consequence, the inventory of unsold stock declined, but it also resulted in price increases.

However, not only the gap between demand and supply is causing price increases. The scarcity of reasonably priced land plots and much higher cost of construction – due to higher material and labour costs as well – are also boosting the housing prices. Mainly smaller development companies have difficulties because land plot are not so easily affordable any more, and with more equity invested in land and construction, the risk exposure is becoming higher. Therefore large capital-rich developers have a competitive edge. So it is no surprise that REAS is observing first signs of market consolidation because more often large players take the opportunity to grow by taking over smaller companies. A prominent example is Dom Development, one of the largest residential developers in Poland. Last year, they took over all shares in Euro Styl Development thereby opening the door to the market of Tri-City. Yet, take-overs were not only the domain of players already active in Poland. Most recently Goldman Sachs was entering the



*This residential project in Katowice was the first institutional investment in Poland.*

Polish residential market by securing a 98 per cent stake in the WSE-listed developer Robyg.

Also the Polish institutional market has grown and a significant number of build-to-rent properties were delivered in the past two years. Generally, the Polish housing market is dominated by owner-occupiers. The private rented sector was of minor importance. REAS estimates the share of rental apartments in Warsaw and other large cities at 10 to 15 per cent. However, demand for rental housing is increasing due to the low unemployment rate and migration into the cities, but also due to the rising number of Ukrainians settling in Polish cities. They can find rental apartments only in buildings with fragmented ownership and patchwork management. Further more, quality in both, building standards and apartment interiors, is often very low. This gap institutional investors have started to fill by investing in entire apartment buildings of a decent quality and standard as well as providing professional management.

However, the institutional rental market in Poland is still at its infancy. Nevertheless, it is assuming shape. So, at the end of 2017, the portfolio of the Rental Housing Fund of BGK included 13 operating properties in six agglomerations. Only two years before, the Fund acquired its first residential project in Katowice.

Złota 44 in Warsaw was a very prominent development and the diverse obstacles during realisation attracted a lot of international interest. Finally completed in 2016, the last developers, BBI Development and Amstar, sold a package of 72 apartments – the storeys 11 to 19 – to Catella Real Estate. These apartments were put on the market for rent.

Also in 2016, Bouwfonds IM acquired on behalf of its Bouwfonds European Residential Fund (BERF) a housing project in Warsaw. Meanwhile the 193 units, located on Pereca 11, are nearly completed. And last year again, Bouwfonds IM acquired three buildings comprising 146 apartments and





*For the first time in Warsaw luxury apartments for rent are offered in Żłota 44.*

113 student housing units from Hines and Heitman in Krakow. According to REAS, a total of 2,000 residential units are owned by institutional investors, 850 of them are located in six buildings in Warsaw.

The residential investment market in Poland is dominated by Resi4Rent, a platform in Echo Investment's division initiated by Griffin RE. In 2017, Resi4Rent secured around 1,235 residential units in four projects of Echo Investment located in Warsaw, Wrocław and Łódź. When it comes to investments, there were nine deals in residential rental assets in Poland in 2017 with a total volume of EUR 157 million – 7 per cent

more than in the year before and even 35 per cent more than in 2015. In comparison to the commercial investment market transaction volume is still moderate, but at least it is a beginning.

For many residential developers construction of rental apartments is no option as far as apartment sales are more profitable and the invested equity is returning quickly. That might change because an amendment to the Developers Act is intended to introduce obligatory closed escrow accounts for sales of dwellings to individual buyers. If this change in law comes into force, developers will no longer be able to

utilize instalment payments made by home buyers during the construction period. This will increase the costs of development with the consequence that especially small and mid-sized developers will be more open for the cooperation with institutional investors.

A 'special case' in the market of rental housing is student housing. This asset class is a relatively new one in Poland but with high growth potential. 1.35 million students are enrolled at Polish universities, 65,700 of foreign origin. Within the last five years the number of foreign students has more than doubled and it is expected that this number will increase further. These foreign students are currently the main tenant group in the first operating purpose-built student accommodation schemes. And the predicted growth dynamics will foster demand for student housing.

The main player in the student housing market in Poland is Student Depot managed by Griffin RE. Student Depot's portfolio comprises three running schemes in Poznań, Łódź and Lublin with a total of some 1,060 units. Another investment project in Wrocław is under construction. And in Warsaw, Krakow and Gdansk Student Depot has secured plots for the construction of student housing schemes. Student Depot aims to achieve a scale of up to 6,500 units within the next five years.

Also internationally this asset class is gaining interest. Golub GetHouse, an investment and development company with experience in the US and Poland and with plans to enter the residential market in Poland, has acquired a plot in Krakow designated for a student housing scheme of around 600 units. Another project with 400 units is planned in Warsaw. These projects will be the first investments of the new Golub GetHouse Property Fund II FIZ.

For a long time the residential market in Poland was mainly characterised by the construction of owner-occupied dwellings. During the last years significant changes started to emerge and to establish, offering new opportunities for Polish and international investors as well. **I Maria Waberski**





**REAL**CONNECT

CEE PROPERTY & INVESTMENT FAIR

**REAL CONNECT 2018**

23-24 May | WARSAW

[WWW.REALCONNECT.PL](http://WWW.REALCONNECT.PL)

# CLIMATE PROTECTION BY ENERGY EFFICIENCY

Since some time, energy efficiency is one of the key words describing the goal to control emissions of greenhouse gases by using fewer fossil fuels and more renewable energy, and by reducing generally the amount of energy consumption. However, despite the fact that technology is offering more possibilities than ever, the targets countries have committed themselves to reach are postponed into the future.

From 20 to 22 June 2018, four fairs, complementing each other and united under the title "The Smarter E Europe 2018", will take place in Munich: Intersolar Europe, ees (electrical energy storage) Europe, EM-Power about intelligent energy use in industry and buildings, as well as Power2Drive, presenting charging solutions and technologies for electric vehicles.

Eight halls are dedicated to energy. However, it is mainly about technical solutions. While (not only) in Germany homes and cities are becoming 'smarter', emissions do not decrease in the target amount. For Germany, the climate goal for 2020 was to reduce emissions by 40 per cent of the total emitted in 1990. However, up to 2017, Germany has reduced its emissions by only 28 per cent. That is at least the result of the most recent report of the German Environment Agency and the Federal Ministry for Environment. Regarding their estimations, in 2017 CO<sub>2</sub> emissions declined by 4 per cent in the energy sector. But at the same time in transport sector and industry emissions increased by 2.3 and 2.5 per cent respectively. So below the line, in 2017 emissions are reduced by only 0.5 per cent.

Increasing transport and more and more cars and lorries on the roads is a challenge causing discussions in many respects. While engines are working more and more energy efficient, cars are becoming greater and heavier thereby neu-



*A greater share of power is gained from renewables, but consumption is increasing.*

tralizing at least partly the energy savings. At the same time the number of cars increased significantly as well as the traffic in general. So fuel consumption rose during the last 25 years. The share of electric vehicles in Germany and in the EU countries in general is still very small – it is below 2 per cent. On the other hand: also electric cars are ecologically not without controversy, and the power they need has to be produced.

In 2015, transport sector was responsible for about 18 per cent of greenhouse gas emissions and thereby number three among the polluters. Regarding energy consumption, transport sector was the front-runner in Germany with 29 per cent of the total energy consumption, followed by industry with 28 per cent and private households with 26 per cent.

Despite all measures to save energy the total consumption did not really decrease since the 90s. However, one third of the total energy is gained from renewables.

Mainly power consumption is increasing. That is not really surprising. While household appliances become more and more energy efficient, their number in every household is growing and as well all the "smart" controllers and gadgets, computers, servers and routers do not work without power.

The building stock accounts for about 40 per cent of energy consumption, so it has the highest energy saving potential. It is to note that mainly the consumption of thermal energy is declining caused by increased insulation and more and more efficient working systems of heating, ventilation and air conditioning. That is at least true for new or modernised buildings. However, also in the range of new residential buildings there is much more that could be done, one has to look only at the new apartment houses in his neighbourhood: the requirements of the German Energie-Einsparverordnung (Energy Saving Ordinance) are forcing to insulate every buildings, but when it comes to



heating, a block-type thermal power station is often the most environment friendly solution. Low-energy and passive houses, photovoltaic, the use of solar or geothermal energy are to find nearly exclusively in single or two family houses.

internet. The impulse for this development was given by Taurus Investment. Together with their subsidiary company EcoSmart Solution they are developing Whisper Valley implementing all solutions for energy efficiency that are currently available.



*Vienna Airport is retrofitting energetically, Whisper Valley is completely energy neutral.*

Especially regarding housing and the development of new quarters a notable example is Whisper Valley in Austin/Texas. The first homes of the zero-energy quarter are already completed, and construction is going on. Planned is a total of 7.500 residential units in one- and multi-family houses, all of them connected with a Geothermal Energy Supply System providing heating or – in Texas with temperatures up to 45 degrees more important – cooling. Insulation and housing design also contribute to lower energy demand. Furthermore, electricity is generated by photovoltaic panels on the roofs. Each house is fitted with state-of-the-art technology – from Google Nest Technology and energy-saving household appliances from Bosch to the Google Fiber 1GB ultra-high speed

“And what about the costs?”, some might ask. Well, prices for houses and flats are similar to those, people have to pay for less energy-efficient homes in Austin. That is possible because instead of a premium for the higher development costs the individual user pays a monthly all-inclusive flat rate roughly equivalent to what he would pay under ‘normal’ circumstances for his energy consumption. This charge is fixed for 25 years and thereby clearly calculable. But there is still another hurdle to negotiate: the repair and maintenance costs for the sophisticated technology. This hurdle is lowered by the fact that for each component in the system, there is a three-year guarantee providing free repair and maintenance. And after three years, the guarantee can be extended at a modest rate.

Whisper Valley is currently one of the world's largest zero-energy quarters and the proof that whole urban quarters can be developed environment-friendly and highly energy-efficient. But new developments are only a small part of the building stock. Furthermore, there are not only residential buildings. Today no office building is developed without certification and especially in commercial premises building automation systems are keeping the energy consumption of users as low as possible. However, ‘green buildings’ in the commercial sector started to become the ‘new normal’ only ten years ago. Before there was often argued that the occupier would not appreciate ‘green buildings’, meaning: they do not want to pay the higher rents. At least in the office sector something has changed.

The question is how and how far energy consumption can be reduced in other commercial facilities and if there are possibilities to increase the share of renewable energy. Vienna Airport for example tries to reduce power consumption. In 2016, on the roofs of a hangar and a hall for equipment 2,000 solar panels and one year later, on the roof of the Cargo Center further 3,000 solar panels have been installed, producing a total of 1.3 Gigawatt of electricity annually. According to Günther Ofner, Member of the Board and CFO of Flughafen Wien AG, power consumption of the airport amounts to 146 Gigawatt annually, with air conditioning and ventilation as the main power guzzler followed by automatic doors and gates as well as escalators. That means the solar panels are providing less than one per cent of the total power demand, but it is at least a first step. It also demonstrates that other measures are necessary to make a building or complex really energy efficient and climate-friendly. That starts with planning and design and does not end with the questions about what is really necessary. There are meanwhile a lot of technical solutions but often the savings achieved by state-of-the-art technology are lost again because we expect certain standards and comforts and are not willing or able to give them up. | **Christiane Leuschner**



# rebec



REAL ESTATE BELGRADE EXHIBITION & CONFERENCE

**XI REBEC 2018**  
**JUNE, 18<sup>th</sup> - 20<sup>st</sup>**



**SPONSORS**

**ReedSmith**

**MERIN**  
**ASSET MANAGEMENT**  
— member of Merin Holdings —



**UNITED DIFFERENCES**

**Institutional Partner**



**European Bank**  
for Reconstruction and Development

[www.rebec.rs](http://www.rebec.rs)

## FOR YOUR PLANNING

When	What about	Where	For information and registration
23. – 24. May 2018	Real Connect CEE Property & Investment Fair	Warsaw Expo XXI, Pradzynskiego 12/14, Warsaw, Poland	<a href="http://www.realconnect.pl">www.realconnect.pl</a>
18. – 20. June 2018	Rebec XI SEE Real Estate Belgrade Exhibition & Conference	Hotel Hilton Belgrade, Kralja Milana 35, Belgrade, Serbia	<a href="http://www.rebec.rs">www.rebec.rs</a>
27. – 30. June 2018	ERES 25th Annual Conference	Real Estate & Planning, Henley Business School, University of Reading UK	<a href="http://www.eres.org">www.eres.org</a>
20. September 2018	CEE Property Forum	Imperial Riding School Renaissance Vienna Hotel Ungargasse 60, Vienna, Austria	<a href="http://www.property-forum.eu">www.property-forum.eu</a>
8. – 10. October 2018	Expo Real 21st International Trade Fair for Property and Investment	Messe München, Munich, Germany	<a href="http://www.exporeal.net">www.exporeal.net</a>
14. – 16. November 2018	Mapic	Palais des Festivals, Cannes, Frankreich	<a href="http://www.mapic.com">www.mapic.com</a>

# WARSAW HAS REACHED WESTERN EUROPEAN STANDARDS



Derek Jacobson,  
Co-Chief Investment Officer,  
Madison International Realty

Historically, Poland was lumped together with Central and Eastern Europe. In recent years, with Warsaw as the capital and economic driver, the country has developed significantly. Many international companies entered the market, and European firms established both primary and "back" offices in Warsaw. You find highly educated workforce. If you look

at Warsaw today, it feels much like an other traditional Western European city.

This holds true for the property market, which has a high level of professionalism and transparency. There has been strong development of globally modern office stock which has attracted a broad variety of institutional investors from insurance companies to pension funds to private equity to the market. It is not surprising that the CEE Property & Investment Fair Real Connect, which currently takes place for the second time, is based in Warsaw.

We have been monitoring the Warsaw property market for the last five to six years and saw a number of potential transactions. Madison International Real Estate Liquidity Fund VI LP recently acquired a 50 per cent stake in the iconic Warsaw Spire office tower, becoming partners with the Ghelamco GP12 fund. The value of the tower is approx. EUR 350 million. The tower is the tallest office building in Central Europe and the transaction represents one of the country's largest office real estate transactions in recent times. It is Madison's first in Poland. Madison specializes in acquiring ownership stakes, joint venture, private REIT and listed property shares in prime properties and portfolios in primary mar-

kets in the US, UK and Western Europe – you see, Warsaw ranges as Western Europe.

Warsaw Spire is Ghelamco's flagship development in Poland. It was awarded with the 2017 Best Office & Business Development title at the Mipim Awards. At 220 metres high and with 49 floors, Warsaw Spire is comprising 64,500 square metres of office space.

The building is located in the City Centre West, the new business district of Warsaw, at Rondo Daszynskiego. It is the most dynamic and growing part of the city and offers strong private and public transport connections, including Warsaw's new second Metro line as well as multiple tram and bus routes. Unlike any other office complex in the city, with Plac Europejski, it includes a unique urban space, accessible to everybody. This area at the foot of the building provides extensive public space with fountains, greenery and urban furniture.

In short, Warsaw Spire fully meets our strategy. The Polish market is set for outperformance and we see this one-of-a-kind asset as well placed to take advantage of that trend. Looking for further opportunities we might consider further investments in the Polish capital.

## imprint

**Editors:** Andreas Schiller (V.i.S.d.P.), Marianne Schulze

**Layout:** Silvia Hög, [www.diehogl.at](http://www.diehogl.at)

**Frequency of publication:** eight times a year

**Publishing House:** Schiller Publishing House  
Unternehmensgesellschaft (haftungsbeschränkt)  
Lohplatz 13, D-51465 Bergisch Gladbach

**Managing Director:** Andreas Schiller

**Registered:** Amtsgericht Köln, HR: B 68026

**UID:** DE270670378

**T:** +49 22 02 989 10 80

**E:** [office@schillerpublishing.de](mailto:office@schillerpublishing.de)

Articles by authors represent the opinion of the author, and not necessarily the one of the editing office.

For the purpose of information SPH Newsletter may be printed, digitally distributed and placed on the own homepage without any payment or permission.

If articles or quotes are placed in either a press review or on the own homepage, it is obligatory to mention SPH Newsletter as source.

The publishing house expressly receives the right to withdraw this general permission in individual cases.

Any reprint or other commercial use made out of SPH Newsletter outside that permitted within the narrow limits

of the copyright is subject to permission from Schiller Publishing House.

Any reprint or other commercial use assumes the written permission of the publishing house.

**Photography:** Ralf Sudrigian (p. 1), Frank Boston – Fotolia.com (p. 10), EXPO XXI (p. 11), Tomek JSz – Wikimedia Commons (p. 12 above), Szymon Dedek – Wikimedia Commons (p. 12 in the middle), Lukasz Krajs – Wikimedia Commons (p. 12 below), HM Invest (p. 13), Achimbodewig – Wikimedia Commons (p. 14), moquai86 – Fotolia.com (p. 16), IBC Solar (p. 17 above), Taurus Investment (p. 17 below)