

# SPH newsletter

## news

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## special

Austrians real estate companies are not only active in CEE/SEE, but in Germany as well. Also in Germany some investors are looking across the borders to the real estate markets of the neighbouring country. page 12

## background

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## DEAR READERS!



Although in Germany the train drivers are currently on strike, SPH Newsletter is coming to you directly and without difficulties – the Internet is working (nearly) always.

While in the beginning people had some sympathies for the strike actions, they are now more or less bored because strikes are – at least in Germany – increasing: once it affects the railways, then airports and airplanes and finally the post system. Strike actions take place in companies whose businesses had been sovereign duties in former times. Remember the names: Deutsche Bundesbahn (German Railways) and Deutsche Bundespost (German Post)! Tenured public servants not allowed to strike were working there. It is to ask if privatisation is really a magic bullet. Some state-owned enterprises could have some advantages – at least from my point of view although it might cause some protest. The advantage is for sure not on the side of the national budget, but for the general public.

Also geothermal energy does not strike and is always available. As the article by Marianne Schulze shows geothermal energy can be used also for larger urban developments as well as for the refurbishment of residential stock and how the financial challenges can be shouldered. Exactly this will also be a topic at the "Green Summit 2015" in Vaduz. Directly following this editorial you will find an advertisement of the event. Who wants to take part is warmly welcome by the organisers and by the SPH Newsletter team as well. But be quick to register: the number of participants is limited.

Yours,

Andreas Schiller

# Green Summit 2015 | 9 & 10 June 2015

University of Liechtenstein, Vaduz



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## Trust, Reliability, Results



*With the acquisition of Solaris Center in Opole Rockcastle Global Real Estate enters the Polish retail property market.*

## ROCKCASTLE GLOBAL REAL ESTATE ACQUIRES SOLARIS CENTER IN OPOLE

Rockcastle Global Real Estate Company Limited has acquired Solaris Center in Opole, Poland from Coucal Sp z o.o. Located in the city centre near the historic Old Town, the main train station and Opole's university, Solaris totals 18,000 square metres.

The three-storey shopping centre was opened in 2009. In the transaction Rockcastle Global Real Estate was advised by Savills, while Coucal Sp z o. o. was represented by CBRE.

Spiro Noussis, CEO at Rockcastle Global Real Estate, comments: "This transaction is our first acquisition of an existing retail centre in Poland and establishes our presence in the market. It is the first step towards achieving our strategic objective of building a significant retail shopping centre portfolio and operational presence in the country. Rockcastle has earmarked EUR 750 million of equity for the purpose of both acquisitions and developments in Poland."

## ERSTE GROUP REAL ESTATE FUND BUYS FUTUREAL'S OFFICE BUILDING

Having in the first stage purchased the Northern Tower of the building complex Vision Towers in Budapest developed by Futureal, Erste Group's open-ended real estate fund went on to buy the Southern Tower as well. The parties did not disclose details of the transaction. Vision Towers office complex stands on the site of the former Hotel Volga on the corner of Váci út and Dózsa György út. and comprises 23,500 square metres.

## OPENING OF CORESI SHOPPING RESORT IN BRASOV

Coresi Shopping Resort in Brasov is the first mall that opened in Romania this year. Immochan, the real estate subsidiary of the French retailer Auchan, has developed the project, located on the former Tractorul industrial platform. Coresi Shopping Resort is comprising 32,000 square metres of gross leasing area.

## PANATTONI INVESTS IN PANATTONI PARK RZESZÓW IN EASTERN POLAND

Panattoni Europe is investing in Rzeszów, creating a new distribution centre with close to 39,000 square metres of space. Panattoni Park Rzeszów will be located next to the A4 motorway and S19 expressway, as well as in the vicinity of the international airport Rzeszów Jasionka and Special Economic Zones. The completion of stage one of the investment, with 28,000 square metres, is anticipated in the coming autumn.



*By the acquisition of the property on Aleje Jerozolimskie 44 the open real estate fund hausInvest managed by Commerz Real has the opportunity to realize a development in Warsaw's city centre.*

## COMMERZ REAL ACQUIRES THIRD PROPERTY IN WARSAW

Commerz Real has signed an agreement with the Polish subsidiary of the Austrian S+B Gruppe AG to acquire the right of the usufruct of the land plot and the corresponding property known as Universal building on Aleje Jerozolimskie 44 in Warsaw. Thereby Commerz Real is creating the opportunity for their open real estate fund hausInvest to realize a development in Warsaw's city centre. As general contractor S+B Gruppe AG will develop a building with a total leasing area of 28,000 square metres – approximately 22,000 square metres of office area and 6,000 square metres dedicated to retail and warehouse space. S+B Gruppe AG will be responsible for the letting and marketing of the building. Construction shall start in spring 2016, completion is scheduled for summer 2018. The total investment volume amounts to EUR 95 million.

## SKANSKA LAYS CORNERSTONE FOR NORDIC LIGHT IN BUDAPEST

The cornerstone ceremony for Nordic Light, Skanska Property Hungary's 7th office building in Budapest, has been held. Located on inner Váci Road, Nordic Light comprises of approximately 26,200 square metres of leasable area and will be built in two phases. The first building consists of 6,600 square metres of office space, while the second phase will provide offices on 19,600 square metres. CBRE was appointed as the exclusive letting agent of Nordic Light office building.

## FINANCING FOR HERMES BUSINESS CAMPUS IN BUKAREST SECURED

Atenor Group has secured financing of EUR 30 million for Hermes Business Campus in Bucharest from one of the local banks. JLL acted on behalf of Atenor Group, the developer of the office project. Hermes Business Campus is located on Boulevard Dimitrie Pompeiu, adjacent to one of the city's new business districts and represents an office complex (three buildings) designed to be built in phases, with an area of up to 75,000 square metres of offices. The first phase of the project was completed in Q1 2014 and has been completely leased. The second phase of the project will be delivered in Q1 2016.

## ICSC LAUNCHES THE NEW ICSC EUROPEAN INVESTOR GROUP

International Council of Shopping Centers ICSC has launched a new specialist working group focusing on investment in retail real estate: the ICSC European Investor group. The first meeting took place in April in the ICSC London office with the aim to provide ICSC members with the opportunity to discuss key investment issues, analyse trends, examine potential new markets and provide an opportunity to network.



**Kronan 10+11**  
Malmö, Sweden

Type: Office Building  
Size: 17,000 m<sup>2</sup>  
Arranger · Lender · Agent



**Galeria Słoneczna**  
Radom, Poland

Type: Shopping Center  
Size: 42,500 m<sup>2</sup>  
Arranger · Sole Lender



**Cristalia**  
Paris, France

Type: Office Building  
Size: 21,700 m<sup>2</sup>  
Arranger · Sole Lender



**Mainzero**  
Frankfurt, Germany

Type: Office Building  
Size: 32,600 m<sup>2</sup>  
Arranger · Sole Lender



**Elisenhof**  
Munich, Germany

Type: Office and Retail Building  
Size: 46,000 m<sup>2</sup>  
Arranger · Sole Lender

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*Hines Poland Sustainable Income Fund acquired Nestlé House in Warsaw. The name of the office building is due to its biggest tenant, the Nestlé Group.*

## HINES ACQUIRES NESTLÉ HOUSE OFFICE BUILDING IN WARSAW

Hines Poland Sustainable Income Fund has purchased the Nestlé House office building (formerly known as Pacific Office Building) from Kronos Real Estate.

Hines has been managing this building since January of this year. The purchase price has not been disclosed. At this transaction, Hines Poland Sustainable Income Fund was represented by JLL, and Kronos Real Estate was advised by CBRE.

Nestlé House offers over 16,400 square metres of office space and over 1,400 square metres of commercial space across eight stories. The building is located at Domaniewska Street in Warsaw's Mokotów district. Nestlé group companies will be the largest tenant. Finishing works in the offices are currently under way. Other major tenants are Warbud group and IMCD.

## DEKA IMMOBILIEN SELLS OFFICE BUILDING IN WARSAW

Deka Immobilien GmbH has sold KredytBank office building in Warsaw's Wola district. The sales price has not been disclosed. The property was part of the portfolio of the real estate fund Deka-S-PropertyFund No. 1 and has been acquired by the Polish real estate developer Yareal Polska.

Deka Immobilien has disposed of the land plot as a development site. Currently an office building constructed in 1994 and comprising a total of 10,600 square metres as well as 85 parking lots are on the plot. In the transaction Deka has been advised by JLL.

## OPENING OF EXTENSION OF MAGNOLIA PARK IN WROCŁAW

Multi's Magnolia Park shopping centre in Wrocław has opened its new extension. Magnolia Park, located 1.5 kilometres from the city centre was enlarged by over 22,000 square metres of new retail space and comprises now over 100,000 square metres of retail space for 225 shops, restaurants, and cafes.

## LC CORP ACQUIRES LAND PLOT IN WROCŁAW

LC Corp has purchased an investment plot in Wrocław, known as Centrum Metropol, from AIB Bank and McCarthy Harte Polska. This site with an area of more than 5,600 square metres, is located between Piłsudskiego, Komandorska and Bogusławskiego streets, next to the Capitol Theatre. In the transaction JLL advised the sellers.



*Ogrody shopping centre in Elblag was originally developed in 2002. Now the centre has completely been redeveloped and modernised.*

## REDEVELOPMENT OF OGRODY SHOPPING CENTRE COMPLETED

CBRE Global Investors Poland, acting on behalf of its Property Fund Central Europe (PFCE) completed the redevelopment of Ogrody shopping centre in Elblag. After 22 months of construction and an investment of more than EUR 60 million, the shopping centre was opened to the public. Ogrody shopping centre was originally developed in 2002 and was the first shopping centre to be built in Elblag.

## SKANSKA SOLD GREEN HORIZON OFFICE COMPLEX IN ŁÓDŹ

Skanska Property Poland has finalized the sale of its Green Horizon office complex in Łódź. The scheme has been acquired by the fund managed by Griffin Real Estate. In the transaction Cushman & Wakefield represented the vendor. Green Horizon office complex is located at 106 Pomorska Street in the centre of Łódź, near the Solidarnosci roundabout. It comprises two technically separated 7-storey buildings totalling around 33,000 square metres of leasable space. Green Horizon, delivered in Q2 2013, is almost entirely leased to companies predominantly from the business services sector.

## CAPITAL PARK AND AKRON SET UP JOINT VENTURE

Capital Park Group and Akron Group have signed a joint venture agreement for the refurbishment and modernisation of ETC shopping centre project in Gdansk. Under the JV agreement Capital Park Group will hold 53 per cent and Akron Group 47 per cent in the project. Modernisation of the centre will be co-financed by investors and with a bank loan granted by Alior Bank. Located on Rzeczpospolitej Avenue in Gdansk, ETC was the first shopping centre to open in the Tricity after the transformation of the political system. The two-storey retail and service building is comprising a total area of approximately 9,000 square metres and 215 parking spaces. A valid building permit is already in place. Construction works will commence in May of this year and shall be completed in late 2015/early 2016.

## IMMOFINANZ BUNDLES LOGISTICS ACTIVITIES UNDER LOG.IQ BRAND

Immofinanz Group is uniting its corporate logistics activities under the LOG.IQ brand. These activities cover the locations in the portfolio of the wholly owned subsidiary Deutsche Lagerhaus (DLG) as well as the facilities in Eastern Europe that have operated to date under the LOG Center brand. LOG.IQ will therefore stand for 59 logistics centres from the North Sea to the Black Sea. The LOG.IQ brand name means "logistics properties with IQ". Germany remains the most important logistics market with over 70 per cent of the rentable space, followed by Hungary and Romania.



*The City of Gdansk and Immobel with its partner Multibud have signed a public private partnership agreement for the development of the Granary Island. With construction works starting in 2016 new life shall be breathed into the location.*

## IMMOBEL WILL DEVELOP GRANARY ISLAND IN GDANSK

Further to the tender organised by the City of Gdansk, Immobel and its partner Multibud have been selected, as Private Partner for the development of Granary Island in Gdansk. Since World War II Granary Island in Gdansk has been waiting for a developer to breathe new life into this location. The City of Gdansk has recently made important investments in the thorough refurbishment of the embankments of Granary Island and a new boardwalk for walkers, offering a forgotten view of the old town. Now the President of the City of Gdansk and representatives of Immobel and Multibud have signed the public-private partnership agreement. The 1st phase of the construction will start as from end 2016. Several phases will be developed, in parallel with a number of public use investments, involving the renovation of the traffic infrastructure, the remodelling of the Stagiewny Bridge as a drawbridge, the expansion of the marina, and the construction of a pedestrian bridge linking the Island to the Dlugie Pobrzeze boardwalk. The total cost of the development is estimated to approximately EUR 100 million.

## WARSAW RESEARCH FORUM IS NOW POLISH OFFICE RESEARCH FORUM

The former Warsaw Research Forum was renamed to Polish Office Research Forum (PORF). Members of the Forum are leading real estate consultancies. The Forum was first founded in 2000 by CBRE, Colliers International, Cushman & Wakefield, DTZ and JLL, and was subsequently extended in 2010 to include Knight Frank and Savills.

The key objective of the PORF is to maintain a real estate transparency in the office market. This is achieved by collecting and sharing the concise data on the office space on a quarterly basis. The Forum which to date has been entirely focused on Warsaw data, will also now cover other office markets in Poland, which is reflected in the renaming.

## HIH ACQUIRES 50 PER CENT INTEREST IN WARBURG-HENDERSON

HIH Hamburgische Immobilien Handlung has taken over the 50 per cent interest in Warburg-Henderson Kapitalanlagegesellschaft für Immobilien mbH previously held by TIAA Henderson Real Estate (TH Real Estate). The remaining 50 per cent will be held unchanged by M. M. Warburg & Co. Moreover, the partners agreed to merge Warburg-Henderson with HIH's subsidiary HIH Global Invest Kapitalverwaltungsgesellschaft (HGI). The company is to be renamed Warburg-HIH Invest Real Estate.

Previously autonomous business units at either of the two AIF management companies Warburg-Henderson and HGI will be merged and the property transaction management as well as the product structuring business unit previously run by HIH will transfer to Warburg-HIH Invest Real Estate. Neither the merger nor the new corporate structure will affect the operative business. TH Real Estate will continue to be the asset manager for European property investments outside Germany. HIH will continue to be the exclusive asset manager for investments in Germany.

## STAFFING



left: Karol Dzieciot  
right: Regina Gul

**Karol Dzieciot** has become Partner of REAS. Karol Dzieciot has been working at REAS since 2007 and is Head of Development Advisory & Valuation. He is a Finance and Banking graduate from the University of Warsaw's Faculty of Economics and completed the Interdepartmental Course in Spatial Planning at the Warsaw University of Life Sciences. He also completed a Postgraduate Course in Real Estate Management, Evaluation and Conveyance, majoring in Real Estate Brokerage. He started his career at Knight Frank. He is a Member of the Royal Institution of Chartered Surveyors (RICS) and the Polish Association of Real Estate Counselors (PSDRN).

**Regina Gul** has joined the Board of the Polish Green Building Council. As a Senior Project Manager at the JLL's Project & Development Services department, she is primarily responsible for services related to LEED and BREEAM certification, as well as construction supervision and consultancy. She is qualified to conduct energy audits and ecological certification processes for new and existing commercial buildings (LEED Accredited Professional, BREEAM Assessor International, BREEAM In-Use Auditor). Regina Gul has 15 years of experience in commercial real estate. She graduated from the Environmental Engineering at the Cracow University of Technology, receiving a Master's degree. She also completed postgraduate studies in Air Conditioning and Refrigeration Engineering Technology at the Warsaw University of Technology.



left: Sheila King  
right: Annette Kröger

**Sheila King** has been appointed to the supervisory board of Multi Corporation. Sheila King, formerly Head of Leasing and 'Retail Ambassador' for the UK and France at retail specialist Hammerson, left after nearly two decades to set up her own international retail consultancy in early 2014. She began her career at CSC (now Intu). Sheila King has extensive experience in pan-European retail and is a regular contributor to various leading industry publications. She also serves on the Executive and Advisory boards of ICSC and is chairing the ICSC European Leasing Group.



left: Katarzyna Kuniewicz  
right: Maximilian Mendel

**Annette Kröger** is the new Chief Executive Officer (CEO) of Allianz Real Estate Germany. She has taken over this role from Stefan Brendgen, who left Allianz in summer 2014. Annette Kröger has worked for Allianz Real Estate Germany since July 2009, starting as Head of Investment Management, and subsequently also being appointed Head of International Asset Management. Before Annette Kröger moved to Allianz, she worked at Goldman Sachs in the UK and Germany for several years, focusing on their Whitehall Real Estate Funds. She graduated in Business Administration from the European Business School in Oestrich-Winkel and holds an MBA from Georgia State University in Atlanta.

**Katarzyna Kuniewicz** is new Partner of REAS. She has been working at REAS since 2007 and is Head of Market Analysis & Research. She graduated from the Institute of Economics of the John Paul II Catholic University of Lublin, where she is currently writing a Ph.D. thesis at the Department of Public Finance. Katarzyna Kuniewicz is Member of the Polish Association of Real Estate Counselors (PSDRN).

**Maximilian Mendel** has become Partner of REAS. He has been working at the company since 2006 and is Head of Transaction Advisory. He completed the Interdisciplinary Studies in Spatial Planning at the Dortmund University and received his Ph.D. title at the Institute of Geography and Spatial Planning of the Polish Academy of Sciences. Maximilian Mendel started his professional career at Bank Przemysłowo-Handlowy in Warsaw.



## LETTINGS

### BB CENTRUM DELTA, PRAGUE

CZECH REPUBLIC 

Microsoft has chosen the new location of their headquarters in the Czech Republic. Microsoft and Passerinvest signed a lease agreement about 11,500 square metres of office space in Prague's BB Centrum Delta building. Colliers International advised the tenant on the transaction. BB Centrum complex is located in Prague 4 on a 20 hectare site. It comprises 17 buildings and a total leasable area of 250,000 square metres. Microsoft will occupy more than one-third of the 32,545 square metre Delta building.

### LIGET CENTRE, BUDAPEST

HUNGARY 

On behalf of the CBRE Property Fund Central Europe (PFCE) CBRE Global Investors announced, that Heineken has signed a long term lease agreement at the Liget Centre, Budapest and moved into 1,800 square metres of office space at the beginning of April. Heineken has moved their Hungarian headquarters to the Liget Centre. The Liget Centre is a historical office building developed in 1948 and comprises 7,168 square metres of gross leasing area. In 2000 it was completely refurbished by the Dutch architect Erick van Egeraat.

### GOODMAN LOGISTICS CENTER, KECSKEMÉT

HUNGARY 

Goodman has signed a new lease agreement with automotive parts supplier Bosal Hungary Kft. for a 7,700 square metres logistics facility at the Goodman Kecskemét Logistics Center in central Hungary. The Kecskemet area is known as a fast growing location for the automotive industry, in part due to the new Mercedes production plant nearby. Kecskemet is located halfway between Budapest and Szeged, about 85 kilometres from both of them.

### GDANSKI BUSINESS CENTER, WARSAW

POLAND 

KMD Poland sp. z o.o. took a lease of over 6,000 square metres of office space in the Gdanski Business Center in Warsaw. DTZ supported KMD in the lease agreement negotiations. The tenant is to move into the premises in October 2015. Gdanski Business Center has a gross leasable area of 47,900 square metres and has been developed by HB Reavis.

### WARSAW SPIRE, WARSAW

POLAND 

Ghelamco Poland has signed an agreement for the lease of office space at Warsaw Spire. The new tenant will take nearly 22,000 square metres, a fifth of the total office area at Warsaw Spire, becoming the building's biggest tenant. The tenant was advised by JLL. The office complex Warsaw Spire is located in Warsaw's inner city and includes a 180-metre high tower building with 48 levels and 2 lower buildings, each of 55 metres in height and 15 levels. The complex provides a total of approximately 100,000 square metres.

## OKO BUSINESS CENTRE, MOSCOW

RUSSIA 

CBRE has become the first tenant of OKO business centre in Moscow-City. CBRE Russia headquarters will occupy 1,250 square metres on the 14 floor of the office tower. OKO mixed-use complex is Capital Group's second high-rise development in Moscow-City business district. The design was developed by the US-based architect firm of SOM Skidmore, Owings and Merrill. The general contractor is Turkey's company AntYapi. The office tower was put into operation in the end of 2014.

## WHITE STONE BUSINESS CENTRE, MOSCOW

RUSSIA 

FMC Technologies, provider of technologies and services to the oil and gas industry, has leased 1,041 square metres in White Stone Business Centre in Moscow. Landlord of this business centre is O1 Properties. In the leasing negotiations CBRE represented the tenant. White Stone Business Centre, formerly named Lesnaya Plaza, is located at 4-Lesnoy pereulok, 4, next to Belorusskaya metro and train stations in Moscow's central business district. The office complex comprises 39.692 square metres and 349 parking spaces.



**CEE & SEE** GLOBAL REAL ESTATE  
& ECONOMY TALKS

20 & 21 May 2015

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## AUSTRIANS ARE TURNING UP? NO, THEY ARE ALREADY HERE!

Since long this small dialogue reflects the situation mainly in the CEE/SEE countries, but meanwhile Austrian real estate companies are increasingly expanding into Germany. Also the other way round some German investors are active in the Austrian real estate market.

When on May 20<sup>th</sup> and 21<sup>st</sup> in the Austrian capital city GREET Vienna takes place for the third time, then among the broad range of topics there will be not only sessions about real estate segments, the Danube region and CEE, but as well about the Austrian property markets and the expansion of Austrian real estate companies into Germany.

Apparently it is easy for Austrians to be active in Germany. Although Germans like to go to Austria for holidays, they are much more hesitant to live, to work and to do business in the country. Some 150,000 Germans live in Austria, while 250,000 Austrians reside in Germany – in other words: more than 75 per cent of all Austrians living abroad have settled in Germany. While for Germans in Austria integrations courses are on offer, for Austrians in Germany such courses seem not to be necessary, on the contrary: the often cited Austrian charm pleases the Germans. Maybe especially this charm (and a certain German arrogance towards the small neighbour country) is resulting in an underestimating of Austrians. At least in the real estate sector Austrian companies are expanding very successfully into the German market.

To start with two construction holdings that have gained ground in Germany: Strabag SE and Porr. With Strabag SE there is still to argue because the company listed on the Vienna Stock Exchange has German and Austrian roots as well.



*Cross-border business: Austrians in Germany and Germans in Austria*

However, fact is that Strabag SE is one of Europe's biggest construction companies. Germany and Austria are deemed to be core markets but the company is also very active in CEE/SEE.

While Strabag SE can compete with German 'heavyweights' like Hochtief and Bilfinger, the smaller Porr is a prime example how to enter the German market from outside. Since 1869 listed on the Vienna Stock Exchange, at that time still under the name Allgemeine österreichische Baugesellschaft, Porr is Austria's eldest listed company. In the years 1990 to 2002 Porr acquired step by step the German construction company Radmer Bau AG in Munich and established a subsidiary in the German market by this way. Since 2006 the subsidiary does business under the name Porr GmbH. Production output only in Germany in 2014 amounted to EUR 593 million – that is more than 17 per cent of the overall production in the five core

markets Austria, Germany, Switzerland, Czech Republic and Poland. By production output Germany is Porr's second biggest market after Austria.

Linked with Porr is UBM Realitätenentwicklung, a company only four years younger. Founded in 1873 under the name of Union-Baumaterialien-Gesellschaft, UBM became the second largest brick maker in the Austrian monarchy. Already in 1912 Porr acquired a majority share in UBM. During First World War UBM withdrew from brick production and focused on real estate development in Austria, for a long time mainly in the metropolitan region of Vienna. The internationalisation of UBM started with the fall of the Iron Curtain: UBM expanded into Czech Republic (1992), into Poland (1993) and Hungary (1994) and later on also into Romania and Slovakia. In 1999 also Germany became a target market – here UBM is represented by a subsidiary named Münchner Grund



*Austrian activities in Germany (top down): the residential project Living Affairs of UBM in Frankfurt, the Kontorhaus in Arnulfpark in Munich, developed by CA Immo and new headquarters of Google in Germany, the office development Panta Rhei of Immofinanz in Düsseldorf and andel's hotel in Berlin, part of Warimpex' portfolio.*

Immobilien Bauträger AG. In Germany UBM is developing hotel, office and residential real estate with the main geographical focus on Munich, Berlin and Frankfurt. In 2014 only in Germany revenues amounted to EUR 171 million – that is little below the revenues UBM is gaining in its home market Austria (EUR 198.7 million).

UBM is often cooperating with Warimpex. The also listed Warimpex Finanz- und Beteiligungs AG "is a real estate development and investment company with special focus on hotel properties in Central and Eastern Europe". However, also Warimpex is active in Germany, mainly in Munich and Berlin with hotels branded andel's or angelo. Much 'younger' than Porr and UBM Warimpex' foundation dates back to the year 1959 when Stefan Folian set up Warimpex Handels GmbH, originally as a trading company specialised in barter trade with CEE (Warimpex is an acronym of 'Waren Import und Export', meaning: import and export of goods). Over the last three decades Warimpex has been focusing on the development and asset management of hotels, office and retail properties. Although an Austrian company Warimpex is mainly active in Poland, Czech Republic and Russia and on a smaller scale also in Hungary and Romania.

With the opening to Eastern Europe CA Immobilien AG gained momentum and started a real success story. Founded in 1987, CA Immo is generating income by the development as well as by asset management and trading of commercial properties. In the beginning mainly focused on CEE (Poland, Hungary, Czech Republic) and SEE (Romania), the company entered the German market in 2006. The first step was the acquisition of a real estate package from the German state of Hesse. More a sensation was the acquisition of Vivico Real Estate in 2008, today operating under the name CA Immo Deutschland GmbH. CA Immo is realising in Germany large-scale urban projects like Europaviertel in Frankfurt, Arnulfpark in Munich und Europacity

in Berlin. End of 2014, CA Immo held investment properties in Germany with an approximate market value of EUR 863.4 million (total portfolio: EUR 3.58 billion) and rentable effective area of 433,849 square metres (total portfolio: 2.233 million square metres). The main focus is on office real estate and according to the company's statement they want to become the biggest office provider and landlord in Germany.

Another Austrian 'heavyweight' in the real estate sector is Immofinanz AG, founded only three years after CA Immo. It has a certain piquancy that during the last weeks CA Immo and Immofinanz were nearly daily trading blows in front of the public. The source was considerations to merge both companies, and the quarrel was about which one will take over the other one in the end.

Immofinanz Group's core business involves the acquisition and management of standing investments (asset management), the realisation of development projects and the sale of properties. Roughly 80 per cent of the company's earnings are achieved by the rental of properties. The remaining 20 per cent result from property sales and property development. Activities are concentrated in retail (45.7 per cent of standing investments), office (41.1 per cent) and logistics real estate (9.8 per cent). The property portfolio of the company has a carrying amount of EUR 6.8 billion. Of this total standing investments represent 85 per cent or EUR 5.8 billion. Immofinanz Goup is attributing themselves as "the market leader for commercial properties in CEE". Here the company's core markets are Poland, Czech Republic, Slovakia, Romania, Hungary and Russia. Another core market outside Austria is Germany where Immofinanz owns a portfolio of 38 properties with a carrying amount of EUR 422.9 million and a rentable space of 832,716 square metres.

Since 2010 Immofinanz Group has been also expanding into Germany's residential market by their subsidiary BUWOG.

The former housing company for Austrian federal employees has been acquired by Immofinanz in 2004. Ten years later BUWOG completed a successful spin-off from Immofinanz and is listed on the Vienna, Warsaw and Frankfurt Stock Exchange. The company has a portfolio

of office, retail and residential buildings and hotels. As at end of 2014 S Immo Group's portfolio consisted of 203 properties with a book value of EUR 1,764 million and a total usable space of around 1.2 million square metres. Looking at the assets by region

as a development company Signa today is not only the biggest real estate owner in the inner cities of Vienna and Innsbruck, but became also well-known in Germany by the take-over of Karstadt last year. Therefore traditional and famous department stores like KaDeWe in Berlin and Alsterkaufhaus in Hamburg are part of Signa's portfolio that is estimated at approximately EUR 6.5 billion.

So Austrians are not only successfully active in CEE, but in Germany as well. However, many, if not all of these companies started to grow in CEE before they stepped into the German market. One of the main attracting features of the German market is its dimension. Austria has some 8.47 million inhabitants, Germany 80.7 million. The ratio is 1:10 and that is also true for the respective real estate markets.

Pure figures also show why in Austria with similar federal structures like Germany the main interest is on Vienna. Vienna has 1.8 million inhabitants – it is approximately the half of Berlin –, but already the second largest city in Austria, Graz, has no more than 270,000 inhabitants. In Germany besides Berlin there are still Hamburg, Munich and Cologne as mega-cities with more than one million inhabitants and further nine cities with more than 500,000 inhabitants.

However, the verdict 'too small' on the Austrian real estate investment market is not agreed by all in Germany. Some are convinced of good investment opportunities in the Alpine republic. But it is only a limited number of German investors interested in Austria. One of them is Deka Group, active since long in the country. One of their most famous properties is the traditional department store Gerngross in Vienna, acquired by Deka Immobilien Investment in 2004. After a complete refurbishment and modernisation the department store re-opened in 2010 and could celebrate its 135<sup>th</sup> anniversary in 2014. Currently Deka Immobilien is re-shaping its Austrian portfolio by selling and acquiring new properties. The last selling trans-



Owned by Austrian Signa: the famous department store KaDeWe in Berlin.

of around 52,000 apartments located in Austria and Germany nearly half-and-half. In Germany the company focuses on Berlin (about 5,500 apartments), the northern part of the country with the cities of Kiel (3,600), Lübeck (6,300), Hamburg (2,800), Lüneburg (582) and Braunschweig (1,300) as well as some 1,500 apartments in Kassel. Furthermore BUWOG has 1,600 residential units in the development pipeline.

Among the Austrian companies expanding into Germany there is also to mention S Immo AG with its core shareholders Erste Group and Vienna Insurance Group. Also S Immo "focuses on profitable, long-term property investments through the development, purchase, letting, operation, refurbishment and sale of buildings and apartments" not only in Austria and in CEE/SEE countries but in Germany as well. Preferred properties

the biggest share is on Austria (32.4 per cent of the portfolio's book value), followed by Germany (26.1 per cent), SEE (20.6 per cent) and CEE (19.5 per cent). Of the 21 properties S Immo is holding in Germany 16 are located in Berlin on which the company is clearly putting the main focus on. During the first quarter of 2015 S Immo Germany GmbH, the German subsidiary of the Austrian S Immo AG, acquired four commercial properties with approximately 35,000 square metres of usable space. According to the company these transactions mark only the start of a purchase offensive the company is planning for the next years.

All these companies are active in Germany without making the headlines – at the best they attract interest of some real estate magazines. That is different with Signa, the biggest private real estate company in Austria. Founded in 1999



*In German hands: Hotel Zwei and the office building Space2move in Vienna as well as the G3 Shopping Resort in Gerasdorf.*

action for example took place in spring 2014 when Deka Immobilien sold an office building in Vienna's 3<sup>rd</sup> district. The building was owned by the open real estate fund WestInvest InterSelect. Purchaser has been Bank Austria Leasing. In January 2015 Deka Group purchased Hotel Zwei in Vienna on behalf of their special fund for institutional investors WestInvest TargetSelect Hotel. Three months before Deka Immobilien had acquired the office property Gate 2 in Vienna's 3<sup>rd</sup> district for its real estate fund WestInvest ImmoValue which is also dedicated exclusively to institutional investors.

A similar long tradition in investments in Vienna as Deka Immobilien has the real estate branch of Deutsche Bank. The open real estate fund grundbesitz global, managed by Deutsche Asset & Wealth Management, for example holds two Viennese assets: the office building Europlaza (since 2003) and the Lindner Hotel Am Belvedere (since 2007).

Also active in Vienna is Union Investment Real Estate. Most recently they acquired the office complex Green Worx for their open real estate fund Unilmmo Deutschland. Sellers of the complex completed in 2013 were S+B Group and Raiffeisen Holding from whom Union Investment Real Estate had already purchased the ibis & ibis budget Wien Messe complex for its Ull Hotel Nr.1 special fund in March. Some months before, in November 2014, the fund manager had acquired the office building

Space2move on behalf of its open real estate fund Unilmmo Europa. The same fund also enlarged its portfolio by the office building Euro Plaza 5 in June 2014. It is the neighbouring building to Euro Plaza 4, already owned by Unilmmo Deutschland since 2012. Union Investment Real Estate started its activities in Vienna with the purchase of Floridotower in Vienna in 2006. Currently the company is invested in eight office buildings and two hotels in the Austrian capital.

Funds for investors especially interested in the Austrian markets are launched by Warburg-Henderson (now: Warburg-HIH Invest Real Estate). In 2011 the investment company launched already its second special real estate fund focused on Austria – the first one is according to plan already in its disinvestment phase. Österreich Fonds Nr. 2 has – including leverage – a target volume up to EUR 360 million and is investing mainly in retail property throughout Austria and in office buildings in Vienna. The investment company plans to acquire on behalf of the fund ten to 15 properties. Currently the fund's portfolio comprises six retail centres (2 in Vienna, 1 each in Fürstenfeld/Styria, in Linz, in Mistelbach/Lower Austria and the most recently purchased retail centre in Rosental an der Krainach/Styria), a shopping centre in Spittal an der Drau/Carinthia and a retail asset and an office building in Vienna.

Retail real estate is also in the main focus of ECE. The most recent transaction has

been G3 Shopping Resort Gerasdorf, acquired by ECE European Prime Shopping Centre Fund in March 2014. Since 2012 the fund also owns Haid Center in Linz. Besides Haid Center ECE is operating in Austria City Arkaden in Klagenfurt, DEZ Innsbruck and BahnhofCity Wien West and BahnhofCity Wien Main Station. According their own statements "ECE is still en route to expansion in Austria and seeks to acquire further management contracts or centres for the fund".

It is remarkable that the last named three companies are all based in Hamburg and also Deka Immobilien and Deutsche Asset & Wealth Management, both headquartered in Frankfurt, are – at least from an Austrian point of view – from 'the north' of Germany. However, there is still KGAL in Grünwald near Munich. In autumn 2014 the investment company acquired EO Oberwart shopping centre for its institutional real estate fund Austrian Retail Park Portfolio (ARPP). Since December 2012, KGAL has invested in four shopping centres and retail parks in Austria, increasing ARPP's portfolio volume to EUR 1.1 billion.

When at GREET Vienna talks are about international investors in Austria there will be dropped many names and among them also some from Germany. And in the session about "Austrians on their way to Germany" some will be astonished how strong the position of Austrian companies in the neighbouring country already is. **I Marianne Schulze**

# GEOHERMAL HEATING AND COOLING – AT CALCULABLE COSTS



*Geothermal energy for a whole urban district? In Whisper Valley in Austin/Texas the first drilling works are taking place.*

**“Our home is heated by the garden” – this sign in front of a new single-family house attracted attention. The use of geothermal energy for heating and cooling instead of fossil fuels is an ideal possibility to reduce significantly carbon dioxide emissions by the housing stock. Although geothermal energy is increasingly used for heating and cooling applications, the initial investment is much higher than with traditional systems based on fuels.**

Geothermal energy is thermal energy generated and stored in the Earth crust. The deeper you drill into the ground, the higher the temperatures are. In Central

Europe temperature is increasing on average by 3 °C per 100 metres depth. Experts assume that in the core of the Earth temperatures may reach 5,000 to 7,000 °C. A portion of the core’s thermal energy is transported towards the crust. Another source of geothermal energy is the radioactive decay of materials in the Earth’s mantle and crust. At least in terms of figures the geothermal energy stored in the upper 3,000 metres of the crust meets the current energy demand of the world for 100,000 years.

Thus geothermal energy is a long-term energy source that different to other renewable energies is for free. Depending

from the ground there are required drilling depths less than 150 metres to use geothermal energy for the heating and cooling of buildings. Technical solutions and systems to use geothermal energy for heating and cooling are available since long. Parts of the system are one or more borehole heat exchangers – mostly a u-tube – and one or more heat pumps in a parallel circuit.

However, the investment in a geothermal heating and/or cooling system is approximately two times higher than e.g. for a traditional gas heating system. On the other hand the operating costs are significantly lower.

The discussion about climate change and the continuously increasing energy costs have boosted the interest in geothermal heating. In 2004 in Germany approximately 9,500 geothermal heating systems have been installed, in 2013 the number has more than doubled to 20,000. Currently about 318,000 geothermal heat pumps are active in German households – given a total of nearly 40,000 households it means that less than one per cent uses geothermal energy for heating. In Switzerland the ratio is much better – there nearly 30 per cent of the households are provided with geothermal energy.

No wonder that geothermal energy and generally renewable energies in real estate developments are one of the main topics of Green Summit 2015 taking place on 9<sup>th</sup> and 10<sup>th</sup> June in Liechtenstein. It will not be about one- and two-family houses but about large-scale urban developments.

That it is possible to develop environmentally friendly quarters on a larger scale are showing two rather different examples from the US and Germany.

In the US, more exactly: in Austin/Texas Taurus Investment Holding is developing Whisper Valley, a new urban district on more than 800 hectares (this is nearly four times the area of HafenCity Hamburg) with 7,500 family and town houses as well as 185,000 square metres of office and retail space. Whisper Valley is completely based on the passive house concept. Part of the concept is the use of geothermal energy.

In Austin temperatures will go up to 35 °C during summer while during winter they are mostly over 0 °C, also in the nights. Given these climate conditions geothermal energy will not be used only for heating but for cooling as well. That means an optimal utilisation of the geothermal system: During winter heat is extracted from the underground reservoir and used to heat the buildings, while in summer the heat from cooling down



*Above the refurbished quarter in Rotenburg (Wümme), below the development area for the first of four construction phases in Whisper Valley.*

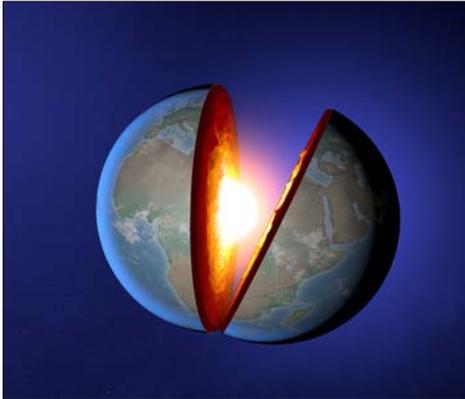
the buildings will be led back into the underground and be available again for the next chilly period. The energy consumption of the system is only the power needed for the heat pumps and produced by photovoltaic systems.

While Whisper Valley is completely a new development where Taurus in co-operation with the Swiss company Rehau and the German companies BASF and Bosch Group is applying state-of-the-art technologies, the German DGI Deutsche Geothermische Immobilien AG is focusing on energetic refurbishment of 'normal' multi-family houses.

In 2014 DGI acquired a portfolio of 76 mostly three-storey buildings with 382 residential units, located in the northern German towns Celle and Rotenburg

(Wümme). The majority of buildings has been constructed during the 60s. In Celle the first buildings are already refurbished, while for the remaining houses and those in Rotenburg (Wümme) construction works will be completed at the end of 2015. In this case energetic refurbishment does not mean only thermal insulation, but includes also the change of the heating system to geothermal energy.

However, technical possibilities are one side, the other is financing. If new developments or refurbishment of existing buildings – the investment costs for geothermal heating and cooling are high. Normally developer's higher investments precipitate in respective higher prices or rents that often exceed end-user's budget. Therefore the developers in Austin/Texas as well as DGI in Germany have chosen an-



*Geothermal energy stored in the Earth meets the current energy demand of the world for 100,000 years.*

other way to facilitate payment: they both work with fixed and calculable costs. "For Austin EcoSmart as part of Taurus has developed a financing programme that provides every house with the whole technical equipment and geothermal energy without any initial investment for the house owner. Instead of that special investment the house owner pays a monthly energy and service fee to EcoSmart. This fee amounts approximately to the energy costs currently saved by the house owner", explains Axel Lerche, Partner of EcoSmart. Also if in future energy prices will be rising – what is very probable – the fee remains unchanged, so that every home owner can clearly calculate the costs.

In Celle und Rotenburg the 'Trautsch model' has been chosen, so called because of his 'author', the Member of the DGI Board Christoph Trautsch: Here again energy costs remain constant for tenants – they pay a permanent fixed fee for heating and warm water on the base of the last energy consumption bill before the change to geothermal energy. Only the costs for power needed for the heat pumps will be allocated to the tenants. That this model pays off DGI has extended the attic floors of the buildings by a total of 126 apartments. Furthermore, before the refurbishment many apartments could not find no tenants – the vacancy rate amounted to 20 per cent. After the refurbishment and modernisation tenant demand increased significantly so that meanwhile the apartments are nearly fully let.

And still another point is important: Especially with the 'smart' homes in Austin, but as well with the refurbished apartment houses of DGI users have concerns about the service and the service costs they have to pay for the more complicated technical equipment. In Austin there will be an extended warranty and service period. Furthermore the developers hope that the name Bosch, a company with a tradition of nearly 130 years, will contribute to confidence in the service. In the refurbished apartments of DGI the company is taking the service costs for the geothermal system for ten years without charging the tenants.

Every developing company is also a commercial enterprise that has to finance its activities and also wants to gain some profit. Sustainability and climate protection are often-mentioned and sometimes overstressed slogans that meet everybody's full approval, but nearly nobody wants to pay the additional costs. This attitude is quite common among all stakeholders. In both examples the developers have made concessions to the end-users; but what about the developing companies themselves? Investment costs for large-scale urban developments like Whisper Valley or the refurbishment of a significant residential stock cannot be payed out of the petty cash.

Taurus is financing Whisper Valley by the issue of bonds. And as Lorenz Reibling, Chairman and Founding Partner of

Taurus, is stating, it is easier to attract investors by sustainable projects because these projects are more profitable and in the long run investments are more secure. "The more complex a product, the harder to duplicate it. Moving up complexity means moving up yields", he explains. However, what is important is scalability.

For sure Christoph F. Trautsch will not contradict this statement. Because Deutsche Geothermische Immobilien AG, founded in 2010 as an equity investment company, secured financing for the acquisition of the residential portfolio located in Celle and Rotenburg (Wümme) from DG HYP Deutsche Genossenschafts-Hypothekenbank AG (a German cooperative and mortgage bank). RiverRock Opportunities European Funds Ltd. acted as mezzanine investor providing the necessary private equity. Already at the end of 2014 DGI has been able to refinance RiverRock's mezzanine capital by investments of two pension funds. And as it is generally known pension funds are very conservative investors because they are mainly interested in long-term revenues.

Although far apart from each other both examples are demonstrating that it is possible to keep the financial burden limited for the end-user and to meet the requirements of sustainability also with large-scale residential developments. And especially with residential buildings there is still much to do to reduce carbon dioxide emissions. | **Marianne Schulze**

## FOR YOUR PLANNING

When	What about	Where	For information and registration
20.–21. May 2015	Global Real Estate & Economic Talks GREET Vienna	Palais Niederösterreich, Herrengasse 13, Vienna, Austria	<a href="http://www.greetvienna.com">www.greetvienna.com</a>
9.–10. June 2015	Green Summit 2015 Sufficiencies & Essentials: Food, Energy, Water, Shelter	University of Liechtenstein, Vaduz, Liechtenstein	<a href="http://www.uni.li">www.uni.li</a>
10. June 2015	Opportunities for Medium-sized Businesses in Eurasian Economies	Villa Bergmann, Potsdam, Germany	<a href="http://www.wirtschaftsclubbrussland.org">www.wirtschaftsclubbrussland.org</a>
18.–20. June 2015	Saint Petersburg International Economic Forum	LenExpo, Saint Petersburg, Russia	<a href="http://www.forumspb.com">www.forumspb.com</a>
22.–24. June 2015	Rebec 2015 SEE Real Estate Belgrade Exhibition & Conference	Business Tower Usce, Belgrade, Serbia	<a href="http://www.rebec.rs">www.rebec.rs</a>
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	<a href="http://www.eres2015.itu.edu.tr">www.eres2015.itu.edu.tr</a>
27.–29. September 2015	11th Conference of European Regions and Cities	Salzburg Congress, Salzburg, Austria	<a href="http://www.institut-ire.eu">www.institut-ire.eu</a>
5.–7. October 2015	Expo Real 2015 18th International Trade Fair for Property and Investments	New Munich Fair Ground, Munich, Germany	<a href="http://www.exporeal.net">www.exporeal.net</a>
18.–20. November 2015	MAPIC The International Retail Property Market	Palais des Festivals, Cannes, France	<a href="http://www.mapic.com">www.mapic.com</a>

## UA – UKRAINE BETWEEN EAST AND WEST

This is the title of the most recent journal of the series edited by Vontobel Stiftung in Switzerland. Who is already familiar with these journal series knows that – regardless the specific topic – he will get a lot of important background information.

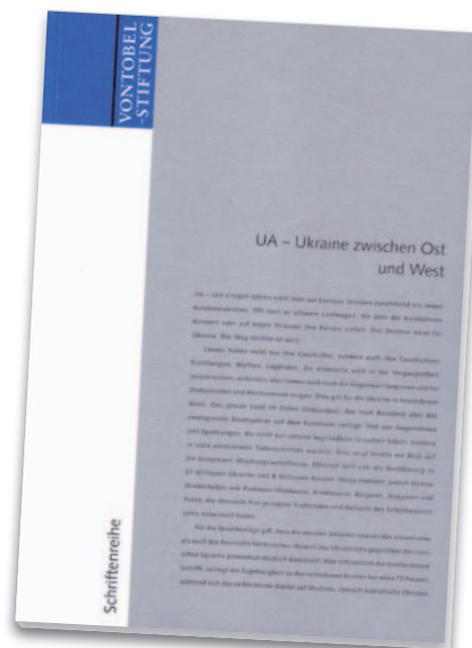
That is also true for the volume about Ukraine. The author Ulrich Schmid is Professor for Culture and Society in Russia at the University of St. Gallen in Switzerland and since 2011 he is also Head of a multidisciplinary research programme about regionalism in Ukraine. Thus already a first point is mentioned that makes the country so difficult to understand and contributes to the inner conflicts putting Ukraine on the verge of a break. Ukraine is not a homogeneous country, but consists of eight regions with partly a completely different history. These historical differences cause cultural and mental discrepancies – the fundamentals of the centrifugal forces being effective in Ukraine and the reason why the country has great difficulties to become a more or less homogeneous nation. There's often no love lost between the different people living in today's Ukraine.

Ulrich Schmid does not exclude the current conflict between Ukraine and Russia. He has understandings and critics for both sides. At least the conflict has contributed 'to close ranks in Ukraine', so that not only

in Russia, but in Ukraine as well the conflict is boosting patriotism. Ulrich Schmid also analyses the role of the European Union as "Ukraine's involuntary protector".

In this context the result of two surveys not only described but also presented in coloured maps is revealing: Asked if they are supporting Ukraine's accession to the EU those who are answering "definitely yes" are gathered mainly around Lemberg, the rest of the country has at least doubts. But asked if they feel as part of Europe the answer is not in every part of Ukraine 'yes', but there is a wider spread also to parts who are against an EU accession. And last but not least the journal gives some explanations why since the formation of today's Ukraine the country has not been able to rebound economically. Similar to Russia the country has structural problem and not only the often-changing political leaders but the oligarchs as well are pursuing their own interest and not those of the country as a whole.

In short: who wants to understand Ukraine and the current situation of the country will find a lot of background information. However, he will also realise that there are much more conflicts than that with Russia and the country's problems will be much more difficult to solve than some one-size-fits-all recipes suggest.



Ulrich Schmid  
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