

SPH newsletter

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DEAR READERS,



It is with great pleasure to present you the first issue of SPH Newsletter. From now on SPH Newsletter will inform you once a month about trends and tendencies in Central and Eastern European real estate and investment markets as well as in Russia and CIS countries. Thus, on the following pages you will—of course—find "news", but other columns like "background", "special", "book review" and "opinion" as well. We believe that "news" can be understood only in the context of the big picture. The same applies to the CEE markets as well. Therefore the content of the columns mainly refer to those markets—but not only. Topics like, e.g., sustainable development, real estate asset management or core investments are of great importance in the Western world as well. The same is true for the international trade fair Mipim. Due to this fact the first issue is published at the occasion of Mipim 2011.

As at the four days of Mipim will be mainly about networking, SPH Newsletter will become part of the real estate and investment network as well. But being published as digital media, there is one difference: For our networking the net will be used.

During many talks with the industry we often heard the remark that for newsletters pdf as digital format is the best choice because of a simple reason: One can better archive the issues. But now we should not think already about archiving. First of all I wish you an interesting and fruitful reading. I am very keen to receive your comments and suggestions. Please feel invited to use the net and send an e-mail to office@schillerpublishing.eu

Yours,

Andreas Schiller



The office centre "Zebra Tower" in the city centre of Warsaw

UNION INVESTMENT ACQUIRED ZEBRA TOWER IN WARSAW

Union Investment Real Estate purchased "Zebra Tower" in Warsaw for its "Immo-Invest: Europa" institutional open-ended real estate fund. The 17-storey office building comprises approximately 18,280 square metres of office and retail space. The purchase price for the new building is around 76 million euros. The vendor is S+B Gruppe AG, an Austrian project developer that has been realising construction projects in Vienna, Prague, Bucharest and Warsaw.

Union Investment has completed three property transactions in the Polish capital in under a year, worth a total of around 220 million euros. Prior to "Zebra Tower", the Hamburg-based investment company acquired "Horizon Plaza" office building in the Mokotow district, as well as "Lipinski Passage", an office and commercial refurbishment in Warsaw's central business district.

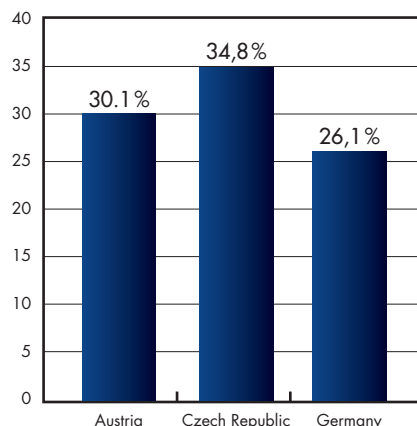
LEASING STARTS ON FOCUS MALL STAROGARD GDANSKI

At the beginning of February 2011 Parkridge Retail Development has launched the commercialisation of its "Focus Mall Starogard Gdanski" project in Pomorskie voivodship, 50 kilometres south of Gdansk. The shopping and entertainment centre will have 55,700 square metres of total space, of which GLA will comprise 22,600 square metres. It will host around 110 shops, and Parkridge aims to include a multiplex, supermarket, household appliances and electronics retailer, fashion brands as well as a food court, restaurants and cafés. Construction on „Focus Mall Starogard Gdanski" is scheduled to launch in Q3 2011, with delivery expected in Q1 2013.

With "Focus Mall Starogard Gdanski" Parkridge continues the inner-city commercial developments in medium-sized cities of Poland.

WARIMPEX: GOOD PRELIMINARY RESULTS FOR 2010

The preliminary results for 2010 show that Warimpex Finanz- und Beteiligungs AG had a good financial year. This success was driven in particular by the overall improvements in the market conditions in the hotel industry and in real estate financing after the crisis, as well as the overall good performance of the Warimpex hotels in the period. Sales increased by 20 percent from 85.3 million euros to 102.7 million euros in financial year 2010. Sales revenues from hotel operations increased by 22 percent from 79.6 million euros in 2009 to 97.7 million euros in the reporting period. Revenues from the letting of offices and the provision of development services fell by 12 percent to 5 million euros. Preliminary earnings before interest, taxes, depreciation and amortization (EBITDA) increased considerably by about 180 percent from 8.1 million euros in the prior period to 22.8 million euros in the reporting period, and the preliminary operating result (EBIT) also surged from -71.8 million euros to a positive 24.4 million euros. The preliminary profit for the period before taxes improved significantly from -92.6 million euros to 2.4 million euros. The non-current and current liabilities were reduced by a total of about 32.3 million euros.



Purchasing power on groceries

Source: GfK Kaufkraft für Sortimente im Einzelhandel 2010,
© GfK GeoMarketing

CZECHS SPEND AROUND ONE-THIRD OF INCOME ON GROCERIES

Czechs spend around 35 percent of their retail purchasing power on groceries, while Austrians and Germans only spend 30.1 percent and 26.1 percent, respectively. This is one of the results of a study on purchasing power for retail product lines for European countries such as Austria and the Czech Republic, which GfK GeoMarketing has released for the first time.

Austrians are in the lead when it comes to expenditures related to health- and body care. At 568 euros per person, Austrians spend twice as much on this product line as Czechs (249 euros per person) and significantly more than Germans (389 euros per person). Austrians also spend almost four times as much on furniture and furnishings as Czechs (524 euros versus 134 euros).

Germans, however, are particularly drawn to technology-related items. German consumers devote 8.2 percent of their retail purchasing power (415 euros per inhabitant) to consumer electronics, electronic media as well as information- and telecommunications technologies. By comparison, Austrians only spend 5.9 percent (336 euros), while Czechs spend 4.9 percent (137 euros).

COMMERZ REAL TRANSFERS SHAREHOLDING IN BRE-LEASING TO BRE BANK

Commerz Real is transferring its minority shareholding of some 49.9 percent in BRE Leasing Sp.zo.o., which specializes in commercial clients, to the Polish company BRE Bank. To date the latter has held 50.1 percent of the shares in the Warsaw-based company.

Just like Commerz Real, BRE Bank is also part of the Commerzbank Group. BRE Leasing occupies third position in the ranking for Polish leasing companies. The background to the transaction is the strategic re-orientation of Commerz Real in Germany and the associated restructuring of the foreign leasing activities.

GAZPROMBANK AND SBERBANK REFINANCE MIRLAND

Russian property developer Mirland Development Corporation plc has refinanced two loan facilities totalling about 43 million US-dollars with GazpromBank and Sberbank.

GazpromBank has revised and extended an existing loan facility on "Vernissage Mall" in Yaroslavl. The renewed loan amount is 29.1 million US-dollars. "Vernissage Mall" in Yaroslavl is owned by a jointly controlled entity, in which Mirland holds a 49% ownership interest however being the largest shareholder.

Sberbank facilitated a loan of 14 million US-dollars for refinancing an office building of "Century Project" in Moscow. "Century Project" comprises two office buildings of approximately 12,000 square metres. Each asset is owned by one of Mirland's 51-percent held subsidiaries.



"Crown Square" in Warsaw is one of the few office buildings certified by international green building standards.

INVESCO ACQUIRES OFFICE BUILDING IN WARSAW

Invesco Real Estate (IRE) has purchased the newly built office property "Crown Square" in Warsaw for 63.7 million euros for one of IRE's pan-European funds. The 12-storey office building comprises 16,000 square metres. Vendor is the real estate developer Ghelamco. „Crown Square" has a BREEAM certificate with a "very good" rating.

EBRD FINANCING FOR REDEVELOPMENT OF OLD MILL BELGRADE

EBRD is supporting the refurbishment of a historical site in the Old Town of Belgrade, with an investment to finance the redevelopment of one of the city's most famous landmarks, the Old Mill, a listed building located in front of the Gazela bridge. EBRD's 8.5 million euros equity investment in Prigan Holding, part of the Austria-based Soravia Group, will be used to finance the development of a new hotel with 240 rooms and 15,000 square metres as well as an office centre. The construction works are due to begin by June 2011 and the hotel's opening is expected in spring 2013. The total project investment will amount to 55 million euros.

STAFFING



*left: Dr. Sven Bienert MRICS
right: Alexander Bosak MRICS*

Dr. Sven Bienert MRICS has been appointed Managing Director at Probus Real Estate GmbH, the newly established real estate subsidiary of Hypo Alpe Adria HAA. Probus Real Estate GmbH, headquartered in Vienna, will be responsible for the group's real estate asset management and has been given the mandate of professionally managing the real estate portfolio of HAA. Till February 2011 Dr. Sven Bienert has been Director Advisory, Real Estate of international consulting company KPMG in Innsbruck. Independent of his change to Probus Dr. Sven Bienert retains his professorship at IREBS Institute of University Regensburg.

Alexander Bosak MRICS is Managing Director of BREC Bosak Real Estate Consulting GbmH in Vienna since February 2011. BREC is specialised in international real estate marketing. From 2003 to 2011 He was with Europolis GmbH, at last as Marketing Director and Senior Vice President. Besides Alexander Bosak is lecturer about real estate marketing at Vienna University of Technology (TU Vienna) and the University of Applied Sciences FH Vienna.

Rory Mephram MRICS has been appointed by King Sturge as Director of the Investment Department in Warsaw. He has extensive experience in central Europe having spent over eight years in Prague, working initially with King Sturge and then Sachsenfonds as Head of Acquisitions for CEE. Now he rejoined King Sturge.

Gawein Minks is is Managing Director of Multi Development Ukraine since March 2011. Gawein Minks has a doctorate in economics (speciality in property finance). During the last five years he has been Senior Developer in Multi's Gouda headquarters. Since autumn Gawein Minks has been increasingly focusing on the Ukraine market.



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INVESTMENT STRATEGIES: MERELY NO RISKS



Real estate investment markets are subject to similar cycles as the stock market.

Since 2008 investment strategies have changed fundamentally. A return to core markets and core products is the imperative. So some markets that ranked high before the crisis have fallen in disgrace. They are said to be too risky, and actually most investors are risk-averse.

After real estate investment markets worldwide have had experienced a heavy downswing in 2008 and nearly collapsed at the beginning of 2009, they started to revive again since the middle of

the year. But in general investment activity in 2009 has been quite low. Especially opportunistic investors nearly vanished from the investment market stage. Now it were mainly investors with strong equity who were in search of fully let prime assets in core markets.

As the worldwide economy started to recover from the financial crisis step by step investment activity increased as well. In 2010 commercial property investments in Europe totalled between 95.5 billion euros (DTZ) and 105 billion euros

(CB Richard Ellis). In comparison: in 2009 transaction volume was 73 billion euros, of which one third was realized in Q4.

Also the investment focus changed fundamentally after 2008. The bulk of transactions took place in core markets because investors are highly risk-averse. Therefore mainly the western European and Nordic markets, especially United Kingdom, France, Germany and Sweden became investors' darling. In Q3 2010 these markets counted for one third of the total European transaction volume.

From January to December 2010 the CEE markets could attract commercial property investments of only 5 billion euros, of which 75 percent went to Poland and Russia. Furthermore in this result for CEE is hidden the 272 million euros acquisition of Europolis—a subsidiary of Austrian Volksbank—by also Austrian headquartered CA Immo. The properties of Europolis are exclusively located in CEE and here mainly in Poland, the Czech Republic and Hungary. Therefore the deal was included in the CEE transaction volume, although in fact it was an inner Austrian merger.

There are good reasons why investors' interest is mainly focused on commercial property in Russia and Poland and especially in the capitals Moscow and Warsaw respectively. Both cities belong to the few locations, where office rents are already increasing.

Poland has enjoyed a relatively solid state during the global crisis 2008/2009 showing positive economic growth even in 2009 when all other European economies were shrinking. Correspondingly demand for office space remained quite stable.

"In many respects, Warsaw has drawn level with established investment markets in the west, particularly in terms of building standards and sustainability," explains Dr. Karl-Joseph Hermanns-Engel, Member of the Management Board of Union Investment Real Estate GmbH. Union Investment Real Estate is one of the few fund initiators from Germany that at present are investing in CEE.

Sustainability—meanwhile a "must" in Western Europe—is playing a more or less secondary role in CEE markets. Mainly in the more established markets like Poland, Czech Republic or Hungary one can find certified buildings (mostly BREEAM and LEED standards). In other countries in CEE/SEE there might be a change when these locations will be able again to attract the attention of international investors.

Russia is—like in many others aspects—a very special market. In 2010 it ranked



The Moscow real market is gaining momentum.

number one investment market in CEE. The strongest push was the acquisition of an office portfolio by Lenmar Capital at the end of the year. The portfolio comprises five office buildings in Moscow. The transaction volume was approximately 690 million euros.

Another positive fact is that the Russian economy gains momentum, due to increasing prices for raw material and energy. "This is one of the reasons why confidence in Russian real estate market is coming back again", emphasizes the recent capital market report of Cushman & Wakefield. In all real estate segments including hotels and logistic property the number of transactions is increasing. Furthermore, Russian banks are again ready to offer loans to developers (e.g. Sistema Hals, AFI Development, Mirax Group and Renova Stroi) and retailers willing to expand.

Still the main focus of investors is on Moscow. 94 percent of all commercial property investments took place in the Russian

capital. And it is mainly domestic investors who are active in the market. Despite increasing returns international investors are still very reluctant to become active in Russia. They are afraid of the high risks. On the other hand, Moscow office market is undergoing the strongest demand in office space and rental growth, according to the recent RICS Global Commercial Property Survey. Within the last twelve months in Moscow prime rents increased by more than 40 percent, reports RICS.

Following the latest quarterly economic report on emerging Europe of European Bank for Reconstruction and Development EBRD good growth perspectives are forecasted also for Estonia and Slovakia. In 2011, these two countries as well as Poland can expect a GDP growth clearly higher than three percent. Generally EBRD sees an increasingly divided growth path in CEE. Especially the recovery in South Eastern Europe continues to lag behind other transition economies. The only exception is Turkey.

Marianne Schulze

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SERVICE AND RETURN FOR THE CEE INVESTMENT MARKETS

We start a sentence, industry participants continue. This team play forms a complex picture of the future development of the CEE investment markets.

IF I COMPARE CEE MARKETS BEFORE 2008 AND TODAY,

... then today it is a totally different world. Before 2008 everything was promising and on the move, today you have to differentiate carefully between the single markets.

Alexander Otto

... so 2009 was for sure the most difficult year since the enlargement of the European Union to the East. Albeit transaction volumes are increasing again, they are far below the levels before 2008. This is an indicator that actually investors' demand is mainly focused on a small number of prime assets.

Thomas Schmengler

... then today there is much less competition than it was few years ago. In 2008/2009 there were hardly no investments nor sale deals, and since many development companies have postponed or even cancelled their plans, the number of constructed projects was significantly low. Only the strongest developers and investors remained in the market.

Since last year the situation at least in Poland is totally different. Currently the market is very busy. There are carried out many new large deals as well as new investments developments.

Jeroen van der Toolen

... then in my opinion challenges and opportunities remained the same. What has changed since 2008, are the time frames and the means at disposal.

Dr. Manfred Wiltchnigg

AT THE TIME BEING I/WE SEE GREAT POTENTIAL ESPECIALLY IN ...

... Turkey due to its political and financial stability, strong macro-economic fundamentals and undersupplied real estate market. Turkey's fundamentals are in-line with the BRIC countries and it is poised for higher than average economic growth over the next several years. I expect that European investor interest will increase during 2011, with additional upside potential if Turkey's sovereign debt rating is upgraded to investment grade after general elections this June.

Jason Lucas

... Turkey, Poland, the Czech Republic and Hungary, because in these countries financing is able to be get again and consumption is not only solid but growing.

Alexander Otto

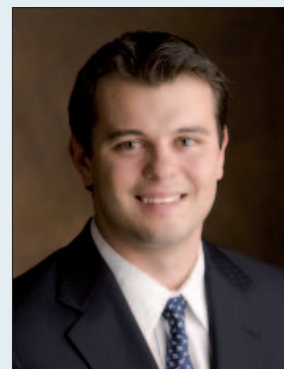
... the countries in the neighbourhood of Western Europe, because—with some limitations—their economic growth will be stronger than in Western Europe. In the south-eastern countries, however, the convergence process is not yet as advanced.

On the other hand, our in general positive market estimations are accompanied by significant risks that can slow down again the economic growth.

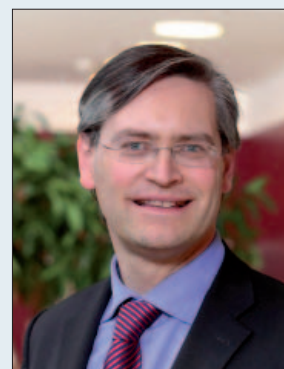
Thomas Schmengler

... all the real estate sectors in Poland. In Ghelamco we continue to focus mainly on office and residential projects. However, this year we plan to enter the retail market. Anyway it is necessary to stay very cautious and do not to make any rash decisions.

Jeroen van der Toolen



*Jason Lucas, President,
Amstar Global Partners*



*Alexander Otto, CEO,
ECE Projektmanagement*

... the development of retail parks in Poland, because actually there are nearly no competitors on the market and demand is still high; the development of modern logistics properties along the Rhine, because Germany, the Benelux countries, Alsace and Switzerland show an above-average prosperity; the Moscow retail market that has proved very resistant to the crisis and was rather solid during the last years.

Dr. Manfred Wiltchnigg



*Thomas Schmengler,
Managing Director,
Deko Immobilien*



*Jeroen van der Toolen,
Managing Director,
Ghelamco CEE*



*Dr. Manfred Wiltschnigg,
Member of the Executive Board,
Immofinanz AG*

IN THE MIDDLE-TERM ON MY/OUR WATCH LIST IS/ARE ...

... Bulgaria, for example, but Spain and Italy as well.

Alexander Otto

... the countries where we are already invested: Poland, Austria, Czech Republic and Hungary. Actually the important question is how these countries will perform after the financial crisis.

Thomas Schmengler

... the Polish retail market.

Jeroen van der Toolen

... investments in commercial standings and developments in the greater area of Cologne and Düsseldorf; acquisitions and disposals of office properties in Warsaw; the consolidation of our retail park portfolio in central Europe; the expansion of our shopping centre portfolio by new developments, enlargements and acquisitions in Poland, the Czech Republic, Romania and Russia.

Dr. Manfred Wiltschnigg

last few years. Russian market is for sure unique and a rather tough one. To invest there a developer needs to have some experience, but what is most important he needs to have a good attitude and know what to expect.

Jeroen van der Toolen

... come again into the focus of globally active investors because of its strong growth prospects.

Thomas Schmengler

... catch up and become one of the most important commercial partner of the West due to its commodities richness and the improved education of its people.

Dr. Manfred Wiltschnigg

DURING THE NEXT YEARS POLAND WILL ...

... continue to be the number one among the central European countries and will establish as a core market for real estate.

Alexander Otto

... remain the most attractive market among the CEE countries for investors and it will benefit from the wealth impulse within the EU. We assume the economy in Poland will expand further more this year and it will continue its dynamic growth in the following years as well. The forthcoming parliamentary elections we await with confidence.

Thomas Schmengler

... see a continuously growing real estate market. In CEE region Poland was the only country that has recently noted an economic growth. Thanks to this development investors started to appreciate the attractiveness and great business potential of the Polish market.

Jeroen van der Toolen

DURING THE NEXT YEARS RUSSIA WILL ...

... be on my watch-list. Investment activity has diminished in the past two years, but as investors struggle to find good opportunities in Western and Central Europe they will once again push east. Those investors and developers that were able to weather the financial crisis and remain in Russia during 2008 and 2009 will be at a distinct advantage as capital begins to return to the country in the medium-term.

Jason Lucas

... remain a difficult market, but in the long term it will prove potential.

Alexander Otto

... be a real estate market developing more dynamically than it did within the

... has to prove its leading position among the CEE/SEE countries against the re-

viving competition of the eastern and south-eastern neighbour countries.

Dr. Manfred Wiltschnigg

FOR BEING AND STAYING SUCCESSFUL IN CEE ONE HAS TO ...

... look more closely than before, but one also has to take opportunities and not to put his engagement off.

Alexander Otto

... look always at the fundamentals of the market. Besides the property itself the

macro and micro location are crucial factors of success.

Thomas Schmengler

... have a long term and client orientated strategy based on the experience and deep knowledge of local markets, its requirements and procedures.

It is absolutely necessary to remember that comparing to Western Europe the office market in CEE is rather young and still develops very dynamically. The local tenants and investors are no more interested in renting or buying low quality business space. Instead they expect the highest standards

combined with modern technical solutions. It's also important to focus on delivering the high quality business space situated in strategic business locations as well as on developing and supporting the local market.

Jeroen van der Toolen

... exercise patience. And as far as possible one should have a diversified portfolio spread over different countries and different asset classes as well. Only then one is able to balance the diverse market developments in the best way.

Dr. Manfred Wiltschnigg



Save the date! // Внесите в Ваш ежедневник!

Thursday, April 14, 2011

Четверг, 14-ое апреля 2011 г.

Consulate General of the Russian Federation in Bonn

Waldstr. 42, 53177 Bonn – Bad Godesberg

Генеральное консульство Российской Федерации в Бонне

Вальдштрассе 42, 53177 Бонн – Бад-Годесберг

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Moscow and Saint Petersburg

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Гаражные комплексы, транспортные потоки

и многое другое

Международный обмен

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MIPIM: SPRING HIGHLIGHT, A BIT DIMMED

Mipim, the first established real estate fair in Europe, has to notice as well that times have become more difficult. Especially exhibitors from CEE countries do not attend as numerous as some years ago.

From March 8 to 11 Mipim takes place in Cannes. Although the number of yachts lying in the harbour has decreased and the champagne that in the past flew like water is less common, the real estate fair at the Côte d'Azur is still a fixed date for all, who are active internationally.

However, it is not as easy to reach the record numbers of the past. In 2008 Mipim burst at the seams. The idea, to organize a special fair for the emerging countries, Mipim Horizons, seemed to be a loophole and promised success. But between spring 2008 and the first Mipim Horizons in December 2008 the financial crisis upset the world and its real estate and investment markets. Many companies—not only those of the emerging markets—had to set their sights lower. All costs including those for participation in fairs were on trial. Correspondingly the fair business became more difficult. Reed Midem, the organizers of Mipim and Mipim Horizons, soon recognized that in the foreseeable future an own spin-off only for emerging countries would not become a real hit. So Mipim Horizons has been re-integrated in the "main" Mipim.

Last year 1,727 exhibiting companies presented themselves to a total of 17,306 participants. This year (till March 1) 1,737 exhibitors are registered. 760 companies and territorial authorities from CEE, the Baltics and CIS will participate in the fair, 262 of them come as exhibitors to Cannes. Russia represents the biggest group with 81 exhibiting companies and territorial authorities, followed by Poland with 68 exhibitors. More significant is the distance to number three, the Czech Republic: from this country 39 exhibiting companies are travelling to Cannes. Barely in the two-digit range are Turkey and Ukraine with 13 and 11 exhibitors respectively.

Last year "Country of Honour" at Mipim was Poland, this year it is the United Kingdom, and next year it will be Germany. That means core markets are in the focus not only of investors, but of Mipim as well. | **Marianne Schulze**

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INFORMATION ABOUT RUSSIA AT MIPIM

Tuesday, March 8, 2011, 17.00 – 19.00

Auditorium K, Palais des Festivals
(by invitation only)

**Panel discussion and networking reception:
Russia: Invest in Best**

Participants:

- › Vladimir Evlanov, Mayor of Krasnodar
- › Vladimir Khilchenko, CEO, Sozvezdie Vodoleiqa (Aquarius) Holding and lecturer at the Higher School of Economy Moscow
- › Juuso Hietanen, CEO, NCC Real Estate
- › Jason Lucas, President, Amstar Global Partners
- › Jussi Palmu, Director, Evli Property Investments EPI Ltd
- › Michael Semenov, CFA-CEO, Renova StroyGroup
- › Manfred Wiltschnigg, Member of the Executive Board, ImmoFinanz AG

Moderator:

- › Andreas Schiller, Publisher and Editor-in-chief, SPH Newsletter

Wednesday, March 9, 2011, 12.30 – 13.30

Auditorium I, Palais des Festivals (level 4)

Panel discussion:

Doing Business in Russia: Red Tape Relief for Procedures and Approvals

Participants:

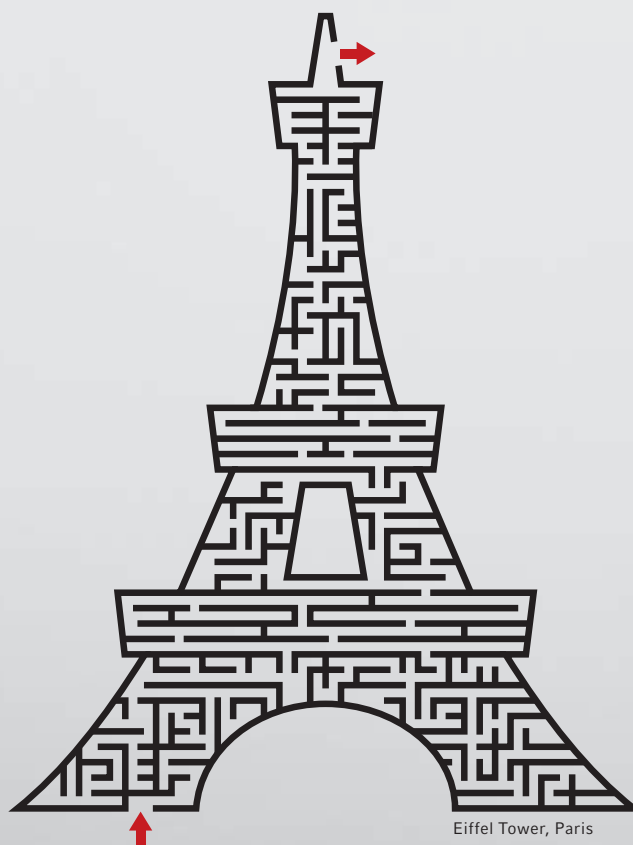
- › Alexander Braverman, Director General, Russian Housing Development Foundation RHDF
- › Markus J. Leininger, Head of Corporate Banking Central and Eastern Europe, Eurohypo AG
- › Elena Nikolaeva, President, „The National Agency for Low-Rise and Cottage Construction“ NAMIKS
- › Stanislav Voskresensky, Deputy Minister of Economic Development of the Russian Federation

Moderator:

- › Andreas Schiller, Publisher and Editor-in-chief, SPH Newsletter

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*James Bauer MRICS,
Managing Director, REAG Real
Estate Advisory Group GmbH*



*Pavel Goncharov,
Executive Director, Guild of
Manager and Developers in
Russia GMD, St. Petersburg
and General Director,
PROEstate Forum*



*Thomas Hoeller,
Managing Director Marketing,
Pramerica Real Estate Investors*

SOME MIPIIM COMMENTS

Revealing, albeit not representative is this small inquiry of market participants about Mipim: what is the advantage of the fair, what will be the future development and what do they expect from travelling to Cannes.

MIPIIM 2011 FOR ME/US IS ...

... important, because the personal interchange of thoughts and making friends cannot be substituted by digital contact only.

James Bauer

... an event of dual quality and double challenges, because the Guild of Managers and Developers brings along a large group of companies representing the real estate business of different cities and regions in Russia. Some of them come with ready projects and presentations, others rely on the Guild in ensuring efficient communication, new expertise and productive talks. The Guild has the overall responsibility for the programme at the stand of St. Petersburg, and we are proud to present dynamics of investment and development projects of the city.

Pavel Goncharov

... a yearly must, because it helps to keep in touch with a wide array of market participants..

Thomas Hoeller

THE GREAT BENEFIT OF MIPIIM IS ...

... the internationality of participants, discovering different approaches to tackle challenges and how to generate real value.

James Bauer

... (besides see, sun and oysters) the indisputably leading event of the European real estate market. Mipim is the number one real estate exposition of Europe. Even in difficult times it continued to be the "must go" event for many companies. It gives the feeling of "togetherness" for people in business.

Pavel Goncharov

... the weather (hopefully).

Thomas Hoeller

AT MIPIIM WE MAINLY HOPE ...

... in a conducive international atmosphere, to explore further business prospects with existing and potential new clients.

James Bauer

... that afterwards we will return back home with good results of the programme, new contacts and best impressions.

Pavel Goncharov

... to have many interesting conversations.

Thomas Hoeller

IN THE MIDDLE-TERM MIPIIM WILL ...

... remain interesting as a possibility to exchange ideas and for networking.

James Bauer

... move to St. Petersburg.

Pavel Goncharov

... remain important, albeit with strong competition from Expo Real.

Thomas Hoeller

POLAND – SHOPPING PARADISE FOR INVESTORS

In 2010 Poland was “Country of Honour” at Mipim—with good reasons, because in 2009 it was the only European country that showed a growing gross domestic product when all the other economies were shrinking. Today, twelve months later, Poland is appreciated as one of the core investment markets in Europe.

Last year’s spring the real estate investments markets started to revive step by step. And when Poland presented itself as “Country of Honour” at Mipim, it still became apparent that this central European country was no longer one of the risky emerging markets, it has become one of the low-risk core markets where again first investments took place. Meanwhile this rating has still strengthened.

In 2010 Poland’s economy showed further growth. According to NBP National Bank of Poland gross domestic product (GDP) increased by 3.8 percent. This is significantly higher than the average economic growth of about 2 percent in the EU-27 countries (Eurostat). For 2011 European Bank for Reconstruction and Development EBRD and International Monetary Fund IMF forecast a GDP growth of 4 percent in Poland. Also the following two years the Polish economy will increase by this range. For EU-27 the Commission forecasts a growth of 1.7 and 2 percent in 2011 and 2012 respectively, for the Euro-zone the average will be 1.5 percent this year and 1.8 percent in 2012.

“The economic growth is supported by the increasing consumer demand and a positive development in sales of industrial goods”, explains Manfred Witschnigg, Member of the Executive Board of Immofinanz AG. He continues: “Poland’s economy also benefits from the growing inflow of foreign direct investments that increased

from to 8.4 billion euros in 2009 to 9.8 billion euros in 2010. The size of the country with its approximately 38 million inhabitants and the growing sales volume in the market contribute are significant reasons as well for the attractiveness of the country for international investors.”

investment volumes of one-fifth of the Polish transaction volume: In Czech Republic it was about 185 million euros, in Hungary 179 million euros.

Especially in the last quarter of the year the retail property deals in Poland cumulated.



Office buildings in Warsaw are the target of international investors.

Looking back to the last 12 months, Poland’s investment market kept the promise of spring 2010. According to Jones Lang LaSalle in 2010 the commercial real estate transaction volume totalled at nearly 2 billion euros—that is 2.5 times higher than the figures of 2009 (750 million euros).

The main focus was on retail property in Warsaw and the regional cities. More than the half of the commercial real estate transaction volume was allotted to retail property. That means that Poland—behind United Kingdom and ahead of Germany, France and Spain—belongs to the top five European markets for retail property investments.

The success of Poland becomes even more explicit in comparison with Czech Republic and Hungary. These also already established markets in CEE showed retail

One third of the total investments took place in Q4. “The most active investors were Unibail Rodamco and Heitman”, says Norbert Czipionka, Managing Director Asset Management at EHL Real Estate Poland. “Unibail Rodamco acquired the shopping centres Arkadia and Wilenska in Warsaw for 400 million euros. And the US private equity company Heitman purchased for 230 million euros a 75-percent stake in Galeria Malta Shopping Mall in Poznan from Neinver. Heitman will manage the retail property comprising 54,000 square metres together with Neinver that still keep a 25-percent stake in Galeria Malta.”

Besides, Heitman recently announced that in 2011 it will invest 300 million euros in CEE. Preferred markets are Poland, Czech Republic, Slovakia and Russia.

Also with Neinver the investment and fund manager Meyer Bergman has entered into a joint venture agreement to undertake a 200-million-euros development in Katowice. The project comprises the redevelopment of Katowice railway station and the development of a shopping centre with 47,500 square metres gross leasable area.

Another joint venture was established by Pramerica and the developer Panattoni Europe. In this case, however, the target is the logistics market. Both companies were already experienced with each other, because this joint venture is the second one Panattoni and Pramerica formed. Both companies agreed to develop a portfolio of up to 100 million euros of logistics warehouses in Poland, Czech Republic and Slovakia.

Already completed were the subjects of a deal between EPISO Fund on one side and Panattoni Europe and Standard Life Investments on the other. EPISO Fund, managed by AEW Europe and Tristan Capital Partners, purchased for 91 million euros five fully-let warehouses in Lodz, Poznan and Pruszków (15 kilometres southwest of Warsaw)

With a total transaction volume of nearly 290 million euros in 2010 the Polish investment market for industrial, warehouse and logistics real estate saw its historically second best year. The reasons are apparent: There is still high demand of warehouse and logistics space. According to CB Richard Ellis total take-up in 2010 increased by more than 50 percent year to year to almost 1.5 million square metres. Market experts assume that the positive economic outlook will keep the demand for warehouse and logistics space high at least in the near future. Correspondingly there are again speculative developments: construction of 360,000 square metres of industrial, warehouse and logistics space was launched in 2010, according to CBRE almost the half of it is not pre-let.

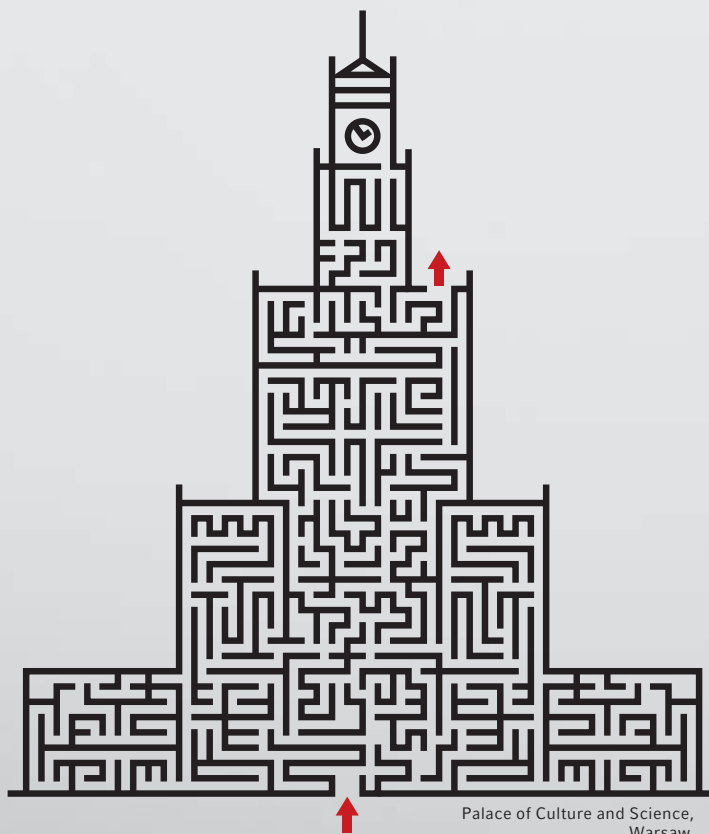
The office investment market has its highlights as well. Office investments in 2010 totalled 586 million euros. Literally on shopping tour in Poland was Union Investment Real Estate which within twelve months invested about 220 million euros in office buildings in Warsaw. In this figure included is the greatest deal of the Polish office investment market in 2010: the acquisition of "Horizon Plaza" with 102 million euros. Vendor of the office building with 32,700 square metres was IVG.

On the other hand IVG Institutional Funds acquired "Victoria Building" with a total area of 12,500 square metres from Deka Immobilien Investment for approximately 29 million euros. "Victoria Building" is located in Warsaw as well.

Also on shopping tour in Poland was RREEF Investment. For its open-ended real estate fund grundbesitz europa RREEF acquired the office buildings "Topaz" and "Nefryt" in Warsaw's Mokotow district for approximately 80 million euros. Vendor was the Polish developer Globe Trade Centre GTC.

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In spring 2010 SEB Immo Portfolio Target Fund acquired the office building "Trinity Park III" in Warsaw.

However, it has not always to be the capital. In summer 2010 again RREEF purchased for its gundbesitz global fund the office building "Grunwaldzki Center" in Wroclaw. With 27,000 square metres "Grunwaldzki Center" has nearly the same size as "Topaz" and "Nefryt". RREEF had to invest 77 million euros for "Grunwaldzki Center". The office building was developed by Skanska and is one of the few objects in Poland that fulfill the conditions of the EU Green Building Programme.

Not only the mostly familiar market participants are active in Poland. Also new companies are entering the market. One of these is e.g. the Bratislava based developer HB Reavis. They acquired a site in Mokotow district in Warsaw to develop their first project in Poland. The site has a building permit for an office building with 45,000 square metres.

In general development activity in Poland's office sector is increasing again. In 2010 Belgian developer Ghelamco

started construction of "Mokotow Nova", an office complex of 40,000 square metres. Completion is scheduled for 2012. Also in Belgium headquartered is the developer Liebrecht & Wood. Together with the Polish company BBI Development Liebrecht & Wood launched a mixed-use complex at Unii Lubelskiej Square in Warsaw. The project "Plac Unii" comprises a 21-storey tower and two 6-storey buildings with a total of 15,500 square metres retail space and 41,000 square metres office area. The investment volume is approximately 500 million Polish zlotys (126 million euros).

"The significantly increased investment demand in conjunction with the low construction activity during the crisis in 2008 and 2009 soon caused a lack of adequate investment objects", says Norbert Czipionka. "The consequence is that yields have decreased noticeably in all asset classes. Actually prime yields for shopping centres are at 6.5 percent, for office real estate at 6.75 percent and

for industrial, warehouse and logistics properties at 8.25 percent."

The continuing economic growth pushes demand of all kinds of modern space. "Therefore we expect falling vacancy rates and rents that tend to increase. In office buildings in Warsaw the vacancy rate is actually at 7 percent and is likely to decrease to 5 percent at the end of 2011. This development of the market and the increasing prices for real estate are good conditions for a pick-up of construction activity in Poland during the next years", comments Norbert Czipionka.

Dr. Manfred Wiltschnigg, however, points out, that there are some risks as well that could slow down the positive economic growth in Poland. "Among these risks are especially the government debt that with 53.5 percent of GDP is quite high; the cancellation of infrastructure projects; the structural reform of pension funds that will have a negative impact on the stock exchange; and the rise of VAT from 22 to 23 percent as well." | **Marianne Schulze**



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A PROPER "WHO IS WHO"

The Royal Institution of Chartered Surveyors RICS Germany has published the current member list, meanwhile for the fourth time in a row. Usually a register of members of an organisation is not in the focus of a review, because it is mainly for the purpose of contact among the members themselves. But in this case it is different. The member list of RICS Germany contains contact details and information about the professional focus of more than 1,000 chartered surveyors in Germany. Even more important is the user-friendly structure of the book. Most members are introduced not only with their name and function, but with photo, e-mail, and sometimes even with mobile numbers as well. Too, the book contains member listings following the criteria of companies, market segments, and postal codes. Of-

fering such, this database is unique for Germany. And of high value as well, because the title MRICS, FRICS, or HonRICS behind the name is a guarantee for a commitment to reliable quality standards. The one in need of an overview about the real estate industry in Germany and its players has a perfect source with the book. And he gets good value for money, because the nominal charge is 20 euros only.

Although RICS Germany is not claiming to have published a "Who is Who in Real Estate in Germany", in fact one can say so. Of course, more than 1,000 Chartered Surveyors do not state the German real estate industry in total, but in terms of quantity at least in a truly respectable size—and being a member of RICS even more in terms of quality.



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events

April 14, 2011

Conference: Traffic infrastructure in Russian megapolis: Moscow and Saint Petersburg

What about: Whoever visited Moscow and Saint Petersburg, knows about the problem of traffic jams and missing parking space. But problems need solutions: Russia is looking forward to the international dialogue about infrastructure.

Where: Consulate General of the Russian Federation, Waldstr. 42, D-53177 Bonn – Bad Godesberg, Germany

For further information and registration:
office@investmentinsight.de,
konferenz@aversgroup.com

May 17 – 18, 2011

Conference and trade fair: 11. Turkish Real Estate Summit and Istanbul Real Estate Investment Fair

What about: The Turkish Association of

Real Estate Investors GYODER invites for the 11th time to their annual congress, meanwhile accompanied by trade fair "Istanbul Real Estate" for the 3rd time.

Where: Lütfi Kirdar International Congress and Exhibition Centre, Istanbul, Turkey

For further information and registration:

www.gyoder.org.tr and
www.istanbulrestate.com

May 18 – 20, 2011

Conference: REAL CORP 2011 – Change for Sustainability: Lifecycles of Cities and Regions

What about: The annual conferences of CORP put together city, regional and country planner, geo-information specialists and other academics. As specialized the spectrum of participants is, as international it is as well. Participants presenting papers come not only from

well-known home markets, but for example from Taiwan and Teheran.

Where: SANAA Building, Zeche Zollverein, Essen, Germany
For further information and registration: www.corp.at

May 24 – 26, 2011

Trade fair: Real Vienna – The Real Estate and Investment Fair focused on Central & Eastern Europe

What about: In comparison with Expo Real and Mipim this trade fair is small. On the other hand it is clearly and only focused on CEE. And for real estate and investments in CEE Vienna is a good place. The Austrian capital is right in the middle, and many investments in CEE come out of Austria.

Where: Vienna Fair, Austria
For further information and registration:
www.realvienna.com

REAL ESTATE AND CULTURE



Andreas Schiller, Editor-in-chief,
SPH Newsletter

At the beginning of the year traditionally the real estate industry meets at several receptions and other events. This year one out of the numerous events came up with something special. The "Frankfurter Immobilien-Symposium", for which German law firm FPS Rechtsanwälte & Notare invited meanwhile for the 13th time and which somehow is the New Year's reception of at least the Frankfurt real estate industry, this year took place in the foyer of Frankfurt Opera House. So the event was not in one of the usual hotels nor in an up-to-date trendy restaurant. A place of culture was chosen, a place of art – with photos from current opera productions, with songs from actors, and with a welcome speech of the theatre's director. His welcome referred to what "Städtische Bühnen" (City Stages) means. Since 1902, when that term was introduced in Frankfurt, opera, theatre, and ballet were produced under the patronage of the city, financially as well.

This really long-term tradition makes the difference to the temporary forms of the so-called "event culture". To my mind, in a time in which the term culture receives more and more a wide-spread definition and thus paradoxically gets reduced, one should pay a reference to the long-term grown theatres, museums and concert halls, which again in the long-term define—among others—the image and the identity of cities. And there we are building the bridge to the

real estate industry. Theatres, museums, and concert halls can all be defined as "core", while the others would be only "opportunistic" or at the best could be called "value-add".

But the connection between real estate and culture, between the property industry and the cultural scene, comprises much more: Both is about creativity. A well-done and successful real estate development can definitely be compared with a good staging or with an impressive painting – too, the process of achieving such results in fact shows parallels. Thus it is not surprising, that some former "creators of culture" nowadays act in the real estate world, and on the other hand some real estate companies support cultural initiatives and institutions. Sometimes the latter is called "cultural sponsoring".

If we look to Hamburg in the north of Germany, the concert hall "Elbphilharmonie" gains attraction, already in the process of development. Although actually most headlines are negative because of the big increase of construction costs, but—I am sure—in the long-term we will see salutatory headlines. In Hamburg, at the same time, there are intensive discussions regarding the public budgets for museums, and regarding the relevance of such an institution as the "Deutsche Schauspielhaus" (German theatre) is. Using the language of marketing: Culture is a "location factor". But again let us ask: What is culture? And what is it worth for us?

In Saint Petersburg, the Russian partner (or twin) city of Hamburg, culture has an evident relevance for centuries. And this does not mean temporarily "event culture", but e.g. the Eremitage and the Mariinski theatre for opera and ballet—just to mention two world-wide known highlights from a city, whose complete inner centre owns the status of world heritage. Not far, but still a bit away from those highlights, at Tolstoy square, one can find a property of the

same name. This property was completed only a few years ago and comprises more than 20,000 square metres of space. The usage is retail in the lower part and in the upper part offices accompanied by a so-called "winter garden" for events. But this is not the only use. There are two theatres and two museums in it as well. Modestly the developer, Saint Petersburg based "IB Group", talks about a "mixed-use building", but in fact the cultural uses create an added value. Maybe not in terms of income by rent, but definitely it is a singular feature, a so-called "Unique Selling Point", and definitely it creates frequency. And this USP and added value pays off—much beyond excel-calculation and simple cash flow thinking. The view above the edge of the plate of cash-flow-calculation only can be helpful sometimes. With this property it easily means a view out of the window or towards the address. The square was named after a "creator of culture", an artist: the Russian writer Leo Tolstoy.

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