

SPH newsletter

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DEAR READERS!



Who is acquainted with me knows that I do not care much about football. Therefore for me the defeat of the German team against Italy was not as hard as for many colleagues of the real estate industry. Anyway, there was no European championship before I watched as interested as EURO 2012. Because with the venues Poland and Ukraine this time two countries were in the focus of a general public that by nature are often subject matter of SPH Newsletter. As different and multifaceted both countries are the great attention they have attracted far beyond the small group of real estate and investment experts is pleasing. Let us hope this interest will last after EURO 2012 has finished.

With all the football euphoria the start of the „Russian Year in Germany“ and vice versa the „German Year in Russia“ was lost a bit. In June, the year has started and will finish next summer. This issue's article about „Infrastructure in Russia“ might be a small contribution to this great event. Who argues now that we would have taken the topic also without the official cause of the „Russian Year“, is right: Yes, we had planned it anyway.

Apart from that we are looking back on two events in Vienna and in Schwechat near the Austrian capital. Some of you, dear readers, I have met there. All the others can read here what they might have missed.

I wish all of you a beautiful summer. We will stay on board for you and are already preparing the next issues for August and September.

Yours

Andreas Schiller

IMMOFINANZ

G R O U P

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Golden Babylon Rostokino **Moscow RU**



Magnesia Shopping Center is the first modern mall in the city of Manisa in the Western part of Anatolia.

MAGNESIA SHOPPING CENTRE IN MANISA OPENED

Magnesia, Redevco's third shopping centre in Turkey, opened its doors to the public. The centre is located in the city of Manisa in the Western part of Turkey and is the first shopping centre in the city that has more than 300,000 inhabitants. Magnesia shopping centre comprises more than 65 units within a total area of about 19,000 square metres of retail space. It accommodates a hypermarket, cinema, food court, leisure facilities and a playground.

PBB AND UNICREDIT AUSTRIA: PAN-CEE REFINANCING

pbb Deutsche Pfandbriefbank and UniCredit Bank Austria AG have jointly underwritten a EUR 148 million senior facility to refinance an office, logistics and retail portfolio across Central and Eastern Europe. The portfolio is owned by Aviva Investors Central European Property Fund (AICEPF). pbb is acting as agent of this financing transaction, with the underwriting of the facility being provided by pbb and UniCredit Bank Austria in equal shares.

The portfolio consists of twelve assets with approximately 196,000 square metres in total: six office buildings located in Warsaw, Katowice and Prague, as well as four logistics assets and two retail properties. It is recognized as one of the premier mixed-use real estate portfolios in Central and Eastern Europe.

EBRD FUNDING HIGHWAY TO BY-PASS SAINT PETERSBURG CITY CENTRE

The European Bank for Reconstruction and Development EBRD has committed to a loan of up to EUR 200 million to fund a 11.7 kilometres section of a new toll road by-passing the historic city centre of Saint Petersburg. EBRD thus joined four other banks in raising a total of nearly RUB 59 billion (equivalent to EUR 1.5 billion) for a project which could divert up to 140,000 vehicles a day from this World Heritage site. The other banks funding the project are Russia's Bank for Development and Foreign Economic Affairs VEB Vnesheconombank (RUB 25 billion), VTB-Capital and Gazprombank (each of them RUB 17 billion), as well as the Eurasian Development Bank (RUB 10 billion) founded jointly by Russia and Kazakhstan.

The 46 kilometres by-pass motorway will connect the city's major commercial port with the Saint Petersburg Ring Road in the south and with the Scandinavia motorway to Finland in the north. The new road will form an integral part of Pan-European Transport Corridor IX linking Helsinki, Saint Petersburg, Moscow, Kiev and the cities of southern Europe.

The EBRD is also an anchor investor in another major infrastructure PPP project in Saint Petersburg, the reconstruction and modernisation of the city's Pulkovo airport, signed in April 2010.



For the first time Immofinanz Group is realising a residential development project in Poland: Debowe Tarasy III in the city of Katowice.

IMMOFINANZ: FIRST RESIDENTIAL DEVELOPMENT IN POLAND

Immofinanz Group has officially started construction on the Debowe Tarasy Residential Estate (Phase III) in the city of Katowice. It is the group's first residential development project in Poland.

Debowe Tarasy III will deliver 317 apartments in three buildings: one with 11 storeys and two with five storeys each. Development activities will be carried out by BUWOG International, a subsidiary of Immofinanz Group, specialised on residential development projects. Completion of Debowe Tarasy III is scheduled in 2013. The total investment for the project amounts to EUR 21.7 million.

"The success of Debowe Tarasy Phase I and II combined with the rising demand for upmarket middle class apartments encouraged us to further extend our project and to enter the Polish residential market as a developer", commented Daniel Riedl, Member of the Executive Board of Immofinanz Group. "The starting conditions for Debowe Tarasy III are perfect: In December 2011 we fully acquired the remaining 30 percent stake from our former joint venture partner TriGranit. We have a valid building permit, financing is secured and we completed the pre-sales phase with reservations for more than 20 percent of the planned space", explained Daniel Riedl.

BLACKSTONE ENTERS THE TURKISH REAL ESTATE MARKET

Blackstone Group has acquired Redevco's entire Turkish portfolio and management platform. The transaction includes three shopping centres: the 53,000 square metre Gordion Shopping Center in Ankara and the 33,000 square metre Erzurum Shopping Center in Erzurum, both opened in 2009, as well as the recently opened 19,000 square metre Magnesia Shopping Center in Manisa. Financial details of the transaction were not disclosed.

Ken Caplan, Senior Managing Director and Head of European Real Estate at Blackstone, commented: „We are very excited about our first real estate investment in Turkey. We see Turkey as a promising market for additional investment in the retail sector.“

ECE TAKES OVER MANAGEMENT OF MEGA MALL IN SOFIA

Austrian developer Real4You Immobilien commissioned ECE with the leasing out and the management of Mega Mall in the Bulgarian capital city of Sofia. The shopping centre Mega Mall is being constructed in the west of the city in the Lyulin district and will provide around 24,000 square metres of rental space on four floors and more than 100 shops, cafés, and restaurants. The centre is scheduled to open in autumn 2013. ECE takes over the leasing out from Raiffeisen Real Estate Bulgaria. In 2010 ECE opened their own 51,000 square metre Serdika Shopping Center.

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Sponda has acquired the office building Bakhrushina House in Moscow from UFB. Sponda has operated in the Russian market since 2006 and owns 10 properties in Russia after this transaction.

SPONDA PURCHASES MOSCOW OFFICE PROPERTY

Helsinki-listed property investment company Sponda Plc has purchased Bakhrushina House office building in downtown Moscow for USD 47 million (approximately EUR 37 million) from UFG Real Estate. Bakhrushina House is located at Bakhrushina Street 32, at the intersection of Garden Ring and Bakhrushina Street, close to Paveletskaya metro and railway station. The building, completed in 2002, has a total of approximately 5,000 square metres of office and retail premises for rent. Salans Moscow has advised UFG Real Estate on the sale.

SBERBANK TO ACQUIRE DENIZBANK

Sberbank of Russia and the shareholders of DenizBank AS—Dexia NV/SA and Dexia Participation Belgium SA—have signed a definitive agreement for the acquisition of 99.85 percent of DenizBank by Sberbank for a consideration TRY 6,469 million (approximately EUR 2,821 million). The transaction includes DenizBank and its subsidiary companies in Turkey, Austria and Russia. This transaction represents the largest acquisition in Sberbank's 170-year history and is the latest step, following the recent acquisitions of Troika Dialog and Volksbank International, in Sberbank's transformation from a domestic into an international financial institution.

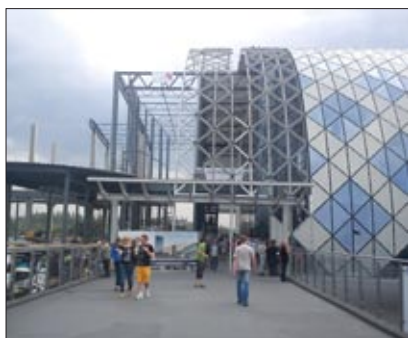
HELABA PROVIDES FINANCING FOR TWO POLISH OFFICE PROPERTIES

Helaba finances two office buildings in Poland for separate real estate funds of Deka Immobilien Investment GmbH with a total loan volume of approximately EUR 34 million. The property located in Warsaw is "Dom 50 A&B" building in the Mokotów district with a floor area of 16,000 square metres, the other asset is "Artus Park" in Gdansk with a lettable area of 9,300 square metres.

Helaba acted as Lender, Arranger and Agent through the „Northern and Central Europe" unit of its International Real Estate Finance division.

GTC SELLS PLATINUM BUSINESS PARK TO ALLIANZ

GTC Globe Trade Centre Group and Allianz Real Estate concluded a preliminary agreement on the sale of five office buildings in Platinum Business Park in Warsaw. The final price is EUR 173 million and will be subject to adjustment when the final agreements are signed. Platinum Business Park is located at the intersection of Domaniewska and Wołoska streets. The part of the complex that has been sold consists of five completed buildings with a total rentable area of approximately 56,000 square metres. Regardless of the above, GTC may develop on this site another building consisting of approximately 13,000 square metres.



Poznan Główny train station has been officially inaugurated. The new main station is part of a greater project that shall become Poznan's new city centre.

NEW POZNAN GŁÓWNY TRAIN STATION OPENED

After only ten months of construction, the new 6,000 square metre Poznan Główny train station was officially inaugurated by the President of the Republic of Poland, Bronisław Komorowski. Poznan Główny was developed by joint venture partners Europa Fund III managed by Europa Capital, and TriGranit Holding Ltd. The estimated total development cost of the train station is approximately EUR 7 million.

The train station is the first phase of a project totalling 164,000 square metres of gross built area that shall become Poznan City Center, an integrated transport hub and shopping centre, which will include 250 retail units, a coach terminal with 19 bus platforms as well as a park & ride car park facility for public transport commuters accommodating 1,500 parking spaces. The planned completion of the second phase is November 2013.

In addition to this a third phase is planned on the site of the existing train station which will include conference, office and hotel facilities.

S IMMO TO DEVELOP "THE MARK" IN BUCHAREST

Austrian investment fund S Immo will develop a 28,000 square metre office building in Bucharest under the name "The Mark", with a budget of EUR 66 million. "The Mark" will be located at the crossroads between the future Uranus boulevard and Calea Grivitei, close to the office hotspot Victoriei Square. The project will include a 15-floor tower and a six-floor adjoining office building called The Podium. The project has been designed by Chapman Taylor architects. Colliers International and Jones Lang LaSalle real estate agencies are co-exclusive agents for the project.

EDGE CAPITAL PARTNERING WITH TURKMALL

Lebanon-based investment fund Edge Capital plans to invest USD 250 million in Turkey's real estate sector with retail developer Turkmall. The partnership carries the potential to attract USD 1 billion worth of investments in Turkey's real estate sector over the next 5 years, according to Levent Eyuboglu, Vice President of Turkmall. Turkmall is known for its shopping mall projects across Turkey.

"Edge Capital will primarily focus on lodging, congress centre and retail development sectors in Turkey", Edge Capital CEO Naji Boutros said about the deal. Edge Capital owns 25 percent of Turkmall Real Estate, the project development unit of Turkmall and will have shares up to 50 percent depending on the project.

The Lebanese company will also be a partner to Turkmall's real estate projects outside Turkey. Turkmall is currently active in Turkey, Georgia, Azerbaijan, Russia, Kosovo, Bosnia & Herzegovina, China, Egypt and Iraq.



The future Aura shopping centre in Yaroslavl: The project formerly known as Golden Ring Gallery will be developed by Renaissance Development, ECE is taking over the leasing and the centre management.

CONSTRUCTION START OF AURA PROJECT IN YAROSLAVL

ECE is taking over the initial leasing and the centre management of the Aura shopping centre, which will soon celebrate its start of construction in Yaroslavl. At the same time, the management contract for Immofinanz Group's GoodZone shopping centre in Moscow was won.

Aura shopping centre in Yaroslavl is the former ECE project "Golden Ring Gallery", which is now being realized with the new partner Renaissance Development. ECE is taking over the leasing out and management, Renaissance Development will be responsible for planning and construction. "Aura" will contain a leasable area of more than 60,000 square metres and house 220 shops on four sales levels. A total of approximately 850 parking spaces are to be provided to the customers. Opening is scheduled for fall 2013.

STAFFING



*above left: Timothy Bellman
above right: Sean Briggs
below left: Valentin Gavrillov
below right: Kristof Verstraeten*

Timothy Bellman has joined Invesco Real Estate as Head of Global Research. He will focus on global asset allocation and coordinate the research efforts led by the three regional heads of research in North America, Europe and Asia-Pacific. Timothy Bellman joins from ING Real Estate Investment Management where he spent the past seven years, most recently as Global Head of Research and Strategy. Prior to joining ING, Timothy Bellman was with Jones Lang LaSalle and LaSalle Investment Management as the Regional Director of Research and Strategy for Asia-Pacific.

Sean Briggs has been appointed Managing Director of Retail Agency for Eastern Europe at Colliers International. His remit covers Colliers' retail agency business across Central and Eastern Europe, Montenegro, Albania, Greece, Russia, Ukraine and the Baltics. Sean Briggs has 26 years of experience in the real estate sector in the UK and CEE. Prior to joining Colliers, Sean Briggs worked for AIG/Lincoln and for ING Real Estate in Poland.

Valentin Gavrillov is the new Director of Research Department of CBRE in Russia. He started his career in 1998 at the National Bank of the Republic of Belarus and had been regularly promoted up to position of Deputy Head of Monetary Policy Department. In 2008 and 2009 he worked in the Moscow office of McKinsey & Company, and in 2009/2010 he was Head of Finance Department and Board Member in Home Credit Bank, Belarus. Prior to joining CBRE, Valentin Gavrillov worked as Head of Management Consulting business line in Belarusian private company EnterInvest.

Kristof Verstraeten has been appointed as Commercial Director Continental Europe of Goodman Group. The appointment comes as part of a major reorganisation of the Group's European management team driven by the growth of its European business. Kristof Verstraeten is now responsible for all commercial operational matters across the continental European markets where Goodman is present; this includes asset and property management, development and capital transactions.

Alfa Centrum

Olsztyn

Type: Shopping Center
Size: 25,000 m²
Sole Arranger • Lender • Agent



Retail and Office Building

Hannover

Type: Retail and Office Building
Size: 15,500 m²
Sole Lender



Watermark Place

London

Type: Office Building
Size: 50,000 m²
Agent • Underwriter



88north

Munich

Type: Office Building
Size: 47,000 m²
Lender



O'Parinor

Paris

Type: Shopping Center
Size: 90,500 m²
Agent • Mandated Lead Arranger • Swap Provider



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REAL PROPERTY: INFRASTRUCTURE PROJECTS IN RUSSIA

Two interests could meet: On the one hand a number of traditional real estate investors are looking more and more at investments in infrastructure. On the other hand Russia has urgently to improve and enlarge its infrastructure.

Since long Russian authorities know about the problems in the area of infrastructure, a sector that has become a predominant topic regarding further economic development of the country. If airports, railways and railway stations or the road network, if energy and water supply or waste disposals—in every field improvements are urgent, because the lack of investments in infrastructure has increasingly negative impact on economic growth.

Most obvious are the transport problems in Russia. The largest country of the world has a road system of about 650,000 kilometres, two thirds of which are bituminised. According to the Ministry of Transport of the Russian Federation only 8 percent are multi-lane roads. For comparison: With about 7 million square kilometres Russia is four times larger than the USA by area, but the road net in Russia is not even 10 percent of that in the US (about 6.4 million kilometres). What makes it even worse: the road system is exposed to an increasing pressure. Outside the cities 75 percent of the transport volumes of goods and persons are running over the roads. Since 2002 the number of cars has nearly doubled to 40 million, and it is estimated that by 2020 there will be an increase by further 20 million. Roads and highways are at the edge of their capacities, and goods traffic is “running” with an average of 12 kilometres per hour.

The railway system is not offering an alternative. The Russian railway network has 87,000 kilometres (about 40,000



Regarding the area of the country the railway network of Russia is rather small.

kilometres are electrified). In the USA where since decades the railway network is shrinking there are still about 228,000 kilometres. Also with the enlargement of air-traffic and the construction of modern airports Russia has a substantial backlog. In total the country has nearly 500 airports, only 55 of which have paved runways at a length of more than 3 kilometres. Waterways as well are suffering from lacking development. All in all navigable waters of about 96,000 kilometres are available—72,000 kilometres in the European part of the country and 24,000 kilometres in Siberia. But cargo shipping is strongly depending from meteorological conditions. Water level control by reservoirs and a deepening of the waterways could put things right. As well improvement of harbours is necessary.

According to official estimates the negative impact of the neglected infrastructure in Russia is worth 3 percent of the country's gross domestic product, others are es-

timating the loss still higher at 7 to 9 percent (in 2011 Russia's GDP was at USD 1.85 trillion). Since long time the World Bank is pointing out that there are no sufficient funds provided for the maintenance of the Russian road system. Oleg Skvortsov, Chairman of Public Council of Federal Road Agency in Russia, explained more detailed what it meant. In the EU countries, for example were annually spent between EUR 8,000 and EUR 16,000 for the maintenance of every road kilometre, in Russia only EUR 2,000. In addition, road construction in Russia is one of the most expensive worldwide. According to the Ministry of Transport the construction of one road kilometre costs between USD 1.8 million and USD 700 million.

In spring 2012 the Government of the Russian Federation has estimated government spending of converted EUR 500 billion for road construction until 2020. At the same time a federal Road Fund was founded that should provide further EUR

10 billion every year for the construction and modernisation of traffic infrastructure. The aim is to construct 500,000 kilometres new roads and to enlarge the railway system by 21,000 kilometres until 2030.

Following the official statements of the Russian government Western companies are invited to take part in the modernisation of infrastructure and will have a good stroke of business. This was at least the message

water supply and waste water disposal as well as social infrastructure facilities like hospitals, schools and kindergartens are "real" as well as real estate. However, there are significant differences between the two asset classes.

Furthermore, in contrast to real estate the investor often does not even "own" the infrastructure facilities. What is also different is the long-term commitment (30 years

What is including a certain risk: to a large extent infrastructure services and goods are subject to government regulations. What that means becomes evident remembering Germany's nuclear phase-out ahead of schedule. While rents are mainly determined by supply and demand, i.e. the market, the forecast cash flow of infrastructure projects is determined by regulation and the performance of the investment is often depending by political decisions.



Mainly outside the cities roads are in a rather bad condition, often not bituminised and all but safe.

for the German Minister of Transport at his recent visit in Moscow. However, the question has to be if infrastructure projects in general and in Russia especially are attractive for investors.

In general, there is to state an increasing interest in infrastructure investments especially by institutional investors. In the past they preferred core properties and triple-A government bonds, but both assets are characterised by decreasing returns. Investments in properties and bonds with more attractive returns show higher risks. Therefore they are more or less avoided. Infrastructure investments, instead, could help to generate higher returns and are offering a cash flow calculable to a large extent.

Roads and car parks, harbours, airports, power plants, power grids, the systems of

and more). That means that the decisive moment of an infrastructure investment cannot be the rising value. What has higher significance is the income component: the regular cash flow.

In this regard infrastructure investments have advantages real estate assets cannot offer. Tenants can leave, but nearly nobody can separate himself e.g. from power supply. To keep at this example: Also in economically difficult times everybody can try to save energy as far as possible, but he can never do without totally. In other words: The income from infrastructure assets is depending from macro-economic developments only for a small extent. Another characteristic of infrastructure assets is a monopolistic or at least oligopolistic structure, i.e. there is only a very small number of competitors.

To come back to Russia: No doubt, regarding the huge amount of necessary infrastructure modernisation and enlargement there is great potential for investments in infrastructure. But the dependency of political decisions is still higher than in Western countries, a fact that will keep investors reluctant, the more as predictability is not really one of the pre-eminent characteristics of political authorities in Russia.

On the other hand Russia needs know-how from outside to develop its infrastructure and to catch up with other European countries. And the authorities are willing and prepared to take advantage of the support from outside. An example is the Sapsan, the high-speed train connecting Moscow and Saint Petersburg developed by Siemens. | **Marianne Schulze**



AURA, Yaroslavl



GoodZone, Moscow



Vremena Goda, Moscow

On the road to success in Russia

ECE is gathering pace in Russia: it's taking over the leasing and management of the "AURA" shopping center that will soon celebrate the start of construction in Yaroslavl. ECE was also awarded the management contract for the "GoodZone" in Moscow, opening at the end of 2012. Not surprising, given the success of its first center in Moscow, the "Vremena Goda" premium mall. Under the management of ECE, turnover was increased by 28 % in the first three years.

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FASCINATING PREMIERE



Already the inner courtyard of Palais Niederösterreich was a surprising contrast to the modest exterior view of the building.

It was a successful event, the conference "Real Talks about CEE/SEE" that took place on June 14, 2012 in Vienna.

More than 250 representatives of the real estate industry found their way to Palais Niederösterreich in Vienna's 1st district. Here the "Real Talks about CEE/SEE" went off. Palais Niederösterreich, along the street a rather modest building, showed itself as a real architectonic jewel with its ancient halls, the large inner courtyard and its stately balcony-terrace and was an impressive stage for the one-day conference.

Organiser of the event "Real Talks about CEE/SEE" was the Austrian business magazine "Gewinn" that so far had been responsible for the conference programme

of the trade fair "Real Vienna". When in spring the organisers of the fair, Reed Exhibitions Vienna, cancelled the fair, it caused a strange mix of understanding and lack of understanding in the real estate industry: understanding because after a good start "Real Vienna" has become smaller and smaller during the last years; lack of understanding, because conferences and similar events are still necessary for the real estate industry and of great interest for the exchange of information, ideas and experiences. And which country and which city would be more qualified for a conference about CEE than Austria and its capital city of Vienna where many of the activities in Central, Eastern and Southeast Europe have their jumping-off point?

To solve this dilemma Sylvia Foissy, since long in charge of the conference pro-

gramme of "Real Vienna" decided to continue with the well-respected and successful event, but now limited to only one day. In the view of the extremely short time for preparing the conference the programme was impressive: All in all there were 18 panel discussions about actually important themes and topics. There were questions of general interest like "Austria and CEE: Who is headed where and why?"; there was a special focus on countries like Russia, Turkey and Poland; and there were topics like "Financing for project developments in CEE: What are the requirements to be met?" and "Investment strategies and portfolio optimisation: how are investors and asset managers going forward?". Discussions about the different segments retail, residential and hotels, about aspects of urban development and about the relationship between infrastruc-

ture and real estate were completing the wide range of topics. Among others participants of the panel discussions were Bruno Ettenauer, CEO of CA Immo, Franz Jurkowitsch, Chairman of the Management Board of Warimpex AG, Manfred Wiltchnigg, Member of the Executive Board of Immofinanz AG and Holger Schmidmayr, Member of the Management Board of S Immo AG.

The wide range of topics, the top-class Austrian and international participants in the panel discussions and the density of the one-day event were the formula of success for the "Real Talks about CEE/SEE". This success is not only demonstrated by the number of visitors, but as well by the lounges in the "networking area" where market participants were presenting themselves and inviting to talks. The 9 companies and organisations that made use of this possibility were among others TPA Horwath, Raiffeisen Bank International and Bundesimmobiliengesellschaft BIG (Austrian Federal Real Estate Company), the service providers Vasko + Partner and Reiwig Facility Services GmbH as well as Serbia Investment and Export Promotion Agency SIEPA and Mura Regional Development Agency from Murska Sobota in northern Slovenia.

Viktor Wagner, CEO of Reiwig, as well as Wolfgang Vasko of the civil engineering company Vasko + Partner, Astrid Kares, Head of Marketing at BIG and Karin Fuhrmann, Accountant and Managing Director of the tax advisory and audit company TPA Horwath were full of praise about the event.

But not only by the Austrians the conference was well received, also the international participants like Manfred Cieleback, Head of Research of Patrizia AG, Germany, Cristian Vasiliu, Managing Director of the Romanian Facility Management Association in Bucharest, and Vladimir Volkov, Business Development Director of Luxembourg Investment Group showed themselves happy with the results of their trip to Vienna and their participation in the "Real Talks about CEE/SEE". Florian



18 panel discussions and a lot of individual talks characterised the conference.

Schneider, lawyer and Managing Partner of the Moscow office of international law firm Salans, commented: "For me, there were many good talks in a concentrated atmosphere. As well the panel discussions were characterised by upfront statements and plain talkings. It was not the common bubbling you often have at fairs and similar events." E.g. in the panel discussion about Poland Jerzy Jedrzejewski, Head of Department of Trade and Investment at the Embassy of Poland in Vienna, entered into a discussion with member of the audience Miran Gajsek, Head of Urban Planning in the Slovenian capital of Ljubljana, about the status of the realisation of the Pan-European transport corridor from the Baltics to the Balkans in their respective countries.

Some participants of the conference had to decide to listen to a panel discussion, to stay in the "networking area" for further

talks or to go out to the balcony terrace to enjoy the warm and sunny weather (and have some talks there). Latest after lunch time there were so many individual talks were in the focus so that the programme in the conference rooms was nearly dispensable.

However, the participants of the event showed themselves quite disciplined. Both the closing panel discussion and the following awarding of certificates by ÖGNI Österreichische Gesellschaft für nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate) had a numerous attendance. In regard of the many topics and talks during this day it cannot be amazing that invited by Franz Jurkowitsch of Warimpex the organisers and others involved in the event met in a near-by beer garden at Schottenkloster (Scottish Abbey) for a final get-together. | **Andreas Schiller**

RE-MIXING THE CITY

This was the general motto of this year's Real Corp, the 17th International Conference on Urban Planning, Regional Development and Information Society that took place May 14–16 in Schwechat near Vienna in Austria.

Indeed, it was a very international conference. At Multiversum in Schwechat, the venue of this year's Real Corp, there have met not only participants from nearly all European countries but from all over the world. Although an academic conference Real Corp was far from boring and the wide range of topics could be interesting also and especially for the real estate industry. Rapid demographic, social and economic development of cities and the question how to integrate these changes in the long-term urban planning to keep cities attractive for their inhabitants are themes which are a burning issue for the real estate industry as well.

However, there are large gaps between planners and property industry players, or as the Vienna-based landscape architect Evelyn Susanne Ernst stated: "Although Real Corp has the term 'real' in its title, there are nearly no real estate developers attending or present at the Real Corp conference. But I can assure you that usually regional and urban planners do not visit real estate conferences either." According to her, different driving forces of urban and regional planners on the one hand and real estate developers on the other are preventing a real dialogue and a better cooperation. While urban and regional planners "have as their responsibilities the 'eternal' consequences for the society", real estate developers "take their decisions according to economic calculations for the investment period". But to reach their goals planners and developers are depending from each other.

A series of workshop sessions was dedicated to the topic "mobility". Whoever tried to move through Moscow during



The venue, Multiversum in Schwechat, is an example for "an urban intermix".

rush hours knows that increasing mobility can result in rising immobility. But also in cities with a more continuous development mobility is one of the most complex topics and becomes more and more difficult to plan. Not only the transport volumes of persons and goods have increased, at the same time the more and more complex environmental regulations for transports in the city has to be taken into account. These regulations aim to prevent at least the individual traffic. Modern IT systems enable several (pilot) projects that might help to facilitate mobility and to control and regulate the traffic flows in a way that takes away the pressure on stakeholders.

Mobility has its price in a manifold sense. It is not only the running costs for car and fuel or for tickets of the public transport systems. In general, these expenses are rather easy to calculate. However, it becomes more difficult to take into account the more indirect costs. Corresponding to the "energy pass" for each kind of building a group around Manfred Schrenk, Chairman and driving force of Real Corp

and Managing Director of CEIT Central European Institute of Technology and CEIT Alanova, is developing a "mobility pass for residential real estate", an on-line tool that calculates the "real price" for mobility.

This mobility pass is more than only a "green idea", it has a very concrete background. Cities are continuously growing into the urban sprawl because property prices and rents are lower there. But distances to be travelled become longer and thereby accident risks higher. Also time passed only for transport reasons is increasing with every kilometre outside the city. As well CO₂ emissions are strictly related to the distances travelled. What all these facts mean in the medium and long term is still hard to estimate. Therefore all these elements are part of a new on-line tool that calculates the individual costs, time, risk and environmental impact. This "mobility pass for residential real estate" can help to raise environmental awareness and show that sometimes a supposed cheaper housing outside the city can be paid too expensive. | **Christiane Leuschner**

SUNNY BUSINESS IN A DIFFICULT REGION



A happy sun is the brand of the Sonnen- tor products that have made well known the Waldviertel in Lower Austria all over the world. Moreover, the happy sun is a symbol that even an economically underdeveloped region has its strengths—they only have to be recognized and it has to be taken advantage of them.

The Waldviertel in the northwest of Lower Austria is generally characterized as an “economically underdeveloped” region. The region did not benefit by the opening of the Iron Curtain, quite the contrary: the industries once allocated in the region—mainly textile and machine building industry—changed to the Czech Republic and other CEE countries. Fragmented agriculture, meadows and woods are the main characteristics of the Waldviertel, but as

well high unemployment and shrinking and aging population because mainly younger people seeking employment are leaving the region.

In Europe there are many regions like the Waldviertel, and their people feel often left behind the general development of their country. But also these economically underdeveloped regions have their potential and offer opportunities. These have only to be recognized and realised. Who once jumped at the chance and meanwhile has to tell a success story is Johannes Gutmann, Founder and Managing Director of Sonnentor, a trading company specialised in organic food products (no longer only) from the Waldviertel.

Who does not know the slender and willowy man would not suppose by the first

glance that he is a successful business founder and manager. His personal trademark: small red glasses and long-wear but resilient leather trousers. In these trousers he gets dressed with the greatest pleasure at opportunities when others are putting on their smoking. In general conventions devoid of meaning are not his guideline and against the general “do’s and don’ts” he is rather critical. “Who is doing and thinking only what many others have done or thought before does not get on. To create something new one has to do, think or plan things in a way different to all others before”, is his credo. And his story seems to be the best proof.

As the youngest of five children he should have taken over the farm of his parents. But he did not like this idea very much. He completed a commercial education at Handelsakademie, a vocational commercial high school in Austria. Its graduates have been qualified for studies at university. But Johannes Gutmann was not really attracted by studies in the capital city of Vienna. He stayed in the Waldviertel region and worked through different jobs. But apparently neither he nor his bosses seemed to be happy with each other. 23 years old, Johannes Gutmann was sick to death of an employee’s life. Horrifying nearly all around him he declared to do his own business.

The niche he wanted to start with was quickly found. He was and is silver-tongued. At school one of his nicknames was ‘Schmähling’ (‘Schmäh’ is the Austrian expression for stories with some sense of humour behind them), and by his education he was familiar with marketing tools. He assembled the—at that time only—few organic farmers of the vicinity proposing them to cultivate herbage and to produce herbal teas and herbal tea blends which he wanted to bring to market and to sell. Of the five addressed organic farmers three were willing to share his business idea and to get involved. They did not

have very much to loose. They were convinced to have good products but they had neither time nor know-how to market these products in the right way. The trend to organic products was just starting in Austria, and like everywhere else the first farmers changing to organic agriculture were considered as more or less "green nutcases".

On the other hand Johannes Gutmann had the right touch for good stories around the herbs and teas he wanted to sell. He found a lot of ideas in the traditions of folk medicine and of those who know about herbs like Saint Hildegard of Bingen, the founder of naturopathic medicine Sebastian Kneipp in Germany or the Austrian herb priest Weidinger. And Johannes Gutmann was willing to intinerate first through the region, later through the country to promote and sell the products.

The deal with the farmers was quite simple: the farmers produce, store and dry the herbs themselves, Johannes Gutmann takes a certain amount of it every week and pays for it one week later. If the farmers are packaging the herbs according to his recipes he paid the double. At any case he provided the packaging materials and labels.

At this point the first idea has already sprouted: not to sell only this or that herb or spice individually but to create blends with the about 25 herbs growing in the Waldviertel. Johannes Gutmann started his business in his neighbourhood: What ever the weather was like, he built up his stand—no, not on the market, but in front of a restaurant whose owner he was acquainted with—and sold his products. At the same time he listened very carefully at his clients, taking in what they need and want.

Today, nearly a quarter century later, the 'one-man show' has changed into a company with 170 employees plus free lancers and a revenue of EUR 24.7 million 2011/2012. The subsidiary with 75 employees in the Czech Republic generated further revenues of EUR 5.7 millions. Son-

nentor is exporting its products in 51 countries all over the world. The raw products are provided by meanwhile 150 organic farmers not only from Austria but as well from Germany, the Czech Republic, Romania, Albania, India and Tansania. Furthermore, there are 13 Sonnentor shops: 11 in Austria, one in Germany (Munich) and one in Japan (Tokyo) where people can buy the meanwhile more than 700 different products.



Johannes Gutmann with one of his first business partners, the farmers who were willing to work together with him.

To Sprögnitz where Sonnentor is based, are going 35,000 visitors on a "pilgrimage" every year. The small village belonging to the municipality of Zwettl has become apparently wealthy. And may be that is another reason that could explain the success of Sonnentor: Although Johannes Gutmann is proud of the fact that since the first month he could make a living from his business, the close cooperation with his farmers was always very important for him. He himself is explaining the success of his company by his awareness "that you can do things only together with others, that you need each other, that no one is greedy and trying to fleece the others".

This attitude comprises that he does not see his farmers only as "suppliers" but is sharing his success with them and seeing them as partners. Therefore he is taking into account their recommendations very seriously and is honouring them by showing their picture or naming them on many of his products.

He continues: "Economy is for all of us and we all are part of the economy. What we are experiencing today is an exaggerated capitalism that is rather unsocial than social market economy." What he meant is shown in Sprögnitz: He could use fully automated packaging machines, but deliberately he tries to create as many jobs as possible in the region by this part of the business process. And if somebody asks for a job for himself, his son or daughter or if charitable donations are collected, the successful entrepreneur of the region has a sympathetic ear and an open purse and is willing to help.

However, he is no 'soft boss'. Although in Sprögnitz all behave like a great family and are on first-name terms there is no doubt what has to be done. Everybody has to engage himself for the company's success and has to identify with the company's philosophy. Who is not disposed to fulfil this claim will not keep his job for a long time. Saturation is another thing Johannes Gutmann is not appreciating. After the company has grown by a double-digit rate annually during the last years the growth recently was at "only" 6 percent. For him it means time to give a clarion call and to remind people of their tasks.

Another characteristic of Johannes Gutmann is that he is a good story-teller. As a child he was fascinated by the local grocery store. He loved to poke there around and to listen to the owner's stories about the different products. He, too, has become such a 'story-teller': He is telling stories about his farmers who are cultivating the herbs, and the spices and herbal tea blends have telling names. These names always point out something positive because "every negative has its positive counterpart". Therefore a herbal tea



Although quite large by area the Sonnentor shop in Sprögnitz has the atmosphere of a mom-and-pop-grocery store.

that shall perk up all who are not a morning person is not named 'tea against bad temper' but 'tea for high spirits'.

Interesting and embarrassing is the way he is developing his products. He starts with an idea, a telling name and afterwards the respective tea or spice blend will be created. E.g. a spice blend is named 'all the best' and comprises onion, basil, pink pepper, oregano and beetroot as well as orange zest, liquorice and calendula. Also the tea blends are always mixed with petals that made the normally greyish-green herbal teas colourful and visually more attractive. This for example was the idea of an elder lady named Grandma Zach, who was among the three farmers of the first day.

Other ideas Johannes Gutmann collected by his clients when he was on tour with his stand in the first years of his business or later selling his goods in his small store. Still today his law is to listen carefully what clients are saying and what they are looking for. Respectively the blends get always revised and 'optimised'.

But telling names and emotional stories about and around the products alone are no guarantee for business success. As well the quality has to be perfect. Latest since Austria's EU accession organic products are subject to tight quality controls. Every supply of herbs, petals, leaves delivered to the warehouse in Sprögnitz will be checked of 450 possible residues before processed. Therefore Sonnentor products are distributed not only by Sonnentor shops but mainly by specialised shops for organic food and health shops.

Expanding the number of Sonnentor shops is next step Johannes Gutmann is striving towards. He is targeting not only Austria but other countries as well. Especially in Germany he is identifying great potential for his shop concept. The reason for this strategy is 'diversification'. Actually Sonnentor is generating nearly 90 percent of its revenues by wholesale trade of organic products. "If they get a cold", Johannes Gutmann is aware of, "we will have pneumonia." To reduce this dependency he is in search of retail areas in prime locations, preferred in buildings "with a

story behind", but the last is not a necessary precondition. But what is indispensable for a franchisee: that he fits in the Sonnentor 'family', that he has passion for the products he wants to sell and that he is using the marketing tools of Sonnentor in the right way and making the best of it.

Sonnentor shops are very distinctive. They are remembering at the traditional mom-and-pop-grocery stores. Also the shop in Sprögnitz quite large by area gives that impression. The shops invite to poke around and a small part with only two or three tables is always dedicated to some kind of gastronomy to taste the products.

Whatever one is thinking about the Sonnentor concept, fact is that Johannes Gutmann has developed a successful business idea out of the alleged disadvantages of his home region. He took what the Waldviertel has to offer—pure air, clean waters and soil rich of minerals where plants are flourishing very well—and marketed the products successfully. It is as he said: "The best is worth nothing if you cannot sell it." | **Marianne Schulze**

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PREVIEW TO THE MOST IMPORTANT AUTUMNAL EVENTS

September 12 – 14, 2012 International Real Estate Investment Forum ProEstate 2012

What about: Main topics of the exposition and conference in Saint Petersburg are urban development and the real estate markets in Russia. The event is organised by the Guild of Property Managers and Developers (GMD) with the support by the Ministry of Regional Development of the Russian Federation and the Government of Saint Petersburg. International

Real Estate Investment Forum ProEstate can be a first meeting point for all who want to get informed about the Russian real estate markets, about its characteristics, trends and developments and who want to get in contact with Russian real estate professionals.

Where: Lenexpo, 103, Bolshoy Prospect, Vasilevsky Island, Saint Petersburg, Russia

For further information and registration:
www.proestate.ru
www.gud-estate.ru

September 23 – 24, 2012 8th Conference of European Cities and Regions

What about: This year the annual conference of European Cities and Regions is themed "Overcoming regional disparities". Because 2012 is the European Year for Active Aging, the first day of the event is focused on the topic "Solidarity between generations: regional and local initiatives for active aging". Tied up with this IRE Expert Forum is the following working group dealing with the

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topic: "Cost efficient health care & hospital management on regional and local level". Themes of the second day of the conference are "Financial strategies for location development", "New perspectives and strategies for decentralised energy supply", and "Challenges in transport infrastructure for regional tourism". A main target of the conference is to offer sufficient possibilities for establishing new contacts not only with the representatives of the cities and regions but with the representatives of the European Union as well.

Where: Grafenegg Castle,
Lower Austria, Austria

For further information and registration:
www.institut-ire.eu

October 8 – 10, 2012

EXPO REAL

**15th International Trade Fair
for Commercial Property and
Investment**

What about: Since the first issue 15 years ago Expo Real has developed into one of the largest and most important B2B trade fairs for commercial real estate globally. Last year, across the 64,000 square metre site, 1,610 exhibitors presented

themselves, their products and services. All in all some 37,000 participants were registered representing the whole range of the real estate industry: developers, project managers, investors, financing institutions, consultants and brokers, architects and planners, corporate real estate managers and expansion managers but cities and regions as well. The countries of origin totalled at 72, and with Austria, Poland, Russia, the Czech Republic and Russia among the top ten CEE was strongly represented at the fair.

Where: New Munich Trade Fair Centre,
Munich, Germany

For further information and registration:
www.exporeal.net

November 8 – 9, 2012

Real Estate Circle 2012

What about: The conference Real Estate Circle is regarded as the autumn meeting point of the Austrian real estate industry and its decision makers, from investors and developers to financing institutions. Topics being discussed are not only about Austria but also facing international trends and questions like "What impact the European debt crisis will have on the

real estate industry". With the strong focus of the Austrians towards CEE/SEE will be in the focus as well.

Where: Courtyard by Marriott Wien
Messe, Vienna, Austria

For further information and registration:
www.businesscircle.at

November 14 – 16, 2012

**Mapic – The international
market for retail real estate**

What about: Main target of Mapic is to bring together global retail and real estate leaders to forge partnerships. Both are acting in quite different business worlds, but are in need of each other. Real estate people are developing the space, retailers need to expand. Especially for those who are expanding to Russia it will be interesting to hear that at Mapic 2012 Russia will be "Country of Honour". Already by size and by number of cities with more than one million inhabitants Russia is an important market for all involved in retail and retail real estate.

Where: Palais des Festivals, Cannes,
France

For further information and registration:
www.mapic.com



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INSIDE VIEWS ON THE EUROPEAN HOUSING MARKETS

Before the outbreak of the financial and economic crisis in 2008 investment in residential properties were considered as more or less boring. But meanwhile this segment has gained increasing attractiveness. Mainly institutional investors are appreciating residential properties more and more as a stabilising factor of their portfolios because investments in housing are of low risk and are promising a relatively steady cash flow.

However, the housing markets are not all the same, between the European countries there are substantial differences that are not only caused by different legal systems.

To have a more intensive look at the European housing markets and to have a view on the developments and trends in these markets not only from the practical but as well by the scientific side is the aim of a book, published by Patrizia Immobilien AG: "Urban horizons. Views and insights on the European housing markets". Masterminded by Dr. Markus Cieleback, Head of Research at Patrizia Immobilien AG, the book comprises articles of several authors active in (scientific) research examining the interdependencies between the economic, financial, mortgage and residential property market and having an analytic look at the individual European housing markets.

The range of topics is enlarged and complemented by a contribution from Erich Gluch of ifo Institute for Economic Research on housing construction in Europe. Each of the seven articles in total provides references for those who want to immerse themselves into the respective theme.

What makes the book interesting are the questions of the relationship of housing markets and the (international) economy, financial markets and policies and if there are indicators that are able to show the further development of the housing markets. After the experiences of 2008 one question is of an overall interest: How can bubbles on housing markets like those that had developed in Spain, UK and Ireland be avoided and are there instruments to counteract dangerous trends?

Beside the general view on the European housing markets and a more specific view on the market in Germany, Sweden, Finland and France the book might be interesting for all looking for investments in European residential properties.



Dr. Markus Cieleback,
Wolfgang Egger (Publisher):
*Urban Horizons – Views
and insights on the European
housing markets*
Patrizia Immobilien AG, 2012
The book can be ordered at Dr. Marcus
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