

SPH newsletter

news

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special

At the turn of the year SPH Newsletter traditionally invites to a "tennis match" offering a multi-faceted picture of trends and challenges for the real estate industry.

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background

Moscow is struggling with its image. A visit in the city proves the great gap between prejudices and reality. In any aspect the city is developing very positively.

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From December 11 to 14, 2014 Moscow Urban Forum took place for the fourth time. The conference was headlined "Drivers of City Development".

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events

Exhibitions, conventions, and conferences

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opinion

"Putin – from a rational point of view" is looking at the possible advantages of a generally not really favourable situation.

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DEAR READERS!



The first month of the new year has already nearly passed by. Nevertheless the first thing I want to do is to wish you – for some again – all the best for the 'rest' of the year 2015.

On the last day of last year, on December 31, 2014, the Swiss daily *Neue Zürcher Zeitung* published an editorial worth reading by editor-in-chief Markus Spillmann, leaving his post with the end of 2014. Headlined "Backbone and character" the article is about the rapid changes in the world of media. "The loud word is valued higher than subtle reasoning. 'Ifs and buts' should be the expression of a reality in politics, economy and society becoming more and more complex. However, in times of bits and bytes the binary code is obviously determining more and more our thinking and acting." And Markus Spillmann continues describing concisely the simplification following this development: "The good is encountering the bad, the right is encountering the wrong. There is only one truth – the own. Everything else is and has to be falsehood."

That there are different kinds of truth, at least different perceptions is proving the first issue of SPH Newsletters in 2015: first with the statements of eight industry players who take part in our 'tennis match' on page 14 ff., but as well in the following articles of Marianne Schulze and me referring to a visit in Moscow in December. Because also Russia is a topic that deserves a (more) differentiated view.

Dear readers, please remain well-disposed to us also in 2015.

Yours,

Andreas Schiller



Iride Business Park in Bucharest will be transformed into a multi-functional quarter with office, retail, leisure and residential space.

IMMOFINANZ: NEW OFFICE DEVELOPMENT IN BUCHAREST

Immofinanz Group has started work on a new office development project – the Metrooffice in Bucharest. Approximately 40,000 square metres of rentable space are planned for the Metrooffice, with the first section covering nearly 20,000 square metres. Construction should be completed in the first quarter of 2016. The investment volume for the first building will total at EUR 34 million.

Metrooffice will be realised as the first part of a long-term master plan which involves the redesign of the entire area within Immofinanz 's Iride Business Park into the future Iride City. Plans call for the transformation of this area into an innovative quarter with office, retail, leisure and residential space. The entire project, which also includes the refurbishment of the Iride Business Park, will cover several phases and a time horizon of ten to twenty years.

DEUTSCHE HYPO FINANCES METROPOLITAN IN WARSAW

Deutsche Hypothekbank is financing the purchase of the Metropolitan office and retail building in Warsaw as the sole lender. The financing volume amounts to EUR 133.4 million. The borrower is a special fund managed by RREEF Spezial Invest GmbH. Designed by the renowned architect Sir Norman Foster and built in 2003, Metropolitan comprises around 38,000 square metres of rentable space.

X5 RETAIL GROUP ACQUIRES DISTRIBUTION COMPLEX IN KRASNOGORSK

Russia's food retailer X5 Retail Group has acquired Oriflame's warehouse and distribution complex in Krasnogorsk for more than EUR 36 million. The property, on a plot of 11.6 hectares, will be transformed into a Carousel hypermarket. The sale of the warehouse and distribution complex in Krasnogorsk will allow Oriflame to transfer its cosmetics production to the Noginsk district of the Moscow region, where the company is implementing a EUR-150-million investment project to build a production and logistics complex.

CBRE GLOBAL INVESTORS ACQUIRES DISTRIBUTION CENTRE IN WARSAW

A fund managed by CBRE Global Investors acquired "Ideal Idea" logistic and office business park located in Warsaw for circa EUR 32 million. The vendor was an investment fund managed by BPH Towarzystwo Funduszy Inwestycyjnych S.A. The property is located in Zone I of Warsaw's logistic market and comprises approximately 20,200 square metres of warehouse space and 10,400 square metres of office space.



Atrium European Real Estate is the new owner of AFI Palác Pardubice. The shopping centre in the Czech city of Pardubice was developed in 2008.

ATRIUM ACQUIRES AFI PALÁC PARDUBICE

Atrium European Real Estate Limited has acquired the AFI Palác shopping centre in Pardubice, Czech Republic, from AFI Europe N.V. for a consideration of EUR 83 million. AFI Palác Pardubice was originally developed in 2008 and comprises 20,900 square metres of retail gross leasing area across four storeys, with the ground and first floors dedicated to retail and the second floor occupied by a 3,255 square metre Cinema City along with a 1,725 square metre conference centre.

AIRPORTCITY ST. PETERSBURG: SALE OF TWO OFFICE TOWERS

ZAO Avielen A.G. – a joint venture between the Austrian real estate developer Warimpex (55 per cent), CA Immo Group (35 per cent) and UBM (10 per cent) – today concluded contract negotiations for the sale of two office towers at Airportcity St. Petersburg. The buyer is a subsidiary of the private Russian pension fund Blagosostoyanie managed by the Trifico Investment Group. The investment volume amounts to EUR 70 million. The two buildings – Jupiter 1 and Jupiter 2 – offer roughly 16,800 square metres of space in total and have been let out to subsidiaries of a major Russian energy group for nearly two years.

GIC FORMS STRATEGIC PARTNERSHIP WITH RÖNESANS

Rönesans Gayrimenkul Yatırım A.S. (RGY; Renaissance Real Estate Investment), the real estate arm of Turkey's Rönesans Group, and an affiliate of GIC, Singapore's sovereign wealth fund, have announced the formation of a strategic partnership which will see GIC acquire above 20 per cent shareholding in RGY. The agreement takes the form of a primary rights issue, whereby GIC will inject EUR 250 million into RGY to fund acquisitions and development of new projects in Turkey. As part of the transaction, GIC will be granted representation on the board of directors of RGY to participate in the strategic direction of the company.

SKANSKA SELLS OFFICE PROJECT IN KRAKOW

Skanska has sold one of the buildings of its office project Kapelanka 42, in Krakow, Poland. The building was acquired by a special purpose vehicle of Reino Dywidenda FIZ, the first closed-end investment fund set up and managed by Reino Partners. The value of the transaction totals EUR 29 million. The total leasable area of Kapelanka 42, comprising two buildings, is around 30,000 square metres. The sold building offers approximately 11,700 square metres of leasable area. It was completed in the second quarter 2014.



Westend Gate in Bratislava was developed by J&T Real Estate and comprises 35,000 square metres of office space.

SLOVENSKÁ SPORITEL'NA FUNDS WESTEND GATE IN BRATISLAVA

The Slovak subsidiary of Erste Group, Slovenská sporiteľňa, financed Westend Gate in Bratislava with an amount of EUR 40 million. Developer of the project is J&T Real Estate. Westend Gate has over 35,000 square metres of office space on five storeys and is part of the new business district in Bratislava-Patronka near the city centre. The business district consists of Westend Square, the 18-storey Westend Tower, Westend Court as well as the new Westend Gate. Westend Piazza is currently being planned.

CONWERT IS STREAMLINING ITS CEE PORTFOLIO

conwert Immobilien Invest SE announced the signing of the sale of its entire portfolio in the Czech Republic, measuring 46,249 square metres, to a Czech company. In addition, conwert has sold the majority of its Slovakian portfolio – two properties in Zilina and an undeveloped plot in Bratislava – to a Slovakian investor under a share deal. The total usable space of the Slovakian properties is 9,235 square metres, the plot has an area of around 2,300 square metres.

conwert resolved to sell the Czech and Slovakian portfolios as part of the portfolio streamlining and focus on the German and Austrian markets as early as 2011, although it had failed to find a buyer in the past years. The combined transaction volume is EUR 48.5 million.

LEROY MERLIN BUYS BAUMAX ROMANIA

The French group Adeo, owner of Leroy Merlin stores, has paid EUR 17 million for the acquisition of the 15 stores the Austrian DIY retailer bauMax runs in Romania. Law firm Wolf Theiss advised the seller, while the buyer was assisted by the law firm Noerr. The Austrian retailer announced in spring that bauMax would focus on five countries – Austria, Czech Republic, Slovakia, Hungary and Slovenia, and would analyse operations in Turkey, Romania, Bulgaria and Croatia.

PEAKSIDE ACQUIRES CZECH RETAIL PORTFOLIO

Peaksid Capital has acquired a portfolio of 72 retail properties in the Czech Republic for EUR 70 million. Peaksid purchased the assets on behalf of a separate account client from Atrium Europe Real Estate. Located throughout the Czech Republic, the properties provide a total lettable area of 177,000 square metres and primarily comprise smaller format retail properties with an average size of circa 2,500 square metres. The leading anchor tenant is Netherlands-based retail chain Ahold.



ECE Türkiye will provide the concept optimisation, the leasing and the long-term management of Axis Istanbul Shopping Centre (above) and Sur Yapi Marka Shopping Centre (below), both developed by the Turkish company Sur Yapi.

ECE TÜRKİYE STARTS COOPERATION WITH SUR YAPI

ECE Türkiye will team up with Sur Yapi, a Turkish company which completed many real estate projects since its establishment in 1992. The partnership will begin with the realisation of Axis Istanbul Shopping Center & Office project in Istanbul's Eyüp district and the Sur Yapi Marka Shopping Center & Residence project in the Nilüfer district of Bursa. ECE will provide the concept optimisation, the leasing and the long-term management of both shopping centres.

Axis Istanbul is designed as a mixed-use complex. The shopping centre itself will consist of a 40,000 square metres of leasable area in the first phase. An additional 20,000 square metres leasable area will be added in the second phase. Axis Istanbul is planned to be opened in the first quarter of 2016. The total investment volume of the complex, which contains 195 offices besides the shopping centre, is approximately EUR 439 million. Sur Yapi and Hayat Holding are the investors of the project.

Sur Yapi Marka Shopping Center and Residence in Bursa will consist of 65,000 square metres of leasable area. The opening is scheduled in the fourth quarter of 2016. The total investment volume of the multi-functional complex is approximately EUR 467 million.

EBRD CO-FINANCES EXPANSION OF DCT GDANSK

EBRD is providing approximately EUR 31 million to DCT Gdansk S.A to co-finance the construction of a second deep-water berth at DCT Gdansk container terminal in northern Poland and also to refinance existing debts. The EBRD loan will be co-financed by commercial banks that will jointly provide the balance of up to EUR 259 million for the investment. The total loan amount is EUR 290 million.

The construction of a second deep-water container terminal will create much-needed additional capacity at DCT. DCT, the largest private sector terminal operator in Poland, is already working close to capacity. The new terminal will raise the total handling capacity of 3 million TEU.

PROLOGIS ACQUIRES LOGISTICS PARK IN POLAND FROM IRE

Prologis, Inc. and Invesco Real Estate (IRE) announced that Prologis European Properties Fund II (PEPF II) has acquired a logistics facility in Poland from IRE. Renamed Prologis Park Stryków II, the facility comprises 50,000 square metres of warehouse space and is completely leased to Castorama. It is located 18 kilometres southwest of Łódź city centre and 2 kilometres from the intersection of the A1/E75 highway (Gdansk–Vienna) and the A2/E30 highway (Warsaw–Berlin). The transaction follows the first acquisition by PEPF II from Invesco Real Estate of two logistics facilities in Poland and Hungary, totalling 94,200 square metres, in July 2014.

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

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



Mokotów Nova
Warsaw

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



Bromma Blocks
Stockholm

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



Stadtquartier Q6 Q7
Mannheim

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



River Plaza
Paris

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



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On behalf of its open real estate fund Unilmmo: Deutschland Union Investment has signed an agreement to purchase office project Dominikanski in Wroclaw.

UNION INVESTMENT SECURES OFFICE PROJECT IN WROCLAW

Union Investment has signed an agreement to purchase the Dominikanski office building, currently under construction in Wroclaw, from Skanska Property Poland. The scheme will offer around 40,000 square metres of leasable space. The value of the transaction amounts to EUR 117 million. The development will be completed during the third quarter 2015, hand-over of the property is scheduled for the fourth quarter of the year. Dominikanski, acquired on behalf of open real estate fund Unilmmo: Deutschland, offers approximately 40,000 square metres of leasable space. The building is 52 per cent pre-let to tenants such as HP Global Business Center, Deloitte and PKO BP.

NUSCO GROUP SELLS OFFICE TOWER IN BUCHAREST

Nusco Group has reached agreement on the sale of their 23,000 square metre office tower located in Bucharest's area of Floreasca – Barbu Vacarescu, to Globalworth Real Estate Investments. Nusco Tower delivered in 2010 is leased to international tenants including Oracle, Bayer and Volksbank. As part of the deal, Nusco Group also sold to Globalworth a 2,500 square metre land plot located in the close proximity of the tower. The total transaction is valued at EUR 50 million.

EPH ACQUIRES HERMITAGE PLAZA OFFICE BUILDING IN MOSCOW

Eastern Property Holdings (EPH) has acquired the office complex Hermitage Plaza located in Tverskoy central district of Moscow. The cash payment for the acquisition of the property amounts to USD 195 million. Hermitage Plaza is a multi-storey business centre fronting on Garden Ring, one of Moscow's most important transport routes, and located close to Mayakovskaya and Novoslobodskaya metro stations.

The business centre was fully renovated and opened in 2006. Hermitage Plaza with a total leasable area of above 30,000 square metres is fully rented out to mainly one tenant, Russian Telecommunication Company Vimpelcom.

SKANSKA SELLS OFFICE PROJECT IN ŁÓDŹ

Skanska sells Green Horizon, its first office development in Łódź, to a fund managed by Griffin Real Estate. The value of the transaction totals EUR 66 million. The total leasable area of Green Horizon office complex is around 33,000 square metres. The entire complex was completed in the second quarter 2013. Green Horizon is almost entirely leased, mainly to companies from the outsourcing sector, with major tenant Infosys BPO Poland, together with companies as Southwestern and PwC.



Promenada Shopping Mall in Bucharest has become part of NEPI's portfolio. The mall in Floreasca district, opened in October 2013, comprises 40,300 square metres gross leasing area.

NEPI ACQUIRES PROMENADA SHOPPING CENTRE IN BUCHAREST

NEPI, through its subsidiary NE Property Cooperatief UA, concluded an agreement to acquire all the issued shares in, and shareholders' claims against, Floreasca City Centre SRL (Floreasca) from RE Project Development SRL and Manierita Limited and repay Floreasca's entire outstanding debt. Floreasca wholly owns a shopping mall of 40,300 square metres of gross leasing area situated in Bucharest, Romania, that opened in October 2013, known as Promenada Mall. JLL provided strategic advisory to Raiffeisen Evolution related to the sale of Promenada Mall.

AVIA PARK MALL IN MOSCOW OPENED

On November 28th, 2014, the grand opening ceremony of the Avia Park mall was held in Moscow. Europe's largest shopping and entertainment complex was developed by Amma Development and implemented by Renaissance Construction. The Avia Park project is located on the former airfield Khodynskoye Pole, in the vicinity of the Dinamo and Aeroport metro stations. The total area of the complex including parking is 492,000 square metres. The total enclosed covered area is 390,000 square metres, which is equal to 36 football fields. The total leasable area amounts to 230,000 square metres.

SKANSKA SELLS THE FIRST BUILDING IN GREEN COURT BUCHAREST

Skanska announced the sale of the first building in Green Court Bucharest. The approximately EUR 44 million transaction was signed with the real estate investment company Globalworth Real Estate Investments Ltd and the closing of the transaction is scheduled for the second quarter 2015.

The first building of Green Court Bucharest has a leasable area of 19,500 square metres and was officially opened at the end of October 2014. Green Court Bucharest is the first project developed by Skanska in Romania. The project comprises three office buildings with a total leasable area of 52,000 square metres.

MULTI TURKEY AND QUBICON JOIN FORCES

Multi Turkey has joined forces with Qubicon, a retail real estate investor and manager, to create one of the biggest players in Turkey. The combined Multi-Qubicon business owns and manages 14 active shopping centres and four new developments, representing over 1 million square metres. The company's centres include Forum Istanbul and Marmara Forum, as well as Gordion and Forum Ankara in the nation's capital.



Nowe Bochenka is the first investment and development of Futureal Group on Polish housing market.

FUTUREAL COMPLETES THE NOWE BOCHENKA PROJECT IN KRAKOW

Futureal Group and its residential subsidiary Cordia have completed Nowe Bochenka. Nowe Bochenka consists of 388 apartments of between 25 and 85 square metres each. Nowe Bochenka is Futureal Group's first investment on the Polish housing market.

MEYER BERGMAN ACQUIRES SC IN HRADEC KRÁLOVÉ

Meyer Bergman European Retail Partners II (MBERP II) has acquired Futurum Hradec Králové shopping centre in the Czech Republic for EUR 87.6 million. The sellers of the property are GE Capital, Heitman and TK Development. The 28,250 square metre shopping centre in Hradec Králové is anchored by a 14,400 square metres Tesco hypermarket, a multiplex cinema and comprises 110 stores occupied by brands including Tommy Hilfiger, H&M and Adidas.

MERMAID SELLS WARSAW OFFICE PROPERTIES TO VIG FUNDS

Polish developer Mermaid Properties has sold two office buildings in Warsaw, Jasna 26 and Libra Business Centre, to funds managed by Vienna Insurance Group (VIG) for an undisclosed amount. The sales were completed on behalf of two groups of international investors, which included AIGA Investments, a Spanish real estate investment fund, Octava SA, a Polish real estate investment company, FCM Salamanca Global Property Fund 1, an international real estate fund, in Jasna 26; and WVN PWN SA and Augusta Ltd invested in the Libra Business Centre.

The Libra Business Centre was completed at the beginning of 2013 and currently provides 16,000 square metres of offices with tenants including Infovide-Matrix, Wydawnictwo Naukowe PWN and Canon Polska. Jasna 26 provides 7,200 square metres of office and retail space as well as 51 underground car parking spaces. The building is mainly let to Softysinski Kawecki & Szlezak, a Polish law firm.

UNION INVESTMENT BUYS HAMPTON BY HILTON HOTEL IN WARSAW

Union Investment is expanding its portfolio of international branded hotels in the mid-scale segment. The Hamburg-based real estate investment manager has acquired its first hotel from the expanding Hampton by Hilton brand in Warsaw for its institutional fund Defo-Immobilienfonds 1. Sellers are subsidiaries of the S+B Group, which has been involved in major projects in Central and Eastern Europe for many years. Opened in June 2014, the Hampton by Hilton Hotel has 300 rooms and a 25-year lease.



Polish developer Grupa Buma has sold Quattro Business Park in Krakow to a fund managed by Starwood Capital Group.

STARWOOD CAPITAL GROUP BUYS OFFICE COMPLEX IN KRAKOW

Starwood Capital Group has acquired, on behalf of Starwood Global Opportunity Fund X, Quattro Business Park in Krakow, Poland's second-largest city. Terms of the transaction were not disclosed. In the transaction Starwood Capital Group has been advised by CBRE and Dentons. Acquisition financing was provided by Bank Pekao.

The complex of four 14-storey buildings, developed by Grupa Buma, totals approximately 50,800 square metres of gross leasable area and 1,128 parking spaces, all of which was completed between 2010 and 2014. The Quattro Office Park acquisition follows Starwood's purchase in August 2014 of two prime office properties in Warsaw and one building in Katowice from Ghelamco.

STAFFING



left: Petr Brávek
right: Henrik Favari

Petr Brávek has been appointed new COO of Erste Group as of 1 April 2015. He will be responsible for the areas of organisation/IT and banking operations where he succeeds Herbert Juranek, who resigned from the Management Board at the end of 2014. Petr Brávek has longstanding experience in management positions in the banking industry and in the industrial sector. Currently, the 53-year-old Czech native is a Member of the Management Board of Slovenská sporiteľňa responsible for organisation/IT and banking operations.



left: Robert Sztemberg
right: Gert Waltenbauer

Henrik Favari has been appointed CEO of BNP Paribas Real Estate Hungary. Henrik Favari has been working in the commercial property market for over 12 years and held various managing positions at international real estate companies operating in the UK, Hungary and the Czech Republic. Henrik Favari joined BNP Paribas Real Estate Hungary in 2011 as Business Development Director.

Robert Sztemberg took over responsibility for the representative office of BerlinHyp in Warsaw with effect from 1 January 2015. A graduate economist, Robert Sztemberg worked for the Hamburgische Landesbank, HSH Nordbank AG and ECE Projektmanagement Polska before his most recent post at Jones Lang LaSalle as Head of Corporate Finance und Debt Advisory in Warsaw.

Gert Waltenbauer is new CEO in the management of KGAL Group. He took over the role from Kurt Holderer, who left the company at his own request on 31. December 2014. Gert Waltenbauer joined KGAL in 1993 and has served as a Managing Director of KGAL GmbH & Co. KG since 2007. He was previously responsible for the sales activities as well as marketing & communications of the KGAL Group.



Roman Wieczorek

Roman Wieczorek has become the new Business Unit President Skanska in the Czech Republic and Slovakia. Roman Wieczorek takes over the office from Dan Tok who was appointed the new Transport Minister of the Czech Republic. Roman Wieczorek retains the post of Executive Vice President and his position within Senior Executive Team of Skanska AB which is responsible for Skanska's civil construction units in Central Europe.

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LETTINGS

GALERIA PÓŁNOCNA, WARSAW

POLAND 

Globe Trade Centre S.A. (GTC) has signed a lease contract with H&M over 2,100 square metres of retail space in Galeria Północna in Warsaw. Galeria Północna is currently at the final stages of formal and legal actions preceding commencement of construction works. Construction works will initiate as soon as the building permit is issued. Galeria Północna will offer approximately 64,000 square metres of retail space. The project is co-leased by JLL and DTZ.

NIMBUS, WARSAW

POLAND 

Marsh & McLennan Companies have leased approximately 5,800 square metres of office space in the development project Nimbus in Warsaw owned by the Austrian investor and developer Immofinanz Group. CBRE advised the tenant in the negotiation process. Nimbus, located in Ochota district, at the fringe of Warsaw's city centre, offers more than 19,000 square metres of office and retail space.

POLECZKI BUSINESS PARK, WARSAW

POLAND 

Stryker Polska extended its lease agreement of circa 2,500 square metres of office and logistics space in Poleczki Business Park, Warsaw. The agreement was signed for another 6 years. JLL advised the tenant on the renegotiation of lease terms. Poleczki Business Park is a multifunctional business park, located in the southern part of Warsaw. On the 14-hectare plot there will finally be 15 buildings developed offering around 210,000 square metres of leasable space.

Q22, WARSAW

POLAND 

Deloitte has leased 11,000 square metres in the Q22 office building which is being developed by Echo Investment at the junction of Jana Pawła II Avenue and Grzybowska Street in Warsaw. JLL represented Deloitte during the negotiation of lease terms.

OLIVIA BUSINESS CENTRE, GDANSK

POLAND 

Ivona Software, an Amazon company, leased 2,700 square metres of office space in the Olivia Business Centre in Gdansk. JLL advised Amazon during the negotiation of lease terms.

PROMENADY ZITA, WROCLAW

POLAND 

A leading company in the heating sector has signed a lease agreement for over 2,000 square metres of office space in the first phase of office complex Promenady Zita in Wrocław, developed by Vantage Development. Advisors to the lease transaction were Savills. Promenady Zita is an office complex with a total of 21,120 square metres of leasable space. It is a part of multifunctional project Promenady Wrocławskie, which will provide over 90,000 square metres of modern offices buildings when complete.

FLOREASCA BUSINESS PARK, BUCHAREST

ROMANIA 

Mars Inc. extends the leasing contract for its 600 square metres office space in Floreasca Business Park, owned by NEPI. Royal Canin moved in next to its mother company Mars Inc., leasing an office space of approximately 350 square metres on the 7th floor of the building. Colliers International Romania mediated the leasing transactions.

GLOBALWORTH CAMPUS, BUCHAREST

ROMANIA 

Telecommunications group Telekom Romania, part of Deutsche Telekom, has signed a lease for the first office building in the Globalworth Campus complex in the Pipera area in Bucharest. The lease of the 25,000 square metres office building was signed for ten years. The project is developed by Globalworth group.

FASHION HOUSE OUTLET CENTRE, MOSCOW

RUSSIA 

VF Corporation, the owner of Lee, Wrangler, Vans and The North Face brands, will occupy a total of nearly 500 square metres in Fashion House Outlet Centre Moscow. Fashion House Outlet Centre Moscow opened in June 2013 and offers a lettable area of 28,640 square metres.



CEE & SEE GLOBAL REAL ESTATE
& ECONOMY TALKS

20 & 21 May 2015

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INSIGHTS AND PERSPECTIVES FOR THE YEAR 2015

By the turn of the year SPH Newsletter invites traditionally to a so-called tennis match: As 'service' a topic is given and a sentence is started and players of the real estate industry 'return' by continuing the sentence and giving their respective thoughts about the topic. Thus a multi-faceted picture of trends and challenges in the property industry is created.

Some topics have an expiry date, others continue to be effective. Looking back on 2014 and forwards to 2015 then the topics the industry will still be confronted with are ...

... the extremely low levels of interest rates that will continue. Thereby real estate and especially core properties as an asset class will continue to be in investor's main focus accompanied by decreasing yield expectations and high competitive pressure among investors and banks. Also the structural change in retail will continue. That means strong requirements on flexibility and adaptation pace but is offering opportunities as well.

Teresa Dreo

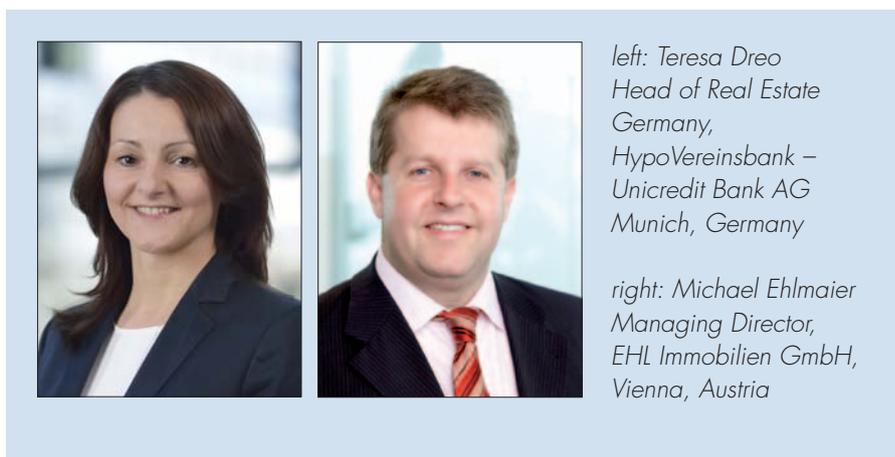
... the high liquidity in the investment markets that meanwhile is spilling over from the residential sector into the commercial real estate markets.

Michael Ehlmaier

... reorganisation and consolidation in the property industry and the challenge to keep rental levels high despite lower office demand due to the general economic development.

Dr. Bruno Eettenauer

... not to forget the fundamental lessons learned by the financial crisis and to stick to 'real business with real people' in the



*left: Teresa Dreo
Head of Real Estate
Germany,
HypoVereinsbank –
Unicredit Bank AG
Munich, Germany*

*right: Michael Ehlmaier
Managing Director,
EHL Immobilien GmbH,
Vienna, Austria*

real estate sector. Real estate is an own asset class, but more than only the 'underlying' of financial constructions. Client orientation as well as a good understanding of markets and contexts will remain the key to success.

Michael Kröger

... the vast field of sustainability and especially with retail property the extension and improvement of service offerings. We have to create still more attractive malls to compete with the increasing e-commerce.

Alexander Otto

... the uncertainty with planning. It has become a never-ending challenge. There is no longer any stability and steadiness in planning.

Karl-Heinz Strauss

... the continuing consolidation and the still too small economic growth in Central and Eastern Europe.

Dr. Eduard Zehetner

Regarding the challenges we are confronted with in 2015 in the field of real estate and investments ...

... it crosses my mind that especially in such a liquid and highly competitive market as Germany one should not be misled by the investment pressure to neglect the profitability of each single transaction. That is true for investors and developers and financing institutions as well.

Teresa Dreo

... especially the disproportion of capital in search of investment opportunities on the one hand and the available core properties on the other hand are crossing my mind.

Michael Ehlmaier

... the difficult search for profitable existing investment properties is especially crossing my mind.

Dr. Bruno Eettenauer

... it crosses my mind especially that global capital will continue to flow into our market.

Timothy Horrocks

... it crosses my mind especially that with the low interest environment real rates of return are still acceptable despite increased purchase prices. Important and a challenge remains the general eco-

conomic development, the often-cited 'fundamentals', in Europe in general and in Germany in especially. In this point forecasts are at least partly dull.

Michael Kröger

... it crosses my mind that we are directly heading towards a bubble.

Alexander Otto

... the successful merger of UBM and Strauss & Partner becoming UBM Development AG is crossing my mind.

Karl-Heinz Strauss

... the conflict in Ukraine and linked with it the further economic development of Russia is crossing my mind. The continuing and strong devaluation of the rouble, the low prices for crude oil and gas and a general restraint in consumer spending are increasingly causing problems in the Russian economy.

Dr. Eduard Zehetner

A trend towards '100 per cent financing' is causing some irritation. Regarding this I think that ...

... professional players have their lessons learned by the experience of the last financing crisis and will resist the pressure that in fact is increasing. The focus has always to be on sustainable value and everybody has to beware of value projections in the future by current trends.

Teresa Dreo

... in Austria there is rather a trend towards 100 per cent private equity in investments. And this trend will continue because there is very much private equity available. On the other hand bank financing in Austria is not as fungible as for example in Germany where the share of external financing is generally higher.

Michael Ehlmaier

... we will remain true to our principles: preferring long-term stability in profits instead of short-term but insecure profit maximization.

Dr. Bruno Ettenauer

... more concerning than leverage is the erosion of underwriting standards and the re-emergence of covenant free loans. Leverage has increased since the nadir of the downturn but remains, on the senior loan market, defensible with room for value falls.

Timothy Horrocks

... this is exaggerated in the news. We are aware only of some particular cases having always a certain 'story'. But we are far away from a trend towards 100 per cent financing.

Michael Kröger

... this is dangerous not only in private affairs. We have to be careful not to head towards the next bubble.

Alexander Otto

... in any case sufficient private equity is necessary for business integrity and also to ensure sustainability in business.

Karl-Heinz Strauss

... despite the fact that interests will remain at a low level, there is not as much cheap money in the market as before the financing crisis. A lot of financial investors have changed to real estate assets and are active for example in the German residential market. However, investments are not as highly leveraged as in the past.

Dr. Eduard Zehetner

On the other hand there is some talking about 'credit crunch'. What is true? Or is it true only for smaller developers, not for the big ones? According to me, a 'credit crunch' ...

... does definitely not exist in the German market. Far from it! The market is more than liquid. Furthermore, beside the banks insurance companies and other 'alternative financing partners' are entering the market. As well there are again securitisations. Bond issues are another possibility mainly for housing companies and real estate asset managers to diversify their portfolio of financing products.

Teresa Dreo



above: Dr. Bruno Ettenauer
CEO, CA Immobilien Anlagen AG,
Vienna, Austria

below: Timothy Horrocks
Director, Europe und Head
of Germany,
TIAA Henderson Real Estate,
London, UK

... is existing only with high-risk investments. Generally the Austrian financing institutions are trying to return to 'business as usual', but keeping the leverage in a sane proportion and to optimise their requirements for securities.

Michael Ehlmaier

... does currently not exist, at least not for conservatively calculated developments secured by substantial pre-lettings.

Dr. Bruno Ettenauer

... does not exist for core institutionally backed investors operating in prime or good secondary markets; quite the opposite, there is a current flood of banking liquidity. For the smaller investors in



above: Michael Kröger
Head International Real Estate
Finance, Helaba
Landesbank Hessen-Thüringen,
Frankfurt am Main, Germany



below: Alexander Otto
CEO, ECE Projektmanagement
GmbH & Co. KG,
Hamburg, Germany

secondary and tertiary markets, there is markedly less liquidity but not a 'credit crunch'.

Timothy Horrocks

... does not exist.

Michael Kröger

... does not exist in Germany and with soundly planned and calculated developments. However, it is true that big players have generally less problems to get a financing loan.

Alexander Otto

... does exist and does not exist. We as Porr cannot realise any credit crunch, quite the opposite, because of the increased solvency of the company. However, we know from partners that loan

commitments are given but to get the payment is a very long way.

Karl-Heinz Strauss

... does not exist for big players like Immofinanz, but it is existing for SMEs because of excessive regulation.

Dr. Eduard Zehetner

In most recent times consolidation is another key word often mentioned. Corio and Klepierre have merged, Deutsche Annington and Gagfah plan to do it. Thinking about consolidation I deem ...

... that especially against the background of increasing market regulations like rent control, modernisation of buildings for more energy efficiency, and so on, as well as of decreasing returns on investment the pressure to cost efficiency remains high. Therefore we will see consolidations going on. But there is to wait and see if the expected synergetic effects of the consolidations will really take place.

Teresa Dreö

... this trend will continue and that investors will increasingly specialise in certain fields. Generalists active in all segments will become the exception that proves the rule.

Michael Ehлмаier

... that this process of market shake-out and of a stronger focussing makes sense and will certainly continue.

Dr. Bruno Eettenauer

... this will continue across all sectors of the market.

Timothy Horrocks

... that it is a normal development when two companies together can be more successful than each of them by its own. In this case we are speaking of strategic mergers that are making sense for the respective companies and the economy in general as well.

Michael Kröger

... this trend will continue and we will see some more mergers or acquisitions in the near future.

Alexander Otto

... that consolidations will take place in the real estate and construction industry as well.

Karl-Heinz Strauss

... it has started in the German residential market already some quarters ago due to the lack of growth potential. The trend will continue and spread also across the commercial property markets in Central, Eastern and Southeast Europe. Key words in this process are synergies and benefits of scale – the main targets of consolidation. We as Immofinanz will also check opportunities on offer.

Dr. Eduard Zehetner

In CEE Poland is still 'investor's darling'. Looking at the amount of investments and the development pipeline in the country, I reckon that...

... we should be careful because of cyclical reasons and that we should not lose sight of the other markets in Central and Eastern Europe where sometimes more attractive risk-return conditions are on offer.

Michael Ehлмаier

... we will stay in Poland, but monitor carefully the development of the market.

Dr. Bruno Eettenauer

... the strong economy and the relatively large market, compared to the other CEE countries, is the main attraction.

Timothy Horrocks

... the office sector will in fact consolidate while with shopping centres and logistics real estate 'there is more in the box'. We are scrutinising all investments we are asked to finance. Indeed, currently we would finance office developments only if a substantial part of the space is already pre-let.

Michael Kröger

... that may be there will be burnt a lot of money.

Alexander Otto

... it is the right time and the right country to invest and to start new developments as well.

Karl-Heinz Strauss

... that mainly in the office market in Warsaw there is meanwhile to realise a certain saturation.

Dr. Eduard Zehetner

Looking at other countries in Central, Eastern and Southeast Europe, ...

... I see them in the following order: Czech Republic, Romania, Slovakia, Croatia, Hungary, Slovenia because of the increase in achievable yields. Therefore some investors would mention the countries in reverse order.

Michael Ehlmaier

... I am optimistic even though a positive economic development of the countries will need some more time to become really sustainable.

Dr. Bruno Effenauer

... I believe that the Czech Republic remains best placed to move up on investors wish lists, due to the favourable institutional and economic environment.

Timothy Horrocks

... then only the Czech Republic and Slovakia will remain Helaba's target markets. But we also realise that investor's interest in certain markets in Southeast Europe is increasing again.

Michael Kröger

... I believe the situation there is similar to Poland.

Alexander Otto

... aside from our target markets there will have flown a lot of water under the bridges on Danube before these markets will be attractive again.

Karl-Heinz Strauss

... there is to state that continuously more and more money is invested in Eastern and Southeast European real estate markets. Investor's focus is no longer only on Poland but on Hungary, the Czech Republic and Romania as well. The preliminary transaction figures for 2014 are proving it: in comparison to 2013 transaction volumes increased by 220 per cent in Romania, by 69 per cent in Hungary and by 52 per cent in the Czech Republic.

Dr. Eduard Zehetner

In 2014 Wolfgang Streeck, Emeritus Director of Max Planck Institute of Societies, stated in the German daily newspaper *Handelsblatt*: "A society is no longer a society when misfortune becomes the rule. We should realize that societies can come to an end by losing the ability to offer predictability to their members." In this respect I would say that ...

... in the whole world and therefore also in the real estate industry predictability is decreasing continuously. The only thing that can offer some stability and security is the permanent readiness to adapt to the changing conditions. Of course, there is some more predictability and security with business partners you can rely on and trust in.

Michael Ehlmaier

... predictability can offer a deceiving security. Furthermore predictability is more and more difficult to achieve in a global world. The more the main principle to follow should be anticipatory caution and conservative calculations.

Dr. Bruno Effenauer

... in the context of the Eurozone, the political will to maintain stability will prevail notwithstanding the results of the Greek elections.

Timothy Horrocks

... this analysis is a bit exaggerated. That 'misfortunes' happen and are a normal part of life and business does not mean

they have become the rule. So far in general. Regarding economy: a bankruptcy act and an efficient restructuring industry should be part of the economy and regulated. Entrepreneurship includes opportunities and risks as well. That does not mean that one has to count on a loss in advance. More important is to minimise risks and to keep them within reasonable limits.

Michael Kröger

... we have to take care for the best working conditions and security measures for our staff members who are fundamental for a company's success.

Karl-Heinz Strauss

... in contrast to Wolfgang Streeck I do not see capitalism on its end. The misfortunes we have experienced in recent times have a very traditional reason – greed – and a new one – regulatory overkill.

Dr. Eduard Zehetner

Again in 2014 and in *Handelsblatt* there was to read the question: "Do banks reside in their own tinderbox?" My answer is: ...

... banks experienced hard times and partly they still have to struggle. There is only to hope that we all have our lessons learned and will not be misled by the cheap liquidity.

Michael Ehlmaier

... yes, but meanwhile generally the management of the fuse has become more professional.

Dr. Bruno Effenauer

... European banks have come a long way over the past couple of years, as proved by recent stress tests, and are currently benefitting hugely from the monetary stimulus programs.

Timothy Horrocks

... No, they don't. That is the result of the recent stress test that – generally speaking – turned out not as bad. Since the fin-

ancing crisis most banks have done their homeworks.

Michael Kröger

... yes.

Alexander Otto

... for banks diverse regulations have distinctively caused augmented complexity bringing the banks nearly on the edge of the manageability. At the same time regulation is impairing the main purpose of banks – financing.

Dr. Eduard Zehetner

A look on locations is not allowed to be missing. However, for single market segments locations have different importance. Thinking about countries and market segments (office, retail, logistics, residential etc.), then I see the biggest opportunities ...

... in infrastructure in Germany. Furthermore there are opportunities in housing, especially regarding necessary modernisation because in the medium term approximately three million senior friendly apartments are needed. In this respect there is high investment demand. And given the increasing e-commerce logistics properties are also offering interesting prospects.

Teresa Dreö

... aside from office and retail currently in logistics properties along the trans-European transport corridors in CEE/SEE and in affordable housing mainly in the European capital cities.

Michael Ehmaier

... for us in Germany and traditionally in the office sector. Also our sites for residential development in Berlin and Munich have some potential. In CEE/SEE Bucharest is promising.

Dr. Bruno Etenauer

... in French and Dutch logistics. High-income returns and inward yield shift potential will drive returns over the short term.

Timothy Horrocks



*left: Karl-Heinz Strauss
CEO, Porr AG,
Vienna, Austria*

*right:
Dr. Eduard Zehetner
CEO,
Immofinanz AG,
Vienna, Austria*

... in established markets in Europe and in the US attracting sustainably investor's interest, or in short: in Helaba's target markets.

Michael Kröger

... for long-term investors in established markets like Germany.

Alexander Otto

... in retail in Poland where we are targeting medium-sized and small cities and towns; in logistics and office property in Germany and in office, retail and logistics real estate in Romania. Actually it would be the right time for development planning in Russia because land prices are decreasing.

Dr. Eduard Zehetner

Looking to cities within a country and there again to certain locations, then there is to observe a trend ...

... towards secondary cities and second-best locations, because in prime cities and prime locations investors have increasingly difficulties to achieve acceptable yields. In general secondary cities are showing a stable performance, but they do not allow exaggerations. Therefore the risk-return proportion is to examine very critically. So far there are no significant over-valuations or speculative price developments to see, but in any case it is decisive that product and location are matching the demand.

Teresa Dreö

... towards using the given infrastructure, especially in front of empty public cash boxes. That will apply to the use of commercial and residential property as well.

Michael Ehmaier

... towards locations well-connected with the public transport system in and at the edge of the city centre. In the office market the increase in space efficiency will continue to be important: that means less space per capita in favour of quality and good location.

Dr. Bruno Etenauer

... towards the most resilient global cities. Second tier cities have consistently underperformed the top cities since 2007. It still matters in which country a city is located, but choosing the right city is the real challenge.

Timothy Horrocks

... in the US towards a vibrant urban environment. That is also true for offices, because in the US there is some kind of renaissance of the city centres. In Europe the regional markets are gaining importance.

Michael Kröger

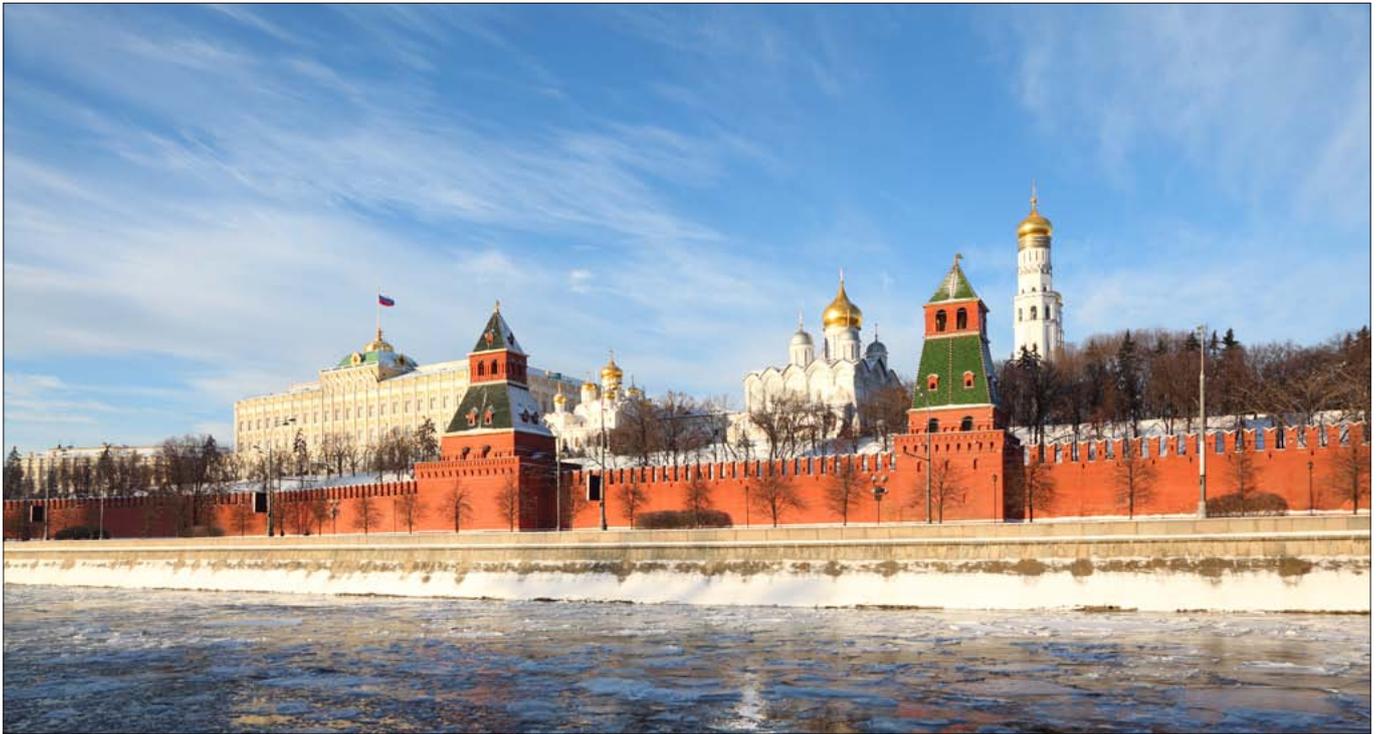
... towards prime locations in cities that are competitive in the long term. If these conditions are missing difficulties in future will be inevitable.

Alexander Otto

... definitely towards quality.

Karl-Heinz Strauss

MOSCOW – MUCH BETTER THAN ITS IMAGE



With Moscow certain perceptions are linked, but by a closer look the city is full of positive surprises.

Moscow is struggling against its image, and the general political situation does not make it really easier to promote the capital city of Russia. However, a trip to Moscow in December offered plenty of positive impressions.

It was already the second time that the Department for Foreign Economic Activity and International Relations of the Moscow City Government has invited international journalists to a conference “It’s time for Moscow”, taking place nearly at the same time as Moscow Urban Forum which has been part of the programme.

For sure, two weeks before Christmas is not really the best time for travelling to Moscow, but it was much more than ‘interesting’. The city has become surpris-

ingly beautiful and quality of life has augmented significantly during the last years. There is less pollution in the air, the big advertisements that blocked the view on buildings and facades have vanished, the cars parked recklessly everywhere are banished from the streets and have to go into parking garages, the city has become pedestrian-friendly and there are even pedestrian areas where you can stroll around without being molested by traffic. And remarkable especially in the dark times of winter is the street lighting: There is not only warm light by street lamps, but in many parts of the city centre also the buildings are illuminated attracting the eyes of the beholder.

And two other things are to notice: Moscow seems to be no longer ambitious to replace all traditional buildings by modern

architecture, quite the contrary: historical buildings, also very small houses with only two floors, are redeveloped and modernised. And the second point might sound a bit strange, taking into account the season, but who has not visited the city for some years cannot resist the impression that today Moscow has much more parks and greenery than ever before.

Many of these impressions have been proved and explained during the conference, mainly by the part of the conference programme about “Ways to improve the city’s investment appeal by maintaining its historic legacy and developing modern architecture and tourism”. Alexander Kibosvsky, Minister of Moscow City Government and Head of the Department for Cultural Heritage of the City of Moscow, confirmed that in the inner cities construc-

tion of new buildings is no longer permitted, only redevelopments. Currently 400 projects are to be modernised by the City, and further 70 projects are in a renewal process with private participation. The latter are mainly locations in the inner city where industries have been removed to

ernment decided to transform the area in direct neighbourhood of Kremlin and Red Square into a recreational park.

Parks and green areas in the city has been the topic of Anton Kulbachevsky, Head of the Department for Environmental

and miscellaneous night life. So there is nothing to wonder about that more than 80 per cent of tourists that have visited the Russian capital city would like to come to Moscow again and more than 90 per cent would recommend a trip to the city to their friends. And what about the myths that Moscow is dangerous and very expensive and service in the city is of poor quality? To say the truth, it is really myths. There is a lot of contact points for tourists offering information and help, there are tourist call centres answering in seven languages, and in all main tourist areas there are English speaking policemen and volunteers ready to help. Furthermore, nearly everywhere in the city, also in the outskirts, street names are written in Cyrillic and Latin letters as well. Given the current exchange rate for the rouble Moscow is everything but expensive, and meanwhile there are so much hotel rooms on offer that nearly everybody will be able to find something fitting his pocket.



Sergey Cheryomin presented Moscow as an international business centre.

the outskirts. A very prominent example of the redevelopment of an industrial site is the former Stanislavsky Factory, part of O1 Properties' portfolio. Today the former factory is not only a modern office location but also a highly appreciated cultural centre for art exhibitions and events. With legitimate pride Alexander Kibosvsky reported that for their efforts to preserve Moscow's historical buildings his department has been awarded with the gold medal "for outstanding achievements in heritage conservation" at denkmal European Trade Fair for Conservation, Restoration and Old Building Renovation 2014.

The aim of conserving the cultural heritage is not only to attract tourists, but also to preserve Moscow's identity and thereby to make it worth living for its citizens. And when there is nothing anymore to restore and to redevelop because it has been already demolished as in case of the former Hotel Rossiya – it has been knocked down completely in 2006 – then the City tries to make the best of it. Instead of another big project as designed by the British architect Norman Foster for the area of former Hotel Rossiya the City Gov-

ernment and Protection of Moscow City Government. The decrease in air pollution is not only due to the improvement in public transport, but also to the augmented share of greenery and trees in the city. During the last years a lot of the traditional parks have been restored, and there are also efforts to convince the population to sponsor trees and greenery in courtyards and in open areas between residential buildings.

But it is still more that benefits tourists and citizens as well. Who is familiar with the traffic in Moscow is always a bit sceptical when cycle paths are mentioned. For sure, Moscow is not Amsterdam or Copenhagen where you can cross the whole city by bicycle. But wherever there is opportunity e.g. in the Park of Kolomenskoye and in the quiet parts of the city there are not only cycle paths constructed but also bicycle rental station established.

Furthermore boredom is an unknown word in Moscow. It has a lot of tourist attractions beside Kremlin and Red Square, it is offering a lot of modern art galleries and cultural events, and it has a vibrant

However, the conference organised by Moscow City Government has not been a tourist promotion campaign. The main focus was on "Moscow as an international business centre". And again there is a significant gap between perception and reality. To give an example: Only 51.5 per cent of the people without any business experience in Moscow deem the Russian capital city a favourable place for business, but 64.6 per cent of those who are already active in the market do consent that Moscow is a good place for business. Therefore Sergey Cheryomin, Minister of Moscow City Government and Head of the Department for Foreign Economic Activity and International Relations was right pointing out in his welcome speech that "information opens the door to a better understanding".

For a better understanding perhaps some figures: Moscow has approximately 12 million inhabitants and is one of the fastest developing metropolises. Gross regional product has more than doubled during the last 15 years increasing from EUR 129 billion to EUR 291 billion. That means GRP of Moscow is higher than Denmark's

gross domestic product and only a bit lower than Austria's. During the last years Moscow attracted annually about EUR 19 billion foreign direct investments, although currently the volume – as Sergey Cheryomin conceded – is declining due to political reasons. More than 1 million enterprises and organisations are located in Moscow and more than 7 million people are engaged in economic activities. In the World Bank's ranking 'Doing Business' Moscow climbed up from place 112 to 62 during the last five years. As well the Global Competitiveness Index of World Economic Forum 2015 ranked the capital city of the Russian Federation on place 53 – ten places up compared to the same ranking two years ago.

Looking a bit closer to Moscow's image as an international business centre, there are mentioned on the positive side the significantly improved city environment, the broad range of cultural and leisure possibilities and the high quality of IT-infrastructure. Mentioned as negative are the traffic situation, the high cost of living and the insufficient knowledge of English by personnel of the service sector. With living costs Moscow is still below Oslo, but in fact on top of European cities, which is mainly due to the high costs for rental apartments. English knowledge is noticeably improving, especially among younger people. And to be honest: also in Germany or France not all taxi drivers or sales persons are speaking English. The traffic problem Moscow has in common with many metropolises of the world, and here the City Government is spending annually approximately USD 10 billion to improve transport infrastructure. So there are meanwhile express-trains from all of the three international airports into the city, and the metro net is expanding continuously. And step by step also in Moscow the idea of park-and-ride is establishing, not at least because mainly during the rush hours there is a much faster travelling by metro than by car.

However, the rather reserved attitude of investors to Moscow is not only caused by the city's image, but also by the slump



Observable improvements: redevelopments, expansion of the metro net, and greenery

of the Russian rouble, as Tim Millard, Regional Director of JLL Russia & CIS, stated. The unforeseeable development of exchange rate and economy makes it difficult to establish reliable business plans.

The more interesting it was to learn about three very different business ideas and their implementation in Moscow.: The American Jerry Ruditser founded Coffee Bean in 1995, the first coffee shop in Moscow where people are traditionally drinking tea; the Italian Giulio Zompi started his business more recently – in 2013 he opened his first Italian food market in Moscow and is operating meanwhile three shops and a restaurant; and in 2008 the French Thierry Cellerin established BuzzFactory, a digital service boutique specialised in online reputation management.

Summarising the experiences of the three international businessmen it does not seem to be too difficult to establish a business in Moscow. According to Jerry Ruditser and Thierry Cellerin the market is still

young and therefore the initial investment required rather low. Furthermore it is easy to find investors willing to support the new business. However, it is much more difficult to get bank financing. The time they needed to establish their business was in the range of three and five months. Giulio Zompi admitted that not the administrative process has been the biggest challenge but to find a suitable location. All three agreed that profits are much higher in Moscow than elsewhere, and Thierry Cellerin and Jerry Ruditser as well emphasised that many reservations – keywords are mafia and political interference – are nothing more than prejudices: "Moscow is closer than you think" and "Russia is a regular country", they stated. However, each of the three different businessmen affirmed that it is absolutely necessary to understand Russian, not only by pure language but as well by cultural nuances, and to grapple with cultural and mental differences. Asked for their wishes they all put it in the sentence: "More stability would be helpful" – for sure, a wish they have in common with many Russians.



On the top of the agenda are developments for SMEs like Technopark Strogino.

Thierry Cellerin and his BuzzFactory is only one of the 450 French enterprises in Russia that in 2014 have invested more than EUR 14 billion as Thomas Kerhuel, Commercial Director of CCIFR, the French Chamber of Commerce in Russia, reported. Among the French investors and entrepreneurs are big names like Auchan, Lafarge and Renault. "Of course the shrinking economy and the slump of the Russian rouble is causing some headache", said Thomas Kerhuel. "But no one is leaving the market – they all are long-term players and have already survived the crisis in 2008 and 2009", he continued. As he affirmed there are still many companies in France interested in the expansion of their business to Russia, because despite all current problems it is a big market. It may sound a bit cynical but with the current exchange rate of the rouble time is favourable to invest.

Alexis Rodzianko, President and CEO of the American Chamber of Commerce in Russia, agreed with his colleague from CCIFR about the market potential and pointed out that Russia is the 6th biggest market globally and for a company like Pepsi Cola even the market number one. But he also mentioned the difficulties of the current situation: "Especially for those who produce in Russia, but need supply of certain components that have to be paid in euro or dollar, the situation is very difficult. That is mainly true for car companies –

they are suffering from shrinking margins", he explained. "However, for food producers like Mars and Kellogg's that get their ingredients from the Russian market and can pay in roubles the market is still offering great opportunities", he added.

And the real estate industry? Well, developers always had the possibility to make a mint in Russia. But meanwhile in the Moscow market, the most important and biggest property market in the country, requirements have strengthened because the City Government is attaching great importance to quality in developments and investments, as Oleg Bocharov, Head of Moscow Department of Science, Industrial Policy and Entrepreneurship, emphasised. According to him the economic basis of the city is in knowledge and innovative companies. Therefore the development of technology parks where young innovative entrepreneurs can set up a business and form clusters are on the top the agenda of Moscow City Government. Generally there were many talks about SMEs and that it is necessary to facilitate and to support their development.

An insight in Russian SMEs has been offered by a trip to Technopark Strogino located in the northwest of Moscow near the Moscow Ring Road MKAD. Developed by the City Government of Moscow in 2007, Technopark Strogino comprises two buildings with a

total of 17,000 square metres of office, production and storage area, occupied by meanwhile 50 innovative small and high-tech companies. There are located IT companies, among them already pretty successful small enterprises like LinguaLeo, Rantex (Samurai©) and the publisher of online games for Russian and international gaming platforms MSO (101XP); medical and pharmaceutical companies like Biotekfarm, a manufacturer of medical dressings; Peptogen, founded with the participation of the Institute of Molecular Genetics at the Russian Academy of Sciences and producing Semax nasal drops (for enhancing blood circulation in the brain) and Selanc nasal drops (for depression and disorders of the central nervous system); and R-Optics, active in the development and implementation of innovative technologies in ophthalmic surgical instruments. But there are also enterprises developing new special instruments and devices like Signur, founded already in 1991 by the staff of the oldest Russian laboratory developing ultrasonic instruments for special purposes; today the main direction of the company is to design and manufacture meters for water and wastewater utilities. And last but not least there is a small company named SystemHeat that is developing a heating radiator whose main principle is an independent evaporative circuit in a vacuum with the effect that it needs less energy to become pretty warm; the principle makes it possible to reduce the weight of the radiator (only one kilogram) and its dimension (small like a notebook), both offering a broad range of applications, e.g. on a roof to melt off the snow.

In some ways the visit in Technopark Strogino demonstrated the change in Moscow and Russia more than many lectures and presentations: the shift away from the large scale industries – for decades in Russia the motto especially in economy has been "big is beautiful" – to the often cited much more flexible SMEs that have the ability to develop innovative ideas for the future. And of these SMEs Russia needs a lot more, also to avoid in the long term the recurrent crises caused by fluctuating commodity prices. | **Marianne Schulze**

MULTIFACETED AND GIGANTIC



Mayor of Moscow Sergey Sobyenin dedicated much time and attention to Moscow Urban Forum.

On December 11 – 14, 2014, Moscow Urban Forum took place for the fourth time. Headlined ‘Drivers of City Development’ the focus was on Moscow and Russia in general. But the international conference offered also opportunities to exchange experiences and concepts from Asia, America and Europe.

Some days before Christmas all those who are active in urban planning and development gathered in the heart of Russia’s capital city, more precisely: in the exhibition and congress centre Manege. That means there assembled a lot of people, because the topic includes many different aspects – not only, but especially in a metropolis or mega-city like Moscow.

During four days in big plenary sessions, in some 30 smaller panel discussions and workshops and in a – this time enlarged – part named research programmes nearly all aspects of urban life had been picked up. In addition an exhibition offered insights in ideas and plans of actors in urban planning and development. Plenty

of international speakers and visitors have been present: the organisers communicated “approximately 5,000 delegates from 45 countries”, among them 22 official delegations and 13 mayors. The mayors of Bangkok, Mumbai, Singapore and Tel Aviv took also part in the opening panel headlined “The Megacity and Nation: a Reciprocal Relationship for Development”. Russian speakers have been Sergey Sobyenin, Mayor of Moscow, and from the Russian Federation Igor Shuvalov, First Deputy Prime Minister, and Mikhail Men, Minister of Construction, Housing and Utilities.

It was Moscow’s Mayor Sergey Sobyenin himself who presented “Moscow’s Priorities for a New Stage of Development” in another session the next day. That proved the importance Moscow Urban Forum has for the City Government. Among the representatives of Moscow City Government lecturing and taking part in panel discussions were Marat Khusnullin, Deputy Mayor and Head of the Department for Urban Development and Construction, and Maksim Liksutov, Deputy Mayor and

Head of the Department for Transport and Road Infrastructure Development. Of the many projects to redevelop public space Marat Khusnullin emphasised the urban development plans for the areas adjacent to the Moskva River. There, according to Marat Khusnullin, Moscow has to create a more attractive environment.

Who once has experienced the traffic in Moscow, is not astonished that one of the main tasks of the Department of Transport and Road Infrastructure Development is the expansion of public transport. For this purpose e.g. transport hubs where Metro, bus and railway lines are meeting have to be redeveloped and (more) park&ride facilities have to be established.

All these single projects converge at Moscow Chief Architect Sergey Kuznetsov and his team. Therefore it was he who contributed the more general presentations during the Moscow Urban Forum conference.

With the great international presence at Moscow Urban Forum Moscow Govern-



Already today VDNKh is again a popular location for leisure activities.

ment Minister and Head of the Department for Foreign Economic Activity and International Relations Sergey Cheryomin had to play an important part. Among the international delegations he could welcome was also one from Düsseldorf in Germany, one of Moscow's twin cities. Ruth Orzessek-Kruppa, Head of the Urban Planning Department of the City of Düsseldorf, talked about "Industry in the Contemporary City: Convert or Innovate?".

Another topic of the great number of sessions was about "VDNKh Exhibition: A Unique Heritage and Opportunities for Development". VDNKh – depending on transcription also named VDNCh or VDNH – is the abbreviation of Exhibition of Achievements of National Economy. VDNKh is located in the north of the city near Prospect Mira in Ostankino district. Enlarged by opening up to the Botanical Garden and Ostankino Park VDNKh area comprises meanwhile 520 hectares with approximately 400 buildings. Ori-

ginally the area was dedicated to the annual All-Union Agricultural Exhibition, taking place in the years 1939 – 1941. In 1959 it opened its doors again, now as permanent Exhibition of Achievements of the National Economy with nearly 100 pavilions, each of them dedicated to a particular region, industry or field of science. After the Soviet Union has been dissolved pavilions and the whole area experienced sad times: partly rented as market areas, partly totally closed down, in any case neglected.

But since some years there are efforts to make VDNKh attractive again – as an exhibition area, as a venue for events, as recreational area and for leisure activities. Since nearly ten years VDNKh is also a modern fair ground. The newly constructed Pavilion 75 comprises not only three exhibition halls and the respective infrastructure, it is also home of the new model of Moscow inner city, in 2014 presented for the first time to an

international public at Mipim in Cannes, and of the elaborate multi-media show of Moscow and its urban development, also presented at Mipim.

Thereby is built again a bridge to Moscow Urban Forum. Because also VDNKh is linked with the question "Convert or innovate?" – the best will be both. Furthermore, looking at the history of the area, the topic "The Megacity and Nation: a Reciprocal Relationship for Development" also fits for VDNKh – not only theoretically, but practically as well, because the area has been in the ownership of the Federation of Russia for many years, before it has been transferred into the portfolio of the City of Moscow for its 'revival'.

In the near neighbourhood of the new fair ground in VDNKh there is located pavilion 70, the so called Montreal Pavilion, because with the original of the building Russia presented itself at World Expo 1967 in Montreal in Canada. The pavilion is an ideal place for exhibitions, presentations and other events. So after its refurbishment and modernisation in a near future the pavilion will be perhaps the new home of Moscow's city model – and maybe not only Moscow Urban Forum will take place in this pavilion, but all the year round some more events about urban development in Moscow and other Russian cities.

During Moscow Urban Forum news has become generally known that in 2015 Moscow will not take part in Mipim as an exhibitor. Since years it is the first time that Moscow will not be present in Cannes, but given the current situation and the exorbitant exchange rate of rouble to euro the decision is comprehensible. Furthermore there is to ask whether the City of Moscow's spending for Mipim will not be better used for international events in Moscow itself like Moscow Urban Forum. Not only because participant's spending for hotel rooms and other things leaves some money in the city, but also and mainly because international guests are gaining direct impressions of the city and its development. | **Andreas Schiller**

FOR YOUR PLANNING

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

PUTIN – FROM A RATIONAL POINT OF VIEW



Prof. Dr. Ramón Sotelo, President of IRES International Real Estate Society

Since the occupation of Crimea by Russian military forces there is a great deal of discussion about Russia and its political targets. Neither I want to sing from the same hymn sheet as those who deem the invasion in Crimea and the potential intervention in Ukraine as unacceptable according to international law nor I see myself as 'Putin's sympathiser' putting forward 'legitimate interests' of the former super power or lumping together the intervention in Kosovo and those in Ukraine. In fact, beyond geostrategic, historical and reasons by international law I want to put the focus on pure economic questions that perhaps are also and better able to shed light on the dark of the supposed irrationality of the Russian government.

Since long Russia has been taking part in the global market mainly by exporting its natural resources. Only during communist times a centrally organised industrialisation of Russia took place. The period of a state controlled industrial policy finished with the dissolution of the Soviet Union. It has been Medvedev who pointed out that all the main technological and military achievements in Russia are originating from Soviet times.

The problem is well known also by other countries rich of natural resources. Exporting these resources on a large scale to the global market causes a rise of the exchange rate with the consequence that other (manufactured) products of the respective country are to offer on the global market no longer at a competitive price because of the high exchange rate. This economic phenomenon is known as 'Dutch disease'. There are two possibilities to deal with: One is to gain enough revenues by the export of natural resources to be able to support the entire population of the country as e.g. Saudi Arabia, Qatar or Kuwait are doing it. If export revenues are not sufficient, then the government has the – mostly ineffective – possibility of foreign exchange control, customs duties on imports and other trade restrictions as well as of state coordinated industry policies to increase GDP and to produce consumer or export goods.

Since years Russia is aware of the fact that revenues from natural resources, especially

from the selling of natural gas will shrink. One of the reasons is that the US, a former crude oil importing country, has meanwhile changed into a net exporting country by new extraction technologies and that the price for crude oil is economically linked with the price for natural gas. However, what could Russia do to solve the problem? Finally the wealth of nomenklatura is based on the economic focus on the export of natural resources. A purposeful policy with tightened control of trade, capital and foreign exchange would supposedly be the political end of the regime. Neither leaders in the private sector have been eager to change nor the population is willing to accept a loss of income for a not terminated period of time in a situation of insufficient democratic and constitutional rights.

With the different provocations (Crimea, Ukraine, military exercises at the borders of NATO member states) Putin is succeeding in gathering the population by patriotism. At the same time the sanctions of the West (trade and financial embargo) are exactly what Putin is in need for the economic turnaround and structural reforms he otherwise could not implement due to political reasons.

If the Russian government acted wilfully according the described principle is of secondary importance. As Paul A. Samuelson stated it: billiard balls are acting according geometrical rules although knowing nothing about geometry.

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