

SPH newsletter

news

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special

At Mipim 2015 there will be more exhibitors than last year. But among the exhibitors from CEE/SEE there is a significant shift in the presence of certain countries.

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Among the Mipim exhibitors from Russia is again the Russian Housing Development Foundation RHDF. SPH Newsletter asked for their aims and offers in Cannes.

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background

Classifications in A and B, in 'core', 'prime' and 'secondary' are very common in the real estate industry and especially among investors. However, often these labels seem to be arbitrary.

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Exhibitions, conventions, and conferences

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opinion

The euro is weakening, but where are potential investment alternatives?

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DEAR READERS!



At Mipim also politicians are present. Many a city or region is accompanied by its political leaders that will open the stand and be "available for talks".

On January 31, 2015 Richard von Weizsäcker died 94 years old, a German politician who was President of the Federal Republic of Germany from 1984 to 1994. Already more than 30 years ago he criticised the political parties "regarding the state as their prey". What happened since then to challenge the complaint? Decreasing voter turnout and increasing drifting of voters to the Right or to the Left on one hand, and the very fast change of politicians to private enterprises on the other hand do not give evidence that things have really changed.

From the real estate industry there is to learn at least that power is only authority delegated by voters, i.e. citizens. The citizen is – in a figurative sense – the shareholder, and elections are like the shareholders' meeting. The other way around there could be learned that cities and regions are not only investment locations, but first of all places to live. If they are functioning well and offering quality of life then they are also attracting investments. And perhaps there is also to talk about public responsibility instead of further privatisation.

On the special occasion of Mipim, I want to recommend these topics to you, dear readers. And perhaps they will be discussed not only in Cannes.

Yours,

Andreas Schiller



BPH Office Park in Gdansk has been acquired by GNT Gdansk. BPH Office Park consists of three buildings comprising a total of 20,000 square metres of leasable space.

EURO STYL SELLS BPH OFFICE PARK IN GDANSK

Euro Styl has sold the BPH Office Park in Gdansk. The project was purchased by GNT Gdansk – a company with Irish capital – for an undisclosed amount. JLL advised Euro Styl in this transaction. BPH Office Park is situated in the Jasien district of Gdansk, 10 kilometres west of the city centre. The complex consists of three buildings A, B & C, with a total leasable area of almost 20,000 square metres. Buildings A & B were completed in July 2013, while building C was brought to the market in January 2014. The complex is completely and long-term leased to Bank BPH S.A. (GE Capital Group).

SKANSKA ACQUIRES NEW DEVELOPMENT SCHEME IN PRAGUE

Skanska Property Czech Republic has acquired the development scheme known as Five! in the Andel-Smíchov commercial district (Prague 5), from Hochtief Development Czech Republic. The scheme consists of approximately 14,500 square metres. In the transaction the seller was represented by DTZ, the buyer by JLL. Legal advisors in the transaction were Dentons for the purchaser and bnt attorneys-at-law for the seller.

NEINVER AND TIAA HENDERSON: STRATEGIC PARTNERSHIP

Neinver and TIAA Henderson Real Estate, on behalf of TIAA-CREF, have formed a strategic partnership to create a designer outlet platform in Europe. The partnership – a 50:50 exclusive shareholders joint venture agreement – will invest in a number of outlet malls focusing initially on Neinver's existing portfolio and development pipeline across Europe.

GAZIT-GLOBE: SOLE CONTROLLING SHAREHOLDER OF ATRIUM

Gazit-Globe has entered into an agreement to acquire 52,069,622 ordinary shares of Atrium European Real Estate (ATR) representing approximately 13.87 per cent of ATR's issued share capital and voting rights. The shares are being acquired from a consortium managed by CPI CEE Management LLC, at a price of EUR 4.40 per share, for a total consideration of approximately EUR 229 million.

Following the completion of the acquisition, Gazit-Globe will hold (through wholly-owned subsidiaries) 206,681,551 ATR ordinary shares comprising approximately 55 per cent of its issued and outstanding share capital and voting rights. As a result of the acquisition and commencing with its financial statements for the first quarter of 2015, Gazit Globe will consolidate ATR's financial statements into its own financial statements.

erratum

In the last issue we reported that Union Investment Real Estate has acquired the office project Dominikanski in Wroclaw from Skanska. With the purchase price a '1' got lost: The project has been acquired for EUR 117 million – not EUR 17 million. Sorry, that we have omitted EUR 100 million.

**Mixed office,
residential and
commercial property**
Frankfurt

Type: Mixed-Use Property
Size: 35,500 m²
Sole Lender



Mokotów Nova
Warsaw

Type: Office Building
Size: 41,000 m²
Arranger • Sole Lender



Bromma Blocks
Stockholm

Type: Retail Portfolio
Size: 205,000 m²
Joint Arranger



Stadtquartier Q6 Q7
Mannheim

Type: Shopping Center
Size: 153,000 m²
Co-Arranger



River Plaza
Paris

Type: Office Building
Size: 27,000 m²
Arranger • Sole Lender



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Alexander Otto, CEO of ECE, and Olaf Scholz, Mayor of Hamburg, present the 50 – the years ECE is already executing successful business.

ECE TURNS 50

On January 22, 1965, mail order pioneer Werner Otto founded ECE – he initially aimed to prevent real estate issues interfering with the thriving Otto Versand. At the end of the 1960s, Werner Otto brought the modern shopping centre concept from the US to Germany. Under the name "Einkaufs-Center-Entwicklungsgesellschaft" (Shopping Centre Development Company), the new company first opened Franken-Center in Nuremberg in 1969 and Alstertal-Einkaufszentrum in Hamburg in 1970. By extending its business fields to office properties, company headquarters, logistics centres, railway stations, and hotels, the name did not cover the company's activities to their entirety and was therefore changed to ECE Projektmanagement G.m.b.H. & Co. KG. In 2000 Alexander Otto, the youngest son of founder Werner Otto, took over the helm at ECE.

Today, ECE is the European market leader in the field of inner-city shopping centres with almost 200 centres under management and activities in 16 countries. The company's portfolio comprises EUR 27 billion in assets under management and projects under construction or in planning stage worth EUR 3.5 billion.

STEIGENBERGER OPENS ITS FIRST HOTEL IN ISTANBUL

Frankfurt-based Steigenberger Hotel Group will soon be entering the Turkish market in the shape of the Steigenberger Hotel Istanbul Airport, which is being developed near to Ataturk International Airport. The hotel is scheduled for completion in June 2016 and will offer 210 rooms and suites. The contractual partner for the franchise agreement with the Steigenberger Hotel Group is Korcan Turizm Petrol Ürünleri Ticaret Sanayi A.S., Istanbul.

MARATON: SKANSKA'S SECOND OFFICE INVESTMENT IN POZNAN

Skanska Property Poland has launched the development of its second office investment in Wielkopolska region's capital city. Maraton, located in the centre of Poznan, will offer 25,000 square metres of modern space. Construction works have already started. Completion is scheduled for Q4 of 2016. Maraton will comprise six floors and two underground levels with over 300 parking spaces. In the first phase, an underground garage part and 13,000 square metres of office space will be developed.

COLLIERS INTERNATIONAL OPENS OFFICE IN ŁÓDŹ

In January 2015 Colliers international has launched its new regional office in Łódź. Marcin Włodarczyk has been appointed the Regional Director. He gained his professional experience, among others, holding a position of the Director of the Investor Relation Department in the Łódź Special Economic Zone for 7 years. Since 2013, he managed the Investor Relations Department in the City of Łódź.



Pomeranian Logistics Centre is located near the Gdansk Deepwater Container Terminal. Once completed Pomeranian Logistics Centre will comprise nearly 53,000 square metres of warehouse and logistics area.

GOODMAN EXPANDS POMERANIAN LOGISTICS CENTRE IN GDANSK

Goodman is developing 24,930 square metres of warehouse space at the Pomeranian Logistics Centre (PLC) located near the Gdansk Deepwater Container Terminal (DCT) for a Polish FMCG (Fast Moving Consumer Goods) distributor. To date, Goodman has built 14,000 square metres of warehouse space at the Pomeranian Logistics Centre, which is fully leased by Kuehne + Nagel, Terramar, NRF Poland and NTA. In addition to the pre-let development under construction for the Polish FMCG brand, another 14,000 square metres warehouse is being built speculatively.

After construction is complete, the combined area of the Pomeranian Logistics Centre will reach nearly 53,000 square metres. The Pomeranian Logistics Centre in Gdansk is Goodman's premier development project in Poland.

POLISH HOTEL CHAIN ORBIS CLOSES DEAL WITH ACCOR

Orbis, a leading hotel group in Poland, signed with Accor an agreement on the purchase of 46 hotels in six countries: Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia. 38 of them are operational, and eight projects are in the pipeline, of which three hotels are to be managed and five are to be franchised.

At the same time Orbis signed with Accor the Master Licence Agreement, which gives the Orbis Group a right to operate until 2035, including a minimum 10 year exclusivity, the hotel business under the Accor brands in 16 countries: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. The total price for the transaction amounted to EUR 142.3 million. As of today, Orbis Group comprises more than 100 hotels operating in eight countries in Central, Eastern and Southeast Europe.

IMMOFINANZ: TEMPORARY FX-FIXING FOR RETAIL TENANTS IN RUSSIA

Immofinanz Group offers to the tenants in its five Moscow shopping centres a general FX-fixing for their rents for a limited period of three months. The fixation is based on an exchange rate of RUB 40 for USD 1 or RUB 50 for EUR 1 (which corresponds approximately to the exchange rate level at the beginning of October 2014) and will last from January until March 2015. The offer is for those tenants where no individual agreements for a rent reduction have been previously agreed. The offer also stipulates that tenants fully repay any outstanding rents by the end of February 2015.

Immofinanz Group owns and operates five shopping centres in Moscow with a total of rentable space close to 277,000 square metres, among them Golden Babylon Rostokino with 168,000 square metres and Goodzone, which comprises approximately 56,000 square metres and was opened in 2014.

WHICH CITY IS
CONSISTENTLY RATED
AS HAVING THE **BEST**
QUALITY OF LIFE IN
EUROPE?

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COPENHAGEN AND MUNICH.

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Buda Business Center in Budapest, comprising 6,400 square metres of leasable office space, has been acquired by an open fund managed by Diófa Fund Management.

CA IMMO CONTINUES SALE OF NON-CORE PROPERTIES

CA Immo has sold small-scale office buildings in Sofia (Europark office building, 8,000 square metres of rentable area) and Budapest (Buda Business Center, 6,400 square metres). The total sales volume of the two properties was approximately EUR 17 million, the transactions have already been concluded. The Buda Business Center office building was acquired by a public open-ended fund managed by Diófa Fund Management while the Europark office building has been acquired by a local investor. Colliers International Hungary and CHSH, solicitors, acted as advisors to the vendor on the sale of Buda Business Center.

CTPARK NETWORK EXPANDS AT TWO NEW LOCATIONS

CTP has launched two new business parks in Czech Republic: CTPark Preštice and CTPark Uherské Hradiště. CTPark Preštice is located 15 kilometres south of Plzen on the E 53 highway. The location comprises 26,700 square metres of rentable area, with 17,000 square metres currently under construction. CTPark Uherské Hradiště, just south east of Brno and 30 kilometres from the Slovak border on the E50 main artery connecting Brno and Trenčín, offers a total of 58,500 square metres of rentable area in three properties, with 20,000 square metres already under construction.

MITISKA REIM ACQUIRES TWO RETAIL PARKS IN POLAND

Mitiska REIM, a Brussels-based real estate investment management company, has acquired a 100 per cent interest in two retail parks in Poland. The Kaufland-anchored projects are located in Stalowa Wola and Andrychów. Mitiska REIM made this investment on behalf of its specialist real estate fund First Retail International (FRI). The transaction price has not been disclosed.

PARTNERS GROUP ACQUIRES MAJOR PART OF BPT OPTIMA'S PORTFOLIO

By way of a transaction closed in February 2015, a new investment vehicle established by Partners Group and its operating partner Northern Horizon Capital has agreed to buy a portfolio comprising the majority of the assets of BPT Optima, an institutional real estate investment vehicle.

The acquired portfolio includes seven office and retail properties in the Baltic cities of Tallinn, Riga, Vilnius, Kaunas and Klaipėda, totalling approximately 112,000 square metres of lettable space, as well as in Poland the large Young City urban regeneration site on the Gdansk waterfront, including the historical former shipyards.



Atrium European Real Estate has acquired Unibail-Rodamco's 75 per cent interest in Arkády Pankrác shopping centre in Prague.

ATRIUM ACQUIRES ARKÁDY PANKRÁC IN PRAGUE

Atrium European Real Estate Limited has signed an agreement to acquire a 75 per cent interest in the Arkády Pankrác shopping centre in Prague for a consideration of EUR162 million. Atrium has agreed to acquire the stake from Unibail-Rodamco S.E., which owns 75 per cent of the shopping centre in a joint venture with the Otto family, which will continue to own the remaining 25 per cent.

Arkády Pankrác, located in Prague's district 4, opened in 2008 and is comprising 38,200 square metres of retail gross leasing area, along with parking for 1,100 cars. Following the acquisition, ECE will continue to manage the shopping centre, working closely alongside Atrium's in-house team of retail experts.

AFI PALACE COTROCENI MALL STARTS EXPANSION

AFI Palace Cotroceni in Bucharest started its next expansion and re-organization construction works. The development takes place mainly at the Galaxy entrance. The present expansion increases the mall's leasable area to 82,000 square metres and the mall's management is already working on the next expansion of another 8,000 square metres.

AEW EUROPE ACQUIRES CZECH LOGISTICS PARK

AEW Europe announced on behalf of its Logistis Fund, that it has purchased a 255,000 square metres logistics park in Prague from Panattoni Europe for a total completed value of EUR 150 million. Located on the R6 motorway, close to Prague International Airport and the city's R1 ring road, the property includes a 125,000 square metre standalone distribution warehouse which is under development and fully pre-let to Amazon. Set to be completed by the developer, Panattoni, during summer 2015, it will serve as a new location in Amazon's European Fulfilment Network.

The remaining 130,000 square metres consist of a logistics development comprising seven assets. Four of the assets totalling 102,000 square metres will be built to let as multitenant units, while the remainder will be developed for the owner occupier market.

6B47 EXPANDS INTO POLAND

The Vienna based development and investment company 6B47 Real Estate Investors, active in Austria and Germany, is expanding into Poland. The company founded in 2009 and represented by offices in Vienna and Düsseldorf has established a third office in Warsaw. In May 6B47 Real Estate Investors will start the construction of a residential project in Wilanow investing EUR 15 million in 148 apartments.



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50
YEARS
ECE

ECE



New owner of the Baltic Business Center in Gdynia is Octava FIZAN, an investment fund affiliated with Octava SA.

BPT OPTIMA SELLS TWO BUILDINGS IN POLAND

BPT Optima has sold two buildings from its office real estate portfolio in Poland. Both, Obrzeźna Building in Warsaw and the Baltic Business Center in Gdynia, were purchased by Octava FIZAN – an investment fund affiliated with Octava SA, a property company listed on the Warsaw Stock Exchange. Obrzeźna Building, located in the Mokotów district in Warsaw, is an office scheme that offers 9,600 square metres of space. The property is solely leased to Orange Polska SA. Baltic Business Center is located in the centre of Gdynia and provides 11,300 square metres of office space. Tenants of the Baltic Business Center are Thomson Reuters and Bank Pekao SA.

P3 COMPLETES ACQUISITION OF WAREHOUSES FROM CA IMMO

P3 Logistic Parks has completed its acquisition of two logistics parks in Poland and one in Romania, with a combined total of 467,000 square metres of lettable space, from CA Immobilien Anlagen AG. The purchase, which includes almost 165 hectares of land for development, lifts P3's total warehouse portfolio to 2.9 million square metres.

The assets acquired from CA Immobilien are: a 177,000 square metre park at Blonie, 30 kilometres west of Warsaw's city centre; a park near Piotrków, central Poland, that provides 75,000 square metres of space; and in Romania a park in Bucharest consisting of 215,000 square metres of space.

CONSTRUCTION START FOR POZNAN AIRPORT LOGISTICS CENTRE

Goodman is developing the first facility at the new Poznań Airport Logistics Centre, with the construction of a 16,000 square metre warehouse. CD Partner, a Polish beverage wholesaler, will lease 4,500 square metres of warehouse and office space at the facility, with Goodman constructing the remaining 11,500 square metres on a speculative basis. Delivery of the warehouse is planned for the second quarter of 2015.

EFTEN CAPITAL ACQUIRED RADISSON BLU IN TALLIN

Eften Real Estate Fund II acquired full ownership of Radisson Blu Sky hotel's real estate and the hotel operator company, Astlanda Hotelli AS, for EUR 46 million. In addition to the landmark hotel Radisson Blu Sky, Eften Real Estate Fund II acquired also a 3,000 square metre office building. The new owners do not plan changes in the management of the hotel that will continue to operate under Radisson Blu brand. Galaren Invest B.V. was the seller of both, the property and the hotel operator company. SEB Bank financed the transaction.



In Krosno, a city in southern Poland, Immofinanz Group is to develop a Vivo! shopping centre. The six hectare site for the development is already secured.

IMMOFINANZ TO CONSTRUCT VIVO! SHOPPING CENTRE IN KROSNO

Immofinanz Group is continuing the expansion of its newly established Vivo! shopping centre brand: a six hectare site was secured in Krosno, a city in southern Poland, for the construction of a further Vivo! shopping centre.

Construction should be completed in the first quarter of 2017. The investment costs are estimated at roughly EUR 37 million. Immofinanz Group is realising this development venture together with Acteeum Group, a retail project development specialist (distribution at the shareholder level is 85 per cent owned by Immofinanz, 15 per cent by Acteeum).

The new shopping centre will have approximately 22,000 square metres of rentable space for more than 70 stores as well as roughly 800 parking spaces.

AFI EUROPE COMPLETED AFI PARK 3 IN BUCHAREST

AFI Europe Romania has completed the third office building of AFI Park in Bucharest. AFI Park 3 is fully leased to Endava Romania and Telus International. AFI Park 3 comprises 12,200 square metres of gross leasing area and is financed with a development loan of EUR 15 million by BCR (Banca Comercială Română), a member of Erste Group.

AFI Park consists of 5 office buildings, with a total gross leasable area of 70,000 square metres. All buildings are linked to AFI Palace Cotroceni. In April last year, AFI Europe Romania started the construction of AFI Park 4 & 5, the 4th phase will be finalized in Q4 2015. AFI Park 4 & 5 is constructed as one building, offering a floor plate of approximately 3,000 square metres. The building will total 32,000 square metres of leasable area spread over 12 floors, served by 2 underground parking levels with 300 spaces.

PEAKSIDE REFINANCES WISNIOWY BUSINESS PARK IN WARSAW

Bank Zachodni WBK has provided a EUR 62.6 million loan facility to a subsidiary of Polonia Property Fund LP (Polonia II), managed by Peakside Capital. The facility refinances existing buildings of Wisniowy Business Park and is transferable in case the property is sold (subject to Lender approval).

Wisniowy Business Park was Warsaw's first office business park. The property comprises six office buildings of 40,000 square metres gross leasing area on a 5.6 hectare site, together with 690 basement and 680 surface car parking spaces. Wisniowy Business Park is located on the city/airport expressway only 4 kilometres away from Warsaw Chopin International airport.

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In a joint venture deal on behalf of Bayerische Versorgungskammer and Nordrheinische Ärzteversorgung Invesco Real Estate has acquired Plac Unii in Warsaw, opened in 2013.

INVESCO ACQUIRES PLAC UNII IN WARSAW

Invesco Real Estate (IRE) has acquired Warsaw's Plac Unii for approximately EUR 226 million. The asset was acquired on behalf of Bayerische Versorgungskammer (BVK) and Nordrheinische Ärzteversorgung (NAEV) as part of a joint venture deal between the firm's two German separate account clients. Plac Unii was purchased from Liebrecht & wood and BBI Development.

The 56,800 square metre mixed-use scheme features a combination of 41,300 square metres of office space on the upper levels and a 15,500 square metre city shopping gallery on the lower floors.

GTC: CONSTRUCTION LOAN FOR OFFICE PROJECT IN BELGRADE

GTC Serbia, a wholly owned subsidiary of GTC S.A., has signed a construction loan agreement with Raiffeisen Bank. The EUR 9.5 million loan will finance the development of the first phase of GTC's Fortyone office project in the Serbian capital city of Belgrade.

Construction of the Fortyone office complex started in October 2014. Fortyone office complex will comprise 27,000 square metres of office space and will be built in three phases. The first building will offer approximately 10,000 square metres of office space and is scheduled to be completed in the third quarter of 2015.

WORLD BANK GROUP SUPPORTS HEALTH CAMPUS IN ADANA

The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group, announced their support for the development of a EUR 433 million integrated health campus in Adana, southern Turkey. The Adana campus is part of a nation-wide PPP program being implemented by the Turkish Ministry of Health to provide improved public healthcare services. The 1,550-bed Adana health campus will include six hospitals with different specializations, such as oncology and women & children's health services.

IFC will lend EUR 35 million in loans to ADN PPP Saglik Yatirim, a special purpose company established by a consortium to build, finance and maintain the health campus, and arrange another EUR 136 million from other financing sources, development finance institutions and international commercial banks, including the German development finance institution DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH and Proparco, the subsidiary of the French Development Agency dedicated to financing the private sector, EBRD, KDB, BBVA, Siemens Financial Services, SMBC, and HSBC. MIGA is issuing guarantees worth EUR 142.1 million covering an equity investment into the project by Meridiam Eastern Europe SARL of France, one of the consortium members that established ADN PPP Saglik Yatirim. MIGA guarantees provide coverage against the risks of transfer restriction, expropriation, and breach of contract for a period of up to 20 years.

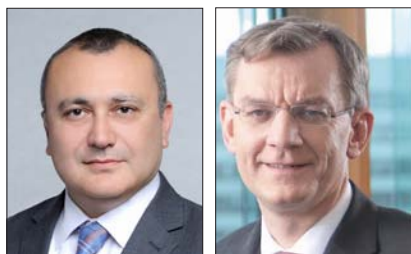
STAFFING



left: Charles Daulon du Laurens
right: Cristina Dumitrache

Charles Daulon du Laurens has been appointed European Head of Sales of AXA Real Estate Investment Managers. Charles Daulon du Laurens joined AXA Real Estate in 2012 as Head of Investor Relations for the Real Asset Finance department. Before he spent nine years in the capital markets divisions of a number of major investment banks, most recently having served as a Director.

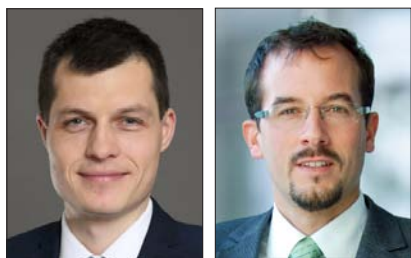
Cristina Dumitrache is the new Managing Director for Slovakia at Cushman & Wakefield. In the last 2 years, Cristina Dumitrache was part of the Retail Department of C&W in Slovak Republic as Associate. Cristina Dumitrache has an experience of 17 years in real estate of which 10 years in retail. She joined Cushman & Wakefield in 2007, previously working since 2004 for the Associate Office of Cushman & Wakefield in Romania. Cristina Dumitrache joined C&W in Slovakia in June 2013.



left: Ryan Lee
right: Dr. Joachim Seeler

Ryan Lee has been appointed Chief Financial Officer (CFO) of Atrium European Real Estate. Ryan Lee will succeed Sona Hýbnerová, who has made the decision to leave the Group after 10 years. Ryan Lee joins from Central European Distribution Corporation (CEDC), CEE's largest integrated spirit beverage business, where he spent two years as group Chief Financial Officer.

Dr. Joachim Seeler is Managing Partner of the newly founded Hamburg Invest GmbH as of March 1, 2015. From February 2012 to the end of January 2015 Dr. Joachim Seeler was Member of the Board at Lloyd Fonds AG where he was responsible for the business development of the real estate department as well as for marketing and trustee relationship. From 2007 to 2011 he was Chairman of the Board of Hamburg Trust, an issuing house founded by him. Prior to this Dr. Joachim Seeler was Member of the Board of HSH Real Estate AG, Managing Director of HGA Capital GmbH, and Head of International Real Estate Financing at HSH Nordbank AG. Since February 15, 2015 Dr. Joachim Seeler is also Member of the Parliament of the Free and Hanseatic City of Hamburg.



left: Petr Svoboda
right: Steffen Szeidl

Petr Svoboda has been hired by CBRE to head up the new Debt & Structured Finance team for Central and Eastern Europe. Petr Svoboda joined from Komerční banka (SG group) where he worked for six years in the Real Estate Finance team in Prague. Prior to that he spent four years at the Bank of Ireland in Dublin.

Steffen Szeidl has been appointed to the Executive Board of Drees & Sommer. He takes over from Joachim Drees who decided in summer of 2014 to return to the industry and automotive sector. Born in Heidelberg, after studying architecture at the Technical University in Darmstadt and the ETH Zurich, Steffen Szeidl began his professional career in Switzerland in 2005. In 2006, he moved to Drees & Sommer's Frankfurt office. In 2009 he returned to Switzerland to establish two new offices for the Drees & Sommer Group – in Basel and Zurich.



Olivier Tèran

Olivier Tèran has been appointed Chief Investment Officer (CIO) of Allianz Real Estate. Olivier Tèran joined Allianz Real Estate in 2008. As Member of the Executive Committee he initially was responsible for special projects before he became Global Head of Portfolio Management and more recently Investment Controlling. Olivier Tèran started his career at Commerz Financial Products before he joined GE where he held various positions and finally was appointed Managing Director of Business Development of GE Real Estate Europe.



LETTINGS

ATRIUM PARK, BUDAPEST

HUNGARY 

A governmental agency prolonged its lease for 3,800 square metres of office space in Atrium Park. The office building is part of Immofinanz Group's portfolio.

GLOBE 13, BUDAPEST

HUNGARY 

A governmental tenant extended its occupancy of approximately 4,000 square metres in the Globe 13 office building. Owner of Globe 13 is Immofinanz Group.

HALLER GARDENS, BUDAPEST

HUNGARY 

Immofinanz Group has signed a rental agreement with multimedia provider UPC about 6,000 square metres in the Haller Gardens office building. The contract was concluded for a period of ten years.

BUSINESS GARDEN, WARSAW

POLAND 

Sandler & Travis Trade Advisory Services (STIAS) signed a lease agreement in the Business Garden complex in Warsaw. The company will occupy 1,300 square metres of office space and will move to its new office in March. JLL represented the tenant during the negotiation of lease terms. Business Garden comprises seven buildings offering 90,000 square metres of office, hotel, conference, retail and service space. Investor of Business Garden is Vastint Poland (formerly SwedeCenter).

PARK ROZWOJU, WARSAW

POLAND 

Intergraph, a global company in IT solutions, changes its Warsaw seat and moves to the Park Rozwoju office building, developed by Echo Investment. Intergraph has leased an area of nearly 1,200 square metres in a building which is under construction as part of the second stage of Park Rozwoju. During negotiations Intergraph was represented by Cushman & Wakefield. Park Rozwoju consists of two buildings and a restaurant, which is located in the connector. The total area of the complex is 32,000 square metres. The buildings will have a two-storey underground car park and a ground-level car park offering a total of 740 spaces.

P3 MSZCZONÓW, WARSAW

POLAND 

P3 has signed leases for 25,445 square metres of space with Fiege at P3 Mszczonów in Poland. The international logistics contractor renewed tenancy agreements and signed a new lease to bring its total occupancy at P3 Mszczonów to more than 46,000 square metres. P3 Mszczonów is about 50 kilometres southwest of Warsaw and provides direct access to the highway network serving Katowice, Łódź and Poznań, plus links to Berlin. The park offers expansion potential as a multi-modal freight centre, while there is also scope to develop more than 80,500 square metres of additional warehousing on the site.

GALERIA SUDECKA, JELENIA GÓRA

POLAND 


A shop of the Vistula brand is to be opened in Galeria Sudecka in Jelenia Góra. Furthermore Echo Investment has recently signed contracts with Tatum (150 square metres), Carry (1,000 square metres) and Super-Pharm (500 square metres).

OXYGEN, SZCZECIN

POLAND 

The BrightOne company has leased an office area of 1,500 square metres in the Oxygen office building developed by Echo Investment in Szczecin. Oxygen offers a total leasable area of over 14,000 square metres.

PNK-TOLMACHEVO, NOVOSIBIRSK

RUSSIA 

Russian food reatailer O'key has signed a leasing contract for 13,900 square metres in warehouse complex PNK-Tolmachevo, developed by PNK Group. Cushman&Wakefield was presenting the owner in the transaction. PNK-Tolmachevo is the largest warehouse complex in the Russian regional market. It has a total area of 382,500 square metres and is located 11 kilometres from Novosibirsk and 2 kilometres from Tolmachevo airport.



CEE & SEE GLOBAL REAL ESTATE
& ECONOMY TALKS

20 & 21 May 2015

Palais Niederösterreich
Herrengasse 13
1010 Vienna



GREET
VIENNA

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THE SPRING MEETING OF THE REAL ESTATE INDUSTRY

From March 10 to 13, 2015 the international real estate industry is to capture Cannes. Because Mipim takes place not only in the Palais des Festivals and the adjacent areas, but is also spreading more or less over the whole inner city.

A distinct sign for Mipim coming up soon is the increasing number of mails offering yachts and apartments in Cannes to lease, but as well mails from exhibitors promoting their products and services. These mails seem to be distributed to everybody registered in the Mipim database regardless of the nature of the addressee's business 'portfolio'. The flood of mails is annoying but also in the digital world there are paper baskets where most of these mails may end more or less unread.

But apart from that – what is expecting those who are travelling to Mipim? Some weeks ago Mipim's organisers, Reed Midem, have published their key figures for 2015. They expect 21,000 participants from a total of 93 countries, they anticipate that 4,500 investors and 3,200 CEOs and Chairmen are taking part in the event, and they speak about 350 municipalities being present at Mipim.

Well, with investors it is a tricky thing. Counting every representative of an investment company registered for Mipim the figure may be right. But looking at the investment companies then there are only 1.478. And in these included are banks (211) and third party asset management companies (404). Furthermore some of them are counted separately for every country they are present in.

Looking at the figures of already registered companies (February 17, 2015) and comparing it with the figures last year at nearly the same time, then Mipim 2015 will see some increase in the number of exhibitors.



For four days international real estate players are meeting in Cannes.

So far 1,999 companies have already registered, 1,869 of European origin, but only 218 from CEE/SEE including Russia and Turkey. The strongest presence are showing exhibitors from Poland – 54 exhibiting companies as well as local and public authorities –, directly followed by Turkey with 52 exhibitors and Russia with 51 exhibitors. What is to recognise is the absence of the City of Moscow as well as of the Russian regions. The only municipality of Russia, present at Mipim, will be the City of Saint Petersburg (R7.G6).

Again the Russian Guild of Managers and Developers has organised a joint stand (P-1.M57). Aside from three international and Russian law firms stand partners are the construction companies Atitoka and M.K.³; Geometry, describing themselves as investors and developers; Astron Lindab Buildings, designing and producing tailor-made pre-engineered steel for construction; Megafon, offering FM services; and Praktika Development,

that despite their name have little to do with developments – they are offering consultancy, asset management, FM and property management. A bit exotic in this row seems to be Setenergotrans, a private power and heat supplier active in Moscow and Moscow region.

Others will have individual stands in the Palais des Festivals and in Espace Riviera as well: Among them are developers and construction companies like Etalon Group (P-1.K61), Euromet Development (P-1.G61), Glubina Group (P-1.F7), MonArch Group (P-1.E64), Vedis Group (P-1.J8) and Terra Auri (P-1.G17). In this context there is also to name Armo-Group (R7.E73), a mechanical, electrical and plumbing (MEP) company, and Ecoprog (P-1.F1), providing engineering solutions for technically sophisticated projects as e.g. the passenger terminal of Moscow- Vnukovo International Airport. Innopolis (P-1.E76), a large-scale urban development project in Tatarstan, constructed completely from



Ibrahim Çaglar, President of Istanbul Chamber of Commerce, will inform about the megacity on the Bosphorus.

scratch and with the aim to create one of the new IT centres in Russia, will be showcased at Mipim, and also the Russian e-retailer Ulmart (P-1.C50, P-1.D51) will be present.

Who is looking forwards to speaking with Turkish exhibitors, will discover the large tent of the City of Istanbul just in front of the Palais des Festivals. However, there is also a Turkey Pavilion inside the Palais des Festivals (Level 0). Here the capital city of Turkey Ankara is presenting itself as well as Balıkesir, a city located between Bursa and Izmir. Furthermore there is to find Vadistanbul, an urban development project in the north of Istanbul comprising approximately 1.1 million square metres of residential, shopping and office area as well as hotels and leisure facilities; Otomi constructing car parks; Podium AVM developing retail parks; Sogut Construction and the developer Emlak Konut Real Estate Investment.

Independent stands have the City of Antalya (P-1.C79) as well DKY Construction and Real Estate Development (P-1.G50), IMS Project Management and Consultancy (P-1.E86), Ofon Insaat (P-1.F50) and Nuhoglu Insaat (P-1.G51); Proplan Project Management & Consultancy (P-1.K72) and Tabanlıoğlu Proje Hizmetleri Architects and Planners (P-1.K51) are two exhibitors that are not only active in their home country but also in Russia and the United Arab Emirates. During Mipim they

all are located in the 'underground' of the Palais des Festivals while Piyalepasa Real Estate Development & Investment Co. (R7.C24) is to find in Espace Riviera.

This year's uncrowned winner by the number of exhibitors from CEE/SEE countries is Poland. To note is the strong participation of Polish cities and regions that are harbouring the one and the other private company. For example, the City of Warsaw is joined by the developers BBI Development, Golub Gethouse, Okam Capital and Vision Group as well as by the Polish Post. Partners at the stand of the Tri-City Gdansk, Gdynia, and Sopot are the two regional developers Eco-Classic and Euro Styl. Furthermore the cities of Bydgoszcz, Gliwice, Katowice, Krakow, Łódź, Lublin, Poznań, and Wrocław, as well as the regions Lower Silesia, Metropolia Silesia, Krosno and Kujawsko Pomorskie are presenting themselves. They all as well as the Polish Military Property Agency are located on level 8 in Espace Riviera.

Among the CEE/SEE countries present in Cannes by a two-digit number of exhibitors there is also to note the Czech Republic with a total of 19 companies and local and public authorities. Aside from international consultants, law firms and architects with subsidiaries in the Czech Republic there is to point to the City of Prague (P-1.C64; P-1.D65) joined by the developer Chrestyl, by P3 Logistics Parks and Uni-

bail-Rodamco. Also in the underground level of the Palais des Festivals there are to find the Moravian-Silesian Region and the City of Ostrava (P-1.D76; P-1.E77), the Central Bohemian Region (P-1.D61) and Karlovy Vary Region (P-1.C60). Only one Czech exhibitor, the developer of commercial property CTP, 'resides' in the Espace Riviera hall (R7.C37).

From other CEE/SEE countries there are mainly registered international consultancies active also in the respective country. An exception is Montenegro (P-1.J70, P-1.K71): The Ministry of Sustainable Development and Tourism and the Montenegrin Investment Promotion Agency are joined by Lustica Development, a company owned by Orascom (90 per cent) and the Government of Montenegro (10 per cent) as well as by Atlas Grupa, a company active also in Serbia in the fields of banking, financial services, and real estate.

It might be interesting to have also a look at those companies mentioning CEE/SEE as "geographical area of interest" – all in all 369 exhibitors. With a closer look at the list and excluding international consultants, architects and law firms, then there are at most 10 per cent of these companies really active in the area. However: There are not so many opportunities to get in contact with each other in a more or less relaxed way and to be able to establish business relationships as in Cannes and during Mipim. **I Marianne Schulze**



Foto Ralph Richter

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in the categories
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LEED Gold targeted

RHDF: MODERN HOUSING DEVELOPMENT FOR WHOLE RUSSIA



The Russian Housing Development Foundation RHDF promotes and supports residential developments in Russia.

One of the exhibitors from Russia at Mipim is the Russian Housing Development Foundation RHDF (R8.B17). What do they want to present in Cannes and what is their aim taking part in Mipim? SPH Newsletter asked Svetlana Kuznetsova, Deputy General Director of Russian Housing Development Foundation.

Given the current situation how attractive are investments in the Russian real estate market?

Russia is still a big market, which is attractive for foreign investors. Despite

some pessimistic expectations RHDF is experiencing permanent attention from foreign investors which are interested in starting their business or increasing their presence on Russian real estate market. We see significant progress in cooperation with some Chinese state-owned construction companies from the top of world ratings. They have plans to enter the Russian market of mass economy-class housing with large volumes of housing construction. RHDF also expects several urban development projects to be launched in the nearest future between Russian and Japanese companies that can be implemented in collaboration

with RHDF. It would become possible due to deep cooperation within the framework of Russian-Japanese Working Group on Urban Environment with RHDF participation. Strong interest for cooperation is expressed by companies from Turkey that are traditionally well presented on the Russian real estate market. Serkan Cetintas, General Secretary of the Russian-Turkish Business Association states: 'Russian crisis is a good opportunity for us. As you know crisis occurs in every economy from time to time but we believe in economic strength of Russian market'. Recent contacts with the representatives of major European companies



above: Svetlana Kuznetsova, Deputy General Director of RHDF
right: In cooperation with RHDF developed production facility near Novosibirsk

from France, Germany, Austria and Finland demonstrate stable interest in the Russian real estate market. None of the companies plan to withdraw from Russia, even there are not many of them which plan to adjust their expansion plans.

What opportunities for investment does the Russian Housing Development Foundation present in the framework of the Mipim property exhibition?

Pursuant to the Federal Law on Facilitation of Housing Construction Development the Russian Housing Development Foundation RHDF has the right to sell the ownership or lease rights to the federal land plots at the open public auctions. Generally the land plots have attractive location and good perspectives for integrated territory development or the other construction. At Mipim RHDF presents the land plots planned to be set for the RHDF auctions at the first half of 2015, and provides information about the advantages of construction projects implemented in the Russian Federation with the support of the Foundation.

Land plots for integrated residential development, allocation of production fa-

cilities of building materials, units and structures as well as for other facilities are located in different Russian regions. The total area of presented land plots is about 2000 ha. The Foundation is interested in bringing international investment both to residential developments and other construction projects, e.g. construction of administrative buildings, office centres, retail, catering and sports facilities, hotels, industrial and business parks – all projects, that stimulate a comfortable living environment.

Which are the RHDF's principles of interaction with investors?

The Russian Housing Development Foundation actively cooperates with foreign investors, among them developers, retailers, hotel and restaurant chains. At present contacts database of RHDF comprises the data of more than 1500 companies with international participation. In the years 2012 to 2014 RHDF conducted auctions with the participation of companies with foreign investments in Moscow Region, St. Petersburg, Saratov, Yekaterinburg, Nizhny Novgorod, Novosibirsk regions and Krasnodar Territory. Cooperation with Russian Housing

Development Foundation is efficient for investors due to a broad range of reasons. We are offering strong support at all stages of the project. By cooperation with RHDF project duration can be reduced by 50 per cent. Due to existing agreements of cooperation with public utility companies infrastructure costs decrease significantly – up to 30 per cent. Working together with us helps to eliminate red-tape barriers and corruption risks. The investors has a guaranteed buy-out of up to 35 per cent of low-rise economy class housing, and up to 25 per cent of high-rise economy class housing. Developments offer a high rate of return on investment with an average IRR of about 26 per cent on the completed projects. And we have a standardized scenario for project development in housing construction, production of building materials, products, structures, other types of development. So RHDF's approach to cooperation allows investors to achieve high profits while minimizing risks.

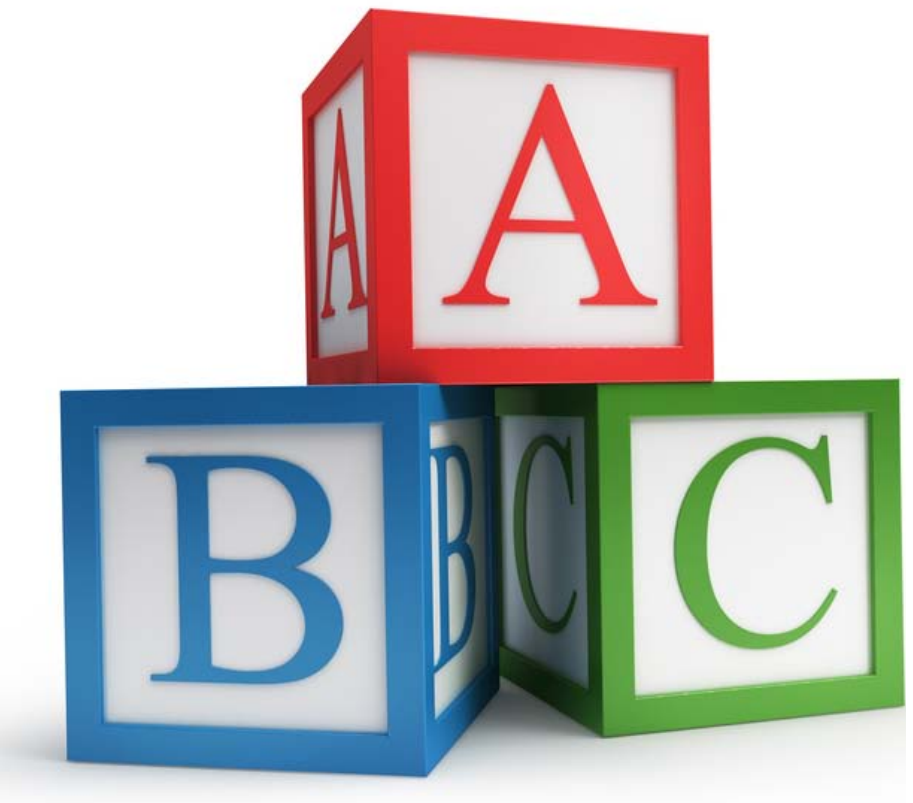
BABYLONIAN CONFUSION WITH PRIME AND SECONDARY

What is in vogue in the real estate industry is often changing. Some years ago the main principles for investments have been 'core' and 'prime locations', now the flavour of the season are the so-called secondary cities. But what does 'prime' and 'secondary' – in German A and B – mean? Trying to find a definition causes some trouble and in the end more questions than answers arise.

After the financing crisis in 2008/2009 when investments in real estate started to rise again, the main focus was on 'core' markets and main principle followed has been to invest only in prime products in prime locations in prime cities. But what exactly is a 'core' market and its counterpart, a secondary market? Which cities are prime and which ones secondary? Trying to find a distinct and reasonable definition of these terms reveals a considerable diversity of opinions.

Following for example international consultants, than for office investments core markets in Europe are only UK, France and Germany. According to them Poland, meanwhile also deemed a core market by many players, is only one of the secondary markets. From a global point of view that might be right, at least if the benchmark is the size of the respective markets. However, a certain discomfort remains with this narrow definition of 'core'. What about investors who are mainly focused on CEE countries and have their core competence in these markets? Are they all investing only in secondary markets? Or in other words: Are these secondary markets not core markets for them?

The confusion continues, looking at prime and secondary cities. Consequently there are no prime locations outside prime or core markets and also in core markets



Cities and locations are classified in A or B, a classification often difficult to follow.

only the capital cities are characterised as prime. That means prime cities in Europe are only London and Paris. Germany is particular because of its decentralised structure: here there are – again depending from the point of view – three (Munich, Frankfurt, Berlin) or (including Hamburg and Stuttgart) five prime cities. From a German point of view Düsseldorf is for sure also one of prime cities, but internationally the city is more or less characterised as 'secondary'.

And there is already the next stumbling block: Counting Poland among the secondary markets, then Warsaw is only a secondary city and all the other office locations in the country like e.g. Krakow or Wrocław have to be third-tier at the

best. Latest now there is to state that the terms 'core', 'prime' and 'secondary' are more or less diffuse so everybody has another meaning in mind depending on the respective point of view.

Already with the term 'core' the jury is still out and even more with the question which cities are prime and which secondary – not to mention the third criterion, prime and secondary locations within a city. Including the latter means to make the whole discussion still more complicated.

What an investor's core market is depends not only on market size but also on his investment strategy. That does not mean the question if the strategy is more conservative or opportunistic, it simply refers to the



Real estate investments in London are nearly automatically labelled 'core' because London is classified as a core market.

fact that each investor has expertise as well as exposure in certain markets. Or to cite Frank Billand, Managing Director of Union Investment Real Estate GmbH, who once stated: "It is more attractive being the number one player in a less prominent city than being one among many others in a capital city or metropolis. According to my mind it makes little sense to have only one so-called landmark building in a market", where – so is to add – all are aiming to be invested there." Therefore there is no core market that is generally core for all, neither from an international point of view. What is often labelled core market depends only on the size of the market, perhaps on volatility, but often it means nothing more than a market where everybody wants to be.

Admittedly, a certain market size and therefore also a certain volatility is necessary to be able to dispose an asset successfully and with profit after a certain period of time. Often mentioned as a criterion is also the take-up, but more precisely the absorption rate is characterising a market and should be crucial for an investment decision. At present an office building can be fully let, but every leasing agreement is expiring some day and depending on the situation in the respective market negotiations for a leasing extension can be a hard job. If there is an oversupply in the market as e.g. in Warsaw, Prague or Frankfurt am Main, the tenant is in a strong position to negotiate rental prices and incentives as rent-free times with the result that the landlord

has to accept a lower net rental income. Otherwise the potential tenant is choosing another office location out of the large offer in the market. That works in primary and secondary cities as well.

Another criterion is the range of achievable rents. In the so-called primary cities they are generally higher, but exposed to stronger fluctuation. Higher rents do also mean higher prices for an investment property, i.e. more capital is tied up and net initial yield will be lower. And again the individual investment strategy as well as the investment horizon is crucial for the question either to invest in London or in Wrocław. The investor who acquires an asset when the market has just bottomed out and purchases the object again when market is on the peak, will have a substantial rise in value. But the purchaser who will acquire the asset for a quite high price during the peak of the market and is facing a downturn afterwards will experience a devaluation of his asset and has to wait for a very long time before he can sell the asset at least for the same price again. So in the alleged prime markets where 'everybody wants to be' there are much more opportunities to burn a lot of money.

That's all commonplace. However, the industry still prefers to speak about primary and secondary markets/cities/locations and to use the label of 'core', not only regarding markets but also regarding real estate investments. And as some years ago every investment had to be 'core', today

everybody is speaking about value-add and secondary markets and secondary cities, perhaps because the supposed core markets are already swept.

More important than all these labels seems to be what in 2011 Hubert Spechtenhauser, at this time Managing Director of Hannover Leasing, stated at Expo Real in Munich commenting the still virulent topic of 'core': "Crucial are qualified real estate fundamentals and a risk evaluation based on facts. Generally only real estate investors with a long-term investment horizon are asking for 'core' assets. These investors do not expect short-term spectacular high but long-term yields as steady as possible. That includes a high level of income security, but also as less fluctuation in values as possible and a positive development in value in general. Characterising an asset as 'core' means to give answers to two questions: Why should tenants prefer this object instead of other offers in the market? And at the end of the investment period why should somebody be willing to pay a certain price for the asset, a price that ideally is higher than the originally paid acquisition price?"

This definition of 'core' is to apply to very different kinds of cities and locations. Either core markets or prime or secondary cities, these questions have to be answered positively. In this context fits another criterion mentioned in a study of Corpus Sireo and empirica on cities in Germany with office market potential.



With Warsaw opinions are divided: core market and primary location or not?

One of the main questions is if in the long term in certain cities the number of office employees will rise and therefore cause the respective demand in office space. This is much more crucial than the question if a city is to classify as a primary or secondary market.

Why at all these classification in primary and secondary markets that refer not only to countries and cities but also to certain locations within a city? Mostly only the CBD is mentioned as an A-location. But again this is also too narrowly considered. Not everybody is in need of a representative office in the city centre, and especially companies requiring large floor space prefer the so-called B- or secondary locations, already for cost reasons. More important is that the office location is well connected with the public transport and that the surrounding is offering an urban infrastructure because what has become

completely obsolete are office agglomerations at the edge of the city.

Office parks in the middle of nowhere were a concept of former times, similar to shopping centres in the open countryside which is at least a third-tier location in comparison with inner-city 1a locations as high streets. Even the adjacent streets and district centres are classified 2b. But times have changed also in the retail segment. Since long there is a trend to establish shopping centres in the inner city again to revitalise the city centres. That and the high rate of chain stores brought forth a retail offer nearly the same in all European cities. Often only the big retail chains can afford the high rents, so that smaller local retailers cannot withstand the high competition to attract customers and fall by the wayside. Now e-commerce is competing with retail stores – nearly everywhere shopping centres are exper-

encing decreasing footfalls – and again new concepts are required. Some time the slogan has been 'the bigger, the better', mainly in the capital cities of CEE, but meanwhile size alone is not enough to attract customers.

While in Western Europe also the so-called secondary and even third-tier cities are sufficiently provided with shopping centres, this trend is strongly continuing in CEE. In Poland shopping centre developer ECE for example is exclusively active in secondary cities like Wrocław, Krakow, Szczecin and Gdansk and is currently developing a project in Bydgoszcz, a city with 358,600 inhabitants. In Turkey Multi is owner of shopping centres in cities like Edirne, Elazığ, Diyarbakir and Adana, all of them not 'prime' markets for retail, a label that would fit perhaps only for Istanbul. But Diyarbakir and Adana are megacities and therefore bigger markets than most of the Western European cities. And last but not least there is to look at Immofinanz, operating four shopping centres and developing a fifth one in Moscow. Currently Immofinanz is focusing with its Vivo! shopping centre concept on Polish cities with 40,000 to 100,000 residents like Krosno (approximately 47,000 inhabitants), Pila (74,500 inhabitants) and Stalowa Wola (63,500 inhabitants).

Coming from the common classification of cities in prime and secondary locations, then these cities will be out of the ordinary although especially there a shopping centre of the right size and with the right concept might be more successful than in metropolitan areas and big cities, also and especially because competition is rather low.

What sense do these labels for markets, cities and locations make? To be honest, I cannot discover it. As long as there are no reasonable and distinctive criteria, 'core' investments in the sense of Hubert Spechtenhauser can take place also in secondary cities and location. Furthermore I suspect that quite often investments labelled 'core' are 'class B' at the best. **I Christiane Leuschner**

FOR YOUR PLANNING

When	What about	Where	For information and registration
10. – 13. March 2015	Mipim	Palais des Festivals, Cannes, France	www.mipim.com
14. March 2015	ERES Industry Seminar Commercial property market indices ; Strategic actions for distressed property assets in Greece	Bank of Greece, Head Office, 21 E. Venizelos Avenue, Athens, Greece	www.eres.org
26. March 2015	European Shopping Center Symposium	Palais Ferstel, Strauchgasse 4, Vienna, Austria	www.shoppingcentersymposium.eu
5. – 7. May 2015	RealCorp 2015 Plan together – right now – overall From Vision to Reality for Vibrant Cities and Regions	Virginie Lovelinggebouw (VAC Gent), Koningin Maria Hendrikaplein 70, Gent, Belgium	www.corp.at
20. – 21. May 2015	Global Real Estate & Economic Talks GREET Vienna	Palais Niederösterreich, Herrengasse 13, Vienna, Austria	www.greetvienna.com
24. – 27. June 2015	22nd Annual Conference ERES European Real Estate Society	Taskisla Building, ITU, Faculty of Architecture, and Urban and Environmental Planning, Istanbul, Turkey	www.eres2015.itu.edu.tr
27. – 29. September 2015	11th Conference of European Regions and Cities	Salzburg Congress, Salzburg, Austria	www.institut-ire.eu
5. – 7. October 2015	Expo Real 2015 18th International Trade Fair for Property and Investment	New Munich Fair Ground, Munich, Germany,	www.exporeal.net

EURO – QUO VADIS?



Dr. Nicolai C. Striwe MRICS, Director Research, Taurus Investment Holding

It was a consequential decision of Swiss National Bank to abandon the cap on the Swiss franc. The continuous decline of the euro made it too dangerous to maintain currency intervention. Confidence in the euro and the European Central Bank's monetary policy is dwindling away as evidenced by the decreasing value of the euro relative to the dollar. The possibilities of influencing the value of the euro by reducing interest rates are already exhausted. The only option left to the ECB is to embark on their massive 60 billion euros a month program to buy government bonds between 2015 and 2016. The main goal is to increase inflation and to

counter deflationary pressure to stimulate investments that might be postponed by the expectation of decreasing prices.

However, real estate market players are increasingly concerned about the rapid price increase in prominent locations (not only) in Germany and about the lack of attractive investment opportunities. Therefore they often prefer investing in the US, and as a result the US real estate market is experiencing a record level of foreign investments. The reason is obvious: in contrast to Europe the US economy is gaining momentum and unemployment rates are decreasing to record lows; declining gasoline prices mean that individual household have more disposal income available which in turn leads to further investments. America's GDP growth rate of 5 per cent is the best since 2003. While the expansive monetary policy in the euro zone is causing a significant increase in real estate prices and pushing yields to a record low, the recovery of the US real estate investment market is only at an early stage.

Another country that might develop better than expected is Turkey. With high imports of energy and a high deficit on current account Turkey is heavily depending on the price of oil. The low price of oil and the expected shift of fund investments from Russia to Turkey due to the Ukraine conflict are acting as subsidies. According to World Bank Economist Franziska Ohnsorge it

is very likely that Turkey will experience increasing private consumption and economic growth in the years 2015 to 2017. Turkey has a young and well-educated population. Furthermore, according to a study conducted by General Electric (GE Innovation Barometer), the country has one of the highest levels of innovation potential in the Middle East and North Africa region. The stock market reflects the positive trend: In 2014 the Turkish stock index ISE National 100 rose by 30 per cent, while the DAX increased by 17 per cent. Inflation is decreasing significantly and the forecast rate for 2016 is 5.5 per cent. This would be the lowest inflation rate in Turkey since 1968 and could reduce currency risks related to investments in Turkish lira.

To put it in a nutshell: The high debt burden, the weak economic growth and the currency crisis in the euro zone will likely let investors decrease investment allocations in the euro in the mid-term and pressure for currency diversification. The US, on the contrary, convinces with economic growth and a strong currency. Although there are few alternatives to the US dollar, Turkey might emerge as a 'hidden champion'. As investors seek out higher returns, it is likely that investments will become more international and that players will have a greater appetite for risk. And, even more than in the past, the success of a real estate investment will depend on the management. Short-term speculators are in for hard times.

imprint

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

Layout: Silvia Hög, www.diehogl.at

Frequency of publication: eight times a year

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

Managing Director: Andreas Schiller

Registered: Amtsgericht Köln, HR: B 68026

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Photography: Reed Midem (p. 1, p. 17), Frank Boston – Fotolia.com (p. 15), Istanbul Chamber of Commerce (p. 18), RHDF (p. 20, S. 21) adimas – Fotolia.com (p. 22), peresanz – Fotolia.com (p. 23), marchello 74 – Fotolia.com (p. 24)