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SPH newsletter

DEAR READERS!

Some days ago, on August 15, Ferragosto was celebrated – in Italy traditionally the time to go on holiday, to leave the city and make a trip to less hot regions on the seaside or in the mountains. Italy is also internationally a popular tourist destination – so popular that some cities are overrun by mass tourism. Florence and Venice are well-known examples. That reminds me of a sentence accredited to Hans Magnus Enzensberger: "The tourist destroys what he seeks by finding it."

It is not necessary to agree with Enzensberger's conclusion in its absoluteness. In many places tourism is a decisive economic factor. As well it is not helpful to damn generally flight travelling or trips by car.

However, not only people are travelling. Also some days ago, the Alfred Wegener Institute as the Helmholtz Centre for Polar and Marine Research published an empirical study proving that microplastic particles are to find even in remote regions as the Arctic. In the Arctic? This region is extremely sparsely populated if not completely uninhabited. Different to tourists with plastic bottles and disposable cups in the Arctic there is nearly nobody able to change his life style. We, however, can change – not only in our everyday life and travelling but also in the real estate and investment business. .

"We will be the losers in the climate crisis that is no change", predicted an Austrian colleague most recently. That she will not be right after all, I hope and wish for all of us.

Yours,

Andreas Schiller

Diamentum office building on Robotnicza Street in Wroclaw has been developed by Cavatina. It was completed in 2018.

BENSON ELLIOT EXPANDS POLISH OFFICE PORTFOLIO

Benson Elliot has acquired the recently completed Diamentum office building in Wroclaw from Polish developer Cavatina. The acquisition represents the fifth transaction of Benson Elliot in Poland. Diamentum is a 9,300-square metre office building, situated in Wroclaw's Western office district. The building is arranged over eight floors and provides surface and underground parking for 100 cars.

Nearly at the same time and on behalf of Benson Elliot Real Estate Partners IV, the company has acquired the Chmielna 134 office building in Warsaw's city centre from UBS Real Estate Kapitalanlagegesellschaft. The property offers 14,100 square metres of space. Built in 1995, Chmielna 134 will soon undergo a modernization.

A2 WARSAW PARK TO BE BUILT NEAR GRODZISK MAZOWIECKI

Panattoni Europe has started construction of A2 Warsaw Park. The scheme is located next to the Grodzisk Mazowiecki junction and will offer 102,500 square metres. The first tenant to sign up for space there is Raben Logistics Polska which has leased 30 per cent of the space. Completion is planned for the first quarter of 2020.

RADISSON TO OPEN TWO RESORTS IN POLAND

Radisson Hotel Group announced an agreement with Zdrojowa Invest & Hotels group for two new-build Radisson resorts in Poland. The Radisson Resort Szklarska Poreba will be located in the mountain town of Szkalrska Poreba in the Sudetes. Due to open in the upcoming winter season, the new-build hotel will feature 104 guest rooms, additional rooms and apartments are planned in a second phase.

The opening for the Radisson Resort Kolobrzeg is planned for summer 2020. Kolobrzeg is one of the biggest Polish seaside resorts. The 209-room facility will be located in the spa area.

ACCOLADE INVESTS IN SZCZECIN INDUSTRIAL PARK

Czech-based industrial developer Accolade will expand its industrial park in Szczecin on the grounds of a former airplane engine factory. The area available for tenants will soon be increased by 147,000 square metres to 220,000 square metres. The value of the subsequent phases of the investment is EUR 38 million. In the meantime, the third phase of 40,000 square metres is nearly completed. The total value of the investment accomplished in Szczecin can be estimated at over EUR 118 million.

Nordic Light Trio is part of the Nordic Light office complex ion Vaci ut office corridor. Two of the three buildings are already completed, the third one, Nordic Light Trio, is currently under construction.

SKANSKA SELLS NORDIC LIGHT TRIO IN BUDAPEST

Skanska has sold its Nordic Light Trio office building in Budapest to JR AMC, a South Korean real estate investment trust. The transaction is valued at EUR 41 million. The transfer of the property is scheduled for the second quarter of 2020.

Nordic Light Trio offers a total leasable area of around 14,000 square metres. Nordic Light Trio is a part of the Nordic Light office complex located on the Vaci ut office corridor.

JTROSS GROUP ACQUIRES AEROZONE LOGISTICS PARK IN BUDAPEST

M7 Real Estate has sold Aerozone Logistics Park in Budapest to a South African investor, JTRoss Group. The purchase price was not disclosed.

M7 acquired the asset, which comprises 50,000 square metres of logistics space across three main units with an additional 15,000 square metres of office accommodation, in March 2017.

CZECH DEVELOPER UDI ENTERS BUDAPEST'S OFFICE MARKET

Czech developer UDI Group has purchased a 2-hectare plot in Budapest, located near Árpád híd metro station on the Váci ut office corridor. It will be the site of a EUR 150 million project. Construction of an 80,000-square metre office building is scheduled to begin in two years with construction estimated to take another two years.

In its home market, the Czech Republic, UDI Group has completed a number of residential projects and two shopping centres. The developer is also active in Poland and Serbia.

FIRST MOTEL ONE IN POLAND DEVELOPED BY SRE

STRABAG Real Estate (SRE) has handed over its developed hotel building to hotel operator Motel One. It is located right in the city centre of Warsaw, in Tamka street. The hotel comprises 333 rooms, and lobby, a lounge and a bar as well as conference rooms with a total usable area of about 10,580 square metres.

The new Motel One is located opposite the Chopin Museum, near the University of Music Frydryk Chopin and close to the district of Powisle at the banks of the Vistula river. The pedestrian zone Nowy Swiat is just a five-minute walk away.

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TRANSILVANIA BUSINESS

The WSE listed real estate company Polski Holding Nieruchomosci acquired the Betheone (above) and Befree (below) offices buildings in Warsaw.

PHN ACQUIRES TWO OFFICE BUILDINGS IN WARSAW

In a deal worth EUR 30.8 million, Polski Holding Nieruchomosci acquired the Betheone and Befree office buildings in Warsaw from Polnord. The two three-storey buildings are located in the Wilanów Office Park on Branickiego street. The Betheone building opened in 2011 and offers 7,461 square metres of office space and 160 underground parking spots. The Befree office building opened in 2012 and offers 10,117 square metres of office space and 192 underground parking spots.

LASALLE ACQUIRES LOGISTICS PROPERTY IN WARSAW

LaSalle Investment Management, on behalf of its Encore+ fund, has completed the acquisition of Panattoni Warsaw West VI in Grodzisk Mazowiecki. The purchase price was not disclosed. Panattoni Park Warsaw West was completed in 2017 and provides over 43,000 square metres of rental space. The asset is located near to the A2 motorway in Grodzisk Mazowiecki that is 35 kilometres from both Warsaw City Center and Chopin Airport Warsaw.

HILTON GARDEN INN OPENS IN BUDAPEST

A new Hilton-branded hotel has opened in Budapest. Located on Lazar street just 100 metres from the Hungarian State Opera, Hilton Garden Inn Budapest City Center features 214 guest rooms and includes underground parking for more than 100 vehicles.

SKANSKA SELLS OFFICE BUILDING IN PRAGUE

Skanska has sold the Praga Studios office building in Prague to a client of CBRE Global Investors for EUR 55 million. Praga Studios offers a total leasable area of around 12,000 square metres. The building was completed in the second quarter of 2019.

FOUR POINTS BY SHERATON DEBUTS IN POLAND

Marriott International announced the opening of Four Points by Sheraton Warsaw Mokotow – marking the brand entry in Poland. With 190 bedrooms, the hotel is situated just 4 kilometres from Warsaw International Airport and 7 kilometres from the city centre.


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Developed by Mayfield Galleries Louvre office building in Prague was sold to the Spanish investment fund Azora Europa in 2010. In 2017 Azora has sold the building to Redstone. Now the Czech Trigea Real Estate Fund invested in Louvre Galleries.

TRIGEA REAL ESTATE FUND DEBUTS IN PRAGUE

Czech Trigea Real Estate Fund has acquired Galleries Louvre office building in Prague 5 for an undisclosed amount. Built in 2008, the asset offers approximately 4,600 square metres of rentable area. Trigea Real Estate Fund was established on 1 April of this year and is mainly focused on office buildings and retail centres.

M7 REAL ESTATE ACQUIRES TWO OFFICE BUILDINGS IN WARSAW

M7 Real Estate has acquired two Warsaw office buildings, Cristal Park and Mokotów Plaza on behalf of M7 Polish Active Fund. The seller was Azora Europa.

Cristal Park is a three-storey, 10,000-square metre office building on Jerozolimskie Avenue developed by Yareal in 2009. The property was acquired by Azora Europa in 2010. Mokotów Plaza is located at Postepu Street in Warsaw and offers 15,400 square metres of office space. The property was developed 10 years ago by Celtic Property Developments, which sold it to Azora Europa in early 2011.

ACCOLADE EXPANDS INTO SLOVAKIA

Czech investment group Accolade enters the Slovak market. Investment in two logistic halls near Košice airport will open Accolade´s fourth market. The area in Košice is located directly on the D1 motorway and in close proximity to Košice airport.

The halls will cover the area of 36,000 square metres from the total disposable area of 75,000 square metres. The total value of the buildings is CZK 750 million (approximately EUR 29.1 million). Construction of the project started in July this year. Completion is planned for the first half of 2020. Eastern Slovakia offers good access to the markets in Hungary, Poland, and Ukraine.

TREI ENTERS THE POLISH HOUSING MARKET

Trei Real Estate GmbH (Trei), a property developer and asset holder specialising in residential and retail real estate, has entered the housing development business in Poland and kicked off the sales drive for condominiums in Wrocław.

The developer's first project is located at ul. Marcelego-Bacciarellego 54 in Wrocław. By the time of its completion, it will provide a total of 280 apartments, distributed across fourteen three-storey houses. The residential buildings will be developed in Biskupin-Bartoszowice, a district in the eastern part of the city. The initial sales drives puts the 62 apartments of the first construction stage on the market. They are located in either of two buildings that are slated for completion by autumn of 2019.

LETTINGS

BUSINESS GARDEN, WARSAW — POLAND

Coca Cola HBC Polska has leased over 5,500 square metres of office space in the Business Garden complex in Warsaw. JLL advised Coca-Cola during the negotiation of lease terms. Business Garden includes seven buildings, which offer over 90,000 square metres of office, hotel, conference, retail and service space. The complex is located on Zwirki i Wigury Street, close to the station of a fast urban railway station which has connections to the airport and Warsaw Central railway station.

CENTRAL POINT, WARSAW — POLAND

Flexible workspace provider WeWork has leased 5,500 square metres in Central Point project in Warsaw. WeWork was represented by Cushman & Wakefield during the lease process. Developer of the building is Immobel. The project will ultimately offer 19,000 square metres of space, with 18,000 square metres of office space and 1,100 square metres of retail. Completion is scheduled for 2021.

MARYNARSKA POINT 2, WARSAW — POLAND

The Japanese car manufacturer Mazda has leased nearly 450 square metres of office space in Marynarska Point 2 building, where it has opened its first professional training centre for employees in Poland. In the process of negotiating the lease terms, Mazda Motor Poland was advised by JLL. The building's owner, Bluehouse Capital fund, was represented by Savills and Kucharski & Partners law firm. Marynarska Point is a complex consisting of two modern buildings. The Marynarska Point 2 building offers approximately 13,000 square metres of office space on 11 floors. It is located on Postepu Street, just a 15-minute drive from both the centre of Warsaw and Frédéric Chopin Airport. In the immediate vicinity, there is one of the largest shopping centres – Galeria Mokotów.

MONOPOL, WARSAW — POLAND

Spaces, a global co-working provider of space, has leased nearly 4,600 square metres in Monopol buildings, a Liebrecht & wooD Group investment, which is adjacent to Centrum Praskie Koneser. Spaces is scheduled to move into its new Warsaw location at the turn of 2020 and 2021. JLL advised in the process of negotiating the lease terms for Spaces. The Monopol complex comprises two buildings with a total area of 17,500 square metres. The construction of office buildings began in 2019 and is part of the next stage of development for this part of Warsaw's Praga district.

NOWOGRODZKA SQUARE, WARSAW — POLAND

The Ozóg Tomczykowski law firm has leased 830 square metres at the Nowogrodzka Square office building in the Warsaw city centre. The tenant will occupy the top floor of the building. Located on Jerozolimskie Avenue, the six-storey property offers 11,000 square metres. The office building was developed by Yareal Polska and opened in 2018.

THE WARSAW HUB, WARSAW — POLAND

Credit insurer Atradius has leased 1,500 square metres of office space in Tower B of The Warsaw Hub. The agreement is for seven years. The transaction was supported by JLL. The Warsaw Hub is going up at the Daszynskiego roundabout in Warsaw's Wola district. The investment will consist of three skyscrapers: a 86-meter hotel and two 130-meter office towers. Developer of the project is Ghelamco Poland.

WARSAW TRADE TOWER, WARSAW — POLAND

Insurance company AXA has once again chosen Warsaw Trade Tower, and decided to renew its lease agreement for almost 13,000 square metres. The new contract runs until 2030. The Warsaw Trade Tower building, a 42-storey office tower located in the Wola district, is one of the tallest skyscrapers in the capital. In April of this year, the property joined the portfolio of Globalworth Poland.

FABRYKA KART, KRAKOW — POLAND

Spaces, offering solutions in the flexible workplaces and co-working sector, has leased nearly 2,600 square metres of space in the historic Fabryka Kart building. JLL advised Spaces on the negotiation of lease terms. The building is located in the city centre on Cieszynska Street. Built between 1921 and 1922, it was the location of a playing card factory from 1972 until 2013. In 2017, this project underwent a comprehensive modernization and revitalization.

PODIUM PARK, KRAKOW — POLAND

Technology company Ailleron has leased 8,000 square metres of office space in Podium Park in Kraków. Ailleron was represented by Colliers International during the lease process. Podium Park is made up of three connected 11-storey buildings with a total gross leasing area of 50,000 square metres. The complex is being built in Kraków at the junction of Jana Pawła II and Izydora Stella-Sawickiego streets. The owner is Podium Investment.

GLOBALWORTH CAMPUS, BUCHAREST — ROMANIA

Allianz Services and Allianz Partners have leased 9,200 square metres of offices at Globalworth Campus in Bucharest. The space is in the project's Tower 3 building, which is being developed by Globalworth Real Estate Investments. Construction broke ground in the first quarter of last year, completion is planned for the end of 2019. The tower will offer approximately 35,000 square metres of office space

UNIRII VIEW, BUCHAREST — ROMANIA

Sustainalytics, a sustainable economy research company, leased the 10th floor of the Unirii View building in Bucharest. The company will occupy approximately 1,000 square metres in the building. The transaction was brokered by Knight Frank. Unirii View is an office project under development by Weerts Group. The building is valued at EUR 33 million.

POPULAR BUT UNDER THE RADAR: CROATIA

Croatia's coastline is a popular tourist destination. However, in some locations the tourism boom is already maxing out.

Croatia's sweeping Adriatic coastline is hugely popular with holidaymakers. And yet the country, which joined the European Union in 2013, has a rather low-key profile on the international stage. Now Croatia has applied to join the Eurozone – one more reason to take a closer look.

With 1,770 kilometres of stunning coastline along the Adriatic and a host of idyllic islands, Croatia has pretty much everything anyone could ever ask for in a holiday destination, especially in the summer months when tourists just want to swim, sail or relax in the sun. Cities such as Split and Dubrovnik, both of which are UNESCO World Heritage Sites, attract floods of tourists and, just like Venice, Barcelona and Amsterdam, struggle to channel the tide of visitors. Last year, some 19.7 million visitors flocked to Croatia and the Ministry of Tourism recorded 106 million overnight stays, over 90 per cent of which involved foreign visitors. Tourism is one of Croatia's most important economic sectors and accounts for well over 20 per cent of GDP.

Unfortunately for Croatia, the records set in 2018 do not seem likely to be beaten this year. The number of bookings has fallen significantly, especially in the private holiday rental segment, which accounts for almost half of the total number of overnight stays. The general rise in prices at holiday resorts is also likely to have played a role in the overall decline. Such general price rises now mean that a holiday on the coast is a treat that more and more Croats simply cannot afford.

Although international hotel chains have long since discovered the Croatian market, the "top dogs" in the country's tourism sector are two Croatian companies: Valamar Riviera, probably the largest tourism group in Croatia, with a portfolio of 34 hotels and resorts and 15 campsites; and Plava Laguna. Both companies were founded in the 1950s in Porec (Istria) – one as Riviera Porec, the other as Laguna Porec – and privatised in the late 1990s.

Tourism sector as well as the country in general are suffering from a significant long-term outflow of labour. From 2013

Alongside tourism shipbuilding is one of the main economic sectors.

to 2016, the period immediately after Croatia's accession to the EU, 230,000 Croatians left their homeland to settle in other EU member states. Although Croatia's economy has strengthened since then, the exodus of young and well-educated people continues. Between 2017 and 2018, the population shrank by11.8 per 1,000 inhabitants – the highest figure in the EU after Lithuania.

At the same time, EU accession has brought tangible benefits, including a significant boost in economic growth with GDP growth settling at around 2.5 per cent per annum. Unemployment has fallen, although it remains comparatively high with a rate at 7.4 per cent in March 2019 (source: Eurostat). Alongside tourism, Croatia's economic growth is primarily driven by private consumption, which is in turn being fuelled by rising wages and salaries. In 2018, employees' pay packets were an average of 3.3 per cent bigger in real terms than they were at the same time one year earlier. Money sent by Croats living abroad to their families is another major factor. Over recent years, capital investments have also started to rise again, largely thanks to major inflows of EU funding. Still, according to Germany's economic development agency, GTAI Germany Trade and Invest, total investment in Croatia in 2018 was roughly 75 per cent of the amount invested in 2008, the year of the financial crisis.

Nevertheless, investments are expected to increase this year and next, primarily as a result of the deployment of EU Cohesion and Structural Funds to finance infrastructure improvements. One major project – which has attracted its fair share of controversy – is the Pelješac Bridge. The bridge is designed to connect the southern exclave comprising the bulk of Dubrovnik-Neretva County with the remainder of the Croatian mainland, thereby passing entirely through Croatian territory and avoiding the need to enter Bosnia-Herzegovina, as has been the case thus far. The bridge project is forecast to cost a total of EUR 526 million, including EUR 357 million from EU funds. The major twist in this case is that a Chinese consortium has been commissioned to construct the bridge. In any case, the bridge is already under construction and should be completed in 2022.

A degree of uncertainty currently surrounds whether and to what extent the state can finance large-scale public infrastructure projects. As soon as the Agrokor food company crisis was halfway resolved, the large Croatian shipyard Uljanik in Pula started slipping towards insolvency. In total, the state provided guarantees that ended up costing Croatian taxpayers EUR 605 million, at least according to official figures from the Ministry of Finance. One risk factor that could have an impact on Croatia's economic growth is the general slowdown in economic activity across the EU, which currently accounts for around two thirds of the country's exports. However, the major rating agencies have only recently upgraded Croatia's outlook from stable to positive, with continued economic growth being the main driver.

The country's positive economic growth of recent years is also reflected in the real estate market. According to Colliers International, the total transaction volume of commercial real estate reached around EUR 810 million in 2018 (compared to

One of the few international players in the office market is GTC, currently developing Matrix Office Park in Zagreb.

EUR 320 million in 2017). Given the size of its tourism industry, it is hardly surprising that the hotel sector accounted for 42 per cent of the total, just behind the retail property sector's share of 47 per cent. In both asset classes, portfolio deals accounted for the lion's share. Office properties accounted for only 4 per cent of the investment volumes. Equally unsurprising is the fact that half of all real estate transactions involved domestic investors. Although international interest is high, bureaucratic hurdles and a lack of structural reforms have been causing many cross-border investors to proceed with caution. In addition, there is a lack of suitable real estate product in all segments. As a result, Croatia has become a seller's market with comparatively high prices.

When market observers refer to the Croatian office market, what they really mean is just the capital, Zagreb. Here, total office stock amounts to around 1.34 million square metres and is concentrated mainly in the eastern part of the city, around Radnicka Street. New office construction is moderate and, since the record increase of around 150,000 square metres in 2016, has declined continuously to just under 30,000 square metres of new space in 2018. At the same time, demand remains fairly strong and the vacancy rate has remained comparatively constant at an average of 4.5 per cent.

Increased consumer spending is attracting retailers and driving demand for retail space. Almost half a million square metres are available in shopping centres, many of which are being expanded. In late 2018, Max City in Pula, the largest shopping centre in Istria with 29,000 square metres, has been opened. Retail parks are also gaining in popularity and are spreading across the country. The Austrian real estate company Immofinanz is now also rolling its Stop.Shop brand out across Croatia: at the end of 2018 it acquired two retail parks from MID Group. Located in Osijek and Valpovo in the east of the country the retail parks have a total of 13,500 square metres of space.

One segment that is still rather underdeveloped, but which is urgently needed as consumer spending rises, is warehouse and logistics. The lack of suitable space is forcing some companies to build or commission the construction of their own facilities. This is certainly a market with a lot of upside potential. The hurdles, however, include high land prices and the difficulty of finding sufficiently large areas of contiguous land at suitable locations, as well as municipal taxes, which are not calculated on the basis of square metres but by cubic metres.

Vacation time sees lots of people head to tourist destinations, which means that holiday apartments are subject to strong demand from holidaymakers. Croatia's residential market collapsed between 2009 and 2014. With low demand, many newly built apartments did not find buyers and housing developers tumbled into bankruptcy. Even with the economy picking up again, housing construction remained sluggish – because of the shortage of developers. At the same time, demand rose both in the capital Zagreb and in the country's coastal cities. This has resulted in a rapid surge in residential property prices – in the second half of 2018, prices were 85 per cent higher than they had been just 12 months earlier. Even if the prices actually paid are a good 10 per cent below asking prices, residential properties in Croatia have become relatively expensive for local buyers. In coastal cities in particular, tourism has pushed prices to unaffordable levels – because on the one hand, some holidaymakers wanted to buy a holiday apartment, on the other hand, many Croatians hoped to earn a living from a vacation rental property. Should tourism continue its recent decline and economic conditions deteriorate, the situation on the housing market could also go into rapid reverse. I Christiane Leuschner

LEARNING FROM THE EAST

It is usually the West that transfers expertise to the countries of Central, Eastern and South-Eastern Europe. This is beneficial in many cases, but the West, and above all Germany, could also learn a lot from the countries in CEE/SEE.

Different to Western countries, politeness and consideration is something to note in CEE/SEE not only in public transport but generally.

As a German travelling outside Germany, it's always a pleasant surprise to find out what a positive image we have in other countries. It's a common truism that the grass is always greener in your neighbour's garden. And we shouldn't forget that Germany is the EU's largest economy and thus a major trading partner for its European neighbours to the south and the east. Nevertheless, if you frequently travel in CEE/SEE, you will notice numerous things that we can only dream of in Germany. In other words, we can also learn a little something from our neighbours in CEE/SEE.

First of all, there's the superficial impression that the region's cities are much cleaner. Even in districts beyond the gentrified inner cities, the kind where it's immediately obvious that there is scope for renewal, you see significantly less rubbish on the streets – and a distinct lack of graffiti on the walls. Public transport is also much cleaner. It's also on public transport that you get your next surprise: Whenever older people get on, they are immediately offered a seat. It's not that you'll never see this kind of considerate behaviour in Germany, but it has become ever rarer and younger people often have to be asked to make room for an elderly passenger.

In general, the distinction between public and private spaces still seems to be important in Europe's former transition states. Wherever you see men in muscle shirts and flip-flops, or women in inappropriate outfits in the cities, you can be sure that they are Western tourists. Local people may not always be fashionably and elegantly dressed, but they are dressed appropriately for spending time in public spaces, in very different clothes to the ones they would wear on the sofa at home or on the beach. And incidentally, this is not a matter of age. The outfits worn by young people in western or eastern Europe do not differ all that much – currently sneakers and ankle socks are ubiquitous everywhere – but young people across the CEE/SEE region are nowhere near as casually dressed as their German peers.

There's something else that repeatedly surprises visitors from Germany: the widespread availability of WiFi, and the fact that it's nearly always free. What's more, WiFi speeds are typically much faster than at home. Whenever there is talk of Eastern European countries having to catch up with countries in the West, it has to be said that at least in this respect they are far ahead of us. On this score, it is us in Germany that could be described as the "developing country".

The same applies to taxis. It's only in Germany that you still get handwritten receipts and only have the option of paying in cash. At least in larger cities in the CEE/SEE regions, you can make card payments and get a printed receipt. The situation was similar 15 years ago in Scandinavia. This is another area in which Germany does not seem to have kept pace with modern technologies.

Going shopping is another interesting experience. Whether women's or men's outerwear – in Germany you often don't get the feeling that salespeople have an eye for what works (and what doesn't) for which customer. It is always surprising to see shop assistants in the East confidently

Park benches can tell a lot about a society: on the left a bench in a public park in Bucharest, on the right in Germany.

pull out exactly the right size without even having to wait for the customer to tell them their measurements. Overall, customer service tends to be better in CEE/SEE than it is in Germany, which may be due the region's population being friendlier in general.

It may be little more than a subjective impression, but it is always surprising how little resentment German travellers encounter across the region, especially in countries such as Poland and Russia, which have not always had the best relationships with Germany and are both regarded as not being particularly welcoming to foreigners. When visiting the museums in Warsaw hosting the exhibitions on the Warsaw Uprising and the Warsaw Ghetto Uprising, as a German you don't feel very comfortable. Nevertheless, no one makes hostile comments or rants at you. It may also seem insensitive to stumble across a veteran soldier's event on Victory Day on the 9th of May, the day when Russia celebrates its victory over Germany in World War II, but it is not. On the contrary, Russians make a clear distinction between those who were defeated and the later generations who had nothing to do with the conflict. Or maybe it's just an expression of simple courtesy to guests. After all, courtesy and helpfulness are very pronounced, no matter where you go or how difficult your respective linguistic skills make it to communicate.

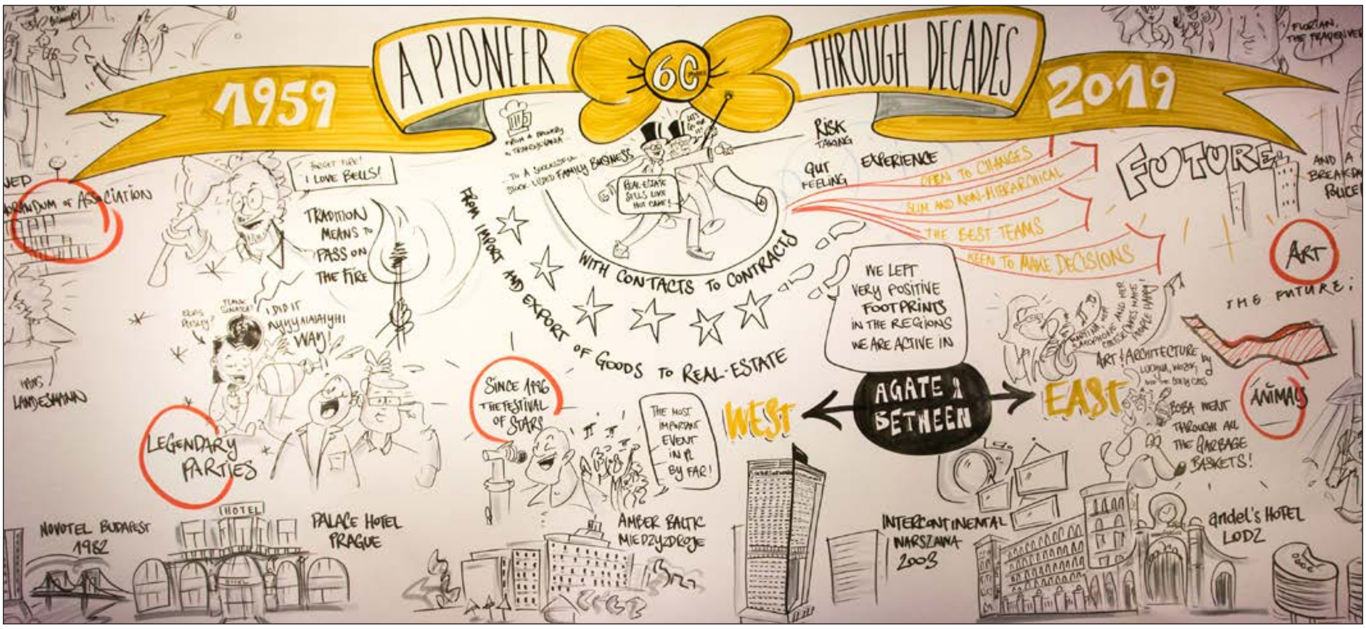
Politeness and manners in public space have another effect, which only really struck me after I committed a faux pas, which was doubly embarrassing. No one bumps into you anywhere, not even in very crowded places. Everyone pays attention to fellow pedestrians and nobody thinks they automatically have the right to push past or through.

The same also applies when you are driving. In countries, such as Romania, drivers like to weave their way through heavy traffic at breakneck speed. Lane markings seem to be little more than gentle suggestions that can be ignored completely when the volume of traffic reaches a certain level. In Germany, the concert of horns honking would be deafening, not to mention the damage done to cars. In Romania, however, it works and the drivers are fine with it.

Then there's the food, which is a subject in its own right. Of course, tastes and cuisines can differ and will not always satisfy everyone's palates. Despite this, there's one thing everyone can agree on: their fruit and vegetables taste much better than ours. In addition, the food industry there does not (yet) seem to have gained as much influence as here in Germany – food seems to be far more down-to-earth and, above all, freshly cooked. Sometimes you find yourself hoping that industrialised and processed food is one thing they don't copy from us.

Visiting a region or a country is one thing, working with local partners is another. At a minimum, German companies that work with regional partners in CEE/SEE need to "adapt" their German notions of planning and deadlines. In Eastern Europe, people tend to think in much shorter timescales. If you want to plan months and months ahead, you won't just be met by shaking heads, nothing will happen. But your local partners will be much more flexible and willing to improvise when things don't go smoothly. This flexibility and the willingness to improvise can be felt everywhere, and you'll rarely ever hear someone say "I can't do it, there's no way". This may not always lead to perfect results, but it does lead to acceptable results. In CEE/SEE people are also prepared, when necessary, to "get things done", regardless of overtime or working during holidays or weekends. The fact that the concept of a "work-life balance" has not yet really arrived in CEE/SEE may have something to do with the fact that people still want to create and build something for themselves. We, on the other hand, have become accustomed to living a cushy life and are thus far less willing to work more than is absolutely necessary. But that could eventually lead us to fall behind these countries – simply because they roll up their sleeves and get down to business while we are still engaged in endless debate. Even more, they are more flexible to adapt to changing circumstances. I Marianne Schulze

60 YEARS OF SUCCESSFUL BUSINESS IN CEE



Friends and partners talked about their first encounters and experiences with Warimpex to an artist forming this poster.

This year the Austrian real estate development and investment company Warimpex is celebrating its 60th anniversary. The look back over the company's history provides a case study of how to remain successful in a changing world.

Back when the merchants Dr. Stefan Folian and the brothers Peter and Hans Landesmann founded Warimpex Export-, Import- Transithandelswarengesellschaft in Vienna in 1959, petticoats were all the rage, rock 'n' roll filled the dance halls, hula hoops were being spun (not only) around the waist, the Kronen Zeitung appeared in Austria for the first time after the war and the Barbie doll was the latest must-have toy in the USA. It was an age of economic upswing, accompanied by a spirit of optimism and founder activity.

Warimpex's roots lie in trading with Eastern bloc countries. The company was originally set up as an importer and exporter that specialised in barter trade with countries behind the Iron Curtain. Georg Folian, son of the company's founder, looks remembers that business meetings always began with small talk and a leisurely cup of coffee before they moved on to serious business. It was Austria's neutral role during the Cold War that made business easier, while close, often personal ties to the countries of the Eastern bloc, also played a key role.

Georg Folian joined his father's company in 1971. By this time, Folian's family had acquired the Landesmann family's shares and become the sole owner of Warimpex. Georg Folian wanted to complete his doctorate and was just looking for a short-term job. His father's business seemed the best place to start. Once he was working, however, he enjoyed it so much that he gave up any notions of continuing his studies and decided to stay with Warimpex. While he was at university, Georg Folian struck up a friendship with Franz Jurkowitsch. Georg's father Stefan Folian, also took a liking to Franz, who went on to gain a doctorate from the University for World Trade in Vienna. In 1973, they invited Franz to join them at Warimpex.

Their import and export business traded in a huge range of products. And trade with the countries behind the Iron Curtain largely involved bartering. As building materials were among the cornucopia of products Warimpex bartered with, the two students came up with the idea of using the materials for their own construction projects. In this way, they built the Novotel and Penta hotels in Budapest at the end of the 1970s and beginning of the 1980s. They also went on to found Warimpex Finanz- und Beteiligungs AG in 1986 to specialise in property development and investment. In 1994, the two companies merged, reflecting

In the Museum of Applied Arts in Vienna Warimpex celebrated its 60th ‚anniversary'.

the fact that the success of property development and investments in CEE had largely overtaken the trading business.

Following the company's development projects in Hungary, Warimpex turned to Prague, where it built the Forum Hotel (1988), and Poland, a country that unlike Hungary and (at that time) Czechoslovakia historically has no closer relations to Austria. Nevertheless, Poland was urgently in need of foreign investment and for the first time allowed 100 per cent foreign direct investment and the acquisition of land. So Warimpex developed the Holiday Inn in Warsaw.

Warimpex was one of the pioneers in property development and investment in CEE and had more than "just a foot in the door" when the Iron Curtain came down. Primarily a hotel developer in its earliest days, Warimpex now broadened its focus and developed its first office building in Warsaw in 1999, the Warsaw Towers, which now belong to CA Immo's portfolio.

Nowadays, with Daniel Folian and Alexander Jurkowitsch on board, the third generation is managing the business. Alexander Jurkowitsch joined the company at the turn of the 21st century and was a driving force behind the development of the Andel's Hotel in Prague. He worked closely on the project with his mother Veronica Taussig, who has designed the interiors of many of Warimpex's hotels to give them their unmistakable appearance.

Daniel Folian joined Warimpex just a few years later, shortly before the company's IPOs in Vienna and Warsaw in 2007, mainly organised by his father Georg. Daniel Folian is now Deputy Chairman of the Management Board and CFO of Warimpex, having stepped up after his father left the company on 1 January 2018 on his 70th birthday to devote himself to his private passion, art, "after 47 years at Franz Jurkowitsch's side".

So, what is the secret of Warimpex's success? The company has stayed close to its roots and is still primarily active in CEE. The friends Georg Folian and Franz Jurkowitsch have certainly played a major role in Warimpex's achievements. Not only do they possess strong business acumen, they both also have a keen understanding of the business mentalities in CEE countries. This goes beyond "Austrian smarm and charm" and also includes a high degree of respect for others. These are among the factors that enabled Warimpex to develop Airport City, an extensive project at Pulkovo Airport in St. Petersburg. Airport City consists of a Crown Plaza Hotel and three office buildings, Jupiter 1 and 2 and Zeppelin, with a total rental area of around 31,000 square metres. The two Jupiter buildings have already been sold. Warimpex's milestones also include a number of major redevelopments, such as the Hotel Le Palais in Prague and the Andel's Hotel in Łódz, located in one of the former factory buildings on the Manufaktura site.

What originally began as a family business in Austria is now a stock market company with offices in Hungary, the Czech Republic, Warsaw, Kraków and Łódz in Poland and Russia. However, Warimpex remains a "family business" at heart. After all, despite its success and size, it still gives the impression of being a very "down-to-earth" company. | Marianne Schulze

FOR YOUR PLANNING

When	What about	Where	For information and registration
18.–19. September 2019	CEE Property Forum	Hotel Savoyen, Rennweg 16, Vienna, Austria	www.property-forum.eu
18.–20. September 2019	ProEstate International Real Estate Investment Forum	Congress Park Radisson Royal Hotel, Kutusovsky Prospect, Moscow, Russia	www.proestate.pro
25. September 2019	CEDEM 2019 Commercial Property & Investment Summit	Slovanský dum Na Prikope 22, Prague, Czech Republic	www.cedem.cijeurope.com
7.–9. October 2019	Expo Real International Trade Fair for Property and Investment	Messe München, Munich, Germany	www.exporeal.net
13.–15. November 2019	MAPIC The international retail property market	Palais des Festivals, Cannes, France	www.mapic.com
27. November 2019	Real Connect 2019 CEE Property and Investment Fair	Global Expo Centrum, Modlinska 6D, Warsaw, Poland	www.realconnect.pl
29.–30. November 2019	ERES Education Seminar Real Estate Education of Tomorrow	Bucharest University of Economics, 6 Piata Romana, Bucharest, Romania	www.eres.org

SEPARATING THE WHEAT FROM THE CHAFF

Dirk Schuldes,
Global Head of Hospitality,
Commerz Real

At first glance, the German hotel market would seem to be in rude health. The number of overnight stays has been rising continuously for years and is now approaching nearly 480 million. In Germany's biggest cities in particular, business travellers and city tourists are driving increases in demand. Golden times for hotel investors and operators? I can only urge caution: Rising demand does not automatically mean higher returns.

In common with virtually all real estate investors, hotel buyers are currently facing the challenge of declining yields – the downside of the sharp rise in purchase prices. Developers are feeling the pinch as property and construction costs soar, while buyers operate in an investment and interest rate climate that continues to drive prices ever higher. According to the Engel & Völkers Hotel Market Report 2019, prime yields in Germany's top five hotel markets of Berlin, Hamburg, Munich, Frankfurt and Düsseldorf tumbled to approximately 3.8 per cent last year. Just five years ago, prime yields were a full two percentage points higher. However, yields in the hotel sector are still attractive. The average yields in other real estate asset classes are in many cases significantly lower. There are two decisive factors in any successful hotel investment: location and a capable operator with a convincing concept.

From the operator's point of view, the situation is somewhat more challenging. On the one hand, investors are demanding higher leases to offset higher purchase prices. For four-star hotels in prime and secondary locations, monthly leases per room have risen to between EUR 1,000 and EUR 1,500. As they compete for market shares, some operators are digging even deeper into their pockets. This strategy can only work as long as the hotel market thrives. On the other hand, in some locations, operators are struggling to generate returns in line with leases. They also have to cope with rising costs for personnel and marketing – keyword: high-commission online travel agents – and more stringent regulations. In combination, all of these factors have increased the pressure on operators' margins.

Several structural effects are also ramping up the pressure on room rates: Budget hotel chains are in tune with the times and, thanks to new design concepts, have also become very popular with business travellers. Disruptive new offers, such as Airbnb, are adding to the competition. Then there are the comparison portals: While they might be a blessing for consumers, the increased transparency is another factor that is depressing rates for hotel operators. And against this backdrop, new hotel capacities are constantly coming onto the market. Take Frankfurt for example: In May 2018, the city's hotels broke through the 50,000-bed threshold for the very first time. Just one year later, according to official figures, hotel beds had already risen to more than 54,000. The average occupancy rate has remained fairly steady at around 70 per cent. But what will happen if the growing supply of hotel rooms can no longer be absorbed?

So, are there dark times ahead for hotel operators? Not at all. Nevertheless, the industry is on the verge of a period of transformation that has many similarities with developments we've seen across the retail industry. There will be winners as well as losers. The winners will have concepts and ideas that inspire new generations of guests, take advantage of the opportunities offered by digitalisation and be able to counter the pressure on margins with lean processes and cost structures.

These concepts and ideas already exist. There are examples of creative marketing, intelligent interior design and digital processes that can better exploit economies of scale. Investors need to identify these competitive concepts and separate the wheat from the chaff. If they manage to do so, investors will not only be helping operators to be successful, they'll also be ensuring that operators are well positioned to pay reasonable leases for many years to come.

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Editors: *Andreas Schiller (V.i.S.d.P.), Marianne Schulze*
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UID: DE270670378
T: *+49 22 02 989 10 80,* ***E:*** *office@schillerpublishing.de*

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