

SPH newsletter

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DEAR READERS,



Beginning of October is the date of Expo Real in Munich, the International Trade Fair for Commercial Property and Investment. During the last weeks all the exhibitors were busy with preparations of proper presentations. But not only exposition itself, but the high-rank conference programme as well is attracting the visitors. Among the exhibitors and visitors there are many from CEE/SEE looking for the exchange with the Western world. The other way round there are many from here who are after talks with the Eastern world. Exactly this sort of exchange establishes new business or at least offers a start of new options.

To be honest, it is impossible to pay tribute to the broad range of all topics offered at Expo Real—even regarding CEE/SEE. Taking this in account, in our “special” we limited the views and decided for Poland, Montenegro, Hungary and Russia. But that leads towards the next problem. Even inside these countries the bird’s eye view has many disadvantages. This is why we have chosen the Kaluga region inside Russia, and the region around Katowice inside Poland for a deeper analysis. While most of the international property industry is still fixed towards Moscow and Warsaw we decided to step away from the capitals into two regions.

With all that we are still in the run-up to Expo Real. What has impressed us, you will read in the wrap-up in the next issue. For now, I am looking forward to see you at Expo Real—if, of course, you will be there. But most of you, I am sure, will.

Yours

Andreas Schiller



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Kulczyk Silverstein Properties has purchased the Stratos Office Center in Warsaw from Pramerica Real Estate Investors. Stratos Office Center was developed in 2000.

KULCZYK SILVERSTEIN PROPERTIES: FIRST INVESTMENT IN POLAND

Kulczyk Silverstein Properties (KSP) has purchased the Stratos Office Center in the central business district of Warsaw from Pramerica Real Estate Investors. Stratos Office Center is a 10,678 square metres, class-A office building and provides 169 parking spaces on three underground levels. The project was realised in 2000 by Karimpol, a Vienna-based developer. Pramerica acquired the property in 2006. Presently the building is fully let to tenants including BRE Leasing, a member of the Commerzbank Group; the Belgium Embassy, as well as international law firms Beiten Burkhardt and Bird & Bird.

The transaction was financed by Landesbank Berlin AG and Berlin Hyp and brokered by Colliers International. Hogan Lovells acted for KSP while Salans acted for the vendor.

INTECO CHANGES HANDS

Binbank owner and CEO Mikhail Shishkanov and Sberbank Investment are buying out Inteco, one of the leading construction and property companies in Russia, owned by Yelena Baturina, wife of the former Moscow Mayor Yury Luzhkov. Mikhail Shishkanov will get a 95 percent stake in Inteco, while Sberbank is acquiring the remaining five percent. The financial terms of the deal were not disclosed. Experts value Inteco at 1.2 billion US dollars.

MORGAN STANLEY RE TO BECOME ORCO'S LARGEST SHAREHOLDER

Orco Property Group and Funds advised by Morgan Stanley Real Estate Investing (MSREI) have entered into an agreement regarding MSREI's investment in Orco. Orco will issue 3 million ordinary shares in a private placement. The subscriptions of these Orco shares will be paid by MSREI through contributions of its stakes in Orco Germany and Endurance Real Estate Fund. Following the completion of the transaction, MSREI will become the largest shareholder of Orco with approximately 18.7 percent. Orco will increase its stake in Orco Germany to approximately 87.3 percent and in the two Sub-funds of Endurance Real Estate Fund as follows: 14.8 percent in the Residential Sub-fund and 27 percent in the Office I Sub-fund.

ENTERPRISE PARK RISES IN KRAKOW

Avestus Real Estate, formerly Quinlan Private, has announced the start of construction for Enterprise Park in Krakow. The three buildings of the class A office complex will be developed in two phases and will include a restaurant, child care facility, medical centre and retail services as well as nearly 300 parking places. Phase I consists of approximately 15,000 square metres and construction is scheduled to be completed in September 2012. While the company is building Enterprise Park on a speculative basis, construction financing has been secured with Raiffeisen Bank Polska S.A.



The business complex Olympia Park in Moscow: greatest single tenant will be Kaspersky Lab.

O1 PROPERTIES: LARGEST OFFICE LEASING DEAL OF THE YEAR IN MOSCOW

O1 Properties Investment has signed a long-term leasing agreement for office space in its business complex Olympia Park in Moscow with Kaspersky Lab, one of the world leaders of software security market. According to the agreement Kaspersky Lab rents 29,847 square metres – almost 65 percent of the total leasable area of BC Olympia Park. Jones Lang LaSalle acted as the consultant of the largest deal of the year.

The class A business complex Olympia Park is located on Leningradskoye Shosse, 39 in a picturesque park near the Khimkinskoe Reservoir. BC Olympia Parks combines office premises and an Olympic-standard sports centre. The buildings meet all the environmental requirements and are now undergoing BREEAM certification. The total area of the complex is 5.8 ha.

EUROPA CAPITAL AND WARIMPEX SELL HOTEL SOBIESKI IN WARSAW

Europa Fund II, the private real estate investment fund managed by Europa Capital, and Warimpex Finanz- und Beteiligungs AG jointly announce the sale of the Jan III Sobieski Hotel in Warsaw, together with an adjacent 6,000 square metre office building to Wenaasgruppen, headquartered in Norway. The sale price agreed was in excess of 50 million euros.

The four-star Jan III Sobieski Hotel is one of the first large hotels constructed in Warsaw after 1989. The hotel was opened in July 1992 and acquired by the sellers in 2006. It has 435 rooms and suites, and offers extensive conference facilities. Annually, more than 100,000 tourists stay at the Sobieski Hotel.

REZIDOR ANNOUNCES THE PARK INN BUDAPEST

The Rezidor Hotel Group announces the Park Inn by Radisson Budapest. The new mid-market property featuring 136 rooms is scheduled to open in Q4 2012.

The Park Inn by Radisson Budapest is already under construction and will be located within an office park in the northern part of Budapest, along the Vaci Ut corridor. Besides 136 guest rooms, the Park Inn by Radisson Budapest will comprise an all-day dining restaurant, bar, more than 400 square metres of meeting space, a fitness centre, and parking space.

Eastern Europe is an important business development market for Rezidor. The group was among the 'first-movers' into the region following the fall of the Berlin Wall. This ambitious strategy has paid off, as Rezidor is now represented in most of the primary markets, including Warsaw, Prague, Bucharest, Bratislava, and Sofia. The mid-market Park Inn by Radisson brand is successfully following in the footsteps of the upper upscale Radisson Blu brand, with properties in Prague, Bratislava, Krakow, Ostrava and Sofia.



Magnolia Mall in Wrocław was opened in 2007. Now the shopping centre was sold to a special-purpose vehicle controlled by one of Blackstone's real estate fund.

BLACKSTONE ACQUIRED MAGNOLIA MALL IN WROCLAW

Alternative asset management company Blackstone has acquired the Magnolia Park shopping centre in Wrocław for about 110 million euros. Warsaw-listed investor NFI Octava and New York-based investment group Manchester Securities sold the shopping centre to Kasama Investments, a special-purpose vehicle controlled by one of Blackstone's real estate fund. Octava NFI and Manchester Securities Corporation owned 72 percent and 28 percent stakes in the shopping centre's holding company, Legnicka Development.

Opened in 2007, Magnolia Park provides 74,400 square metres of retail and entertainment space. The park is currently being extended by additional 11,000 square metres in order to accommodate a Castorama market and a major fashion brand store.

The vendors were advised by Jones Lang LaSalle and law firms Clifford Chance and Magnusson.

VASTNED RETAIL EXPANDS RETAIL PORTFOLIO IN ISTANBUL

Pan-European retail property fund VastNed Retail has acquired the entire property at Abdi Ipekci Caddesi 37 in the heart of the Nisantasi shopping area, Istanbul. The transaction boosts the portfolio size in Turkey over 100 million euros.

The property will be redeveloped and then comprise close to 2,000 square metres GLA of which some 1,100 square metres will be retail space. The redevelopment is expected to be realised no later than August 2013.

VastNed Retail invests in high street shops, shopping centres and retail warehouses located in good and top locations in its core countries: the Netherlands, Spain, France, Belgium and Turkey. The value of the investment properties was 2.1 billion euros as at 30 June 2011.

INVESCO RE SELLS ALMA OFFICE BUILDING IN WARSAW

Invesco Real Estate has sold Alma Office Building in Warsaw to Polish private equity company Rotaria S.A. Alma Office Building is a fully leased office property with approximately 6,000 square metres of lettable area. The main building was developed in the 1960s and was substantially refurbished in 1998. The adjoining two-story section was erected in 2001. Alma Office Building is located in the most prominent part of the Mokotów district, on 13 Marynarska street, right opposite Galeria Mokotów.

Invesco Real Estate is the asset manager of the property, acting on behalf of the owner, PRP Sp. z o.o. Savills acted for the seller of the property, Cushman & Wakefield for the buyer.



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PROPERTY ASSETS (€ 5.2 bn as at 30 June 2011)

Austria	14 %
Germany	43 %
Eastern and South Eastern Europe	43 %

AMAZON COURT/Prague
A property from the
Europolis portfolio.






Copa Centrum Narodni is the largest project in Prague. Construction has not yet started when CPI Czech Property Investments purchased a 50 percent stake in the office and retail scheme.

CPI TAKES 50 PERCENT STAKE IN COPA CENTRUM PROJECT IN PRAGUE

CPI Czech Property Investments has purchased a 50 percent stake in Copa Centrum Narodni in Prague. Seller is Wiesbaden-based private investor Interco Holding. Developer Copa is retaining the other 50 percent. Copa Centrum Narodni, a 28,000 square metre office and retail scheme in the heart of Prague, represents the largest new construction in the city and is expected to involve development costs of some 160 million euros. Designed by architects Cigler Marani, the scheme received building permission in late 2008, but construction has not yet started.

UFG REAL ESTATE ACQUIRES THREE ASSETS IN MOSCOW

UFG Real Estate has acquired 100 percent of a portfolio of commercial real estate assets in Moscow. The portfolio consists of three properties: two class-A office buildings and a retail cluster. The buildings are situated in the centre of Moscow and are fully leased out. The seller of the assets was Russian real estate developer Capital Group. Details of the deal were not disclosed.

The 18,000 square metre business centre "Pushkin House" is located on Strastnoy Boulevard, next to Pushkinskaya Square and Tverskaya Street. 9,500 square metre "Metromarket" retail centre and 31,500 square metre business center "Concord" are located in one building within walking distance from Shabolovskaya metro station next to major transportation routes: the Garden Ring, Leninskiy Prospekt, and the Third Transport Ring.

SEB ASSET MANAGEMENT ACQUIRES OFFICE BUILDING IN WARSAW

SEB Asset Management has acquired a fully let office property in Warsaw for the special fund's SEB Europe REI portfolio. The grade A property is in the centre of the Mokotów district. The 11-storey office building has total rental space of approximately 13,270 square metres and 185 parking spaces. It was completed in 2008. The property was sold by Investec GLL Global Special Opportunities Real Estate Fund, which is managed by GLL Real Estate Partners GmbH. The purchase price is 38 million euros.



PERSONALIEN

Jörg Banzhaf is leaving Atrium European Real Estate to October 1, 2011 for personal reasons. Since August 2010 he was the company's Chief Investment Officer. Prior to joining Atrium Jörg Banzhaf was more than 10 years with ECE Projektmanagement, at last as Managing Director and Board Member, responsible for expansion, development and acquisition activities outside Germany with special focus on Central and Eastern Europe.

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IT'S REAL BUSINESS

14th International Trade Fair for Commercial Property and Investment
4–6 October 2011, Tuesday–Thursday, Munich, Germany

CONFERENCES AND EVENTS ABOUT CEE AT EXPO REAL

Tuesday, October 4, 2011, 11.00

Hall B1, Stand 110
Moscow on the move: Transport and traffic in Moscow – the challenges in an international context
 Panel discussion

Participants:

- › W. Platonov, Chairman of Moscow City Duma

Moderators:

- › Alexander I. Borisov, Managing Director of the MMBA Moscow International Business Association and Member of the Executive Committee of the Russian Chamber of Industry and Commerce
- › Andreas Schiller, Editor-in-Chief, SPH Newsletter, Schiller Publishing House

Tuesday, October 4, 2011, 15.00

Hall B1, Stand 110
Official Opening of Moscow City Government's stand

Participants:

- › Representatives of Moscow City Government
- › Martin Zeil, Deputy Prime Minister and Minister for Economy, Infrastructure, Transport and Technology of the Bavarian State

Tuesday, October 4, 2011, 15.00 – 15.30

Hall A1, Stand 331
Press Conference with István Tarlós, Lord Mayor of Budapest
 about strategy, developments and city administration

Tuesday, October 4, 2011, 15.00 – 16.00

Hall A2, Stand 122
Metropolia „Silesia“

Participant:

- › Dawid Kostempski, Chairman of the Board, Metropolitan Association of Upper Silesia

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Wednesday, October 5, 2011, 10.00 – 10.45

Media Lounge, Hall A1, Stand 440

Czech Republic – Boom country in Eastern Europe

Participants:

- > Christoph Andexlinger, Head of Center Management International, SES Spar European Shopping Centers GmbH, Salzburg
- > Petr Benes, Managing Director, Hochtief Development Czech Republic s.r.o., Prague
- > Richard Curran, Managing Director, CB Richard Ellis, Prague

Moderator:

- > Gerhard Rodler, Publisher, Immobilien Magazin, Vienna

Wednesday, October 5, 2011, 11.30 – 12.15

Media Lounge, Hall A1, Stand 440

Montenegro – the pearl of the Mediterranean

Participants:

- > Dr. Petar Ivanovic, CEO, MIPA – Montenegro Investment Agency, Podgorica
- > Kieran Kelleher, Director, Savills Montenegro, Podgorica
- > Colin Kingsmill, Director Sales & Marketing, Porto Montenegro, Tivat
- > Alexey Rudenko, Head of Representation, IFC Metropol Montenegro, Moskau

Moderator:

- > Gerhard Rodler, Publisher, Immobilien Magazin, Vienna

Wednesday, October 5, 2011, 15.30

Halle B1, Stand 110

Capital in the capital: Investments in Moscow – The legal framework

Panel discussion

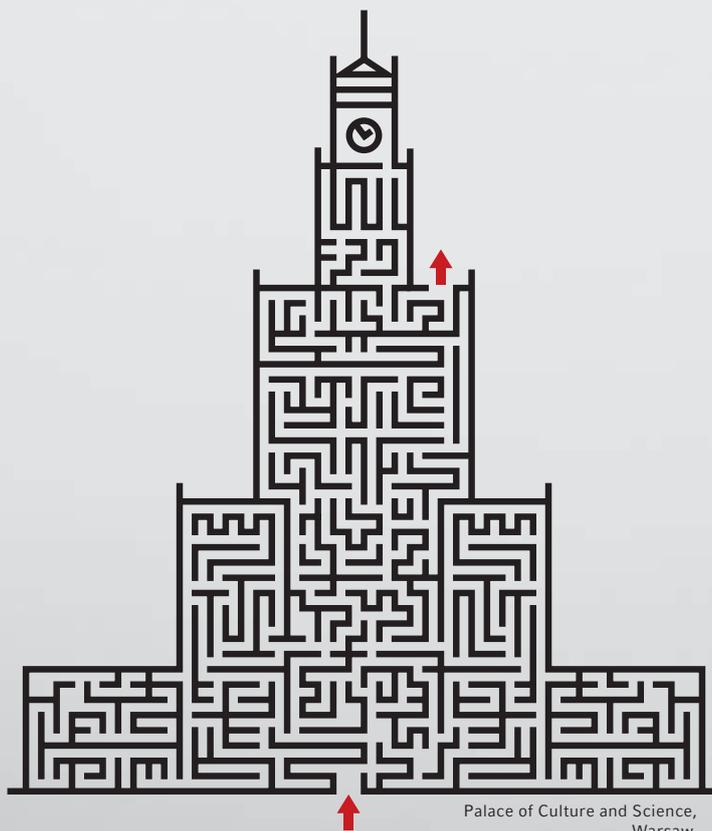
Moderator:

- > Andreas Schiller, Editor-in-Chief, SPH Newsletter, Schiller Publishing House

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Wednesday, October 5, 2011, 16.30

Hall B1, Stand 110

Number one in Russia: Perspectives of the city development in Moscow

Panel discussion

Moderator:

- › Andreas Schiller, Editor-in-Chief, SPH Newsletter, Schiller Publishing House

Wednesday, October 5, 2011, 17.00 – 17.45

Media Lounge, Hall A1, Stand 440

Hungary – the gateway to the west

Participants:

- › Marco Kohla MRICS, Head of Portfolio Strategy, Immofinanz AG, Vienna
- › Rudolf Riedl, Managing Director, Raiffeisen Evolution Project Development GmbH, Vienna
- › Árpád Török, CEO, TriGranit Development Corporation, Budapest

Moderator:

- › Gerhard Rodler, Publisher, Immobilien Magazin, Vienna

Thursday, October 6, 2011, 10.00 – 10.45

Media Lounge, Hall A1, Stand 440

Polen – Investors' Darling

Participants:

- › Jörg F. Bitzer, Managing Director, EHL Immobilien GmbH, Vienna
- › Mark Freeman, Head of Valuation & Consultancy, Savills Poland, Warsaw
- › Christian Fojtl, Member of the Board, Warimpex AG, Vienna
- › Marek Koziarek, Managing Director, Commercial Real Estate Finance Department, Head Office, Bank Pekao, Warsaw

Moderator:

- › Gerhard Rodler, Publisher, Immobilien Magazin, Vienna

Thursday, October 6, 2011, 10.30

Hall B1, Stand 110

Love me tender: Tenders and biddings as instruments for more transparency

Panel discussion

Moderator:

- › Andreas Schiller, Editor-in-Chief, SPH Newsletter, Schiller Publishing House

Thursday, October 6, 2011, 11.30 – 12.00

Media Lounge, Hall A1, Stand 440

Serbia – a phoenix from the ashes?

Participants:

- › Vojislav Popovic, Managing Director for Western Balkans, Lindner d.o.o. Beograd, Belgrade
- › Aleksandar Radulovic, Consultant, SIEPA Serbia Investment and Export Promotion Agency, Belgrade

Moderator:

- › Gerhard Rodler, Publisher, Immobilien Magazin, Vienna

Thursday, October 6, 2011, 12.30 – 13.00

Media Lounge, Hall A1, Stand 440

Russian Federation – What mood is the bear in?

Participants:

- › Vladimir Ivanov, Managing Partner, Spectrum Group, Moscow
- › Jason M. Lucas, President, Amstar Global Partners, Denver
- › German Moyzhes, Managing Director Germany, Avers Group, Cologne
- › Dr. Manfred Wiltschnigg, Member of the Managing Board, Immofinanz AG, Vienna

Moderator:

- › Andreas Schiller, Editor-in-Chief, SPH Newsletter, Schiller Publishing House





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Austria

ÁRKÁD SZEGED
Grand opening: Oct. 4

Szeged

5x
in
Hungary

ECE in CEE

With three spectacular openings, ECE confirms once more its expertise in Central Eastern Europe. Already on September 28, the sixth ECE center in Poland opened for business – the Galeria Kaskada in Szczecin. On October 4, the Árkád in the southern Hungarian city of Szeged will celebrate its grand opening as the fifth ECE center in Hungary. And to round it off: on November 23, the green light is on for Austria's first BahnhofCity – the BahnhofCity Wien West in Vienna.

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ECE

IT DOES NOT ALWAYS HAVE TO BE WARSAW

Actually Poland is in demand by investors. Most of them are looking first to Warsaw, but sometimes a second look to other cities and regions can be worthwhile. One of these regions is the "Metropolia Silesia".

Following the news of the last weeks and months one will get the impression that in Warsaw investors are crowding. The Polish capital is actually the market mostly in demand in CEE—at least from an international point of view. There are already some warning of a bubble. Nobody wants conjuring up ghosts, but where everybody wants to invest there prices are increasing and good opportunities decreasing. Expo Real in Munich is a good possibility to inform about other cities and regions of Poland. Here we want to look at Katowice and Metropolia Silesia.

14 cities and towns constitute Metropolia Silesia—correctly: Metropolitan Association of Upper Silesia GZM. Members are among others Katowice (about 306,000 inhabitants), Gliwice (200,000 inhabitants), Bytom (180,000 inhabitants), Dąbrowa Górnicza (127,000 inhabitants) and Chorzów (110,000 inhabitants). All in all Metropolia Silesia includes approximately 2 million inhabitants—in comparison: Warsaw has 1.7 million, Greater Warsaw 3.5 million inhabitants.

Metropolia Silesia is an agglomeration like Ruhr region in Germany. Both were characterised by coal mining and metalurgy for a long time. Metropolia Silesia is still the most industrialised region in Poland. It contributes about 6 percent to the GDP and about two third to the Gross Regional Product of the Silesian Voivodeship. The average rate of unemployment is below the national average of about 11 percent although there are great differ-



The rise of greater Katowice region started with the industrialisation.

ences between the cities: they range from 2,8 percent in Katowice to 15 percent in Bytom.

Like Ruhr region, Metropolia Silesia has changed fundamentally during the last 20 years as well. The core industrial sectors that also include chemicals, mechanical engineering, and power generation, are in the process of continuous modernisation. They are becoming increasingly environmentally friendly, more energy-efficient

and less land intensive. At the same time the service sector developed rapidly. Today nearly 60 percent of all employees in Metropolia Silesia are in the service sector.

As successful the structural change has been so far, the process is still ongoing. What according to a survey of GZM is missing is the development of strong special fields or business clusters. The potential is given, but to realise it there is a strong need to enhance Metropol-

lia's attractiveness high ranked institutions and renowned companies of the special branches.

An asset the region can show off is a relatively young population: two thirds of all inhabitants are of working age, and Metropolia Silesia has the highest number of people between 20 and 35 years of all Polish regions. There are approximately 40 public and private third level colleges. Furthermore, amongst the scientific & research centres, Metropolia Silesia is—after the capital Warsaw—the second largest in Poland. With approximately 80 entities of various type it concentrates almost 10 percent of the national R & D potential. The majority of these institutions are linked to the local industry and to environmental protection in a broad sense. Although Metropolia Silesia is the second largest academic centre in Poland, only 10 percent of the population have an third level education. The majority—about 50 percent—has only a primary education followed by an apprenticeship.

What speaks in favour for the region is the traffic infrastructure. Metropolia Silesia has the highest road network density in Poland and the highest density and length of railway routes. Furthermore, there intersect two Pan-European transport corridors: the transport corridor VI, that starts in Gdansk and is going to Katowice and from here to Zilina and Bratislava in Slovakia and farther via Hungary, Serbia, Macedonia to Athens. The second one, transport corridor III, connects the east with the west: coming from Asia it is crossing Ukraine (Kiev and Lviv), before reaching Katowice, and from here it goes to Wroclaw and to the west to the French coast of the British Channel. Also the main railway connections from north to south and from east to west pass Metropolia Silesia. One starts in Gdynia and Gdansk and goes via Warsaw and Katowice to Prague and Vienna, the other one starts in Krakow, goes via Katowice and Gliwice to Wroclaw and ends in the west in Berlin and Hamburg respectively. Furthermore Katowice has an international airport with scheduled flights to Düsseldorf and Frankfurt/Main.

It is not surprising that since some time Metropolia Silesia is in the focus of real estate investors. Last year the Angelo Hotel in Katowice was opened; developers were the Austrian companies UBM and Warimpex. At the end of 2010 Neiver and Meyer Bergman teamed up to redevelop and refurbish the main station

ling at about 850,000 square metres—only Warsaw has more. However, many shopping centres and malls are located in the city suburbs—the respective problems are well known: the attractiveness of the city centre is diminishing. In fact, it is not always the lack of appropriate space that causes the problems. Metropolia's cities



Silesia Shopping Center in Katowice is located on the area of a former coal mine.

of Katowice and its surroundings. Immobilien is actually enlarging its Silesia Shopping Center by 20,000 square metres to 86,000 square metres because of the great demand for space by retailers. Ghamco, GTC Global Trade Centre, Hines, Invesco, Trigranit and others are active in office developments. As well international developers are active in the industrial, warehouse and logistic real estate market, mainly ProLogis, Panattoni, Segro and Millennium Logistic Park. Demand for modern warehouse is nearly stable and the main tenants are retail chains, logistics operators and automotive suppliers—Opel is producing in Glywice, Fiat in Tychy.

Although the number of shopping centres has increased significantly during the last years and a lot of new space will come to the market in the next time, there are nearly no vacancies. The supply of modern retail space in Greater Katowice is total-

and towns have available many inner-city degraded and derelict areas that offer the possibility for redevelopment.

The forced and high level of industrialisation has left its marks in Metropolia Silesia. Similar to the development of Ruhr region in Germany that today is more or less "green", also in Metropolia Silesia there has been a significant improvement in the quality of the environment: It is an effect of a relatively high investments in environmental protection and recultivation. Not out of the blue a big number of institutions and units dealing with environmental protection is located in Metropolia Silesia. Today the region offers forest areas and water reservoirs, numerous bicycle paths and sporting and recreation facilities. Furthermore, Krakow and Czestochow, the Carpathian Mountains and the Tatras are not far away from Metropolia Silesia. | **Marianne Schulze**



Deadline for entries:
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MONTENEGRO – TOURIST PARADISE ON THE ADRIATIC SEA

Montenegro is one of the smaller countries of Eastern Europe that will present itself at Expo Real. The focus of the participants of the fair is mostly on the “important” locations, but for some a look at Montenegro’s tourist regions on the Adriatic Sea might be interesting as well.

With an area of 13,812 square kilometres Montenegro is one of the ten smallest countries in Europe. But it is five times larger than Luxembourg, and also in the number of inhabitants—in Montenegro live approximately 630,000 people—the country is ranking higher. But in the gross domestic product per capita Luxembourg and Montenegro belong to different worlds. While Luxembourg is one of the richest countries in Europe, Montenegro is ranked somewhere in the last third. Well, the development of Luxembourg was going straight ahead for a long time. Montenegro, however, was part of former

Yugoslavia for about 90 years, after the dissolution of the multi-ethnic state it formed a union with Serbia, before in 2006 the country declared its independence.

Montenegro is promoting itself with the statement that it is one of the countries with the highest inflow of foreign direct investments per capita. Since 2007 FDIs have grown year by year. According to European Bank for Reconstruction and Development EBRD also in 2009 they increased by one third (to a total of 1.26 billion US dollars), and in the first quarter of 2010 again they rose up by 40 percent. However, the upsurge in 2009 reflected the successful partial privatisation of the power sector while the 2010 figure is mainly due to the commercial bank recapitalisations.

The global financial and economic crisis highlighted the fragility of Montenegro’s banking system and the vulnerability of the

economy. After spectacular growth rates in 2007 and 2008 (10.7 and 7.5 percent) Montenegro’s economy experienced a severe economic downfall. GDP was contracting by 5.7 percent in 2009 and further shrinking in 2010, although industrial production started to recover again in the second quarter of the year. For 2011 EBRD expects an improvement of the economic performance and again some positive growth rates—Montenegro’s government is forecasting a GDP growth of 2.5 percent in 2011 and 4 percent in 2012.

Tourism is playing a key role in Montenegro’s economy. According to World Travel & Tourism Council WTTC the country is one of the fastest growing tourist destinations of the world. WTTC estimates that 2.1 million foreign tourists will visit Montenegro in 2011. It is mainly the 250 kilometres long picturesque Adriatic coast that attracts the tourists—the mountainous regions of the country are significantly less



Montenegro's Adriatic coast is a destination in demand – by tourists and big international investors as well.

in demand and therefore less developed. The tourist sector is contributing to the GDP by more than 10 percent—with increasing tendency— and attracts nearly 25 percent of the foreign direct investments.

Montenegro has high potential for the further development of the tourism industry and intends to unlock it. That is one of reasons why sustainability and environment protection are required by law for all economic activities. And the enhancement of the tourism infrastructure is still one of the key targets. That will be also demonstrated by the projects the Montenegrin Investment Promotion Agency MIPA will bring along to Expo Real: Velika Plaza, Porto Montenegro, Lustica Development and Sveti Marko Island.

Velika Plaza—it means “long beach”—near Ulcinj is the greatest greenfield development in Montenegro. On 1.357 hectares along a 12 kilometres long beach hotel resorts and apartment settlements as well as entertainment, recreational and sports centres shall be developed. In 2008 at Mipim Horizons in Cannes, the master plan for Velika Plaza was revealed to an international public. Although Trigrit Development (Hungary), Bloom International Properties and Hydra Properties (both UAE) and Prufrock Investments (Greece) had signed letters of intend to develop Velika Plaza, the investors' contest failed in 2009 due to the global crisis.

In contrast, first phase of Porto Montenegro development is already completed: On the area of a former naval base within the coastal town of Tivat there were developed a luxury yacht marina with 630 berths, hotels, residences, bars, restaurants, a sports centre, a yacht club and a 65 metres outdoor swimming pool. Initiator and investor of Porto Montenegro is the born-Hungarian Canadian business man Peter Munk, founder and chairman of Barrick Gold. His aim is to create a destination that can compete with Monte Carlo and Monte Cervo.

Also near Tivat on Sveti Marko island there will be developed a six-star hotel and spa

as well as villas and waterside residences and here too, only very exclusive guest are targeted. Owner and developer of Sveti Marko Island is the Russian Metropol Group.

The peninsula Lustica is located at the entrance of the Bay of Kotor and separates Tivat Bay from the Adriatic Sea. On an area of 6.8 million square metres a holiday resort will be developed with eight hotels (from three to five stars) with a total of 2,200 rooms, 1,600 apartments and 750 villas, two marinas, an 18-hole golf course, a conference centre and sports facilities as well as a downtown area with all the necessary facilities like restaurants, shopping, kindergarten and school. The required investment is estimated at approximately one billion euros. The developing company Lustica Development is a joint venture between Orascom Development Ltd. (90 percent) and the Government of Montenegro (10 percent). Chairman and CEO of Orascom is Samih Sawiris.

As convincing each of these projects is, the inevitable pre-conditions for a further development of the tourism sector are investments in the country's infrastructure, in the road and highway network, and in the water and energy supply system. According to experts these are the main challenges. On the other hand, all attest the government a business and investor friendly climate. Also privatisation is advanced, with most state assets sold off. Nevertheless, “the country still has a significant transition agenda ahead”, the EBRD states. “Montenegro needs to strengthen its administrative capacity, to ensure the rule of law and judiciary independence and to show sustainable results in the fight against corruption and organised crime.” But perhaps it should be kept in mind that with other CEE countries it lasted also some time before everything was conform to EU requirements.

By the way: Montenegro has applied for EU membership quite recently, but the euro is already adopted as currency, although the country is not (yet) a formal member of the eurozone. | **Christiane Leuschner**

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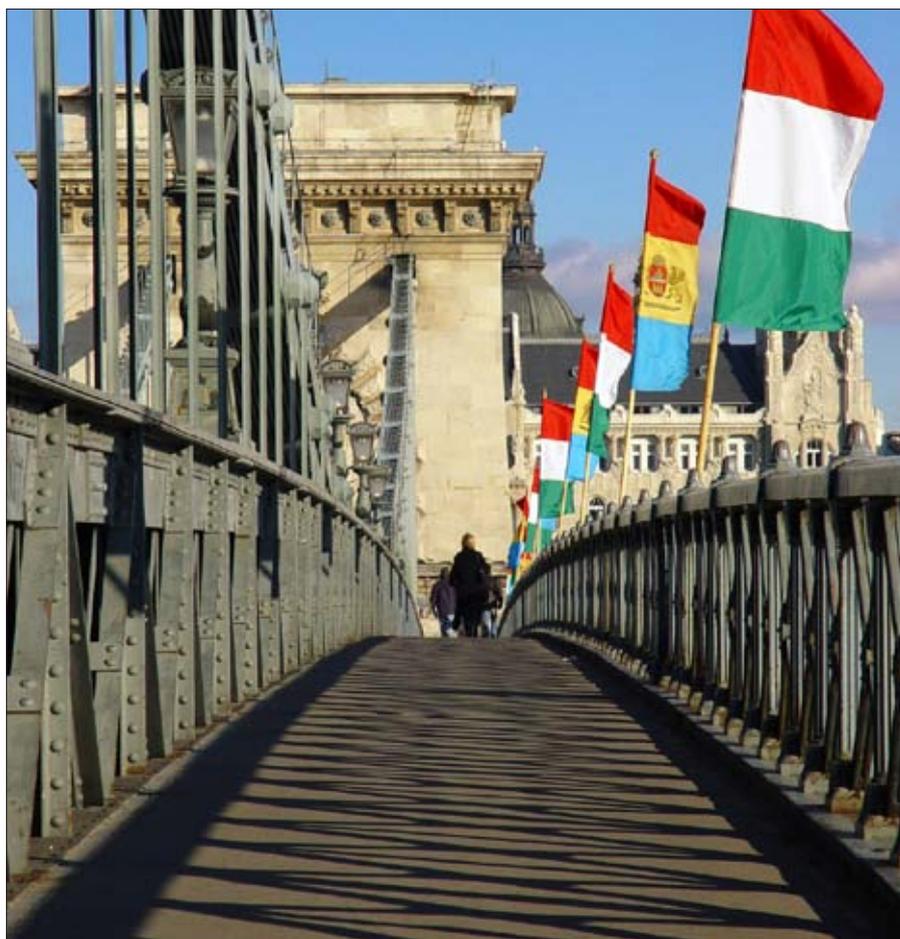
HUNGARY: NO-GO AREA OR MARKET OF GOOD OPPORTUNITIES?

Hungary belongs to the meanwhile established markets in CEE and for a long time it was mentioned together with Poland and Czech Republic. While in the last named countries investors are out on business, Hungary, however, they forgo. Rightly or wrongly – that's the question.

"Hungary actually shows a fainting economical performance. Against the background of high vacancy rates in the office market and of missing perspectives for rental growth in the medium term, Hungary is not one of the favourite investment regions in Europe", states Fabian Hellbusch, Head of Real Estate Marketing and Communication at Union Investment Real Estate. No doubt, he is not the only one who is taking a critical look at the Hungarian market. The question, however, is, if this point of view is generally the right one.

For sure, the global financing and economic crisis had hit Hungary the hardest of all CEE countries. Still in 2007 the economic activity has slowed down and Hungary's growth rates were far below the average of EU and Eurozone. In autumn 2008, IMF, World Bank and EU tied up a rescue package and granted Hungary a credit line of 20 billion euros in total. In 2009 the economy continued to shrink. The elections in 2010 were won by the right-wing parties Fidesz and KDNP with an overwhelming majority. Although this causes some political stability, the general development of Hungary is seen rather critical.

Since last year Hungarian economy shows again a slight upward movement: with a growth rate of about one percent in 2010 and a forecasted rate between two and nearly three percent in 2011 growth rates turned at least back into the

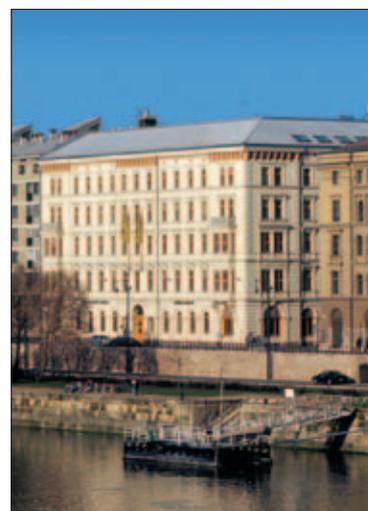


The outside view of Hungary is often very critical and little differentiated.

positive. This brings some relieve to the labour market where unemployment rates are actually at about eleven percent. Also the rigorous austerity programme of the new government shows its first positive effects: the state debt level is decreasing. The balance of payments is developing positively thanks to significantly increasing exports. The inflation rate seems to have reached its peak – it is no longer going up. The efforts of the new government are honoured by the rating agency Fitch that raised Hungary's credit rating outlook from "negative" to "stable" in May 2011.

The crisis has had a strong impact on the Hungarian real estate markets: especially the office market nearly collapsed and at the same time "a maximum of new space entered the market", Kay-Uwe Blandow, Managing Director of IVG Hungary Kft. sums up the situation at that time. "The results were high vacancies and significantly decreasing rents."

In the decade between 2000 and 2010 IVG Hungary was the greatest developer of office space in Hungary and is managing a portfolio of 15 properties with a value of approximately 300 billion euros



Whether office building or shopping centre, prime quality is always in demand: Above left Building E at Infopark of IVG, below in the middle the K3 office building developed by Wing, below right Akadémia Bank Center of RREEF, all in Budapest; above right ECE's Arkád Győr and below left ING's Campona Shopping Center in Budapest.

and with a total rental area of about 120.000 square metres. Therefore Kay-Uwe Blandow knows very well what he is talking about. "The market bottomed out in 2010. Since then there is an upward trend that can be clearly realised", he continues.

All we have interviewed confirm that it was not as easy to market office space during the last years. Ulrich Steinmetz, as Managing Director of RREEF responsible of open funds, admits: "There are difficulties with re-lettings." These frankly spoken words are the great difference to some of his colleagues at other German open fund initiators who simply refused

to speak about the performance of their investments in Hungary. RREEF is invested in Budapest since 2001. The first property acquired for grundbesitz global fund was Akadémia Bank Center, followed by MOM-Park and BC 140. The investment volume is totalling at 116.35 billion euros.

"Looking at the development of current market value against purchase price, Akadémia Bank Center and MOM Park show a positive performance. Market value is 10 and 13 percent respectively higher than the original investment. BC 140, however, shows a slightly negative performance", explains Ulrich Steinmetz the development of the Bu-

dapest investments of grundbesitz global fund. Regarding new lettings Ulrich Steinmetz is sure that "with the general economic recovery the rental markets will rebound as well", although he does not expect this recovery of the office markets before 2013.

An improvement of the office market recognises Andrea Dissauer, Director CEE/SEE of Ehl Immobilien in Vienna, a Vienna-based real estate consultancy specialised in Central and Southeast Europe. She is noticing that vacancy rates that were up to more than 20 percent are now decreasing. "Tenants more and more realise that there will be

no new supply of modern space in the next future", she adds.

That is not only true for the office market but for all segments. "Completion of new properties across all sectors has dropped dramatically, so that net take up should now outpace supply for the coming years", says Noah M. Steinberg, Chairman and CEO of Wing Zrt. Since 1999 the Hungarian asset management und development company (formerly Wallis) is active in the market and has developed more than 350,000 square metres across all segments, from office buildings and shopping centres to hotels and industrial property.

While Kay-Uwe Blandow is experiencing that "our tenants want to negotiate the extension of their leasing contracts significantly earlier than before to take the advantage of the still low rental prices", Andrea Dissauer notices that tenant demand in general is increasing. "The main reason for demand is no longer the relocation from elder to modern buildings, the demand in general is rebounding."

Because there are nearly no new developments in the pipeline, Andrea Dissauer sees good opportunities for those who are ready to invest counter-cyclical. But she concedes that developments need a long forerun and that banks are rather reluctant when it comes to financing projects in Hungary. "The general development of Hungary and the Hungarian real estate markets is positive, but the country's public relations are not really successful", she adds.

"As well as Hungary Poland got a credit line of 30 billion US dollars by IMF and is struggling with a high budget deficit. Anyway, Poland is investor's darling", states Kay-Uwe Blandow. And as one might continue: for sure, some pronouncements and measurements of the Hungarian "officials" are not really able to improve the country's problematical image.

Nevertheless, all agree that international investors will come back to Hungary.

"Budapest and Hungary is still an interesting investment location. The yields, however, are quite high in comparison to other European countries and reflect the higher risk in Hungary. There is still some uncertainty about the future economic performance of the country", says Ulrich Steinmetz.

Kay-Uwe Blandow sees the situation more optimistically: "Who wants to invest in Hungary now, has good opportunities. Prices in Budapest are actually only one third of what investors have to pay in Warsaw and sometimes as well in Prague." And rents will increase, mainly because during the near future the supply of modern space will become scarce, he agrees with Andrea Dissauer.

"Latest in 2012 we will see the first transactions" continues Andrea Dissauer. She refers to the "positive mood" in the real estate industry and to the fact that especially Budapest needs foreign investments for its further development. "Vienna and Budapest are nearly of the same size, but in Vienna we have about 10 million square metres of office space, in Budapest it is only 3 million square metres. Without international investments Budapest will not be able to develop furthermore", she emphasizes.

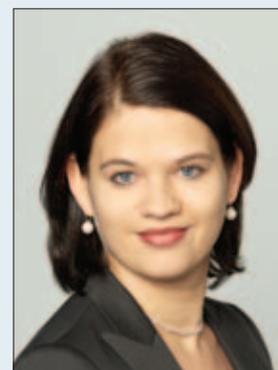
Also Noah M. Steinberg is convinced that in Hungary "there will be excellent opportunities for investors looking to acquire core and core plus product. Hungary is currently attractively priced relative to Poland and the Czech Republic." According to him "Budapest remains one of the great European capitals. The keys to the future are a continued focus on budgetary discipline, which seems likely, and most importantly growth in Hungary's key export market, Germany, as well as a continued upward trend in domestic demand and growth. Finally, Hungary has earned renewed trust from the international investment community, which has materialized in significant decrease in Hungarian bond yields and in the remarkable stability of the euro/forint exchange rate in turbulent times."



*Christoph Augustin,
Managing Director Hungary,
ECE*



*Kay-Uwe Blandow,
Managing Director,
IVG Hungary Kft.*



*Andrea Dissauer,
Director CEE/SEE,
Ehl Immobilien*



*Dr. Martin Sabelko,
Managing Director,
ING Real Estate Investment
Management Central Europe*



*Noah M. Steinberg,
Chairman and CEO,
Wing Zrt.*



*Ulrich Steinmetz,
Managing Director, RREEF
Open Real Estate Funds*

Office real estate is one of the two segments international investors are mainly interested in. The other one is retail property. Meanwhile it has been often repeated that Hungarians have less money in the pocket and that consumer demand is decreasing. Citing this, Dr. Martin Sabelko, Managing Director at ING Real Estate Investment Management Central Europe, answers laughing. "Yes, the average basket has become smaller, but it is still not bad. Hungarians are very creative to find innovative ways, especially in difficult times, and they still have enough money to spend." ING Real Estate is invested in Hungary by 80 percent in retail property located in the capital and in secondary cities. And they are happy with their investments.

The same is true for Hamburg-based ECE. "The economic crisis is not yet resolved but turnovers are mainly stable and start to increase, in one of our shopping centres even in a two-digit range", reports Christoph Augustin, Managing Director Hungary at ECE.

ECE has realised and manages four shopping centres in Hungary: in Budapest, Debrecen, Győr and Pecs. A fifth shopping centre in Szeged will be completed and opened this year.

Also in the retail market there are positive signs caused by the general economic improvement, Christoph Augustin continues. "The macro-economic figures with decreasing unemployment and inflation rates are causing optimism among the retailers. Further more the introduction of the flat-tax leaves some more money for the consumers and can be spent what again will contribute to the economic recovery of the country."

Christoph Augustin as well as Dr. Martin Sabelko point out that the main key to the success of a shopping centre is professional asset and centre management. This task, however, has not become easier, as Dr. Martin Sabelko admits. "Hungarian are very brand-oriented and a good mix of different retailers and the

outfit are crucial for a shopping centre or mall to become a 'meeting point'. Especially regarding the outfit the benchmark is very high: To be successful you have to bear comparison with Palladium in Prague or Złote Tarasy in Warsaw."

Nevertheless, ING has no reason to regret its engagement in Hungary, quite the contrary: "We would invest again, if concept and location are the right ones", says Dr. Martin Sabelko.

Also ECE values Hungary as "a country with potential. Therefore Hungary is still one of our core markets for further investments", emphasizes Christoph Augustin.

Not everybody is convinced of the Hungarian market, and it is no simple task to explain the potential and opportunities. Dr. Martin Sabelko experiences that investors actually are more attracted by Poland, the Czech Republic and Slovakia. "Furthermore, possible investments in Hungary are checked more intensive and critically than the similar offers in other countries", he says. But "prime developments will always have their market."

At least partially Dr. Martin Sabelko can understand that investors have a more or less reluctant attitude against Hungary. It is not only the special tax imposed on certain branches that is causing resentment especially of big international investors. It is the generally unfriendly attitude of some politicians against investors that keeps them back.

"It is time that politicians start to encourage investments actively and to behave more professionally with investors", says Dr. Martin Sabelko. As a representative of a company that belongs to an important bank, he has gained some experience with "officials" and these meetings were everything but successful.

Nevertheless, he shows a good portion of optimism and – although he is Austrian by birth – confesses without reservation: "I believe in this country." | **Marianne Schulze**

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Silesia City Center, Katowice

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Size: 66,100 m²
Arranger • Sole Lender



Zehlendorfer Welle
Berlin

Type: Shopping Center
Size: 22,500 m²
Agent • Underwriter



Watermark Place
London

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



Palais Rathenau
Frankfurt am Main

Type: Retail and Office
Size: 1,000 m²
Single Lender



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KALUGA: EXAMPLE OF SUCCESSFUL INDUSTRIAL POLICY IN RUSSIA



View on Kaluga, the largest city of the region of the same name southwest of Moscow.

For the first time the Russian region Kaluga is presenting itself at Expo Real. Kaluga belongs to those regions that are not necessarily on the radar of international real estate investors. That might change, because during the last years, in Kaluga region there was initiated a quite successful development.

Kaluga region is situated approximately 150 kilometres southwest of Moscow. The area of nearly 30,000 square kilometres has more than one million inhabitants. The largest cities of the region are Kaluga (341,000 inhabitants) and Obninsk (105,000 inhabitants). The economic structure of the region is mainly determined by the industrial sector—manufacturing contributes about one third to the Gross Regional Product. In 2010 the industrial sectors grew by 145 percent pushing up Kaluga to the most successful industrial re-

gion in Russia. This success is also reflected by the unemployment figures: unemployment rate is actually at 1.5 percent, the lowest rate of the Russian Federation.

Between 2007 and 2010 the Gross Regional Product nearly doubled: it increased from 111.8 billion roubles (2.7 billion euros) to 214.2 billion roubles (5.16 billion euros). Foreign direct investments contributed to this growth to a large extent. FDIs were at 400 million US dollars in 2007 and increased to nearly one billion US dollars in the following years. All in all approximately 8 percent of all direct investments in Russia go to Kaluga region.

One of the reasons why investors are looking to Kaluga are the sound conditions the region is offering: There is a good transport infrastructure with two highways (M3 Moscow – Kiev, and A101 Moscow – Warsaw), about 5,000 kilometres

roads (with a hard surface) and interfaces to the railway line Moscow – Kiev and other inner Russian railway connections. And last, but not least the navigable river Oka is passing the region for about 100 kilometres. What is missing, is an airport, but there are already concrete plans to develop an airport near Kaluga city. Actually there are at least in Moscow three great airports with connections to nearly all Russian and international destinations. Furthermore, the region is well developed in the area of telecommunication.

But what is still more important and decisive for investors: Kaluga region has a well-educated labour market and a developed network of R & D institutions. Another important fact is that the region is developing certain clusters. The automotive cluster might be the most prominent—Volkswagen, PSA Peugeot-Citroën, Volvo and Renault Trucks have production



Education and training centres are an important part of the automotive cluster.

The automotive industry is concentrated in and around Kaluga city. But the automotive industry is not the only one that discovered the advantages of the region. Among others, there are Euroglas, General Electric, Grimme, John Deere, L'Oreal, Nestlé, Samsung and Wolf Systems as well as Berlin-Chemie Menarini, Hemofarm-Stada and Novo Nordisk.

The last three names represent another cluster of Kaluga region: the cluster of biotechnologies and pharmaceuticals. A third one is to be developed: the nuclear medicine centre in Obninsk. The city of Obninsk is one of the important R & D locations in Russia. 12 scientific research institutes are located in the city. The focus on nuclear medicine has its own history: in 1954 in Obninsk the first nuclear power plant worldwide started its operation (meanwhile shut down). The Technical University of the city included one of the leading nuclear research institutes in Russia that also was in charge to investigate the technical consequences of the Chernobyl disaster and its effects on human health. Today the TU has become a Centre for Radiology focused on nuclear and environmental medicine. Linked to the Centre for Radiology there are different institutions for cancer treatments.

plants in Kaluga region and attracted the respective suppliers. Following Togliatti and Saint Petersburg, Kaluga region is the third important automotive cluster in Russia. The targets of the region's government are ambitious: during the next years Kaluga wants to become at least the number two of the Russian automobile manufacturing regions and the number one auto component cluster in the country. To reach these targets the R & D Centres for the automotive branch as well as Training Centres for professionals with automotive focus will be enhanced and developed further. A first training centre for technical professionals was developed in co-operation with VV and PSA Peugeot-Citroën. It opened its doors in 2007, and since then more than 2,000 professionals took part in 40 training programmes. By the opening of a field study module these educa-

tional programmes are to be increased to 70. For further education, training and professional specialisation there are to be developed additional 1,000 square metres of training facilities where up to 400 people can simultaneously be taught theoretically and practically as well.

Not only but especially the automotive industry needs a good transport and logistics infrastructure. Therefore railway stations and intersections to the railway network are to be refurbished and developed, and new logistics terminals and warehouses are to be constructed nearby the industrial parks. These industrial parks are located like the pearls of a necklace along the M3 highway and the railroad line Moscow – Kiev. All in all the industrial parks have an area of 2,700 hectares of which 1,400 hectares are still available.

Perhaps Kaluga has had better starting conditions than other regions in Russia, but for sure one important reason for the successful development is the region's pro-active investment policy. It is easy to establish a business because there is definitely the aim of the region's government and administration to support potential investors in all respects. There are tax relieves for the starting period, and plots are granted to be ready for building. What is also important: people who had to work and to live in Kaluga region will not only find modern apartments, but also hotels, sport and leisure facilities, shopping centres and a wide range of restaurants and bars. In short: the representatives of international companies will not come to a bleak region, but will find nearly everything that helps to enhance the quality of life. | **Christiane Leuschner**

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THE UNKNOWN INVESTOR

In Eastern Europe and its neighbouring countries the term “investor” is often mentioned in a very general sense. Sometimes it seems that everybody from the developer to the end-investor is included. A more differentiated point of view could be of some help for the communication between East and West.

Strictly speaking, there is not “the” investor, but a great number of companies and institutions that are investing in different segments and in different countries, at different phases of the life cycle of a property and that are structured in different ways. And there are still the wealthy private persons who are investing directly in real estate (projects), but these people generally are reclusive and don't want to have any publicity. The private investor is and remains mostly an unknown personality and the way he comes to certain decisions is a “private road”. With institutional investors, however, a closer examination is possible and shows certain investment strategies.

Sometimes the lack of an exact definition which kind of investor is meant includes the banks as well. But they are financing institutions and deal with credits that enable investors to transact. On the other hand, many banks have real estate subsidiaries acting as investors. Often these subsidiaries are capital investment and asset management companies that offer different investment products like open funds, closed-end funds and/or so called special funds.

Especially the open and closed-end funds are raising capital at least partly from private people. Therefore they are subject to state control and have to fulfil the legal requirements of the country where they are established. In Germany for example Bundesanstalt für Finanzdienstleistungen BaFin (Federal Finan-



The term investor indicates more often a corporate than a person.

cial Supervisory Authority) is supervising banks and financial service providers, in Austria it is Finanzmarktaufsichtsbehörde FMA (Financial Market Authority). The differences between the respective countries are considerable: while in one country investment companies have to act within narrow legal constraints, the legal requirements are giving an ample scope in the other country. Nearly no (legal) regulations have to be taken into account by investment companies established in offshore financial centres (e.g. Jersey or Cayman Islands).

Open funds in general are more or less conservative investors. They prefer commercial real estate, the classic office building or shopping centre. Hotels, industrial property and residential can be some kind of admix. From special use properties (i.e. hospitals, schools, nursing homes) and mix-used buildings (if it is not the classic business centre with retail and office space) open funds generally

keep away. They are in search of prime objects in prime locations with an investment volume from 30 million euros up to 200 million euros.

Investment volumes of more than 200 million euros for a single object are rather exception than rule. Although the range of single transaction volumes can vary from company to company and from fund to fund, they all have in common that they are focused mainly on capitals and the most important secondary cities of a country.

Open real estate funds “love” core markets. In core markets they are rather willing to invest greater sums because of the lower risk than in smaller and emerging markets. Therefore the German open funds have some assets in CEE, but these are mostly located in Warsaw, Budapest and Prague, some of the more “courageous” have also invested in Bratislava. Open funds in general are risk-avers—



Investment companies can have quite different investment strategies.

that is understandable taking into account that at least partly they are investing and managing the savings of John Doe.

With closed-end funds the situation is a bit different: While in open funds a shareholder can put in and out his money theoretically at every time and the portfolio is not fixed, but can be changed (new assets can be purchased, others sold), a closed-end fund will be launched to find investors for a certain project/property or a clearly defined portfolio. Once the necessary capital is raised up the fund will be closed—further investments are not possible. The investors engaged in a closed-end fund commit themselves to keep the money invested for a fixed period.

Closed-end funds are not only focused on prime properties, they also invest in value-add real estate and developments that include higher risks but can result in better returns as well. Because they are investing in single properties/developments they can theoretically be active in every segment and every country. In fact, however, the majority of the closed-end funds are focused on their domestic and core markets, unless the investment and asset management company has specialized in certain properties (i.e. hotels, shopping centres, industrial properties) and/or countries.

Special real estate funds are launched exclusively for institutional investors like

insurance companies, pension funds, foundations, organisations and other investment companies, in short: for legal entities, not for individuals. Special real estate funds are significantly less regulated than public funds and can deviate from some of the regulatory requirements by contractual agreement with their investors.

There are two kinds of special real estate funds: those created for a single corporate investor only and those created for a community of corporate investors. Institutional investors prefer special real estate funds to invest especially in others than their domestic markets. The indirect way of investment in special real estate funds provides the advantage that institutional investors do not have to develop special expertise for property investments in foreign countries by their own, but can make use of the service and the experience of the fund's asset management company.

Beside the special real estate funds there are as well investment companies independent of banks that buy properties on behalf of institutional investors and manage their portfolios at all or at least parts of it. What is important for institutional investors: The assets they acquire directly or indirectly should provide a cash flow as stable as possible. Therefore they prefer properties that are rentable to reputable tenants for a long term.

Beside the different asset management and investment companies there are as well property companies that are structured as stock corporations or in other legal forms and are investing in real estate. These property companies are often specialised in certain real estate segments and/or certain countries and have substantial expertise in their special field.

And last, but not least there are those who develop properties and keep them in their own portfolio for some time before they sell them one by one or in a package deal. Depending on the individual strategy these real estate and development companies can be everything from conservative to opportunistic. Therefore this group is more often active in those CEE and neighbouring countries that do not belong to the already established markets like Poland, the Czech Republic or Hungary. The more speculative these companies are acting, the higher can be the height of fall as the crisis of 2008 demonstrated. Some of the real estate companies that nearly every week had been in the press with announcements of new developments vanished from the markets. In the best case they were back meanwhile renamed and under a new management that now is acting more cautious and reserved than in the past. Because the old basic principle is still valid: The higher the yields, the higher the risks. | **Marianne Schulze**

October 21, 2011

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What about: This year the annual Industry Seminar of the European Real Estate Society ERES takes place in Vienna. Lectures and panels discuss the question „Public Asset versus Real Estate Management: Delivering Public Value?“ This ERES event is collaboratively steered by RICS Austria and RICS Hungary.

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What about: In times when Mipim experienced nearly unlimited growth the organiser Reed Midem created Mopic as a spin-off for retail and retail property. Meanwhile the spin-off is a well-established event for the retail industry.

Where: Palais des Festivals, Cannes, France

For further information and registration:
www.mopic.com

November 10-11, 2011

Conference: Real Estate Circle, Vienna

What about: Real Estate Circle, on stage meanwhile for the sixth time, is regarded as the autumn meeting point of the Austrian real estate industry. Topics being discussed are not only about Austria but also facing international trends. Therefore some special CEE/SEE topics are to be found in the programme as well.

Where: Sofitel Vienna Stephansdom, Vienna, Austria

For further information and registration:
www.businesscircle.at

November 10 – 11, 2011

Conference and workshop: City of Future – Making Heimat

What about: City of Future – Making Heimat is a project jointly hosted by Goethe

Institut and Deutsches Architekturmuseum. At the kick-off conference, nine architectural offices from CEE countries and nine participants from Germany will be presenting their projects on ecological and socially sustainable urban refurbishment. The follow-up workshop will focus on developing intervention strategies for local problem situations.

Where: DAM Deutsches Architekturmuseum, Frankfurt am Main, Germany

For further information and registration:
www.dam-online.de

December 1 – 2, 2011

Conference and exposition: Mall Expo

What about: Mall Expo is the annual Summit of the Ukrainian retail industry. The exposition is accompanied by a wide range of conferences, seminars and excursions.

Where: Exhibition Center AKKO International, Kiev, Ukraine

For further information and registration:
www.center-tc.com

In the middle term

February 2, 2012

Ball of the Austrian real estate industry, Vienna

What about: The real estate industry goes dancing – at least in Austria. More than 2,500 representatives make this event the most glamorous occasion for the whole sector. Many Austrian, but also international representatives will meet in the unique atmosphere of Hofburg Palace for dancing, for meeting friends, for establishing new contacts, and for top-class entertainment. In 2012 the motto of the ball will be “Vienna greets Saint Petersburg”.

Where: Hofburg Palace, Vienna, Austria
For further information and registration:
www.immobilienball.at

March 6 – 9, 2012

MIPIIM 2012

What about: MIPIIM in Cannes is the oldest commercial real estate fair in Europe

and up to now the one with the widest international range. In 2011 more than 18,000 participants from 90 countries entered the Palais des Festivals to visit and to learn about the activities of the exhibitors. Because since long the Palais cannot host the large number of exhibitors some of them are in tents around. After Poland and UK in the years before, in 2012 Germany will be „Country of Honour“ at the spring meeting point of the international real estate industry.

Where: Palais des Festivals, Cannes, France

For further information and registration:
www.mipim.com

April 24 – 26, 2012

Hospital Build Europe

What about: Hospitality Build Europe, organised by Euroforum and Informa Exhibitions, is a trade fair and congress about hospitals and other health properties. In fact, it is only a small and very special segment of the real estate industry, but very important for the infrastructure of each location. The main focus is on architecture and construction—in an Europe-wide exchange and comparison.

Where: Messe Berlin, Germany

For further information and registration:
www.hospitalbuildeurope.com

May 12 – 16, 2012

63. FIABCI World Congress

What about: The World Congress of The International Real Estate Federation FIABCI (Fédération Internationale des Administrateurs de Biens) is on stage for the 63rd time, but for first time it takes place in Saint Petersburg. FIABCI is active in 65 countries, and represented with own chapters in 48 countries. FIABCI comprise more than 1.5 million members and the whole spectrum of real estate segments and real estate professions. According to this the topics for the 63rd World Congress in Saint Petersburg will be characterised by the same diversification.

Where: Saint Petersburg, Russia

For further information and registration:
www.fiabci.org

RESIDENTIAL ON THE RISE



Wolfgang Schnurr, CEO,
DKB Immobilien AG

It has not been long since international private equity discovered the German residential market and traded lot sizes of 5,000 to 10,000 residential units. As a result prices climbed as did turnover to hitherto unknown amounts. At the same time we saw a markedly improved professionalism of the industry. Skills and knowledge of the capital markets were called for, things the residential industry had not considered very important up to that point.

In the wake of the financial crisis turnover collapsed, because trades according to the motto „buy bulk – sell even larger bulk“ were no longer feasible.

Since the autumn 2010 the market has recovered a lot of its stability and its positive outlook. Prices and lot sizes are on the rise.

The German residential sector is once again in fashion. At a time of discussions about public finances and budget deficits, economies beset with recession fears, and volatile investment markets the residential sectors provides a solid alternative for international investors which promises sta-

ble values. The rationale runs along familiar lines: prices are comparatively stable, the interest rate level is low, in defiance of all the doomsayers around the economy is doing reasonably well. At some point in time rents should rise significantly even in Germany.

Against this backdrop it does not come as a surprise that opportunistic investors expect prices to rise for the stock they bought a couple of years ago. The floodgates start to open and after a few transactions over the past few weeks it stands to reason, that the supply of large stock will be on the rise in a fast and furious manner.

Though equity is looking for investment, it is risk adverse and picky. The number of the courageous investors in the financial service industry remains very limited.

For many a big seller there will be one or the other line of worry in the end of year run, because it will become apparent, that the high expectations in closing big ticket deals will not be met. The hopes for exits may not be concluded in such a trouble-free manor, as expected and suggested by many. Thus the current seller's market could quickly turn into a buyer's market.

It might pay to shift perspectives and take note of two other investor groups. The number of medium sized private investors has increased and this group has become significantly more stable and is still growing, albeit largely unnoticed by the public eye. We see more buyers who are looking for investment opportunities structured as share deals, wanting to buy well-managed residential stock in entrepreneurially run companies.

This may sound much like the traditional fund structures. But it is markedly different in that investors are not only looking for yield, but also for entrepreneurial ini-

tiative. Such investment proposals allow investors to engage actively in asset management. It does not come as a surprise, that much of the demand originates from regions, which are largely viewed as politically unstable.

This applies similarly to small private investors. The fact that in many cities the residential sector has turned into a letting market leaves its marks. The rising number of waiting lists for vacant flats, increasing rents and of course inflation and crisis fears lead to a growing appetite for home ownership by these investors. The decades of meagre real estate yields is apparently turning and increases the courage to look for opportunities.

imprint

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