

SPH newsletter

news

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special

2023 was an annus horribilis for the property sector. Is a silver lining slowly appearing on the horizon or is the industry facing another challenging year? Managers from different areas give their views on the situation.page 11

events

Urban planning has to contribute to reducing both the causes and the consequences of climate change. Cities must become more resilient in every respect. This year's Real Corp, which takes place from 14 to 17 April in Mannheim, is also focused on this requirement.page 15

opinion

With the macroeconomic and geopolitical environment changing fast, a new strategy is called for – a transition game, to use a term from the world of football corresponding to the 2024 European Championship.page 17

DEAR READERS!



In March, certainly not all of you, but some will be travelling to Cannes for Mipim. The spring meeting of the international property industry will be well attended again this year.

I have some difficulties with this year's Mipim motto: "The Global Urban Festival". In the current situation, hardly any city is in festival mood. In some places, the opposite is the case. In addition, many developers and investors are feeling the same way. Maybe the motto just takes up the name of the venue, the Palais des Festivals. In the Palais there will be a pre-event "Housing matters!" – who would have thought? – and on the following days not only the exhibition stands, but also a real lot of events.

Outside the Palais, however, you can get to know or revisit Cannes and sometimes towns and villages in the surrounding area. This is often associated with a wow effect: the cosiness of small streets and alleys, the view of the Mediterranean and the landscape of the Côte d'Azur are all part of it. For me, these impressions provide excellent illustrative material for many of the very issues that are currently affecting the minds of both city representatives and the real estate industry. Also, but not only during Mipim.

Whether in Cannes or not – I wish all our readers attentiveness and receptivity.

Yours,

A handwritten signature in black ink, appearing to read "Andreas Schiller". The signature is fluid and cursive, written on a white background.

Andreas Schiller

NEWS FROM CEE/SEE



Imagine office complex in Łódź was developed by Avestus Real Estate and completed in 2019. mBank has now secured the refinancing of the property with a loan totalling EUR 23.9 million.

IMAGINE OFFICE COMPLEX IN ŁÓDŹ REFINANCED

Avestus Real Estate has signed a loan agreement for the refinancing of the Imagine office complex in Łódź. The loan, totalling EUR 23.9 million, was provided by mBank S.A.

The Imagine complex, located at the intersection of Aleja Piłsudskiego and Aleja Śmigłego-Rydza in Łódź, was completed in 2019. Imagine is an office complex consisting of three buildings: two six-storey buildings offer a total of 17,200 sqm of commercial space – 14,800 sqm of office space and 2,400 sqm of retail and service space. In the third building, an above-ground parking garage was created, offering 356 parking spaces, 49 double bicycle racks and an electric vehicle charging station.

INDOTEK ENTERS THE LOGISTICS SECTOR IN ROMANIA

Budapest-based Indotek Group has bought the Aiud Industrial Park project in Alba county from developer Industrial and Logistics Developments (ILD). Aiud Industrial Park is a project ready to be developed in the village of Decea in Alba county, with access to the A10 motorway. The project is to be built on a plot of land of about 18 ha. It is planned to build four buildings with surface areas ranging from 13,200 sqm to about 36,000 sqm.

The Indotek Group has bought 97% of the shares of Aiud Industrial Park, through which the project is being developed, with the rest remaining in the possession of Industrial and Logistics Developments.

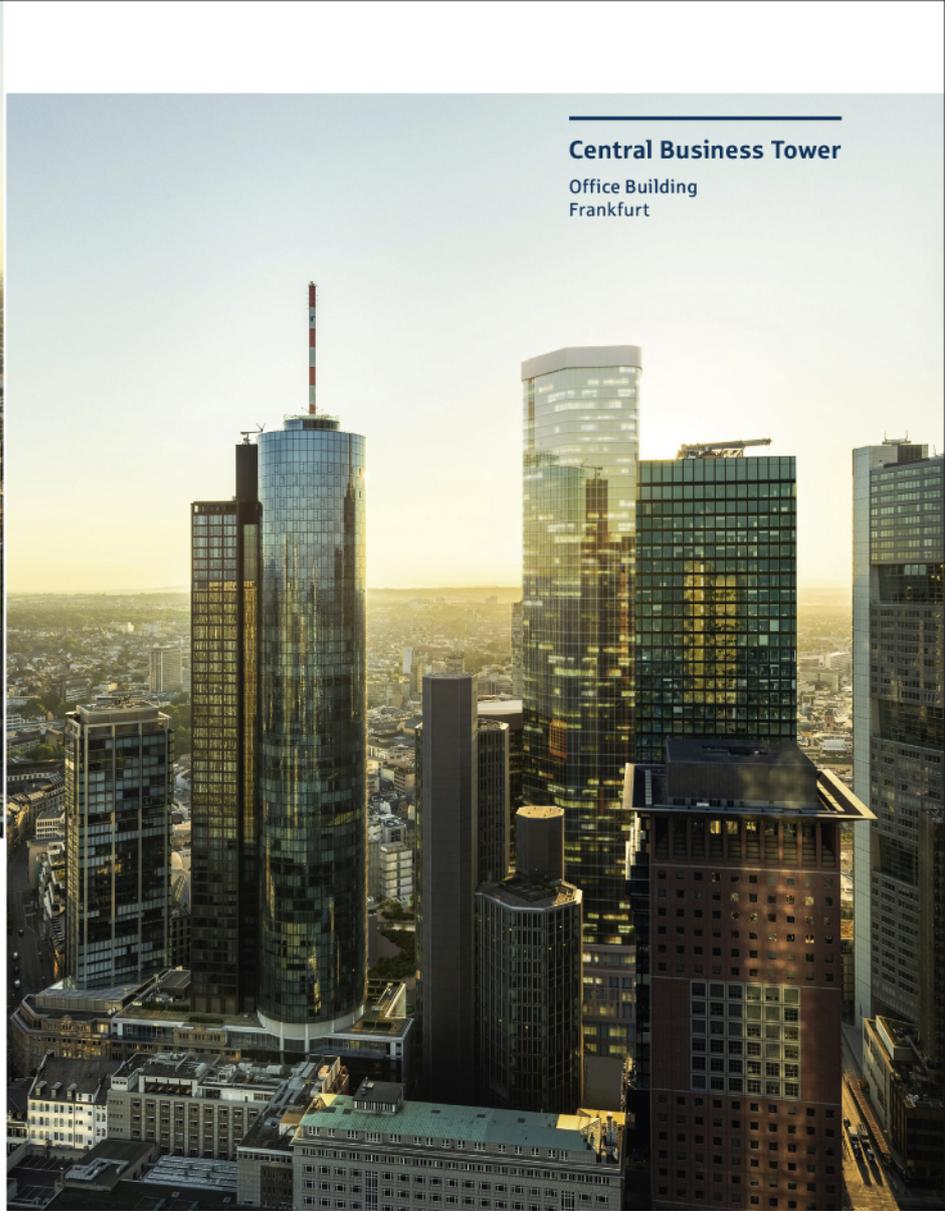
PBB PROVIDES INVESTMENT LOAN FOR TWO BUSINESS PARKS IN THE CZECH REPUBLIC

pbb Deutsche Pfandbriefbank has provided a EUR 33 million investment loan facility to a SPV, managed by Amesbury. The company will utilise the proceeds for the refinancing of the two business parks near Prague. pbb acted as arranger, agent and sole lender under the facility.

The two parks are located in Prague's district of Zličín and in Chrášťany, 12 km west of Prague city centre. They consist of nine buildings. All properties are flex-office, warehouse and logistics assets in light-industrial and logistics hubs with direct access to expressways and motorways. The two parks comprise a total of over 68,900 sqm.

GLP ACQUIRES TWO WAREHOUSES NEAR WARSAW

GLP has acquired two logistics warehouses spanning a combined area of 37,600 sqm in Janki near Warsaw. The price has not been disclosed. The acquisition includes two buildings which are currently leased. The location is in close proximity to the S7 and S8 expressway intersection. The new acquisition builds on GLP's existing footprint in Poland which currently totals more than 1.5 million sqm, with an additional identified pipeline of 283,000 sqm of space set to be developed in the future.



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Lixa C is part of the Lixa Campus in Warsaw. Once completed, the complex will consist of five buildings with a total area of 77,000 sqm.

YAREAL SECURES INVESTMENT LOAN FROM PBB

Yareal Polska has announced the closing of a EUR 45 million investment loan, with a term of 5 years, from pbb Deutsche Pfandbriefbank. This financing will enable Yareal to optimize its financial structure, primarily through refinancing the Lixa C office building. Additionally, it will provide the necessary capital for new land acquisitions.

The Lixa C office building, offering 20,000 sqm of useable area, is a significant part of the Lixa campus. Designed by HRA studio, this property is located in the heart of Warsaw's business centre, the Wola district. It is just a short walk from the Rondo Daszyńskiego metro station.

NEPI PROPERTY TAKES LOAN FROM IFC

The International Finance Corporation IFC, the World Bank's investment arm, is lending EUR 387 million to NEPI Property, a subsidiary of shopping centre developer NEPI Rockcastle, to reduce greenhouse gas emissions and increase energy efficiency in the construction sector in Romania and Bulgaria.

In Romania, the company owns 25 shopping centres, including Bucharest (Mega Mall, Promenada Mall), Sibiu (Shopping City Sibiu, Promenada Sibiu), Timișoara (Shopping City Timișoara), Constanța (City Park Mall Constanța), Târgu Mureș (Shopping City Târgu Mureș) and Ploiești (Ploiești Shopping City).

FOCUS HOTELS WILL OPEN ITS FIRST HOTEL IN WROCŁAW

Polish chain Focus Hotels, part of the Immobile Capital Group, has signed a lease agreement for its first hotel in Wrocław. It plans to open the facility in Q4 2024.

The new Focus Hotel Premium Wrocław will be located in the heart of the city, at 19 Kazimierza Wielkiego. The facility will have 87 rooms and suites of 4-star standard, a restaurant, a conference room, a fitness centre and an underground garage. The hotel is owned by FR Investments Wrocław Sp. z o.o., which is part of the Futureal Group.

The Immobile Capital Group is a Bydgoszcz-based conglomerate, listed on the WSE since 2007. It has a portfolio of companies operating in industry, hospitality, development, clothing, automation and electrical engineering and industrial construction.

PANATTONI: LAST STAGE IN THE DEVELOPMENT IN PIŁA

Upon completing the first building of Panattoni Park Piła, the developer launched the development of another one with an area of 38,500 sqm. Now the development is completed. A total of 85% of the new space is occupied by CEVA Logistics to service Signify (formerly known as Philips Lighting).

The park is located 5 km from the centre of Piła. Piła is the largest town in northern Wielkopolska. The town's potential is also due to its location being midway between the cities of Poznań and Bydgoszcz, while it also has easy access to Warsaw and Poland's western border.



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CTPark Chitila is located at the north-west boundary of Bucharest. It is now to be extended by around 25,000 sqm.

CTP TO EXPAND ITS LOGISTICS PARK IN CHITILA

Real estate developer CTP is planning to expand CTPark Bucharest Chitila with a new warehouse, covering about 25,000 sqm. The estimated value of the investment in this expansion is around EUR 8.5 million.

CTP owns land in Chitila with a total area of 20.5 ha. The location has access to the Bucharest ring road. On a part of the land is built CTPark Bucharest Chitila, which has warehouses with a total area of about 57,500 sqm.

IMMOFINANZ ACQUIRES TWO RETAIL PROPERTIES FROM CPIPG

Immofinanz is expanding its retail portfolio in the Czech Republic with the acquisition of two properties from CPI Property Group S.A. (CPIPG).

The Olympia Pilsen Shopping Center and a retail park are the two properties involved in the acquisition. They have a combined value of EUR 165.5 million and generate annual gross rental income of approximately EUR 12 million. The usable space in both fully rented properties totals roughly 49,200 sqm.

The Olympia Pilsen Shopping Center is located on the southeast border of Pilsen and is the largest shopping and entertainment centre in Western Bohemia. It has more than 120 shops on 41,000 sqm of space, including the Albert-Hypermarkt, a CineStar movie theatre and nearly 1,400 parking spaces. The centre opened in 2004 and was re-designed in 2008.

LOGPORT ACQUIRES AN INDUSTRIAL HALL IN KladNO

ITB Transito s.r.o. has sold an industrial hall in Kladno in Central Bohemia to Logport Development s.r.o. The industrial hall is located in an industrial zone in the southern part of Kladno in the Central Bohemian Region and has a rentable area of almost 3,600 sqm with the possibility of expansion up to 7,000 sqm. The hall was completed in the 1990s. It will be renovated and extended and is suitable for both light manufacturing and warehousing.

PANATTONI PARK LODZ WEST II SECURES DEVELOPMENT LOAN FROM MBANK

Panattoni has been awarded financing to develop Panattoni Park Lodz West II. A loan of EUR 25 million has been granted by mBank.

The construction of the first building has already begun. The current stage will comprise 51,000 sqm of which 32,000 sqm is to be occupied by Rohlig Suus, a Polish logistics operator. Eventually, the park is to comprise two buildings with a combined area of over 84,000 sqm.

Panattoni Park Lodz West II is located on ul. Langiewicza, near the S14 road, which joins the A2 motorway (Warsaw – Łódź – Poznań – Berlin) with the S8 expressway (Białystok – Warsaw – Łódź – Wrocław). The first building is to be handed over in the third quarter 2024.



The Nordis Mamaia Hotel and Residence is the largest leisure hotel in Central and Eastern Europe. Mamaia is located on a strip of land between the Black Sea and Lake Siutghiol and is one of Romania's most popular seaside resorts.

NORDIS GROUP OPENS 5-STAR HOTEL IN MAMAIA

Nordis Group has inaugurated the 5-star Nordis Mamaia Hotel, the largest hotel investment in Romania in the last 30 years and the largest leisure hotel in Central and Eastern Europe. The complex features 712 accommodation units – rooms and apartments with 2 and 3 bedrooms.

The hotel represents a major investment of approximately EUR 100 million, out of the total of EUR 400 million, estimated value of the entire resort at the time of completion. Upon completion of the entire complex, Nordis Mamaia hotel & residence will have a wide range of facilities: 12 cafes, bars and restaurants, 5 swimming pools, a 3,200 sqm Spa, shopping gallery, VIP cinema, beauty salon, fitness centre, children's club and gaming room, conference and event centre, casino, multipurpose room with 1000 seats, ballroom, pontoon on the lake. A medical recovery clinic is also provided within the resort.

DEVELIA AND VASTINT POLAND: PRELIMINARY AGREEMENT FOR THE SALE OF ARKADY WROCŁAWSKIE

Develia Group has signed a preliminary agreement with Vastint Poland for the sale of the property on which the Arkady Wrocławskie multifunctional building is located. The net sale price was set at EUR 42.9 million. The transaction is expected to be finalised by the end of August 2025.

Arkady Wrocławskie is a retail and office facility located in Wrocław in the quarter of Powstańców Śl. Street, Swobodna Street, Komandorska Street and Nasykowa Street. The property comprises a 4-storey shopping centre with a shopping and entertainment area, a 13-storey office building and a 1-storey underground car park. The agreement signed by Develia concerns the sale of the land property including the entire mixed-use development.

VGP LAUNCHES NEW 50:50 JOINT VENTURE "SAGA"

VGP NV a European provider of logistics and semi-industrial real estate, announced the establishment of a new 50:50 Joint Venture named "Saga" with Areim, an independent fund manager and property owner headquartered in Stockholm. This Joint Venture targets EUR 1.5 billion of gross asset value with a loan-to-value ratio of approximately 35%. It foresees a five-year investment period and has a total term of ten years, with several extension options.

The Saga Joint Venture will focus exclusively on key European markets, including France, Germany, The Czech Republic, Slovakia, and Hungary. The financing of Areim's share in the Joint Venture comes from a recently closed fund, Areim Pan-European Logistic Fund, which was closed with EUR 500 million in committed capital, raised from international institutional investors.

The joint venture partners have earmarked a target portfolio aligning with agreed timing of asset completions and investment criteria, including a substantial seed portfolio scheduled for closure in the first quarter of 2024. Saga will operate in harmony with VGP's operational joint ventures, maintaining a similar role for the group as the asset, property, and development manager for an initial term of ten years.

STAFFING



left: Markus Diers
right: John McKie

MARKUS DIERS is the new Head of Asset Management Retail at Union Investment, effective from 1 March 2024. In his new role as head of department, Markus Diers is taking over from Lars Richter, who will retire from the company on age grounds at the end of 2024. Markus Diers comes from Redos Real Estate GmbH in Hamburg, where as Managing Director he was responsible for asset and leasing management in the Redos Group's fund business. In his time at Union Investment from 2005 to 2016, he worked as a specialist in retail properties and subsequently as team leader for asset management of the European retail portfolio. He has more than 20 years' experience in property management, with a special focus on asset management of retail properties. Prior to joining Redos, Markus Diers spent five years at HIH Real Estate GmbH as head of asset management retail.



left: Antonio Pomes
right: Tibor Tatár

JOHN MCKIE has joined REM Group in an exclusive partnership as from January 1st 2024. John McKie was previously Managing Director of CA Immo in Hungary. Prior to his role at CA Immo John McKie worked with the IKEA group in CEE for 10 years in several positions dealing with retail centre planning, investment, development, and ongoing management throughout Europe.

ANTONIO POMES joined the Revetas team as Director-Country Head Poland in the Portfolio Management department. In his new role, Antonio Pomes will be responsible for overseeing the Polish portfolio of assets. Antonio Pomes is a professional with nearly two decades of expertise in the real estate and financial sectors, covering various management roles for international asset management, investment, and development companies and overseeing a diverse range of commercial assets across Europe. Antonio Pomes holds a degree in Business Administration from the Business University Luigi Bocconi in Milan, with a minor in Corporate Finance.



Fraser Watson

TIBOR TATÁR heads the Hungarian residential and office development business of Wing. Tibor Tatár has more than 30 years of experience in real estate and in the implementation and management of real estate developments and investments in Hungary, using his own capital and with the involvement of external capital partners. He has been CEO of Futureal Development for almost 20 years. Prior to that, he worked for five years as Head of KPMG Property Services in the international real estate advisory field and was Managing Partner of TND Real Estate Advisory and Financial Consulting, where he provided property and privatisation advisory services. He completed his studies at the Faculty of Architecture of the Budapest University of Technology in 1990. Later he completed a two-year postgraduate course at the Budapest University of Economics and Business Administration, and in 1999 he obtained a Master's degree in Real Estate at the Nottingham Trent University. He is a member of the Royal Institution of Chartered Surveyors RICS.

FRASER WATSON has been promoted to the role of Head of Investment for the Czech Republic & Slovakia at Savills. Fraser Watson has been with Savills since 2018. He overtakes the department from Stuart Jordan, who was appointed a CEO of Savills Central and Eastern Europe in August. Originally joining Savills as Head of Valuation, Fraser Watson has been a Director in Savills' Prague office for six years. Prior to Savills, he worked for Sports Direct in the position of Head of Real Estate Europe. He studied Estate Management at the University of Central England in Birmingham and qualified as MRICS in 2006.

LETTINGS



BUSINESS GARDEN, WARSAW

POLAND 

Vastint Poland has renegotiated its lease agreements within the Business Garden complex in Warsaw. Companies such as Crédit Agricole, European Leasing Fund, Amundi, Schenker, Continental, Pretius, Expeditors, Eli Lilly, Upfield and STM will remain tenants of the complex. In addition, Vastint signed new agreements with Avis and the operator of the canteen "Bazar". The concluded and annexed agreements concern a total of 20,000 sqm of office space. Business Garden Warsaw consists of seven office buildings with a total area of 90,000 sqm and is located on one of the main traffic arteries, Żwirki i Wigury. The international airport Frédéric Chopin is less than 3 km away.

VARSO TOWER, WARSAW

POLAND 

Atlas Ward Polska has become a new tenant of Varso Tower. The Warsaw branch of the general contractor will occupy approximately 1,500 sqm on the 29th floor of the office building developed and managed by HB Reavis. Varso Tower provides a total of 70,000 sqm of office space and is located on Ulica Chmielna in Warsaw's Wola district.

VIBE, WARSAW

POLEN 

MDDP Outsourcing specializing in accounting, HR, payroll and tax services will occupy the top two floors of the Vibe office building being developed by Ghelamco in Warsaw. The total leased area is approximately 2,000 sqm. Vibe is situated on Towarowa Street, in the business hub around Rondo Daszyńskiego. The office complex will ultimately consist of two buildings. The first, standing at approximately 45 m in height, is set to be operational in the Q2, 2024. The second building, reaching a height of 95 m, is currently in the design phase.

WARSAW SPIRE, WARSAW

POLAND 

The Shire - Beyond Coworking, a new coworking office brand on the Polish market, opens its second location in Warsaw. The new space of 1,500 sqm will be arranged in building C of the Warsaw Spire complex. Warsaw Spire Building C is owned by CA Immo and offers 21,700 sqm of office space.

ŁUŻYCKA OFFICE PARK, GDYNIA

POLAND 

Nexler has joined the group of tenants at the Łużycka Office Park complex in Gdynia. The Polish manufacturer of waterproofing materials will occupy approximately 1,000 sqm in the facility. Łużycka Office Park and Łużycka Plus comprise five buildings with a total area of around 28,300 sqm of office space. It forms a complex with the neighbouring Tensor office development (approximately 20,000 sqm), which is also owned by Czech open-ended real estate fund Investika Realitni Fond, managed by Investika.

TEXTORIAL PARK, ŁÓDŹ**POLAND** 

The Textorial Park office campus in Łódź welcomed a new tenant – Lux Med Group. The market leader in private medical services in Poland has leased over 600 sqm of space at the ground floor of Building B. Textorial Park will house a medical centre providing diagnostic imaging services. Textorial Park is an office campus located between Fabryczna and Magazynowa Streets in close vicinity to the very heart of Łódź, in the Księży Młyn district, in the former cotton warehouses of Karol Scheibler's factory. The complex was completed in 2008 and comprises office buildings connected by a glazed atrium. Textorial Park offers nearly 14,000 sqm of commercial space.

MALTA OFFICE PARK, POZNAŃ**POLAND** 

Malta Office Park, an office complex managed by EPP, has three new tenants: the non-profit organisation GS1 Polska, as well as the companies Inetum Polska, provider of IT-services and solutions, and Espeo Software. The total space in buildings A and C covered by lease agreements amounts to more than 1,500 sqm. Malta Office Park consists of six independent buildings with a total of 31,000 sqm GLA, the biggest part – more than 28,000 sqm – is occupied by offices.

CENTRUM POŁUDNIE, WROCŁAW**POLAND** 

Emako is opening its new headquarters in phase one of the Centrum Południe project. The Polish e-commerce company has decided to lease more than 700 sqm in the Wrocław complex. Centrum Południe is a complex of five buildings located in Powstańców Śląskich Street. Centrum Południe is a complex of five buildings located in Powstańców Śląskich Street, developed by Skanska. The first part offering 28,112 sqm GLA was delivered in 2020.

RENOMA, WROCŁAW**POLAND** 

Consultancy firm Olesiński i Wspólnicy has a new headquarters in Wrocław's Renoma. The approximately 2,200 sqm office is located on the second floor in the historic part of Renoma. Renoma is one of Wrocław's most recognisable buildings and an icon of modernist architecture. The building opened in 1930 under its original name, Wertheim Department Store, and was designed by Berlin architect Hermann Dernburg. Destroyed as a result of the war, the Wertheim Department Store was partially rebuilt and opened in 1948 as the General Department Store. All its floors were opened only in 1985. It was then that the building took its current name, chosen in a competition by the inhabitants of Wrocław. In 2009, Renoma was rebuilt and extended. The lower floors housed more than 120 shops and service outlets, while the upper floors were occupied by offices and a restaurant area. Renoma is one of three office and retail projects in Globalworth Poland's portfolio.

@EXPO, BUCHAREST**ROMANIA** 

Security services company Securitas has moved its Romanian headquarters to the @Expo office complex developed by Atenor in the Exhibition area of Bucharest, where it occupies 1,250 sqm of space. @Expo complex comprises three buildings offering a total of nearly 49,000 sqm of office and retail space.

SILVER LINING ON THE HORIZON?



2023 was an annus horribilis for the property industry: the transaction market continued to decline, there were more or less spectacular insolvencies, project developers put plans on hold and especially in Germany the construction industry collapsed. The causes were declining economic growth, higher interest rates and geopolitical challenges.

2023 was a difficult year. When I think about real estate and investment against the background of all the serious changes, then ...

Anna Duchnowska: ... I feel relieved that 2023 is over and we are looking forward to a new exciting future ahead of us.

Hanspeter Gondring: ... I think of the insolvencies of large projects and the "free fall" in construction activity in the residential property market.

Rainer Komenda: ... I expect that 2024 will be another challenging year. However, there are already first early signs that in the middle of the year the property market could start to bottom out with the consequence that investor confidence in the market will return. Looking ahead, however, I do not expect the market to pick up again significantly until 2025.

Victor Stoltenburg: ... I am convinced that, despite all the global crises, the financial environment is the key factor for property investments. As long as inflation remains high, interest rates also will remain high and will have a negative impact on performance. However, inflation and thus interest rates have already moved significantly southwards again by the end of 2023, so if this trend remains transaction activity will increase again.

Some believe that things can only get better in 2024. I ...

Anna Duchnowska: ... am convinced that 2024 will be clearly better, particularly in the second half of the year. With expectations for the interest rates going down and inflation returning to palatable levels in most countries in Europe, it is also to expect that 2024 will bring more liquidity to the market. The price expectation gap should be gradually reducing given the repricing that has taken place in most of the markets over the last 18 months, a fact that should stipulate more investment activity. At the same time, I expect some further repricing in certain CEE markets where probably the adjustments have not been yet fully recognised due to limited market activity. Overall, 2024 could offer very interesting investment opportunities for those investors who have equity available, clear investment strategies and the execution capabilities.

Hanspeter Gondring: ... think that this is only hope and a sign for the sector's yearning for a rapid recovery of the markets. Although the perception of the current situation is more negative than the reality described by objective data, I have little hope that in Germany 2024 will be generally better than last year. In January



*Anna Duchnowska,
Managing Director –
Investments, CEE,
Invesco Real Estate, Warsaw*



*Professor Dr. Hanspeter Gondring,
Managing Partner and
Scientific Director of ADI
Akademie der Immobilien-
wirtschaft GmbH, Stuttgart*

2024, the first research institutes already revised their forecasts from December 2023 downwards. All in all, we will achieve lower GDP growth than forecast (0 to 0.5%), interest rates will remain high, building applications for residential properties will continue to fall, further insolvencies and a low transaction volume (EUR 25 to 28 billion) are likely. The economy is moving into a lateral position within a U or W shape of the cycle.

Rainer Komenda: ... am not quite so optimistic. Also in 2024, the property asset class will remain less attractive in the short term compared to other segments, such as fixed income.

Victor Stoltenburg: ... basically agree. However, Covid and the military conflicts in recent years have repeatedly presented us with new challenges.

When considering buildings and types of use, my favourites for 2024 ...

Anna Duchnowska: ... are “beds, sheds and meds” although selection of individual assets as well as operational capabilities of the investors will remain key drivers for the NOI growth, which would be a critical factor for delivering attractive returns to the investors.

Hanspeter Gondring: ... are clearly residential properties. If the shortage of housing continues to increase, rising rents and prices can hardly be prevented. Low and middle-income households, whose housing costs (gross rent) account for up to 50% of net income, will demand less, which in turn will weaken the domestic economy. From 1950 to 2000, in Germany, an average of 400,000 flats were completed each year. In the period from 2000 to 2022, the average was 200,000 flats, even though the population has increased. As a result, a large “housing deficit” has built up over the last few years – an estimated one million or more flats are missing – which cannot be reduced in the long term by either the state or the markets. The housing shortage is likely to last until 2040, if not 2050.

Rainer Komenda: ... are the further expansion of the various residential segments and logistics based on the existing allocation of BVK. The topic of local supply and convenience goods should also be further expanded, as well as niche uses as a blend.

Victor Stoltenburg: ... will continue to be the office asset class, even if the tide is flowing in the other direction. I remain convinced of the justification and importance of office work and think that office occupancy will continue to stabilise in 2024. However, it is also clear that you have to pay even closer attention to location and quality in this asset class if you don't want to crash.

Only a few of the many possible locations can be selected. For 2024, my focus is on ...

Anna Duchnowska: ... locations where secular trends around demographic changes, urbanisation and digitalisation are visible. Different investors may identify different locations depending on their strategies, however, well located assets (or potential developments), with high ESG credentials, in proximity to well-connected infrastructure will be favoured. There are some interesting trends observed around “the cities of the future” worth considering.



Rainer Komenda,
Head of Real Estate Investment
Management,
Bayerische Versorgungskammer,
Munich



Victor Stoltenburg,
Managing Director, Global Head
of Acquisition, Deka Immobilien,
Frankfurt am Main

Hanspeter Gondring: ... Stuttgart and the Stuttgart region, but that is due to my bias. However, the strong economic power of this region, which strengthens Stuttgart as a property location, is remarkable. I know of no other region in Germany that can boast such a diversified portfolio of key industries – automotive manufacturers, global companies such as Trumpf, Stihl and Bosch as well as cutting-edge technologies –, science such as the Max Planck Institute for Solid State Research and a strong SME, manufacturing and service industry. There is something to be said for “schaffe, schaffe, Häusle bauen” (“work hard, work hard and build a small house”).

Rainer Komenda: ... the APAC region on a global level and selectively on the Americas as a blend.

Victor Stoltenburg: ... the microlocation and less on specific locations. Of the many markets that we serve worldwide, there is hardly one that should be tactically over- or underweighted. Important is the quality of the individual asset.

In terms of financing and thus the correlation between interest rate trends and real estate markets, I think that ...

Anna Duchnowska: ... in order to be attractive for investors, real estate needs to offer a decent premium to risk free interest rates. Over the last year or two we have observed real estate prime yields being often lower than interest rates, which obviously created nervousness on the market and triggered adjustments in the property sector. Additionally tightening lenders’ policies towards real estate players resulted in a significantly reduced availability of debt which in turn impacted the real estate construction and development sectors. However, there are many positive trends, such as decent rental growth in most sectors, and most of the markets offset the yield outward shift to some extent.

Hanspeter Gondring: ... compared to the 1980s, when construction interest rates peaked at 9.5%, the level of interest rates is only relatively high, but will continue to dampen the property markets. However, it is not interest rates alone that are acting as a brake. It is the “toxic mixture” of high interest rates, high core inflation, uncertainty regarding the development of construction and energy costs as well as increasing geopolitical risks, which together provide an unpredictable general framework and therefore little planning security.

Rainer Komenda: ... the turnaround in interest rates the property industry is eagerly awaiting will come later and possibly less strongly than hoped for. Nevertheless, there are increasing signs that the current interest rate level is stabilising and that the property market is bottoming out in terms of risk-adjusted returns. Those investors with free liquidity and the ability to do without the use of debt capital in the short term will be able to seize opportunities.

Victor Stoltenburg: ... we will see interest rates fall slightly, but that we will not return to initial yields below 4%.

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

Anna Duchnowska: ... patience. Real estate is not the fastest changing industry. Alpha investors need to have a long-term approach and remarkable proficiency in nav-

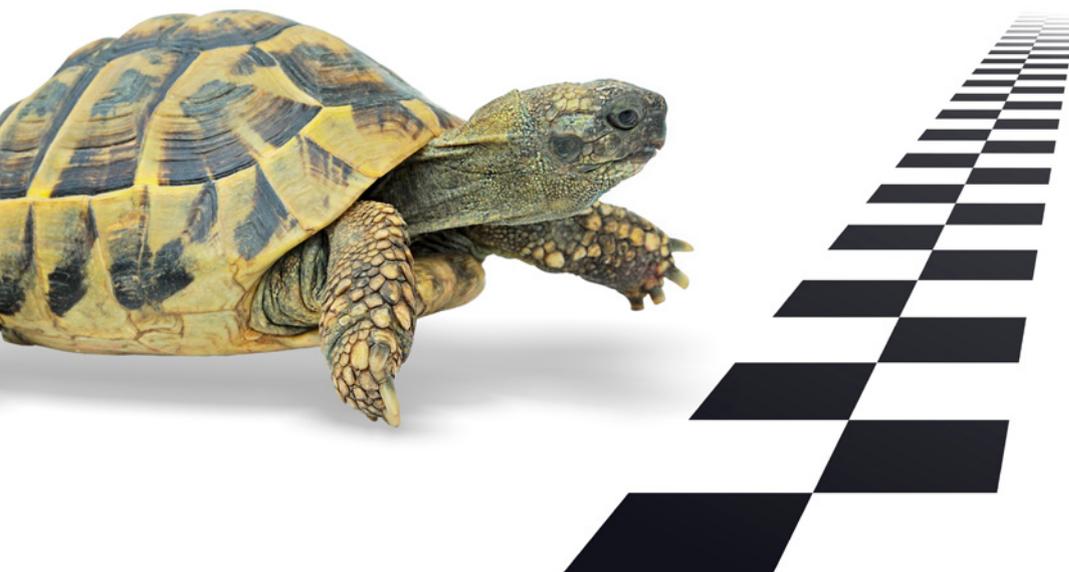
igating investment strategies, while also understanding market dynamics and wide risk spectrum. With patience, mastery in investment management and strategy execution, real estate offers a diverse range of attractive returns.

Hanspeter Gondring: ... successful crisis management, innovative strength and rapid adaptation of their business models to the current market situation. Investments in existing properties such as energy-efficient refurbishment, change of use and general value-enhancing measures are just a few examples. Evolution has already shown that only those will survive who adapt the fastest. There are quite a few property companies that show a certain inertia and cling to old business concepts, thereby taking a high business risk. My advice is: to adapt, to adapt and, if necessary, to shrink.

Rainer Komenda: ... the necessary stamina and a healthy dose of optimism that the entire property sector needs now in the face of all the negative news.

Victor Stoltenburg: ... perseverance and a little patience – every cycle means that better times will come again.

The qualities of a turtle are currently in demand: patience, a sense of direction and a high adaptability, which turtles have proven by surviving for millions of years.



KEEP ON PLANNING FOR THE REAL WORLD



As the venue for Real Corp 2024, Mannheim offers both positive and less positive illustrative material for urban planners.

This is the motto of Real Corp 2024, the 29th International Conference on Urban Planning and Regional Development in the Information Society, which will take place in Mannheim from 14 to 17 April. In view of climate change, which is caused to a large extent by cities, but whose effects also hit cities the hardest, intelligent urban planning is becoming increasingly important.

Cities are responsible for around 70% of global greenhouse gas emissions, but they are also the places most severely affected by climate change. Even in supposedly temperate Central European latitudes,

heatwaves and droughts on the one hand and flooding on the other will increase. And cities are still only prepared to a very limited extent to prevent further fueling of climate change and to deal with the already foreseeable consequences of global warming. Real Corp's main topics give an idea of just how diverse the challenges are for everyone involved.

It is undisputed among those involved that urban and spatial planning in particular is of great importance for the future of cities. But notoriously tight budgets and the lack of available space are the major obstacles for an urban transformation. Both of these factors make it difficult for city

authorities to tackle the climatic, social and economic challenges.

For some time now, hopes have been pinned on "smart" technologies and solutions – keyword "smart cities" – and more recently on artificial intelligence. Yes, both can help to utilise resources more efficiently and improve mobility in the city, but this alone is not enough to make cities fit for the future and resilient as well as to improve the quality of life of the city dwellers.

Real Corp topics also include "Nature-based solutions: How natural mechanisms can be used in smart cities and urban planning" and how planning affects the



The John Deere Forum as conference venue visually connects the city and the countryside.

(urban) environment, “from urban microclimates and heat islands to long-term, large-scale measures”.

The question of what cities and countryside can learn from each other is rather unusual, as urban and rural areas are usually seen as opposites.

Equally remarkable is the special topic, the “Deployment of smart city technologies in Africa”. On the one hand, African cities are growing at a rapid pace, while on the other hand they have the greatest climate risks.

To remain with the look beyond the borders of Europe: Two keynote speakers, both prominent and internationally recognised representatives of their profession,

bring with them a completely different cultural background: Indian-born Dhiru Thadani and Egyptian-born Ali A. Alraouf, both architects and urban planners.

Dhiru Thadani has been working in the USA for more than 40 years and is the author of numerous books, not only on specific projects but also on fundamental urban planning topics. In his keynote speech “Urban Controversies – Traditional Planning Principles versus Modern Practice”, he addresses the conflict between the preservation of existing buildings and the need for new developments.

Ali A. Alraouf is Professor of Architecture and Urbanism at Hamad Bin Khalifa University in Doha, Qatar. He specialises in research into theory, criticism and creativ-

ity in architecture, urbanism and planning theory. In his keynote speech “From Barrel to Pixel: Deconstructing Knowledge-Based Urban Development in Gulf Cities Beyond Carbon Paradigm”, he will take a look at the cities in the Gulf, which are now among the most modern in the world and are already barely reminiscent of their origins.

In view of climate change with its heatwaves and droughts, “greenery” is becoming increasingly important in urban and spatial planning, as is landscape as a recreational space in general. Andreas Kipar, CEO and co-founder of LAND Landscape, Architecture, Nature, Development, an international landscape architecture firm with offices in Italy, Germany, Switzerland, Austria and Canada, was chosen for this topic. The credo of Andreas Kipar and his office with experts from the fields of landscape architecture, architecture, urban planning, agronomy, engineering and research is “Reconnecting People with Nature”. His aim is not only to break up sealed surfaces, but also to set off into an era in which people once again see themselves as part of nature.

Real Corp’s target group is experts involved in urban development from politics, administration, interest groups and NGOs, but also decision-makers and experts from business, trade and industry, including property experts. After all, they are the ones who implement the urban development plans. This makes it all the more important to familiarise with and incorporate the planning aspects in particular. **I Marianne Schulze**

imprint

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MARKETS AND TRENDS 2024: TRANSITION GAME



*Dr. Gertrud R. Traud
Chief Economist / Managing Director,
Helaba, Frankfurt am Main*

Every year, Helaba Research & Advisory's annual outlook is based on a theme. But it is not simply chosen at random: our goal is to convey, in a metaphoric sense, the broad circumstances that will affect the economy and the markets in the new year.

In 2024, with Germany hosting the European Championship, there is no escaping the fact that football will be even more prominent than usual.

Interestingly, football has more in common with economics than you might think: long-term strategies combined with short-term tactics determine a team's competitiveness and success. In this context, many people here are wondering: is our economy in good enough shape to finally return to growth in 2024 or is Germany destined for elimination at the group stage again?

In football, when one side loses or gains possession of the ball, the transition game of both sides is tested. Similarly, with the macroeconomic and geopolitical environment changing fast, a new strategy is called for. Following the pandemic, in 2021/2022, monetary and fiscal policymakers did not manage the transition very well. We look for better results in 2024. That is why, with a probability of 70 %, a transition game is our baseline scenario.

The key players on the pitch will be the central banks in 2024 as well. Following belated but then drastic monetary tightening in 2022/2023, the Fed and the ECB have reached the peak of their interest rate hiking cycles. We assume that the Fed and ECB will take first steps towards a less restrictive monetary policy in June.

This will be enabled by the fact that inflation will continue to ebb. The industrial cycle is also expected to recover in 2024, meaning that Germany will also return to growth, even if it will be just under 1%. The eurozone is expected to be slightly above this level again and the USA will reach the 2% GDP growth mark.

The German property market should see a turnaround in residential property thanks to continued high demand and a sharp decline in construction activity. Purchase prices for retail properties will stabilise after many years of decline, while further falls are expected for offices.

Agile dribbling will also be required when it comes to geopolitics. A fragmentation of the global economy into two technology and trade blocs is becoming a risk. In industrialised countries, protectionism and interventionist industrial policies are gaining ground. The US election campaign, among other things, should mean these issues will remain in the headlines in 2024.

Meanwhile, not least in Germany, the downsides to rampant state intervention are becoming increasingly evident, particularly in terms of out-of-control regulation. It is much easier to limit political resistance to the transition to net-zero if the economic side effects of new policies, which are often foreseeable, are taken into account and market forces are harnessed rather than suppressed. This is one policy area that would benefit from a smarter transition game in many places in 2024.

All of this sets the tone for our annual outlook for 2024. Although the year will be challenging, it will also present opportunities. The prevailing opinion in Germany, especially, is that the country is heading for group stage knock-out in 2024 – in other words, a severe recession. We have assigned a probability of 20 % to this negative scenario.

It seems hard to imagine spectacular wizardry with the ball, flawless passing skills, masterful dribbling against multiple opponents, followed by a goal scored from a seemingly hopeless position. In football, virtuoso performances like this are more the exception than the rule. That is partly down to the fact that so many factors have to come together perfectly and every player on the team must be at the top of their game.

Likewise, successful economic policy requires team spirit, a dash of ingenuity and a measure of luck. A rare but not impossible task. At 10%, our positive scenario beautiful game has a lower probability than our negative one.

In short, not only must every policymaker, or at least many of them, be at the very top of their game – they also have to put the success of the team above anything else.