

SPH newsletter

news

News from CEE/SEE page 2
Staffing page 11
Lettings page 12

special

As Expo Real 2021 was significantly smaller than in previous years, discussions were more targeted and intensive. There was more time to address the urgent issues and challenges facing the industry.

page 13

background

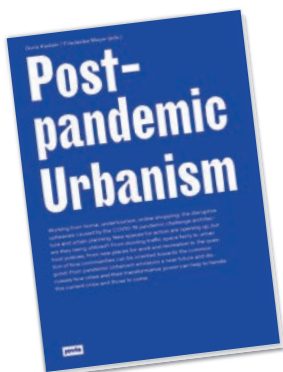
In many areas, the pandemic has given digitalisation an unexpected boost. But growing data volumes also require more and more data centres.

page 16

book review

The 14 chapters are not only about "post-pandemic" cities, but more generally about how cities can be made more liveable.

page 19



DEAR READERS!



Incomprehension is the most common reaction in other European countries and in other continents when it comes to the current handling of the pandemic in Germany. Despite rising infections and precarious situations in hospitals, major regional events such as the opening of the carnival season and football matches with many spectators were allowed and justified. At the federal level, instead of fighting the pandemic, politicians were primarily occupied with election campaigns and then with coalition negotiations.

What is to be said? I keep thinking of a sentence I read in a summary this autumn: "People are tired of the pandemic." That is understandable, but unfortunately Covid-19 is not tired to infect people. On the contrary. After the Delta variant, the next one is now on its way.

Only two months after Expo Real, it is hard to imagine that the fair could take place in presence. The follow-up reporting in this issue is about, among other things, the lecture by Gertrud Traud, Chief Economist at Helaba. The keynote was part of an event called "People, Markets, Mutations: What the pandemic has changed". This title had been announced since August. No one could have been clairvoyant when planning the conference programme. But all the information, including the possibility of further mutations, was available. We could prepare ourselves for scenarios that would await us in winter.

To all of you I sincerely wish all the best for what lies ahead.

Yours,

Andreas Schiller



BudaPart Gate is an office property with around 20,000 square metres of lettable space.

S IMMO ACQUIRES BUDAPART GATE IN BUDAPEST

The listed S Immo AG has expanded its portfolio in the Hungarian capital with the BudaPart Gate office building. The lettable area measures around 20,000 square metres. The office property is located at the entrance to the BudaPart area, the largest urban development area in Budapest with a mix of office, residential, retail, gastronomy, entertainment and local recreation. The seller is Market Asset Management Zrt, a subsidiary of one of the largest construction companies in Hungary. The two parties have agreed not to disclose the purchase price.

MITISKA REIM EXPANDS ITS RETAIL PARK PORTFOLIO IN ROMANIA

Mitiska REIM announced the opening of a new retail park development in Baia Mare and the opening of an extension to an existing retail park located in the Romanian city of Medias.

Developed in partnership with Square 7 Properties, the new Baia Mare retail park has a gross leasable area of 8,200 square metres and is located adjacent to an existing Kaufland supermarket, on a main boulevard in the southwest of the city. Developed on an urban infill site which was formerly a furniture factory, the site offers parking for 300 cars.

The extension at Medias retail park has increased the commercial area of the site by 8,000 square metres, to now total 9,000 square metres. Also developed in partnership with Square 7 Properties, the site is located next to a Kaufland supermarket.

Both the Baia Mare and Medias developments received construction finance through the senior debt facility arranged with Erste Group Bank AG in March 2020 for the entire Romanian portfolio. Mitiska REIM has secured a pipeline of three additional retail park opportunities in Romania for 2022.

PBB PROVIDES LOAN FOR A LOGISTICS PORTFOLIO IN POLAND

pbb Deutsche Pfandbriefbank has provided an investment loan facility and a VAT facility totalling EUR 90 million to GreenOak Europe Core Plus Logistics, a fund managed by BentallGreenOak (BGO). The fund will utilise the proceeds for the acquisition financing of a logistics portfolio in Poland. pbb acted as arranger and sole lender under the facilities.

The portfolio consists of five assets across central and western Poland. All properties are newly built warehouse assets of which three are located in Warsaw, one in Poznan and one in Radom. The portfolio comprises a total of 191,000 square metres gross lettable area.



Highlight Towers

Office Building
Munich
Germany

Helaba | 



Cantata

Residential
Washington, D.C.
USA



BETC HQ

Office Building
Pantin
France



ONE

Mixed-used
Skyscraper
Frankfurt
Germany



Windmill Green

Office Building
Manchester
Great Britain



Glories

Portfolio
Barcelona
Spain



Main Point Pankrac

Office Building
Prague
Czech Republic

Higher returns through bespoke solutions.

In the real estate business, we are the experts for your bespoke financing solutions. Our solutions are finely tuned to your needs and encompass a comprehensive spectrum of services. As your partner in national and international markets, we give your project the drive it needs to succeed – competently, reliably and over the long-term.

Values with impact.



Raiffeisen Pension Insurance Company has acquired the Mani Business Center in Croatia's capital city of Zagreb. Seller of the property was M7 Central European Real Estate Fund I.

RAIFFEISEN PENSION INSURANCE BUYS MANI BC IN ZAGREB

On behalf of the M7 Central European Real Estate Fund I (M7 CEREF), M7 Real Estate has completed the sale of the Mani Business Centre in Zagreb to Raiffeisen Pension Insurance Company. M7 will continue to manage the property on behalf of the new owner. M7 acquired Mani Business Centre, a 12,900-square metre multi-let office building, in 2016.

VGP ENTERS THE BUDAPEST MARKET

Pan-European provider of logistics and semi-industrial real estate VGP enters the Budapest market by purchasing a 38-hectare development site at Üllö, adjacent to Budapest International Airport Liszt Ferenc. The location offers excellent transport connections across the country with the motorways M1, M3, M4 and M5 accessible within 30 minutes. The development potential of VGP Park Budapest Aerozone is approximately 125,000 square metres.

The park will consist of three buildings of 30,000 square metres up to over 60,000 square metres of space. Construction for the first building will start during 2021.

VGP has a portfolio of 120,000 square metres in Hungary strongly connected to the automotive industry in existing VGP parks such as Győr and Kecskemét.

PATRON CAPITAL AND TREI REAL ESTATE FORM RETAIL JOINT VENTURE

Patron Capital und Trei Real Estate have formed a new 75:25 joint venture to develop and hold retail parks in Poland under the Vendo Park brand. The partners plan to invest approximately EUR 140 million over the next three to five years, with an initial target of between 15 and 20 Vendo Parks in regional Polish cities.

Five Vendo Parks are already confirmed to be in the development pipeline. The first of these will be located in Chorzow in the Silesian voivodeship, and it is expected to open before the end of Q4 2021. The other four towns are Otwock, Lapy, Skarzynsko-Kamienna and Siedlce.

HINES ACQUIRES EASTGATE PARK IN PRAGUE

Hines has acquired Eastgate Park in Prague. The 39,000-square metre last-mile logistics facility is situated in an established industrial zone surrounding Prumyslova street in Sterboholý – an industrial area within the Prague metro area. Eastgate Park's last-mile location benefits from links to the motorway network, allowing to service the majority of Prague's population within a 30-minute drive.

From convenience ...

Connect with our investment spectrum

As one of Europe's leading investment managers for retail properties, Union Investment is committed to further accelerate the international expansion of the retail portfolio – from grocery-anchored retail parks and convenience retail to market-dominant shopping destinations. We welcome your ideas – let's do business!

union-investment.de/realestate

... to experience

Welas Park, Wels, Austria

Palladium, Prague, Czech Republic



The now opened hotel Katowice Mercure Centrum has been developed by UBM Development and was sold to Union Investment.

UBM AND ACCOR OPEN MERCURE KATOWICE CENTRUM

The grand opening of the Mercure Katowice Centrum marked the end of construction after a period of only two years. The hotel operating under Accor brand was realised by UBM Development. Mercure Katowice Centrum is located in the heart of Katowice and has 268 rooms on eight floors. It is situated only 100 metres from the railway and bus stations. It was sold by UBM to Union Investment.

FUTUREAL SECURES FINANCING FOR BUDAPEST ONE OFFICE PARK SCHEME

Futureal has signed a loan agreement worth EUR 60 million with Erste Bank to finance the construction of Phase 2 of Budapest One office park. The second phase of the office building is being developed simultaneously with the third phase, both will be handed over in the second half of 2022.

Budapest One office park is located in Örmező, next to Hungary's largest multimodal transportation hub, at the junction of Kelenföld railway station, metro line 4, tram line 1 and several bus routes, as well as the Budapest stretch of the M1 – M7 motorways. The 25,000-square metre first phase of the complex was handed over in the beginning of 2020. The nearly 20,000-square metre second phase and the 19,000-square metre third phase will be completed in the second half of 2022.

SCALLIER OPENS NEW REGIONAL RETAIL PARK IN ROMANIA

Scallier has opened a new retail park in Focsani in Romania. The centre comprises 5,000 square metres of gross leasing area. The launch follows the opening of the retail park in Rosiorii de Vede with 6,200 square metres gross leasing area in September 2021.

CBRE IM ACQUIRES POLISH LOGISTICS PORTFOLIO

CBRE Investment Management, on behalf of one of its Pan European Funds, has completed the acquisition of a fully-let portfolio of logistics assets in Poland, from 7R SA. Comprising a total of 44,844 square metres of space, the portfolio consists of 7R Park Poznan East and 7R Park Sosnowiec.

7R Park Poznan East consists of one 22,458-square metre logistics building, while 7R Park Sosnowiec includes three buildings with a total of 22,386 square metres of lettable space. All four properties were developed in 2019 by 7R in a joint venture partnership.

WHEN IT COMES TO SUSTAINABILITY, WE DON'T HOLD BACK.



CA IMMO

URBAN
BENCHMARKS.



OFFICE PROPERTY GRASBLAU
Berlin | DE
Targeted certification standard: DGNB Gold

CREATING VALUE IN BALANCE WITH THE ENVIRONMENT AND SOCIETY.

As a top player in the European real estate sector, we are committed to sustainable corporate governance in the broadest sense. Compliance with a wide range of voluntary requirements and standards in environmental and social matters has long been binding for us and our supply chain. We have already embarked on the path towards a sustainable, climate-neutral economy with the aim of making CA Immo completely future-proof in the long term.

You can find further information at
www.aimmo.com/sustainability

- First Green Bond successfully issued in October 2020
- Approx. 70 % of the building stock with sustainability certificate (DGNB, BREEAM or LEED)
- Conversion of building operations to green electricity
- EPRA Sustainability Gold Award 2021 for exemplary sustainability reporting (www.epra.com)





Susai Hotel in Predeal is to be redeveloped into a five-star hotel. Predeal in Brasov County is the highest town in Romania.

HAGAG DEVELOPMENT EUROPE PURCHASES SUSAI HOTEL IN PREDEAL

Real estate developer Hagag Development Europe announced the acquisition of Susai Hotel, a property located in Predeal, one of Romania's most prominent mountain resorts. The company is considering investments of about EUR 60 million for the renovation and modernization of the asset, which continue to serve the hotel segment.

Currently in the design phase, the future project will be known by the name of H Susai and will be developed based on the specific references and requirement of the international concept Bio & Spa hotels, which implies the integration of as many green elements as possible, supplying the complex with energy coming from renewable sources, certified organic restaurants supplied from organic sources, etc. The property will surpass an extensive transformation process and aims for a standard of at least 5 stars.

DISPOSAL OF PRAGUE PORTFOLIO FROM REVETAS CAPITAL FUND II

Revetas announces the successful disposal of the remaining assets of Revetas Capital Fund II's Project Papa office portfolio in Prague, bringing the total transaction value to over EUR 100 million. One of the four assets initially comprised in the portfolio, BBC Vila, had previously been sold to Passerinvest Group. The three remaining buildings with a total gross leasing area of 33,000 square metres are located in close proximity of each other in the Karlin neighbourhood of Prague's 8th district and were acquired by local real estate group Ceskomoravská Nemovitostní. Terms of the transaction were not disclosed.

The remaining portfolio comprised the Corso Karlin building, initially built as an industry hall in 1890 and subsequently repurposed to office use by architects Ricardo Bofill Levi and Jean Pierre Carniaux. The two other assets, Apeiron and Zirkon, were designed by the Czech architect Aulický, otherwise known for his work on the Žižkov Television Tower, one of the tallest buildings in Prague.

M7 BUYS LAST MILE LOGISTICS PROPERTY IN BUDAPEST

M7 Real Estate has fully deployed the capital raised on behalf of M7 CEREF II, its value-add fund targeting logistics and office investments in key Central European markets. The final acquisition is Pallag 43, a last-mile logistics asset in the north of Budapest, acquired from a private investor for EUR 9.6 million.

Pallag 43, which comprises 11,152 square metres of distribution warehouse space, is fully let to Autone, a multi-national supplier of automotive parts, on two separate leases which are due to expire in 2022 and 2026.



Vulcan Residence in Bucharest is the first residential project realised by NEPI Residential, the new residential division of the NEPI Rockcastle group.

NEPI ROCKCASTLE: CONSTRUCTION START OF FIRST RESIDENTIAL PROJECT

NEPI Residential, the new residential division of the NEPI Rockcastle group, announces receiving the construction permit and the start of works at Vulcan Residence, an apartments complex in 13 Septembrie area in Bucharest. Vulcan Residence will be built in a single phase and will have 256 apartments. The project will be finalized in the third quarter of 2023. The investment amounts to approximately EUR 22 million.

CROSSBAY ACQUIRES TWO LOGISTICS PROPERTIES IN POLAND

Crossbay, the pan-European urban logistics platform founded by real estate investment manager MARK, has acquired its first two assets in Poland. The two assets, situated in Warsaw and Lodz, represent almost 100,000 square metres of warehousing space. Both sites were acquired from Panattoni Europe. The purchase price was not disclosed.

Panattoni Park Warsaw City VII enjoys easy access to the capital's city centre and will provide about 61,000 square metres of logistics space once completed. Panattoni Europe will act as development manager, with practical completion expected in 2022.

Panattoni Park Lodz City IX is situated in Lodz city centre, with excellent transport connections to Warsaw, Poznan and Wrocław. The logistics facility offers 38,000 square metres of space.

ELI SECURES FINANCING FOR POLISH LOGISTICS PORTFOLIO

European Logistics Investment (ELI) has signed a loan agreement for EUR 111 million with Berlin Hyp to refinance four projects from ELI's logistics portfolio. The properties are located in Bielsko-Biala, Ruda Slaska, Warsaw and Torun, covering seven buildings with a total gross leasing area of 216,000 square metres.

TREI OPENS ITS 27TH VENDO PARK IN POLAND

Trei Real Estate GmbH, an international developer and asset holder for residential and retail real estate, has opened its 27th retail park of the Vendo Park brand in Poland. The property is located in Inowrocław in the Kuyavian-Pomeranian Voivodeship. Inowrocław lies on the bank of the River Noteć, 100 kilometres north-east of Poznan, and is known for its saltwater baths and salt mines. The new retail park provides a total leasing area of 5,000 square metres and a total of 242 car parking spots. The investment volume adds up to a total of EUR 6.4 million.



One Athénée is a project in which One United Properties is restoring and redeveloping a historic building for the first time.

ONE UNITED PROPERTIES PURCHASES HISTORIC BUILDING IN BUCHAREST

One United Properties announces the acquisition of a historic building in Bucharest, with the purpose to transform it into a new development called One Athénée. The building is located at 2 Georges Clemenceau Street in Bucharest, near the Romanian Athenaeum. The value of the transaction amounts to EUR 4.9 million and the estimated gross development value is EUR 21 million.

The building, classified as a historical monument, will be entirely renovated by One United Properties. After completing the restoration process, the location will host commercial spaces on the ground and the first floor. The upper flats will host ten apartments overlooking the Romanian Athenaeum. One Athénée is the first development of One United Properties that includes the restoration of a historical monument with the purpose of protecting and regenerating the cultural heritage of Romania's capital.

SAVILLS INVESTMENT MANAGEMENT ACQUIRES A2 WARSAW PARK

Savills Investment Management, on behalf of Savills IM European Logistics Fund 3, has acquired A2 Warsaw Park, a warehouse unit near Warsaw, from Invesco Real Estate. The transaction value of the 106,000-square metre property was EUR 112.5 million. The A2 Warsaw Park was developed by Invesco. Completed in 2020, it is located in Adamów, near the Grodzisk Mazowiecki junction of the A2 highway, 35 kilometres from downtown Warsaw.

EQT EXETER EXETER BUYS POLISH LOGISTICS PORTFOLIO

EQT Exeter has acquired a portfolio of five Polish warehouse properties from Tristan Capital Partners' EPISO 4 fund and White Star Real Estate for an undisclosed sum. The properties that make up the 161,689-square metre portfolio are located in Grodzisk Mazowiecki (close to Warsaw), Poznan, Pruszcz Gdanski (just south of Gdansk), Wrocław and Czeladz (near Katowice). The last-mile logistics centres range from 16,000 square metres to 40,000 square metres gross leasing area.

OXFORD PROPERTIES COMPLETES M7 REAL ESTATE ACQUISITION

Oxford Properties Group has completed its acquisition of M7 Real Estate, having received all regulatory approvals. The deal, which was announced in January this year, provides Oxford Properties Group with a specialist platform through which it can accelerate the deployment of capital into European multi-let industrial and urban logistics.

ATRIUM INVESTS IN POLISH RESIDENTIAL PORTFOLIO

Atrium European Real Estate has signed its first two residential transactions, totalling around 650 residential units, located in Warsaw and Krakow in Poland, for EUR 53 million. Both transactions are expected to be completed by the first half of 2022, with all apartments operational by the end of 2022. The acquisitions form part of the diversification strategy which targets the creation of a portfolio of approximately 5,000 residential for rent units by the end of 2025.

The first property is located in the Włochy district in the western part of Warsaw. The 541-unit building complex is scheduled for completion no later than Q2 2022. The second property is being developed in Krakow. The 109-unit building is also expected to be delivered in Q1 2022. The property is located in the Krowdrza district, in the north-western part of Krakow.

STAFFING



left: Bartłomiej Krawiecki
right: Paweł Suracki



Stefan Süsschetz

Bartłomiej Krawiecki has been appointed Vice-Chairman of the Management Board and Chief Operating Officer (COO) of 7R. In his new role, he is responsible for implementing 7R's development strategy in Poland and foreign markets. Bartłomiej Krawiecki has been a member of 7R's board since 2018. As Head of Development, he oversaw key stages of the development process. He is the creator of the 7R City Flex Last Mile Logistics concept – the first urban warehouse network in Poland, which includes key locations near city centres across the country.

Paweł Suracki joined Colliers as the Investment Services Director. After 10 years, Paweł Suracki returned to the company and the department managed by Piotr Mirowski, where he began his career in the real estate industry. Paweł Suracki has over fifteen years of experience in the real estate market. He started his professional career at Colliers, then he worked at ING Bank, where he was responsible for financing ING Real Estate Finance clients in the field of commercial real estate.

Stefan Süsschetz has been appointed to the Management Board of Union Investment Real Estate Austria AG. As Chief Risk Officer and Chief Operating Officer, he will be responsible for the strategic and operational management of the real estate fund company, which is based in Vienna. Stefan Süsschetz succeeds Manfred Stagl who will be starting his retirement on December 31, 2021, after more than 15 years at Union Investment. Stefan Süsschetz joins Union Investment from the asset management of Erste Group. Over the past eight years, he has held various positions there, most recently as Head of Risk Management Real Estate at Erste Asset Management GmbH and Head of Risk Management & Compliance at Erste Immobilien Kapitalanlagegesellschaft. Prior to that, Stefan Süsschetz worked for the consulting firm Ernst & Young, the Ergo Group, and the Allianz Group. Stefan Süsschetz is a Certified Real Estate Investment Analyst (CREA®) and also holds a diploma in corporate management.



LETTINGS

RIVER CITY, PRAGUE

CZECH REPUBLIC 

Mississippi House and Missouri Park, two office buildings in the River City Prague campus, welcome two new tenants: Pure Storage will be expanding its rental space for an additional 3,200 square metres within the River City Prague campus, and Novo Nordisk, who are newly moving to the Karlín district. Construction of Mississippi House and Missouri Park was completed in July 2021. The properties, owned by CA Immo, offer a total of 20,750 square metres of lettable area.

NORBLIN FACTORY, WARSAW

POLAND 

The owner of one of the most popular Internet radio stations – newonce.radio – will move its headquarters to the Norblin Factory and has let 366 square metres in building C at Prosta Street. Norblin Factory is a revitalization project in Warsaw's Wola district. The post-industrial complex of the Norblin Factory covers over 65,000 square metres, out of which 41,000 square metres will be taken up by office space, and the remaining 24,000 square metres are dedicated to entertainment, cultural, gastronomic, service and commercial concepts. The investor and originator of the revitalization of the Norblin Factory is the Capital Park Group.

POSTEPU 14, WARSAW

POLAND 

CA Immo has signed a lease extension agreement in the Warsaw office building Postepu 14. AstraZeneca Pharma Poland has decided to stay in the building for another 5 years and lease an additional 3,000 square metres. Consequently, the seat of AstraZeneca Pharma Poland in Warsaw will amount to around 21,000 square metres. Postepu 14 is located at the intersection of Marynarska and Postepu streets in Warsaw's Mokotów district, offering almost 34,500 square metres of leasable space.

SKYLINER, WARSAW

POLAND 

From March 2022, Skyliner office building in Warsaw will become the new headquarters of the Polish branch of Colonnade. The insurer will occupy the area of 1,500 square metres. Skyliner has been developed by Karimpol on ul. Prosta near Rondo Daszynskiego in Warsaw's Wola district. The 195 metre tall skyscraper offers 45,443 square metres office space and about 3,000 square metres commercial space, located on over 30 floors.

VARSO TOWER, WARSAW

POLAND 

International law firm CMS has signed a lease for 7,000 square metres of office space in Varso Tower, developed by HB Reavis. Varso Tower is the final piece of Varso Place mixed-use development by HB Reavis consisting of offices, a hotel, an innovation hub and retail ground floor. Designed by Foster + Partners studio the skyscraper should be the tallest building in the European Union, after construction is to be completed in 2022. The project is situated in the centre of Warsaw near Warsaw Central Station.

EXPO REAL 2021: SMALLER, BUT MORE EFFICIENT



The fact that Expo Real 2021 had fewer participants than in the past was seen as an advantage rather than a disadvantage.

Expo Real 2021 was significantly smaller than in 2018 and 2019, but almost all participants felt this rather comfortable. Discussions were more targeted and intensive, and despite all the Covid-19 protection measures, the atmosphere was very relaxed.

Over 19,200 participants gathered in the halls of Messe München at Expo Real from 11 to 13 October 2021. That was only about 40 percent of the participants from 2019, but – as was heard often – “the right people were there”. And almost everyone was satisfied with that. Yes, the focus was on Germany, but exhibitors from Austria, the Netherlands, Poland, Switzerland, Portugal, Romania, Spain, France, Serbia and Italy also presented

themselves. As well the visitors included participants from these countries, but also from the UK, the Czech Republic, Luxembourg and Italy.

The fact that Expo Real was able to take place again after two years had not only to do with the protection and hygiene concept of the organisers, but primarily with the fact that – as could be heard – 96 percent of the participants were vaccinated and for the remaining four percent – partly also vaccinated, but with a vaccine not approved by the EU – a day-by-day test was required.

That the distances, especially in conversations on the stands, were not always kept, nor could be kept, was little surprise. Nevertheless: Generally, the mood

was positive, and people were happy to be able to talk to each other again.

The positive mood was also supported by Dr. Gertrud Traud, Chief Economist and Head of Research & Advisory at Helaba, when she put forward her first thesis in her keynote address for the opening round at the Expo Real Forum: “The real estate market was largely spared the Covid-19 pandemic and the associated economic recession.”

Nevertheless, the question of how the economy will continue, what the consequences of the pandemic will be in the medium and long term and the impact of the urgent climate protection requirements were at the forefront of many conversations and discussions. ESG was also on

many people's lips – often with the addition: "That's not a request, it's a fact!"

In addition to Dr. Gertrud Traud, another economist, Dr. Holger Schmieding, Chief Economist of the Hamburg-based bank Berenberg, offered orientation for further economic development in another panel discussion. Gertrud Traud had started her lecture by saying that the recession of 2020 had been caused by politics – keyword: lockdown, which slowed down not only social life but also the economy in large parts. With the easing of the restrictions, a steep rise in economic growth was to observe.

This economic growth, however, has its pitfalls. The rebounding demand is much higher than the supply, and the problems in the global supply chains are further tightening the supply. Prices are rising accordingly and the money that the EU is currently distributing is further worsening the situation. In addition, the ageing of society and a blatant shortage of skilled workers are also acting as an inhibiting factor on economic recovery. Looking at the considerable gap between new orders and production, Gertrud Traud sees "not much economic growth" in the near future, but higher inflation, "no matter what the Central Banks say".

Looking at the real estate markets, the economist sees unbroken demand for residential property, but rising material prices will result in ever higher construction costs. Gertrud Traud is critical of the announcement that 400,000 new flats will be built every year: "It won't work because of the lack of workers," she says, explaining her scepticism.

The logistics boom will also continue, "as we have all become accustomed to convenient shopping from home". The boom of online shopping, however, will continue to have a negative impact on retail real estate. According to Gertrud Traud, there is a clear oversupply of shopping malls, which also contributes to the negative performance of retail space. In the following discussion it was Sabine

Barthauer, Member of the Board of Management of DG Hyp, who pointed out the possibilities of converting shopping malls into mix-used buildings, with offices, service points, sports facilities and even with residential units. In the case of office real estate, forecasts about the further development are ambivalent: Will

the politicians do everything right". The gap between orders and production will close, the employment rate will rise, as will wages, and consumption will remain robust. However, this will also mean that inflation will remain, albeit at a – according to Holger Schmieding – weakened level.



Dr Gertrud Traud, Chief Economist at Helaba, sees clouds on the economic horizon.

there be more space for the individual or will the proportion of desks per head of employees decrease and thus the space required?

While Gertrud Traud was at least rather critical about the future, Holger Schmieding was more optimistic, especially about inflation. He pointed out that the inflation rate is always calculated in relation to the same month of the previous year and that in 2020 prices were very low, not least due to the temporary reduction in value-added tax. He also does not see a money bubble, as the additional money from both companies and private households is rather used to keep liquidity high. While he concedes that the next few months could be difficult, also and especially in view of rising energy prices, he sees "golden 20s" ahead – "if

Even the high levels of government debt, which are troubling Dr. Ulrich Nack, Professor at EBZ Business School, are not a problem in Holger Schmieding's eyes when the economy picks up again. On the contrary: especially in times of low interest rates, new loans are cheaper than older ones, thus reducing the debt service of the states.

Although both economists assessed the situation differently, they agreed that interest rates will hardly rise before the end of 2023, and if they do, it will probably be moderate – news the real estate industry in particular was happy to hear.

Another dominant theme at Expo Real was climate change and its consequences, especially in cities. There was a whole series of events in the conference



What Professor Dr. Matthias Garschagen (left) made the real estate industry take note of was the subject of many talks.

programme devoted to individual aspects of urban development and building construction. Professor Dr. Matthias Garschagen, Chair of Anthropogeography with a focus on human-environment relations at the Ludwig Maximilians University in Munich, presented fundamental issues in his keynote speech: Heat waves, flooding due to heavy rain, rising sea levels and violent storms will increase as the earth's atmosphere warms, with the highest hazard potential often being in areas with a high level of urbanisation, notably in coastal regions.

But cities far from the coast will also experience an increasing frequency and intensity of hydro-meteorological extreme events. He illustrated this with the example of Germany, where the number of hot days with temperatures over 30 degrees Celsius and nights in which temperatures no longer drop below 20 degrees Celsius will increase significantly and corresponding heat waves will last longer and longer. This endangers not only, but especially older people who – as the poverty report of the city of Munich shows – are also increasingly affected by the risk of poverty and therefore have fewer possibilities to escape or counteract this development.

According to Matthias Garschagen, the question of whether urbanization leads to

an increase in vulnerability or whether its potential for vulnerability reduction can be tapped depends on the mode and quality of urban governance.

Using Bonn, his former place of work, as an example, he showed where in the city the danger of overheating is highest – and how people react to these challenges. It was interesting that while 75 per cent of the respondents said yes to “adapting Bonn to the expected heat stress should be a high priority in urban development” and that only 10 per cent answered no. But when it came to “using public funds for the adaptation, even if it is at the expense of other sectors”, the agreement dropped to one third and another third answered no to this. In other words, there is still a lot of need for communication and explanation.

Buildings are still responsible for around 40 per cent of all emissions in Germany, with the lion's share – around 75 per cent of total emissions from buildings – coming from use and operation. Similarly, around 52 hectares of land are still sealed per day for settlement and traffic, a figure that should actually fall to 30 hectares by 2020 and even further by 2030.

These factors worsen the situation and make flood disasters like the one in the Ahr valley this year, as well as violent

storms or extreme droughts, increasingly likely. At some point, these risks will no longer be manageable and will have an economic impact, not only for the individual, but in general – thus affecting also the construction and investment sector. In this respect, the real estate sector has a key role to play both in combating climate change and in adapting to the risks of climate change. According to Matthias Garschagen, this is not only a question of technical possibilities, but also of institutional adaptations and to a new form of social responsibility – and this brings us back again to ESG.

Christian Franz, Head of Sustainability at Siemens Real Estate Munich, pointed out that the construction sector is still struggling to adapt to the requirements of more sustainability and climate protection. Mainly the executing companies are often overstrained by the requirements of sustainable developments. It is just as much a question of training in this area as in the real estate industry in general. However, sustainability issues as well as the requirements of ESG have already found their way into universities and postgraduate studies. That is positive news because in the future, real estate business has to tackle with more fundamental issues than just the well-known business parameters, i.e. rents, yields and returns. | **Marianne Schulze**

GIGANTIC EXPANSION



The advancing digitization has received a further boost with the Covid-19 pandemic.

Digitization is on everyone's lips. It is invoked, required and promoted as a megatrend. Digital solutions now play a role in every analogue situation. But what is it all about and which impact does increasing digitization have on the real estate markets?

First, let's think back to the end of 2019, before the Covid-19 pandemic broke out. The topic of digitization had been omnipresent for a long time – in discussions, at congresses, in publications, in conversations and in almost all fields of our analogue life with laptops, tablets, mobile phones and more. In real estate, the spectrum ranged from smart homes and even entire smart cities to so-called

intelligent buildings on the office market as well as to a multitude of business solutions presented by PropTechs and some FinTechs. The abbreviation BIM for Building Information Modelling also played an increasingly important role in the planning and construction of real estate. And for the ground on which buildings stand and will be developed, there was LIM as Landscape Information Modelling.

Unlike many other aspects of life, the Covid-19 outbreak did not paralyse digitization, but strengthened it. Even the biggest digital optimists could not have imagined the gigantic changes: Suddenly, 'working from home' was no longer just imaginable, but required as much as possible, and even the much-be-

rated public sector could provide more and more services digitally. As well, we have seen an increase in online sales. This is even more true – even if we are sometimes no longer aware of it – for information search in the internet and communication. While e-mail and social networks have already been a matter of course before the pandemic, the use of communication platforms, for example for meetings and conferences, but also for private contacts, has increased exorbitantly since the outbreak of the pandemic.

The first question arises: What is it actually about when we talk about digitization? First of all, the very basic definition 'conversion from analogue into formats

suitable for processing and storage in digital systems' means a gigantic expansion of possibilities – not only in information search and communication, but also in procedures and processes in general.

As paradoxical as it sounds, the expansion goes hand in hand with a simplification – indeed, it only works through this. Ultimately, the digital is based on the two digits 0 and 1, i.e. a relatively simple scheme, similar to "Yes" or "No". Even "Don't know" is no possible option, neither any more differentiated or individually adapted views. These limitations should in no way diminish the usefulness of the digital, but one should be aware of it when using it.

One example of how digital solutions cannot replace all areas of the real world is telemedicine. Online consultations and simple diagnoses via internet can be helpful especially in rural areas with long distances to the next general practitioner and low physician density. Long ways and, at the peak of the pandemic, direct contacts can be avoided. But an injection alone cannot be given online. As the German Medical Assembly aptly put it: "Telemedicine supports medical practice, but does not replace it."

In other areas more is possible. Since the outbreak of the pandemic, it has become clear that some appointments that used to be real and involved travel can also take place via internet. This saves time and costs and reduces also the negative impact on the environment. Many of us have attended more conferences, presentations and discussion forums in pandemic times than before.

But it is important to remember that there are always real people behind the screen. Digital solutions are a tool – and with the right offers, convenient functions and well-thought-out use, they are also a very good one. In the two years of the pandemic, it was even possible to conclude transactions digitally for the most part when purchasing real estate. It was still the exception, but it worked.

Let's move on to the second question: How does digitization affect real estate and investments?

By now we are all familiar with discussions about working from home and the associated changes for office real estate.

No matter, whether residential or office use: a precondition for digitization is always the respective infrastructure. This brings us to the supply of internet connections in the area. As globally accessible as the world has become through digitization, as clearly comparability reveals



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Meanwhile, some market participants are already tired of these discussions.

Probably everything can be reduced to the simple fact that in future there will be more demand for living space with a study or at least a workplace and – although this is also nothing fundamentally new – that the need for and the design of office space will depend on the respective user.

For project developers, this could mean offering buildings shell and core with the appropriate technical equipment and simply leaving the respective space design to the user. There are already some examples of this, not yet so many, but in still increasing numbers.

What remains exciting, however, is that the users include more and more players from the growing digital economy. They do not only rent, but sometimes like to plan and build themselves.

some shortcomings – often not where some would expect them. Germans who travel in other countries, for example in Poland and Romania, learn that even away from the 'hot spots' in the big cities good and fast internet connections are available. Not to mention the general higher affinity to the digital in these countries.

Anyone who uses the internet needs servers. These servers in turn need locations. Thus, the focus of the real estate and investment industry is more and more on data centres. Supply and attention are still limited, but both are growing. The situation was similar not so long ago with logistics real estate, which is currently in high demand. Can a comparable development take place for data centres with the pandemic as an accelerator?

What data centres and logistics properties have in common is that they are highly specialised buildings with pri-

marily technical requirements and processes. The arrangement of the servers resembles high shelves, cooling is more relevant than communication zones. And there are currently even more parallels: First of all, it is the need. If the reason for logistics property is often the increasing e-commerce, the same applies to data centres. But here there are also video conferences and, above all, data storage and management as well as activities on social media.

In Europe, something else is in favour of data centres. Just as the use of logistics real estate depends on supply chains, the issue of security is the same for data centres. Especially in the financial sector, but for sensitive data in general, the requirement to use servers in one's own country or at least in the region, such as the European Union, boosts the demand

for local and regional data centres. Because there are not yet too many of them. Here, Europe is lagging behind other continents.

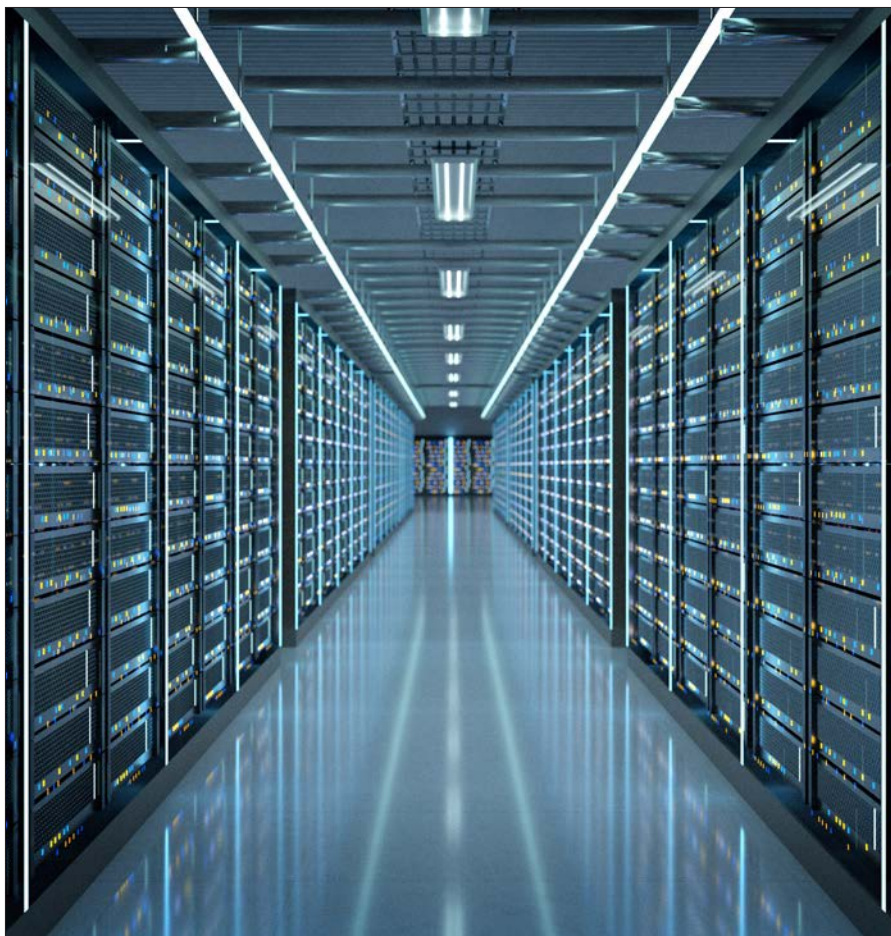
It is not surprising that most of the data centres in Germany are located in Frankfurt and the surrounding area. In the banking city there are now more than 60 such special properties. In the neighbouring and smaller city of Offenbach there are five, and in the entire Rhine-Main region even a few more.

This is not only due to the proximity to the numerous financial institutions based in Frankfurt, but also to DE-CIX, the German Commercial Internet Exchange, also located in the city. According to its own information, DE-CIX Frankfurt is the world's leading internet exchange with more than 10 terabits per second peak traffic.

The city of Hanau is about 20 kilometres from Frankfurt as the crow flies. Two data centres are to be developed there that attract attention. In the Wolfgang district, where a centre for nuclear companies used to be located, a data centre is now being built in its place in the industrial park there. On 31 August 2021, NDC-Garbe Data Centers Europe GmbH, a joint venture between Garbe Industrial Real Estate GmbH and the data centre specialist NDC Data Centers GmbH, symbolically handed over the key to Google Cloud even before the completion of the 10,000-square metre building. From 2022, Google's existing cloud activities in Frankfurt and the surrounding area will then be expanded by its first own data centre.

The plans for the second data centre in Hanau are not yet that far advanced, but they are quite spectacular. On the almost 40-hectare site of the former Großauheim barracks, which had been important as a location for the US Army, a data centre is now to be developed, which in its dimensions is also considered a large-scale project ("Hyperscale Data Center") throughout Europe. Comprehensive agreements have already been reached with the Luxembourg-based project developer P3 Hanau S.à.r.l., which belongs to the owner and developer of logistics real estate P3. The Hanau city council approved the draft of the development plan this year.

It is interesting to note that Garbe and P3, in the logistics property markets well-known companies, are now also turning their attention to data centres – not only in Hanau and not only in Germany. The parallels between logistics real estate and data centres mentioned above are probably not that far-fetched. But there is one difference: On the timeline, data centres are currently where logistics real estate was decades ago, or at least years ago. A gigantic expansion could be the result. But unfortunately, also in terms of electricity consumption. Because that is extremely high for data centres. | **Andreas Schiller**



As data volumes grow, so does the need for data centres.

