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Is the end in sight?

Hopes rise as 2013 investments get back on track

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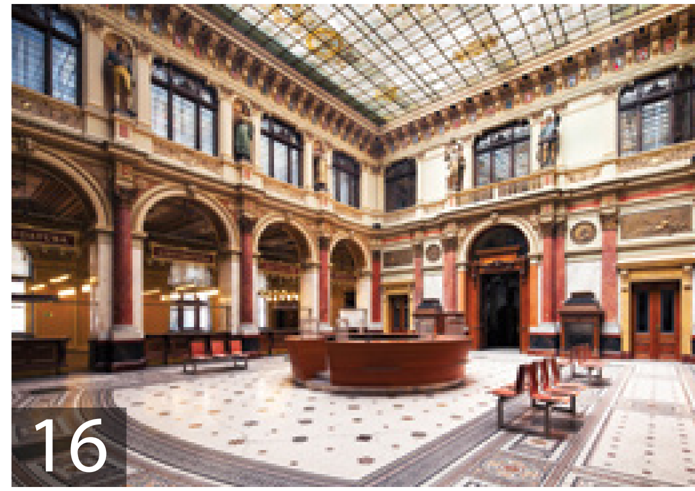

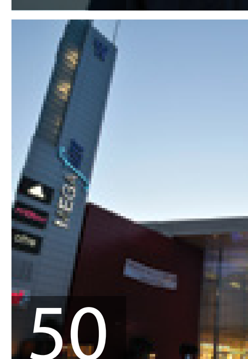

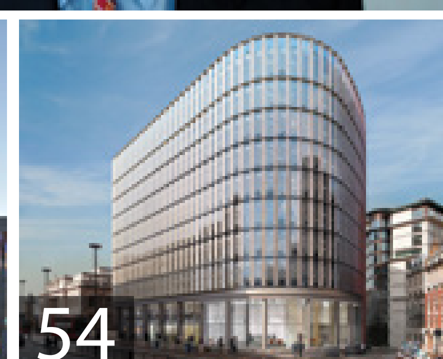

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During an interview on a terrace overlooking the Mediterranean at the Congress Center in Cannes, the discussion was interrupted as we watched a helicopter take off for the airport in Nice. The loud whirring of the blades seemed to bring back the sounds of a different, high-flying era. "That used to be us," said the interviewee, who works for a major CEE developer. He described how the company's management used to be whisked over the traffic jams on the roads below, and how the door-to-door service they splurged on for MAPIC even seemed natural. Today, they're taking taxis, just like (almost) everyone else who has come through the worst of the crisis. Developers have realized they have to pay just as much attention to their own costs, and to their ability to produce revenues, as they do to the buildings they create. After all, there's no guaranteed pot of gold at the end of the rainbow anymore.

EDITOR'S LETTER

We're told now that there's a 'healthy' pipeline of product on the way in Central Europe, but it bears thinking now about how the meaning of that word has changed. It's hard to escape the feeling that in the run-up to the crisis, a "healthy" pipeline was just a code word for "big". Big enough, in other words, to feed what had become, if we're honest, a bloated, over-employed property sector. MAPIC's visitor numbers tell their own story. Five years ago, over 10,000 arrived in Cannes for the November exhibition. This year, they topped out at 8,000. It's not just that the froth has gone out of the market, but the the decision-making process seems far more rational and pragmatic than before. Developers may moan about how stingy banks are with their credit and how tough their conditions are for releasing funds. But they themselves are unwilling to splash their own equity about as they used to and are looking for ways to share that risk with other partners.

By most accounts, 2013 was a better year for property in CEE that was 2012. Investment was up, leasing was up, and the mood was up. This was made possible by the European economy which is now **flirting with recovery**. The fears of a European-wide plunge back into widespread recessions have receded, giving companies the courage to plan for future expansion. Old mistakes continue to be punished, with developers like Plaza Centers and Gant just the latest to enter restructuring. But the long road to recovery seems underway, underpinned by a far healthier, more pragmatic mindset.

Robert McLean
Editor In Chief

HIGHLIGHTS

REZIDENCE KAVČÍ HORY GOES UNDER HAMMER

The unsold apartments at Rezidence Kavčí Hory, a high-end res-
idential project located near the Czech TV headquarters, will hit
the auction block. The nearly 20 units are expected to fetch a
total of CZK 141m. The project was designed by ADNS architects
and completed by BM Development three years ago. It offers 88
high-end apartments over 12 floors, including a 500 sqm pent-
7 house with a 260 sqm roof terrace. The penthouse was originally
on offer for CZK 54m, while smaller units were selling for CZK
20m.

HB REAVIS TAKES OVER DEVELOPMENT SCHEME IN HRADEC KRÁLOVÉ

HB Reavis is in talks with ECE which recently received a planning
6 permit for its project Arkády in Hradec Králové. The project in-
cludes modernizing the city's football stadium and building
a shopping center next to it. A change in ECE's strategy has
opened way for HB Reavis to enter the project, as ECE turns its
focus away from development toward investments and manage-
ment of existing malls. For HB Reavis the transaction would re-
duce its competition in Hradec Králové, where the developer has
been working on another project, Aupark, in the center. Arkády
Hradec Králové should offer 39,000 sqm of retail space, and ECE
plans to open the mall by spring 2016.

ECHO TO ISSUE NEW BONDS NEXT YEAR

Echo Investment plans to issue new bonds next year to help fund
new projects planned for Poland's regional markets in 2014, the
business server StockWatch reports. Echo CEO Piotr Gromniak
revealed this week that some investors have already expressed
5 interest in the offering. "We're planning to issue a new package
of corporate bonds on the Catalyst market in March or April,
Gromniak said. The four-year notes would carry an interest rate
of 6-percent. "We cannot provide any details at this stage, but
talks on the fixed rate for these bonds are currently underway,"
Gromniak added.

TESCO SELLING DEVELOPMENT PLOTS IN POLAND

Tesco has put a substantial part of its Polish real estate portfo-
2 lio on sale, according to media reports. The package includes 35

HIGHLIGHTS

plots, covering more than 30 ha. Most of the properties on offer are located near Tesco stores. The company is hoping to attract other retail investors to buy plots adjacent to its stores to build shops that will make Tesco stores more attractive shopping destinations.

"The company decided to sell its land to improve the commercial offer of the chain on the Polish market,"' said Marek Noetzel, a partner at Cushman & Wakefield who is representing Tesco in the sales. Information about the properties has already been sent out to potential investors, and negotiations should get underway at the beginning of next year. It's thought unlikely the properties would be sold as a portfolio to a single investor.

UP, UP, AND AWAY

Immofinanz must be the first major office developer and to take its product prime time in Central Europe. Having done a deal to license the rights to the **Superman image**, and his civilian alter-ego Clark Kent, the company is using the Man of Steel to promote its administrative buildings. The result is that not only
6 can you see enormous Superman banners affixed to buildings in Bucharest, Bratislava and Vienna, but an aggressive television version of the adverts are currently running as well. In them, Superman defeats a host of monsters from the comfort (and security) of his own office buildings. The idea being it's too comfortable to leave.

"Our asset management follows a distinctly customer-oriented approach, which we already summed up in the previous year, true to the motto 'more than office'. We offer more than pure office renting space in which the focus is on our tenant and his staff. The Superman campaign takes up this theme with a wink and promises a highly cross-national recognition value for our offices and service competence", says Dietmar Reindl, Director Office and Logistics of Immofinanz Group.

NO EXIT FOR MESSE DÜSSELDORF FROM VELETRHY BRNO

Messe Düsseldorf's attempts to offload its majority stake in the city of Brno's exhibition company, Veletrhy Brno, are going nowhere fast. The company announced in May last year that it does not intend to invest further into the vast complex and offered its
5 61 percent for sale. But selling is easier said than done, as the city of Brno, a minority shareholder with 34 percent in the company, in no rush to exercise its option.

There are indications that it may be left to the winners of local elections in 2014 to decide. The latest of these was Brno's decision last week to postpone a PwC audit intended to set a value for the company. Messe Düsseldorf allegedly offered its stake to the city at €6.8m.

TRAVEL SERVICE

Korean Air intends to sell its option on a 34-percent stake in Czech Airlines (CSA) to **Travel Service** for an undisclosed price. The private Czech airline company will become the second biggest shareholder in CSA, while Korean Air will keep its 44 percent and the state will hold onto 20 percent. Czech Transport Minister Zdeněk Žák is not excited by the deal, claiming that even the most fanatical privatizers have never privatized a company at the time when its value was the lowest, which is what the Czech Republic has effectively done. Jiří Šimáně, owner of **Travel Service**, has been interested in acquiring a stake in CSA for a few years. The deal will help position his company to enter the Russian market.

ASTEELFLASH

Asteelflash signed a lease on 4,200 sqm of industrial space at CTPark Pilsen. CTP will invest €300,000 in the project. Asteelflash decided to relocate to the park to accommodate its growing business and to consolidate its operations at one location. The electronic parts manufacturer says the facility will employ 300 people.

ALIOR BANK

Shareholders in **Alior Bank** have decided to issue new 6 million new shares in a move that will dilute the value of existing shares. However, it will also increase the bank's share capital to more than PLN 699m from the current PLN 635m. The offering will reportedly allow the bank to carry on with its strategic financial planning, including recent recommendations from the Polish Financial Supervisory KNF concerning its accounting methodology for the treatment of revenues from bank assurance arrangements. These have hurt its Q3 2013 results.

CEO of Alior Bank said earlier this year that with this new issuance further capitalization for the bank will not be required. The capital adequacy ratio for the bank was at 12.42 percent at the end of September, up from 10.8 percent a year before.

RYANAIR

In an effort to strengthen its European operations, **Ryanair** will resume flights from Václav Havel Prague Airport in April. The move comes more than three years after the low-cost carrier left Prague citing high airport fees. Prague is among nine new destinations Ryanair plans to add to its flight plan next year. The airline plans to offer 10 flights between Prague and Dublin per week. Ryanair currently operates out of Ostrava and Brno. The carrier said it wants to increase the number of passengers it carries to Dublin by 700,000 per year.

WIZZ AIR

The low-cost airline carrier **Wizz Air** continues expanding its Romanian offering and will start operating six new routes out of Craiova in July. It will have one Airbus A320 covering the new routes but plans to increase capacity in the first 12 months to 260,000 seats. The airline plans to offer flights to Bologna, Rome, Dortmund and Barcelona from Craiova. Wizz Air currently operates out of Bucharest, Cluj-Napoca, Targu Mures and Timisoara.

ROMSTRADE

The Romanian National Company for Motorways and National Roads (CNADNR) is looking for a new general contractor to complete the Transalpina Highway, which connects the cities of Gorj, Valcea, Hunedoara and Sibiu. CNADNR canceled its contract with **Romstrade** after it completed 80 percent of the project. Romstrade filed for insolvency in December.

FINE LOGISTICS

Fine Logistics signed a lease on 2,000 sqm of warehouse and office space at MLP's Millenium Logistic Park Pruszkow I. "Among the presented offers, the company decided on MLP Pruszków I because the park is ideally located for regional and national distribution, and its offer was best-adjusted to the company's needs," said Wojciech Waryś, an associate partner at AXI IMMO, which advised on the deal.

MLP Pruszków I was MLP's first project in Poland and is located 18km from the center of Warsaw. Fine Logistics already occupies 15,000 sqm of space in in Leśmierzu (Łódź), Gdańsk and Wrocław.

UNIDEVELOPMENT

Unidevelopment has purchased land at Kapelanów AK street in Warsaw for its most recent housing investment. The first phase of the scheme will add 120 new flats to the market with 120 parking places. Construction as well as sales of the first phase should begin in the second quarter of 2014. Mąka Sojka Architects will provide the design. According to Unidevelopment, the company already holds land-use planning for the project's first phase.

KPMG

KPMG will open a new office in Poland in the Gdański Business Center office building in Warsaw in the second half of 2015. The 10,000 sqm lease agreement was signed in November, with JLL representing the tenant. Along with Gdańsk, Łódź, Katowice, Kraków, Poznań and Wrocław, the new office in Warsaw will be company's seventh Polish location. The company employs 1,200 people nationwide. Led by the developer HB Reavis at the corner of Andersa and Inflacka streets in Warsaw, Gdański Business Center will comprise two buildings with a total leasable space of 47,000 sqm.

ELECTRONIC ARTS

In one of the biggest deals of the year, AFI Europe leased the entire AFI Park 2 office building, currently under construction to Electronic Arts. The 20,000 sqm building will offer 12,200 sqm of leasable space and is situated next to the AFI Palace Cotroceni shopping mall. Jones Lang LaSalle represented **Electronic Arts** in the transaction, while The Advisers/ Knight Frank represented AFI Europe.

EU ANTITRUST INSPECTORS RAID SAMSUNG, PHILIPS, METRO GROUP OFFICES

The European Commission is conducting an in-depth investigation into Samsung, Philips and Metro Group, with EC investigation officers raiding offices of the companies in Germany. The EU body claims it was part of a routine inspection of the electronic goods market, however there's speculation that the three retailers have been breaking anti-trust regulations. If this is found to be true, the regulator could fine the companies up to 10 percent of their annual global revenue. The companies declined to comment.

HELABA AND AAREAL LOAN STARWOOD CAPITAL EU 280M FOR RETAIL PORTFOLIO TAKEOVER

Helaba and Aareal Bank have jointly backed Starwood Capital in the acquisition of a portfolio of seven retail parks and shopping centers on the Swedish market with a €280m senior facility loan. Starwood Capital took over the portfolio from Swede's Kooperativa Förbundef for a total of €446m. It operates on four major submarkets (Stockholm, Gothenburg, Malmo and Uppsala) totaling 205,000 sqm of space, to which Starwood Capital plans to add another 70,000 sqm of retail space. The properties are currently 96-percent leased. Starwood selected Vencom as a local partner/minority investor which will manage the properties. Aareal and Helaba jointly arranged the transaction, while Aareal acted as facility agent and security agent.

ECE STARTS NEW BTS FOR SIEMENS IN KREFELD

ECE has launched its most recent BTS investment in Krefeld, Hamburg, for Siemens. The new complex will provide 32,000 sqm of office and warehouse space to Siemens, which has contracted the space on a long-term basis. The two-building complex will serve Siemens as its central storage facility to the adjacent manufacturing plant. The developer said it expects to complete the project in spring 2014.
ECE will be overseeing both the development and the management process on the facility before putting it on the market. The German builder Goldbeck was selected a general contractor for the complex. Siemens has been present in Krefeld for years, providing high speed trains, and other rail vehicles for regional and long-distance transport. The value of the investment was not disclosed.

EU LABOR MARKET REBOUNDS IN OCTOBER

A surprise drop in the eurozone's unemployment rate in October is being seen as another indicator that the recession is bottoming out. The EU's unemployment rate fell to 11.7 percent last month, following a historic high of 12.2 percent in September, according to Eurostat. The news came as a surprise to market watchers, who were predicting unemployment would stand at 12.2 percent in October. "The EU economy, however, is still too weak to provide more substantial improvement at the moment," says Annamaria Grimaldi of Intesa Sanpaolo. "In order to ensure recovery for the labor market, EU economies need to see faster growth. And this, in many cases, means structural reforms need to be implemented in particular eurozone countries."

PARAFIANOWICZ SET TO LEAVE GOVERNMENT POST

Andrzej Parafianowicz is reportedly set to step down as Poland's undersecretary of state after six years on the job. The Polish media are speculating that following his resignation, Parafianowicz may take a seat on one of the state-run companies. He has already worked for the Polish energy producer PGE and the Polish telecom company Polska Telefonia Cyfrowa. Parafianowicz is General Inspector of Treasury Control and a General Inspector of Financial Information.

ULTRANATIONALIST ELECTED IN BANSKA BYSTRICA

Slovakia is the latest European country to elect a neo-Nazi bad boy, as the new Banska Bystrica regional governor is Marian Kotleba. A self-professed nationalist who heads up the Our Slovakia party, Kotleba drew attention to himself in the past by leading anti-Roma marches and by expressing sympathy with the regime that governed Slovakia when it was a puppet state controlled by Germany during WWII. He's also is also fond of calling NATO a terrorist organization and for arguing that Slovakia should withdraw from the organization.

Otherwise, most of the other regional posts that were up for grabs during the November elections were won by the Social Democrats, the party of Slovakia's prime minister Robert Fico.

SOBOTKA: CURRENT GOVERNMENT SHOULD AVOID ALL KEY DECISIONS

As negotiations to form a new government progress, following Parliamentary elections in October, the leader of the Social Democrats Bohuslav Sobotka has demanded that the outgoing government led by prime minister stop taking important decisions. Sobotka met with president Milos Zeman to discuss the matter, warning Zeman that any decision ending current limits on coal mining was too important a decision to be taken by a government with no political support. The current government of non-party technocrats was named by Zeman as a temporary measure prior to early elections being held, after scandal toppled the previous government.

"I think these [mining limits] are a good example of decisions that an outgoing government without support should not take." The biggest Czech mining companies are desperate to have the current limits to their strip mining operations lifted, as they claim they are running out of coal. The lifting of these limitations would go some distance to securing the country's energy needs, but it would also result in the bulldozing of several villages in Northern Bohemia.

RUSNOK GETS OUT OF "MANDELA DUTY"

World leaders come and go, some of them making their mark on history, while others watch helplessly as the fleeting opportunity for immortality passes them by. There's every possibility that we're wrong about this, but perhaps Czech prime minister Jiří Rusnok was thinking along these lines as he presided over the nation's most powerful organ, the lower house of parliament. Perhaps in the back of his mind, he realized that because he'd been implanted into the post by the newly elected president Milos Zeman (rather than being elected to it) he risked fading away with no one having even noticed he'd been there.

How else to explain his words to the Minister of Defense: "Dude, and now Mandela's gone and died." The defense minister responded with equal vulgarity. "**Dude, who's going to go down there** [to the funeral]?" To which the prime minister made his now legendary response: "I hope it's the president...Dude, I'm dreading having to go!" Again, we can only assume this was an ill-advised attempt at a media stunt. The only alternative is that that Rusnok simply revealed the true level of sophistication of the country's elite; or that he simply cared more about the lunches and dinners he already had in his calendar than he did about the Czech Republic having the highest possible representation at the funeral perhaps the greatest figure of our lifetime. In the end, he got lucky, and was able to send someone from the Foreign Ministry.

ECB LEAVES RATES ALONE

The European Central Bank decided to leave interest rates untouched this month. The news **came as a surprise** to European observers, who'd been expecting further cuts. The lack of action served to strengthen the euro against the US dollar. ECB President Mario Draghi said the outlook for the euro remains good going into 2014, with the number of positive economic signals increasing across the eurozone.

POLISH BANKING SECTOR POSTS PLN 10BN IN PROFITS

Despite weak forecasts, Poland's financial sector proved stronger than expected in October, according to fresh data from Poland's Financial Supervision Authority KNF. The report shows Polish lenders posted PLN 10.03bn in profits in October, marking just a 3-percent drop month-on-month. At the same time operating profits fell by 6.4 percent in October to PLN 46.41bn, which is good news for the sector, despite lower interest rates.

According to KNF, Poland's commercial banking sector posted its best results in October, reporting just a 0.5-percent drop year-on-year. At the same time, however, Polish cooperative banks saw their profits shrink by 27 percent in October, although it's thought this was due primarily to falling interest rates.

BNP PARIBAS TO TAKE OVER BGŻ

In a deal worth PLN 4.2bn, France's BNP Paribas has acquired the Polish lender BGŻ from Rabobank. The deal still needs to be approved by Poland's Financial Supervisor KNF. "We're very pleased that a recognized bank like BNP Paribas decided to strengthen the market position of BGŻ as an universal commercial bank," said Berry Marttin, a Rabobank board member. "It's important for us to secure a strong partner, who will continue our goals."

"I'm really happy that these two institutions came to an agreement in such a short period of time," said Józef Wancer, CEO of BGŻ. "While they'll be focusing on securing permits from the regulator, we'll be concentrating on new opportunities arising from being a part of the European banking group."

GETIN NOBLE BANK BUYS RIB

The Romanian International Bank (RIB) was sold to Getin Noble Bank of Poland, according to a statement released by the National Bank of Romania. News of the takeover had a negative impact on the Warsaw Stock Exchange, where Getin shares fell by 2.1 percent, according to Reuters. No more details about the deal where released.

RIB currently has assets worth about RON 436m ($132 million) and 34 branches. The bank was owned by the American businessman Daniel Roberts and his former wife, Florina Roberts. However, in recent years, it suffered serious losses, which jeopardized its solvency. Getin Noble Bank is part of Getin Holding, which is controlled by the Polish businessman Leszek Czarnecki.

ČNB DRAINS EUROS FROM CZECH MARKET

Czech National Bank (ČNB) has drained euros from the local market, further weakening the crown. While the exchange rate currently was expected to fall from CZK 27.35 per euro to CZK 28. "The ČNB bought up nearly half of the euros in its attack on the crown in November, by pouring CZK 200bn into the market in a very short time. This has led to a lack of euros on the market. Banks did not have euros but were flooded with crowns," Petr Sklenář, the main economist at J&T bank, told Hospodárské noviny. The national bank was was buying euros from funds, companies and banks and offering them at CZK 27 per euro to exporters.

Warnings by electronics retailers that prices will only rise appear to be working as the biggest players on the market report much improved sales. Consumers appear to have believed hints that the devaluation of the Czech crown will soon lead to higher prices, with tablets and phones now marching out of stores and e-shops in higher than normal volumes. "It's clear that people were putting off the purchase of new refrigerators, washing machines and televisions in the hope that prices would fall even lower," Bohuslav Komin, spokesman for the retailer Euronics, told the website idnes.cz. "But margins for retailers are already at around 1 percent because of falling demand and high competition. A further drop in prices is unrealistic."

Following the Czech National Bank's intervention, which weakened the nation's currency, Euronics has seen its weakening demand suddenly leap to 30 percent higher than a year before.

AFI PALACE COTROCENI POSTS €21.2M IN REVENUES

AFI Palace Cotroceni Mall posted €21.2m in net operating revenues for the first nine months of the year, up 8 percent from the same period last year. The Bucharest mall posted €7.1m the third quarter, a 10-percent increase from the same period last year. Sales at AFI Palace Cotroceni totaled €145m between January and September.

AFI Europe, which owns the Bucharest mall, also recently signed one of this year's biggest and most important office deals with Electronic Arts, which is leasing the entire AFI Park 2 building. AFI Park 2 will be completed in April 2014.

PPF TAKES 50% STAKE IN O2 ARENA

Czech billionaire Petr Kellner, CEO of PPF, acquired a 50-percent stake in Prague's O2 Arena for CZK 600m, outbidding Karel Komárek, head of KKCG group, by CZK 200m, writes the server iDnes.cz. PPF and KKCG control an 86-percent share in Bestsport Arena, which operates the O2 Arena. However, in a bid to gain control of the entire arena, Kellner ended up taking Komárek's 43-percent share. Kellner and Komárek originally said they would continue negotiations, but KKCG did not present any new offer making PPF the winner. O2 Arena cost CZK 8bn to build. In 2011, Sazka, the original investor, filed for bankruptcy. Two years ago, E&Y Valuations valued the arena at CZK 1.57bn.

Office leads the investment charge in 2013

The investors and analysts CIJ surveyed about 2013 see continued momentum in the new year

Tomáš Picha
Director of Transactions - Central & Eastern Europe
INVESCO REAL ESTATE

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
I don't believe there is ground for overestimating the year's volume as this is more driven by the fact larger deals have traded rather than signs of increasing appetite. Definitely, the office sector volume will be up as a result of the sale of The Park in Prague and several other office transactions, and also a lot of retail and logistics deals happened in Poland which shows there is huge demand for low-risk, core products.

Were local and private investors a significant source of demand for investment product this year? For which types of assets? Do you expect traditional sources of demand to return in greater strength?
I see a similar trend also in Poland where a couple of new Polish investors are now filling the gaps mainly in secondary markets where typically foreign investors are passive. This is because domestic investors can take higher level of risk. They benefit from better knowledge, lower structural and tax costs and sometimes they can be more efficient. At the same time they (typically) don't compete with core investment managers when it comes to core, best-in-class assets.

Do you expect investments to focus almost exclusively around core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?
I believe the focus might get widened as a result of higher investor confidence (to be confirmed by economic projections and numbers) but typically, the vast majority of the volume is created by core products and here the expectation is that foreign capital will still be dominant. The logistics sector, with very long leases and good covenants is receiving massive interest from a lot of investors and as a result, we see yields going down. Still, there is a wide gap between pricing of core products and products that are older or have a secondary profile. That market is filled with domestic investors and opportunists.

Which sector (retail, office, industrial/ logistics) has the best market fundamentals at the moment, likely to spark investor confidence? Is there sufficient product available in that category?
Logistics with very long leases where the rent is really low and economical it will be quite difficult to predict someone else could build it cheaper, also, dominant retail shopping centers are proving very resistant to market turndowns.

Have vendors become more reasonable on the prices they can expect for their assets? Is this equally true for non-prime and for prime? How big is the gap?
I am afraid the gap has widened, as there is a huge discount for older and secondary-quality assets vs prime (more than 350 – 400 bps in some cases) which is a sign of limited liquidity and the [shallow] depth of the market. The moment not all the boxes are ticked (age, profile, location, covenant…) the discount becomes quite massive.

Marco Kohla
Director Transactions
Immofinanz Group

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
According to Colliers International, investments in the Czech Republic in the first half of 2013 increased 74 percent on the investment transactions closed during the same period in 2012. Investment volumes in 2013 are expected to exceed 2012 figures significantly, with up to €1bn worth of transactions expected to close. The office sector will continue to be the most popular, which is why we are currently realizing three office developments in Prague: Na Příkopě 14, Jungmannova 15 and Jindřišská 16. All three of them located in the inner city center.

Were local and private investors a significant source of demand for investment product this year? For which types of assets? Do you expect traditional sources of demand to return in greater strength?
The office sector accounted for the

majority of investment transactions with 54 percent of the total transaction volume, in line with the previous years. A number of significant transactions are forecast to close in the second half of 2013 which will see this sector account for around 60 percent of the total transaction volume this year. To date, 70 percent of transactions by volume were carried out by international institutional groups. This demonstrates the continuing appeal of the Czech market to major institutional investors. These trends figured out by Colliers International are also underlined by our experience: In the last financial year (2012/13) we successfully sold two office buildings in Prague to institutional investors.

Alexander Rafajlović
Associate, Capital Markets Group
Cushman & Wakefield

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
Offices were the preferred option in 2013. Although the volumes were influenced by the exceptional volume of The Park, the sector as such was very active, with the number of individual deals likely to reach 20 by year end. This would be the highest number of office deals since 2007. The width of the office investment market has widened, spanning from core to value-add deals. This translated into yields ranging from sub-6.5 percent to almost 10 percent.

Were local and private investors a significant source of demand for investment product this year? For which types of assets? Local and private investors have emerged as an active group targeting primarily office and industrial properties. At the moment their firepower fades quickly above the €20m mark. Nevertheless, they are already established as a viable exit strategy.

Do you expect investments to focus almost exclusively around core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?
The range will continue to widen since core product is rare and incumbent investors will look for exits, accepting more opportunistic pricing after the lessons learned from the past five years.

Which sector (retail, office, industrial/logistics) has the best market fundamentals at the moment, likely to spark investor confidence? Is there sufficient available product in that category?
After some years in the shadows, industrial is getting quite hot, with new money flowing into large portfolio holders as well as BTS projects with long leases. We might see some movement in the retail sector as limited supply in certain locations will cement the position of existing schemes.

The office investment landscape will be marked by uncertainty relating to the development of office space absorption and the vacancy rate. Strong supply in the city center will be balanced by the new-build quality of the schemes to be delivered – if landlords managed to lease their space, they will be met with a receptive investor audience. Submarkets which are slowly becoming landlord markets will be able to get around the fact that their stock is getting old.

The fact that around half of Prague's office stock is over 10 years old will mean that repositioning and redevelopment will become a more common practice.

Richard Curran
Managing Director
CBRE

Were local and private investors a significant source of demand for investment product this year? For which types of assets? Do you expect traditional sources of demand to return in greater strength?
We have seen significant interest from local investors this year in a whole range of assets. They are focusing on larger lot sizes and moving towards more core products. While the absolute core products will still most likely be acquired by German funds, all other assets are likely to see further increased interest from local buyers. This is good news for the market which has struggled in recent years to find buyers for core-plus assets.

Which sector has the best market fundamentals at the moment, likely to spark investor confidence? Is there sufficient available product in that category?
In my opinion industrial probably has the most sound fundamentals at the moment due to the strength of the leasing market. While rents remain under pressure in all but the most core retail and office projects, demand continues to

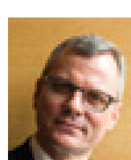
be strong in both the logistics and light industrial markets. Although many of the big developers on the Czech market tend to hold rather than sell, we expect to see significant activity in this sector over the next 12 months.

Ryan Wray
Director
DTZ

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
If we look at 2013 to date, office transactions have been by far the most popular which follows the long-term trend. Offices remain high on investors' wish lists, and there has been a relatively high level of available properties over the last 12 months resulting in a number of transactions. Availability is the key factor as demonstrated by the range of deals in terms of size (ranging from The Park right down to deals of less than €10m) and quality (A and B class) as well as portfolios. Retail activity has been very low. However, this is due to the availability of stock.

There is strong underlying demand for the right type of retail product but generally, existing holders are not looking to dispose of the better-performing schemes. This is exacerbated by lower supply levels of new developments since 2008. Industrial is also high on the shopping list of investors and can be seen to be increasing in importance as an asset class driven by the continued growth in online retailing. However, again, availability cannot be compared to the office sector as the small number of dominant players are currently not selling or they've sold recently, which similarly reduces the potential pool of buildings and developments available.

Do you expect investments to focus almost exclusively around core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?
Non-core investors have increased in activity and demand driven by the potential for high returns, especially considering where we're currently placed in the cycle. At the same time, core investors have increasing levels of available funds and new funds are also being raised, so I think you will see some diversification. You should also see some larger non-core deals and increased bank workouts, which is natural as the market improves. Finance is available, but more importantly, investors can expect more reasonable terms making those returns potentially easier to reach or at least model.



Martin Skalický
Investment Director
REICO

Were local and private investors a significant source of demand for investment product this year? For which types of assets?
The past two years have seen the influence of local players strengthen in both development and investment. The spectrum of active players on the market is more diverse and that is good for the market.

Do you expect investments to focus exclusively on core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?
Institutional investors will no doubt continue focusing on the core/prime market. But I do see reason reason why more dynamic investors shouldn't be able to make good deals on the non-prime market.

Have vendors become more reasonable on the prices they can expect for their assets? Is this equally true for non-prime and for prime? How big is the gap?
The gap between prime and non-prime is widening particularly in those locations with high vacancy rates. Vendors of non-prime properties must be reasonable on pricing. Often an upgrade or partial redevelopment is unavoidable in order to attract the attention of both tenants and investors.

Stuart Jordan
Head of Capital Markets
Jones Lang LaSalle

Which sector (retail, office, industrial/ logistics) has the best market fundamentals at the moment, likely to spark investor confidence? Is there sufficient available product in that category?
When we look at current interest from purchasers, it spans across all commercial sectors. The Czech market has always been dominated by transactional activity in the office sector, but this is skewed by the

number of buildings which could be described as being institutional in nature and hence profiling themselves as transactional objects. Further, in the office sector there has been a more frequent tendency of developers to sell, compared to the industrial sector where there's dominance by a handful of developers who build and then hold the assets. That's meant trading volumes have historically been lower, though they're occasionally skewed by large platform or portfolio sales. Investor confidence remains in all sectors, although restrictions in the availability of underwritable and secure product combined with a stranglehold on supply for both retail and industrial, is tending to generate more interest in these sectors. This may continue, as investors continue to question rental sustainability on the office market. Good quality product in all of these sectors remains sparse and hence we expect yield hardening for institutional Prague assets and dominant regional product.

Have vendors become more reasonable on the prices they can expect for their assets? Is this equally true for non-prime and for prime? How big is the gap?

It wasn't so much a case of vendors being unreasonable, as much as vendors being restricted by the historic asset values reflected on their books. While the market remained relatively inactive, specifically in all but the prime and core-plus sectors, so did transactional evidence. This also restricted valuers in re-benchmarking assets. The subsequent increase in investment and activity, combined with what is now a five-year period since the financial pandemic, allowed book values to be re-set to more appropriate levels; levels more reflective of where the purchaser pool is willing to engage. Most vendors holding prime assets are aware of the significant weight of capital seeking this risk-averse asset class and therefore the delta between prime and non-prime assets remains significant. With the continued flight of investors back to property as an investment class, however, it can be expected that non-prime pricing will follow the hardening trend set by prime assets. There is a general hypothesis that this price-gap is now, or has recently been, at its widest margin.

CPI to build World of Glass on Na Příkopě

The biggest Czech property investor is taking a non-commercial view on a classic old property

Nina Fibigerová

Two years after its acquisition of the sgraffiti-covered Živnobanka building on Prague's main high street Na Příkopě, CPI has finally revealed its plans for this historically protected monument. CPI CEO Zdeněk Havelka says the building will be turned into a "World of Glass" by two years of reconstruction work.

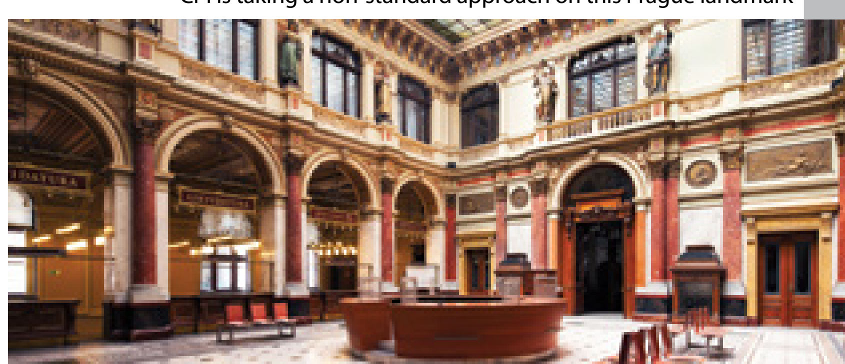
Having functioned as a bank since its construction in 1896, the ornate old building will soon be hosting progressive glass and kinetics installations. Three floors covering 3,500 sqm (of the building's 20,000 sqm total) will be devoted to exhibition space, while the remainder will be divided into office, retail space, a restaurant and a café. Intriguingly, the old bank's enormous safe will be turned into a museum shop.

To achieve wider acceptance for the scheme, CPI will be working with glass experts along with professionals in the fields of architecture, monumental protection, glass making and lighting and progressive technologies. Havelka says that CPI will cooperate with an elite group on the project including the architect Eva Jiřičná, the head of the Arts and Crafts Museum Helena Koenigsmarková, designer Maxim Velčovský, or the glass maker Zdeněk Lhotský. With work scheduled to start next year, the "World of Glass" is expected to open by the beginning of 2016.

CPI paid UniCredit CZK 900m for the building whose reconstruction is expected to cost CZK 400m while setting up the exhibition facility will require an additional CZK 100m. The building's commercial space will produce income, as should the short-term leasing of exhibition space, but it's not envisioned as a profit center for CPI. "This is not a classic income producing property," says Havelka. "Of course we don't want to subsidize its operations...But preservation of the building and putting it to a new cultural and public use is the most important outcome."

The developer's focus also hopes to improve the dowdy-looking Nekázanka Street side of the old Živnobanka building. The project's manager Ladislav Pflimpfl says CPI is in negotiations with Prague 1's administration to transform Nekázanka into a pedestrian zone. "We will offer five retail units on the ground floor to the high-end retailers selling design glass products, jewels and other high end goods," he says.

CPI is taking a non-standard approach on this Prague landmark



CIMEX BUYS CITY WEST B1 FROM FINEP

Cimex has acquired the 22,000 sqm City West B1 office building in Prague 13-Stodůlky from Finep. The tenant list includes Bayer, Hyundai and Interoute, but the price of the sale was not disclosed. In a deal closed in 2010, CPI is thought to have paid CZK 18bn for two buildings in City West, representing a yield of 7 percent.

The City West B1 transaction follows the sale of two old office buildings to PasserInvest in September. Both buildings are located near BB Centrum, a business area in Prague 4-Michle. PasserInvest plans to tear them down and build a modern hotel with a congress center. The Czech developer has been working for over a decade on BB Centrum, a 20 ha of land around Vyskočilova street in Prague 4.

The value of Czech prime properties grew by 5.8 percent y-o-y in Q3, according to Cushman & Wakefield's Commercial Real Estate Capital Value Index, which monitors capital value growth of prime commercial real estate assets. This is the third consecutive quarter of growth, which, together with other macro and property-related indicators, boosts hopes that the market has reached bottom and is recovering from a double-dip recession.

Industrial take-up hits 1m sqm in 2013

Third quarter results indicate that the Czech industrial sector continues to thrive

Nina Fibigerová

Activity in the industrial property market culminated in the third quarter 2013, according to Jones Lang LaSalle, and the trend will continue in Q4, with take-up likely to reach 1 million sqm. This would surpass results achieved in the strong years of 2010 and 2012.

New Major Completed Schemes in Q3

Property	Developer	Floorspace (m2)	Region
PointPark Prague D1	PointPark Properties	18,900	Greater Prague
VGP Park Hrádek nad Nisou	VGP	18,200	Liberec
CTPark Bor	CTP Invest	16,300	Pilsen
Areál Stazap - Malešice	Flow East	15,000	Greater Prague
CTPark Brno	CTP Invest	12,500	Brno

Source: Jones Lang LaSalle

On the supply side, 130,000 sqm of new space were added to the market in 13 new warehouses. "By year's end, we expect another 100,000 sqm of new logistics and light industrial space to be completed, which will put the total stock in the Czech Republic over the 4.5 million square meter line. At the same time, the completion levels will surpass 330,000 sqm which will be the highest supply since 2009," says Harry Bannatyne, Head of Industrial Agency Jones Lang LaSalle. The increased activity in the sector has been driven by automotive production, while e-retailing has increased from 1 to 6 percent market share.

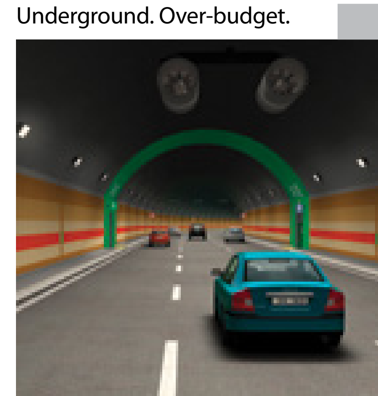
The additional 100,000 sqm scheduled to come on-line before the end of the year will be spread across eight projects and four regions. The 33,000 sqm build-to-suit for FEI Czech Republic in CTPark Brno II, 22,000 sqm for Grammer in CTPark Žatec and 10,000 sqm for a logistic providers in VGP Park Liberec are the largest deals for 2013.

Net absorption has increased by 156 percent to 175,300 sqm in the first three quarters, a result office developers struggling with negative absorption can only dream about. Net take up has reached 431,000 for the same period (off a gross total of 766,000 sqm) , with Q3 adding 181,000 leased sqm, an increase of 24 percent q-o-q and 9 percent y-o-y. With up to 95 percent of the new supply going up on a build-to-suit basis, overall vacancy is cowering at just 8.5 percent. "The only question now is which of the developers comes with a real speculative project," says Ondřej Novotný, Head of Research for Jones Lang LaSalle. Milan Korbelář, Associate Director in JLL says that it is an advantage to have space available, because the deals are being done very quickly. "We expect a speculative development in the greater Prague area soon," he says.

CONTRACTORS ADD CZK 9BN TO BLANKA TUNNEL BILL

The contractor Metrostav insists the city of Prague pay 36 percent more than it **originally planned to bill** for the construction of the Blanka tunnel complex. Another contractor, ČKD DIZ, will get a 21 percent premium, while Inženýring dopravních staveb will get CZK 217m, more than double the CZK 95m it was due under the original contract.
The Blanka tunnel was expected to cost CZK 27bn, with CZK 25.7bn to go to Metrostav and ČKD. But by 2012 the budget had spiraled to CZK 37bn and the server aktuálně.cz writes that the city representation is not able to explain the increase. The auditors were only able to disclose the increase in payments for three main contractors. According to their findings, Metrostav managed to negotiate CZK 7.7bn in extra payments through eight amendments to the original contract. ČKD DIZ increased its price from the original CZK 4.5bn to CZK 5.7bn.

Underground. Over-budget.



Crestyl adds temporary sports and leisure zone at Libeň Dock

Developer hopes to popularize the location before building by creating a new leisure zone

Nina Fibigerová

Having secured use permit for the DOCK 01 office building in the Libeň Dock riverside development in November, Crestyl is accelerating works on the next residential phase of DOCK and on marketing space located in the V shaped second office building in the area. It is also in talks with a potential operator of a leisure component that will be installed on the central peninsula of land reserved for the last phase of residential development in the DOCK. "We know we will not use the land in less than six years, so we decided to lease it for free to a partner, who would change it into something similar to Žluté lázně in Prague Bráník," explains the Chief Sales Officer in Crestyl Real Estate Radim Sayed.

Crestyl's DOCK

To that end, Crestyl expects to sign a contract for the new outdoor leisure zone with an operator to create a leisure and sports area called Dock Club, due to open by July 2014. The idea behind the move is to bring life and potential customers to the area, and to improve the amenities available to office tenants and residents who have already moved in. Sayed explains that no permanent construction is allowed on the plot, save for the residential buildings Crestyl has achieve planning for. "The operator is a partner of Loft Cube, a manufacturer of special cubes that can be place on the ground or on the river, with saunas, cafés, restaurants and other amenities to be located in them. On the peninsula, tennis courts, beach volleyball, and various other playgrounds will be created, next to an outdoor theater and beach," says Sayed. He adds that the project should be economically viable through revenues raised by renting the cubes and sponsorship agreements with sports brands.

The city of Prague has contributed to the the area's development, having reserved CZK 120m from next year's budget to set up six additional water pumps to be located in the anti-flood barrier on the Rokytka creek. The normally peaceful stream creek went on the rampage during flooding this spring, taking water management officials by complete surprise and filling the underground garages of the development. It also impacted heavily on sales and leasing at DOCK.

A few weeks ago, the developer secured an occupancy permit for Dock 01, the first office building in the extensive riverside development going up on Libeň Island in Prague 8. The 9,000 sqm building cost the developer CZK 500m and its construction took 15 months. Crestyl and UBM, which invested in Dock 01, have already moved into their new premises in the eight-story building. The law firm Ueltzhöffer Klett Jakubec & Partneři has also signed a lease, as well as Develop Tech and Effective. The deals have brought the occupancy in the building to 50 percent.

L&L PRODUCTS TAKES 5,000 SQM AT BUSINESS PARK RUDNÁ

L&L Products, which produces automotive and aerospace components, is entering the Czech market by opening a plant at Business Park Rudná. L&L Products signed a lease on more than 5,000 sqm at the park. Jones Lang LaSalle brokered the deal. L&L plans to produce new non-woven materials for the automotive industry at its new planet. "We are happy to welcome a pure manufacturer at Business Park Rudná as these buildings were originally designed for higher value-added operations such as L&L Products," says Milan Korbelář, associate director at JLL. Business Park Rudná offers a total of 150,000 sqm of warehouse space in 20 halls. It is owned by the Heitman global property fund and managed by Jones Lang LaSalle.

C&W: Q3 CRE values grow by 5.8%

Cushman & Wakefield's new investment index is intended to bring greater transparency

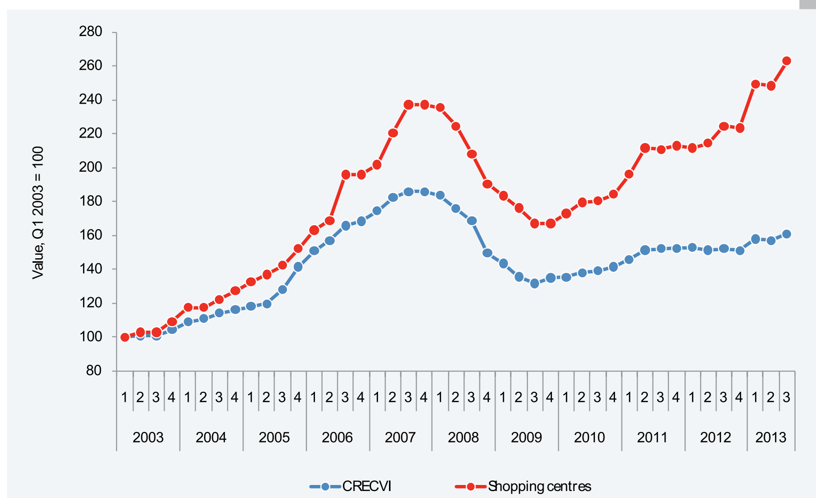
Nina Fibigerová

The value of prime commercial properties grew by 5.8 percent y-o-y in Q3, according to Cushman & Wakefield's new Commercial Real Estate Capital Value Index (CRECVI). This is the third consecutive quarter of growth, which confirms, together with other macro and property-related indicators, suggests that the market has reached bottom and is recovering from a double-dip recession.

The weighting of the CRECVI Index is 50 percent office, with retail and industrial 25 percent each, according to Michal Soták and Jaroslav Kaizr of Cushman & Wakefield. "The growth comes from the strong performance of prime shopping centers in Prague, but Prague's offices are not picking up due to pressure on rents and industrial is stable," says Michal Soták, head of research at Cushman & Wakefield. "Capital values of offices are at the same levels as in 2005, while prime shopping centers in Prague are already above their 2007 peak."

Jaroslav Kaizr, partner of the industrial team at Cushman & Wakefield, adds that the capital values of industrial properties are stable at 2004 levels. "Due to low vacancy, long-term contracts and the general absence of bubbles in the sector, it's extremely attractive for investors looking for a safe investment into real estate with reasonable returns," he says.

CRECVI, shopping centres and portfolio of assets, value, Q1 2003 = 100



The market peaked in the second half of 2007, before collapsing in a crash that sent property values to their ultimate bottom in 2009. As the economy stalled again in 2012, property values also underwent a moderate decline. Since then the Capital Value Index shows has demonstrated steady growth as it returned to 2006 levels.

Soták says Cushman & Wakefield came up with the index in order to increase market transparency for investors and owners of Czech property assets. It updates year-on-year value shifts on a quarterly basis. "The changes in the index stem only from changes in rents and yields and Soták explains that occupancy has not been included because prime properties tend to be stable," explains Soták. He adds that the prime index should be of use to those interested in the secondary sector. "They have higher risk, so their performance should be above our index," he says.

CTP, PANATTONI HIT HURDLES OVER AMAZON

CTP and Panattoni, who succeeded to strike a bargain with Amazon to build its 100,000 sqm warehouses in Prague and Brno, have run into planning hurdles. This has sparked speculation that the company could revisit its decision to build warehouses in the Czech Republic.

CTP, which offered to build a warehouse for the company at Černovická terasa in Brno has reportedly run into planning difficulties, with a local council claiming the project is not in line with the master plan, with necessary transport infrastructure still missing. Panattoni plans to build a facility for Amazon in its logistic park in Dobrovíz near the Prague's Ruzyně airport, but the local administration there have fought the scheme by having it rejected in a recent public referendum.

PRAHA CITY CENTER obtained the BREEAM In-Use certification on the level „very good“

PRAHA CITY CENTER on Klimentská street is among the most prestigious office buildings in the center of Prague….

In November, the renowned office building PRAHA CITY CENTER obtained the BREEAM In-Use certification as the first building of its kind in Prague 1. While not a brand new building, it achieved a high rating, on the level of "very good."

The BREEAM testing process, followed by certification, was initiated by the building owner, GLL Real Estate Partners GmbH company, which invests in modern infrastructure and systems which support environmental protection on a long-term basis. The building owner appointed a team from the building's management company, European Property Management, to prepare the building for certification and to coordinate the process with the certification authorities.

Building arrangements and systems

From the environmental point of view, the PRAHA CITY CENTER building was on a good level even before the certification. For this reason, the certification provided a good motivation to raise this level even further in order to provide tenants with higher quality and environmentally friendlier working conditions, most of whom evaluate as very positive. This positive attitude was demonstrated by the results of a tenants' satisfaction survey in the PRAHA CITY CENTER building which was carried out in the course of the certification preparations.

"The decision about the BREEAM In-Use certificate became a great encouragement for the building management team because we have always cared about the environmentally friendly aspects of our building. Achieving this high rating is a very positive motivation for the whole team, which was devoted to it, and also for the future," said Ing. Iva Petrová, a Property Manager from the building management team.

To prepare for certification, new energy saving technology was implemented in the building, such as an update of the Enterprise Building Integrator (EBI), an extension of lighting using LED technologies, new end measures with water taps and toilets and a water fountain connected directly to a water pipeline. Throughout the building, thorough care is taken to separate waste into 7 categories and high attention is paid to using 100% recycled consumer materials. "Green" energy is used as a matter of course. In order to support environmentally friendly traffic, the number of bicycle stands was increased to 29 and a shower with lockers and a dryer was added. In addition, an environmental study was prepared which, among other things, resulted in the installation of nest boxes for bats and birds and the placement of an insect hotel for loner bees. Changes were also implemented in communications with tenants, using a special website interface, accessible only to the building tenants.

PRAHA CITY CENTER belongs to a fund managed by GLL Real Estate Partners GmbH. GLL invests on behalf of its investors in Europe (Central and Eastern Europe, the United Kingdom and Western Europe), the United States of America and Latin America (Argentina, Brazil, Chile and Mexico). Currently the assets under management exceed 5 billion euros and cover more than 80 properties. In order to acknowledge its responsibility as a real estate fund manager, GLL co-founded the "Greenprint Foundation" with other industry stakeholders. Greenprint is committed to reducing carbon emissions across the global property industry.

"Obtaining the BREEAM In-Use certification on such a high level is very positive feedback for us and a great evaluation of the work which we have been doing for the PRAHA CITY CENTER building for several years. But to think environmentally isn't just a question of the owner or of the real estate operator, but also of its tenants. We are delighted that there is a synergy between the building management and tenants. The environmentally friendly behavior is present here on a daily basis and the tenants evaluate it as very positive," Asset Manager Paul Pontzen said.

CIJ Awards 13 Czech Republic

Thirteen prizes were handed out at the 13th edition of the CIJ Awards Czech Republic in late November. With the crowd topping 260, this elite gathering of real estate professionals filled the main ballroom of the Marriott Hotel in central Prague on November 21.

The gala evening's main focus, the presentation of the awards, followed an evening of drinks, entertainment and food. The categories included four project property sectors, along with prizes for companies, personalities and special achievements.

The high level of quality of virtually all the nominees the projects nominated this year demonstrates how developers have raised their game over the past five years. Tenants, investors, banks and developers themselves now realized that only the highest quality projects backed by solid professionalism in planning and realization can produce schemes of lasting value. With the market now in somewhat better shape than in last years, however, the numbers and volume of nominated projects exceeded those in previous years.

Penta Investments was the big winner in 2013, as it took several of the 13 plaques on offer during the evening. The cornerstone of the company's success followed from the capture of Best Office Development by its project in central Prague, Florentinum. The project's commercial success also paved the way for Penta Investments to take the Developer of the Year award, and Florentinum also won the ESSA (Environmentally, Socially and Sustainable Award) as well as Lease of the Year for its 9,000 sqm deal with Ernst & Young, an anchor tenant at Florentinum.

Not that there weren't other winners as well. The Best Shopping Center Development this year went to Galerie Šantovka, an ambitious shopping mall delivered by Dandreet that has unlocked a vast brownfield area in the heart of Olomouc for re-development. Along with the positive impact it's had on the center of Olomouc, the project's commercial success (85 percent occupancy) in assembling an attractive tenant mix in a small secondary city is ultimately the clearest demonstration of the project's quality.

The Best Warehouse/Logistics Development went to Panattoni Europe for its completion of a top notch manufacturing facility for Faurencia, while Orco Property Group's project called V Mezihoří was awarded as Best Residential Development.

The remaining Awards, all of them decided by the on-line votes of CIJ readers, went to companies and individuals. The Industry Leadership Award for 2013 went to Remon L. Vos, CEO of CTP. UniCredit Bank was chosen by the readers of the CIJ as the Financial Provider of the Year, and Wilson & Partners took over the Law Firm of the Year category.

The last three prizes were reserved for the real estate agencies, with Svoboda & Williams taking the Best Local Real Estate Agency prize, Jones Lang LaSalle chosen as the Best International Real Estate Agency while CBRE Property Management took the Property Management Team Of the Year.

As was the case in recent years, the project categories were judged by combination of a jury of real estate experts (25%) and on-line voting by CIJ readers (75%). Voting was monitored by PwC, partner of the CIJ Awards across the region.

CIJ Awards Czech Republic

Winners 2013

Best Office Development
Winner: Florentinum - Penta Investments

Best Residential Development
Winner: V Mezihoří - ORCO Property Group

Best Shopping Centre Development
Winner: Galerie Šantovka - DANDREET

Best Warehouse/Logistics Development
Winner: Faurecia - Panattoni Europe

Industry Leadership Award
Winner: Remon L. Vos - CTP

Developer of the Year
Winner: Penta Investments

Lease of the year
Winner: Ernst & Young – Penta Ivestment

Financial service provider of the year
Winner: UniCredit Bank

Property Management Team of the Year
Winner: CBRE Property Management

Law firm of the Year
Winner: Wilson & Partners

Best Local Real Estate Agency
Winner: SVOBODA & WILLIAMS

Best International Real Estate Agency
Winner: Jones Lang LaSalle

ESSA (Environmentally, Socially and Sustainable Award)
Winner: Florentinum - Penta Investments


Robert Fletcher and Robert McLean (Roberts Publishing Media Group)


Cushman&Wakefield table


Ernst Giese (Giese&Partner) and Petr Palička (Penta)


Pavel Sovička (Panattoni) and Jakub Holec (108 Agency)


Jonathan Hallett (Cushman&Wakefield) and Petr Palička (Penta)


Robert McLean (RPMG), Vítězslav Vala (Siko koupelny)


Tewfik Sabongui (Jones Lang LaSalle), Ian Worboys (PointPark Properties)


Luděk Schmidt (Dandreet), Milan Dembowski (KB)


Miloš Kocián (Penta), Pavel Streblov (Penta), David Musil (Penta), Jan Evan (AK Evan), Petr Palička (Penta), Rudolf Vacek (Penta)


Radek Zeman (CTP Invest), Brian Wilson (Wilson&Partners)


Wilson&Partners team


Marion Williams and Prokop Svoboda (Svoboda&Williams)


Jakub Pelikán (Goodman CR), Robert McLean (RPMG)


Jakub Holec (108 AGENCY), Jan Cimburek (ABAKUS), Marek Votava (108 AGENCY


Michal Bezděka (CBRE), Klára Fritsch (Panattoni) and Filip Kozák (CBRE)


PointPark Properties Team


Robert Fletcher (RPMG), Otakar Martinec (PwC), Matěj Chrz (PwC)


Giese&Partner table

CIJ AWARDS PARTNERS 2013

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Thanks to all our partners and attendees this year for a great and successful event.

METROSTAV IMPLICATED IN TENDER MANIPULATION

The online serve ihned.cz published details of an alleged case of tender fixing involving some of the biggest players in the Czech construction sector. In a tender worth CZK 300m for the reconstruction of the Czech National Stables, detectives believe the contractor Metrostav paid off its competitors to ensure they would submit bids that were too high to win. The server says that the contractor tried to pay off Strabag and Geosan with CZK 1m each, but when they demanded four times the amount, the situation became more complicated. Eventually, a sum of CZK 2m was agreed upon, but anti-corruption police moved in soon after. Police believe this is a textbook case of the way public tenders are manipulated in the Czech Republic. This example is complicated by the fact that the project is funded in part by EU resources.

CPI SCORES FINANCING FOR ENDURANCE FUND ACQUISITIONS

CPI Group has secured refinancing for five projects that were part of its Endurance Office Fund acquisition. The first loan, worth €97m, was granted by Raiffeisenbank and Komerční banka to refinance three office buildings: the ČEZ headquarters at BB Centrum in Prague 4, Luxembourg Plaza in Prague 2 and Besnet in Prague 4. The second loan, worth €36.5m, will go toward Orco Tower in Warsaw and Galeria Orcana in Lublin. Bank Zachodni WBK, a member of Santander Group, was the lender. Martin Němeček, the deputy CEO of CPI Group, says long-term financing under favorable conditions was a requirement.

CPI recently also secured a development loan for its Quadrio project, which is going up at Národní metro station in Prague 1. The CZK 2bn investment is being financed by German Helaba and UniCredit Bank ČR.

CONSTRUCTION SECTOR POISED FOR FAILURES

Up to 20 percent of all Czech construction companies could fail, according to the most recent study by CEEC Research. It found that the sector is running at just 83 percent capacity, and with little to indicate an increase in demand next year, the situation is now grave. Director Jiří Vacek told Hospodářské noviny that barring an unexpected change, "we can expect the beginning of a more intense consolidation on the market," he said. "Many companies have already used up or are on the very edge of their reserves, and they can't survive an order in which they carry out with no profit or even at a loss. There are too many fishermen sitting around a lake that's drying up." The order book for the sector stood at CZK 130.9bn at the end of September, a 14.6-percent fall from a year ago.

Tough times for builders

CPI STARTS OFFICE DEVELOPMENT IN PRAGUE-KARLÍN

CPI Group has started working on one of the projects it acquired when it took over the Hungarian developer Ablon this May. Construction is underway on a new office building in the Meteor project in Prague 8-Karlín. CPI, which made only slight changes to the original scheme, decided to start construction on Phase C of the project to meet the expansion needs of tenants in Meteor A and B. Phase C is scheduled for completion in autumn 2014. CPI Group CEO Zdeněk Havelka told Hospodářské noviny he believes the building will be fully leased prior to opening thanks to its prime location in Karlín. Mayhouse in Prague 4 is another project CPI took over from Ablon. Construction on the 6,500 sqm office building should start before the end of the year. CPI plans to build it speculatively. The projects will cost the developer CZK 250m each. A bank loan has been secured for Meteor, while CPI expects to finance Mayhouse out of its own equity.

CPI continues Meteor in Prague 8

SKANSKA STARTS NEXT PHASE AT MILÍČOVSKÝ HÁJ

Skanska Reality started construction on the next phase of its residential project Milíčovský háj. Called Sadová because of its location next to a cherry orchard, this phase will add 133 units to the project in six three- to five-story apartment buildings. "This project is the most successful in our portfolio. We started sales of the previous phase at the start of construction last autumn, and to date we have sold two-thirds of all the units," says the project development director, Naděžda Ptáčková. Skanska Reality has launched five new projects as well as additional phases of existing projects this year, adding 431 new apartments to the market.

Milíčovský háj - Sadová

INDUSTRIAL TAKE-UP JUMPS 17% Y-O-Y IN Q3

Nearly 129,000 sqm of new logistics and industrial space came online in Q3, according to the Industrial Research Forum (IRF). IRF estimates that supply could hit 330,000 sqm by the end of the year, the highest level of completions since 2009. Speculative construction was near zero, as some 90 percent of all the new projects are being built on a pre-let basis. Gross take-up, including renegotiations, reached 272,000 sqm, a 9-percent increase q-o-q and a 17-percent jump y-o-y. A total of 766,000 sqm of logistics and light industrial space was leased during the first three quarters of 2013, surpassing last year's results by 26 percent. Net take-up amounted to 181,000 sqm in Q3 and for the first three quarters reached 431,000 sqm, up 3 percent compared to the same period last year. Amazon's 17,400 sqm lease at Panattoni Park Prague Airport was the biggest deal in Q3, according to the IRF, followed by Mountfield, which took nearly 15,000 sqm at PointPark Prague D1. Meanwhile, Johnson Controls preleased more than 12,000 sqm of BTS production space at CTPark Bor. Manufacturing companies once again drove demand on the Czech market, accounting for 41 percent of the net take-up. Almost two-thirds of the supply were snatched up by tenants from the automotive sector. Following two quarters of increase, the vacancy rate in the Czech Republic stabilized in Q3 2013 at a level of 8.5 percent, reaching almost the same level as in the previous quarter, while prime headline rents stood at €4.25/sqm/month. The largest industrial park of the Czech Republic is VGP Park Horní Počernice comprising nearly 320,000 sqm of logistics and light industrial space, followed by CTP Park Bor in the Pilsen region (254,000 sqm) and Prologis Park Prague Jirny (222,000 sqm).

Rudna Business Park

Trigranit's development focus pays off

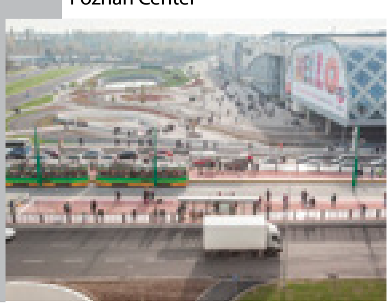
The Hungarian developer will continue its strategy of investing together with investors beyond its home borders

Robert McLean

Trigranit's strategy for working with co-investors is bearing fruit, says its CFO Zsolt Szabo. He gives the Poznan Center as a classic example of how the company likes to work in these days of limited credit. And with prime product so difficult to find, some opportunistic investors are turning to developers they can work with to get more.

"They put the majority of the equity down, and we contribute our part, and then we are entitled to a promote if we hit some IRRs that make our co-investor happy," says Szabo. "And then once it's built and open, the development and construction risk is over and you can sell it to an investor that's in a later stage of the value chain."

Poznan Center



In the case of Poznan Center, Trigranit teamed up with Europa Capital to build the 58,000 sqm mixed-use center that houses 230 shops and 35 bars, restaurants and cafes. In the current environment, these joint-venture arrangements make sense for Trigranit, says Szabo. "We keep our platform for development fees, and we diversify risk at the beginning, and we can still make decent profits." Ideally, he says the company will do everything from site acquisition and arranging financing before construction to project management during it and asset management after completion.

Szabo reflects that the decision to focus on development, rather than the creation of a huge portfolio of property, was the right one. In part, he points out the company managed to sell a considerable portion of the company at the peak of the market.

"You can still make very attractive profits this way," he says. "We have a track record, and we have experience in making profits for our co-investors, who are happy to share development risk with us. Looking back, I think we made the right decision. We benefited from the peak, and we survived the crisis without any external help."

He sees the interest from investors in investing with Trigranit as a natural reaction to the current investment environment. "With money so cheap and returns so low, you barely exceed 10 percent returns in a core-plus fund," says Szabo. "Not everyone would be happy with this. Real estate funds aren't counting any more on cap rate compression. It's a stable market, so if you want to make good returns you have to turn to development, because then you can exceed 20 percent easily."

PROLOGIS 86% LET IN HUNGARY

Prologis has concluded three lease agreements at one of its Hungarian holdings, Prologis Park Budapest-Sziget. The largest of the trio is a 10,763 sqm lease to BOY, a Hungarian logistics company that's been active on the market for two decades. BOY took space in Building 5 of the project. Prologis also managed to lease 2,560 sqm in Building 5 to Javécoop, which is another Hungarian logistics provider of long-standing. The last of the deals was for 1,529 sqm of space in Building 4 concluded with Essentra Filter Products, which provides filters and scientific services to the tobacco industry. That brings the total space occupied by the company to 12,740 sqm in Building 4.

"We are delighted to welcome new clients to the prime location of Prologis Park Budapest-Sziget," said László Kemenes, vice president for Prologis in Hungary. "With these transactions Building 5 is fully occupied, and the overall occupancy level of Prologis' Hungarian portfolio has increased to 86 percent, well above the Hungarian market average of 77 percent."

Prologis Park Budapest-Sziget is currently made up of seven buildings with more than 120,000 sqm of distribution space, with the possibility of building an additional 50,000 sqm worth of space. The park is adjacent to the M0 Motorway.

Prologis Park Budapest-Sziget

Csörgö: Old centers can live again

It's a bit too simple to write off old shopping centers, says CBRE's head of retail Anita Csörgö

Robert McLean

Today's investors are only looking for prime assets. That's a sentence we hear repeatedly from property professionals, describing what sounds like an attempt to rid the world of all risk. The problem is that an obsession with core product could cause real opportunities to be missed. In Hungary, one such opportunity as first generation shopping centers.

A cliche we heard often enough in Cannes during the MAPIC fair was that old shopping centers would probably end up in distress as investors and banks would steer clear of them. Anita Csörgö, director of retail for CBRE, is quick off the mark in disputing the wisdom of this belief. "First generation doesn't mean that it's in trouble," she says. "The ones that are in the best locations are doing well."

She gives the example of Polus Center, which CBRE is now managing for CBRE Global Investors. "Money has been invested, but it wasn't moving in the direction they wanted, so they needed new insight," says Csorgas. With Media Markt having to reduce the size of its store, the owners agreed to a new concept to enliven a slow part of the mall. A small strip mall-like facility with stores opening onto the parking lot is being installed, with new stores to include a drug store, a pet supply store and a supermarket. Windows have been installed into a wall in the Tesco hypermarket, opening up the space and attracting in greater numbers of visitors. Finally, a Costa coffee shop will replace a non-branded unit, and Csorgas says young fashion brands will be brought in, filling a gap in the mall's offering.

There are a couple things makes the investment worth the risk. One is the location, which has always been of prime quality. But Csorgas admits that the mall has been fortunate to avoid direct competition from new projects. "If some planned new projects had come on-line it might not have made sense for an owner to invest that additional money," she says. "But the recession and the lack of a pipeline have given some tired old centers an opportunity to come to life again."

The trouble for banks that have failing malls on their books, she says is that they tend to lack the ability to manage shopping centers. They also fail to realize that although they are old, the well-located ones continue to have real potential. "But if they want to improve these centers that they grossly over-financed, then they need to hire people in order to improve the center."

Anita Csörgö

EMERSON PROCESS EXPANDING

Emerson Process Management is expanding its presence in Székesfehérvár through the purchase of a 25,000 sqm factory at the Sóstó Industrial Park. Set on a 12 ha plot of land, the entire investment is being put at more than HUN 3bn and is the result of an agreement concluded in early November with the factory's former owner, TP Vision. Emerson was represented in the deal by Colliers International.

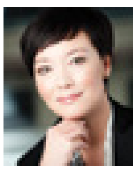
The new facility will be used by the company's Fisher line, which has been operating in Székesfehérvár since 1995. By moving into the new facility in 2014, it will effectively double its presence in the town, where it currently occupies space at the Videoton Industrial Park.

Fisher's factory was originally established to manufacture valve parts and has been continuously expanded, first to produce valves, then to establish a customer service, parts distribution and service center in 2010. Fisher currently employs more than 500 people, which will increase upon occupancy of the new facility.

Globally, Emerson produces $25bn in revenues, employing 135,000 people in 235 locations. In Hungary, the company employs nearly 2,000 people. In addition to Fisher and Valve Automation manufacturing sites in Székesfehérvár, its Leroy-Somer line produces for the industrial automation sector in Iklad.

Large investment volume in 2013 was no one-off event

CIJ's survey finds confidence among investors and financers that the investment momentum of 2013 will continue



Agata Gola
Head of Real Estate Finance
Nordea Bank Poland

Do you expect investments to focus almost exclusively around core next year, or might there be a widening of investor targets? Is your bank willing to finance non-core investments?
If we define "core" as a prime asset located in Warsaw's CBD, then we see investor appetite gradually increasing for other asset classes as well. We expect this trend to continue next year, as the availability of so-called core assets in Poland remains limited and demand continues to remain high with prices for them hitting new highs. Properties with strong tenant mixes, located in non-central locations in Warsaw, or in central locations of regional cities guarantee higher return rates, with acceptable risk profiles. At the same time, the number of opportunistic or value-add investors interested in secondary assets is also rising.

Our activity in providing financing to the Polish real estate sector isn't limited to just Warsaw. We've established our position on the regional markets, since our decision-making is based on in-depth analysis of each project, its competitive advantages on the specific market and on the particular location.

Did you increase your lending volume in 2013 for investment transactions? What do you anticipate for 2014?
A large part of the transactions we closed in 2013 concerned acquisitions. We're currently watching several development projects that we find interesting, so we expect our portfolio to be well-balanced next year.

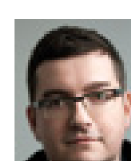
Maciej Zajdel
Head of Poland
IVG

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
Our market is still developing, continuously and quickly, mainly through larger assets, which are easier to produce, than a lot of smaller ones. For the last several years in Warsaw and in Poland, large scale deals have been driving volumes up on the investment market. This is positive, but in another way it's a bit of pity. If the market would create a larger number of smaller investments, far more investors would be able to enter it. This would also allow more Polish investors to appear, because for the time being, the large-scale investments aren't for them.

I expect an increasing number of smaller investment products to appear in years to come and that in the mid-term, they will develop much more quickly than the large-scale projects. But it's a far more difficult and time-consuming process.

Have yields gotten too aggressive in Poland for prime and do you expect there to be any softening? How would you describe the situation for core-plus/non-prime?
Currently and in the past, core yields fell 100-150 bps behind other core markets in Western Europe. When prices in Germany/London/Paris fell, we saw the same trend in Poland. Nevertheless, I do not currently sense among most of our investors a great deal of pressure on yields for core products. They are very selective and very careful not to make mistakes.

We're currently involved in various larger bids of more than €200m in EU prime markets but our investors do not go after each and every opportunity, if the pricing is too aggressive. In my view, Poland is a very balanced market – it's very stable, relatively speaking, and it's still quite attractive in terms of returns. But all investors expect some discount in relation to Germany and other established locations. For typical core products, I don't expect major price movements. But products with uniquely long lease agreements with good covenant tenants will command better pricing, as this looks better in the cash flow models. If the pricing gets too hot, we would lose the interest of investors very quickly, I'm afraid.



Karol Bartos
Director Portfolio & Asset Management
Tristan Capital Partners

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
Investment volumes were up in many parts of Europe last year. CEE has clearly been a major beneficiary of those flows. We believe there are many factors contributing to increased investor appetite, and this will

continue into 2014 and beyond. Perhaps the single biggest driver is the nature and size of the relative opportunity in Europe. Nowhere else in the developed world offers investors the opportunity to buy good quality, institutional real estate from motivated sellers at low prices.

Do you expect traditional sources of demand to return in greater strength next year?
Clearly there is a significant amount of global capital chasing core assets in prime locations. Outside of major markets like Paris or London or Frankfurt, it's difficult to distinguish where capital comes from and what it wants to focus on, since much of it comes from private equity sources or opportunistic funds. These funds collect capital from a variety of sources around the world and will look at a wide range of assets, markets and challenges.

Do you expect investments to focus exclusively around core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?
There is a clear trend towards investors expanding their risk tolerance – even in markets where they have been slow to act in the last year or so. Financing is available if the borrower is an experienced sponsor and has a clear plan of action for an asset. The primary lenders that are active in Europe are the German Pfandbrief banks.

Which sector (retail, office, industrial/ logistics) has the best market fundamentals at the moment, likely to spark investor confidence? Is there sufficient available product in that category?
We tend to look at confidence as being a function of price – particularly in markets where growth is still in the first phases of recovery. While prices remain low in historic terms, and in many cases below replacement costs, we believe investors will continue to demand property assets – especially given the yields on offer relative to bonds. That said, we think the fundamentals in European office markets are becoming interesting as rents are low and there is a diminishing stock of grade A space to lease in many markets. At the same time, the rapacious appetite for core assets from core funds and sovereign wealth investors has meant that the stock of available product is in short supply. It seems logical to expect that a shortage of leasable stock and a shortage of investable product will pique investor interest.

Have yields gotten too aggressive in Poland for prime and do you expect there to be any softening? How would you describe the situation for core-plus/non-prime?
Yields are compressing rapidly but we don't expect a softening, given the strength of investor demand. Non-core assets/markets have been slower to respond but will likely compress as institutions almost invariably expand their definition of core when they are squeezed out of the high end of the market.

Charles Taylor
Managing Partner – Poland
Cushman & Wakefield

Where were investment volumes up most significantly this year, and why? What drove it? Is the larger volume a sign of an improving market, or a one-off?
Investment volumes in Poland in 2012 reached €2.8bn, and these levels have already been matched this year. We are expecting 2013 volumes in Poland to reach €3.0bn. There is no apparent preferences from investors towards either the office or retail sectors, with each sharing around 40 percent of investment volume. However, both sectors have seen increased activity compared to 2012. Investment into the industrial/logistics sector is constant at around €450m, however, activity in the hotel sector has declined compared to 2012. The increased investment volume follows a trend over the last few years, with Poland remaining an attractive investment target and the availability of product driving activity. Given current pricing levels relative to other European markets, we expect activity levels to continue in the €2.5bn – €3bn range. That means 2013 certainly won't be a one-off.

Were local and private investors a significant source of demand for investment product this year?

Local and private investors now account for 9 percent of the Polish market, (behind those originating from Germany, UK and USA) investing some €248m to date this year. Their interest so far has mostly been limited to the office sector, with the most active players being PZU SA and Kulczyk Silverstein Properties.

Do you expect investments to focus almost exclusively around core next year, or might there be a widening in investor targets?

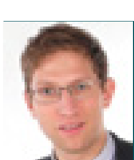
There remain a clear focus on core, but given the scarcity of such product and the more aggressive pricing that is being achieved, some investors are now showing an increased appetite for risk. Recent acquisitions by Tristan Capital Partners, Hines, CBRE Global Investors and Blackstone have shown the depth of interest for non-core assets, whilst the purchase by WP Carey of the H&M logistics facility clearly demonstrates that for assets offering core characteristics, the pricing remains aggressive.

Which sector (retail, office, industrial/ logistics) has the best market fundamentals at the moment, likely to spark investor confidence? Is there sufficient available product in that category?

We have seen a steady increase in investor interest in the logistics sector, particularly those let on long leases, and clearly the regionally dominant shopping centers have their followers as well. The upturn in consumer spending will help the retail sector, but there will still be a debate on the sustainability of passing rents. Attention will shift in the coming months to the impact of the significant office development pipeline in Warsaw, with discerning investors seeking those office assets best able to see their way through a turbulent year or two ahead in the occupational market.

Have yields gotten too aggressive in Poland for prime and do you expect there to be any softening? How would you describe the situation for core-plus/non-prime?

Looking at yield levels in other European capitals, we don't foresee any softening for prime product in Warsaw. On the contrary, with new sources of capital now starting to look closely at Poland, this could add some competition. The situation for secondary remains more challenging, however.



Jenő Faragó
Investment Analyst
Portico Investments

Were local and private investors a significant source of demand for investment product this year? For which types of assets? Do you expect traditional sources of demand to return in greater strength next year?

It depends how we look at it. If we're looking at volume, then not really. If it's by the number of transactions - certainly. And we shouldn't forget they also represent significant supply.

It's noticeable that Poland is moving ahead, as you bump into real estate developments on every corner. Locals and privates want a piece of that cake as well. Some want to develop with limited resources (i.e. with empty pockets) where the recipe is: (i) identify a good plot of development land for sale, (ii) have good relations with a major retailer with whom you can conclude a future lease agreement.

Then they start to seek money –usually these players prefer to stay 'local' – meaning to develop a small neighborhood retail center (where local knowledge helps in obtaining permits) and then to move on. They are more like entrepreneurs than real estate experts so these developments usually have one or more deficiencies from a professional point of view.

The vast majority of institutional demand is coming from the Germans, Austrians and the Benelux states and this will just increase. I believe they will be the determining sources of institutional sources and the whole market in the coming years. We see UK money drawing back incrementally. That's partly because they've discovered new opportunities and want to focus on their domestic markets. Asians have just not hit the coast yet.

Do you expect investments to focus almost exclusively around core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?

If you walk on the streets of the more populous Polish cities, you see a large number, cranes, construction sites, and billboards advertising new development projects. It gives the impressions that that Poland is accelerating. However, the availability of core product is limited and yields have compressed drastically on them. Parallel to this, the risk perception of investors towards the country is softening, reducing their appetite.

The number of core products is limited (albeit growing) – so funds who want to achieve scale will eventually need to turn toward secondary or even tertiary locations. This phenomenon is supported by the fact that larger research institutes are carrying out specific market analysis on these 'non-core' locations and you can see shopping centers and retail parks being built in towns with populations of 50,000 and even lower. Besides the institutional investors, local or private players are trying to acquire everything that's left and that's affordable for them, so the product range is widening again.

Financing seems less and less of a problem (when it comes to stable acquisition financing). As the central bank reduces lending rates, borrowing in the local currency poses another option which is very much favored by local buyers.

Jakub Jonkisz
Head of Capital Markets
Knight Frank

Were local and private investors a significant source of demand for investment product this year? For which type of assets? Do you expect traditional

sources of demand to return in greater strength next year, or is it time for sovereign and Asian funds to take a turn?
The Polish real estate investment market is quite unique, as some 95 percent of investments made within the last 3 years were made by foreigners. In comparison, domestic capital in the Czech Republic constitutes some 40 percent of the investment market. One of the reasons for the lack of domestic content in Poland is the strong performance of the Warsaw Stock Exchange and the historically high level of PLN interest rates.

Because of the low interest rate environment connected with the dismantling of the Polish private pension fund system (OFE) and its potential impact on the Warsaw Stock Exchange, we're seeing more interest in real estate from Polish high net worth individuals. However, in order to have a stronger domestic capital market we need investment structures like REITs to provide transparency and liquidity. Such institutionalized investment vehicles will enable retail investors to invest their capital in this asset class.

We do not expect a significant increase in the presence of sovereign or Asian funds. They focus on larger markets and require large trophy assets, and in the case of Poland the majority of these have traded recently.

Mike Atwell
Senior Director, Head of CEE Capital Markets
CBRE

Were local and private investors a significant source of demand for investment product this year? Do you expect traditional sources of demand to return next year?
Local investors have clearly been absent from the Polish market though I am hoping that this will change in the coming years. We have seen a growth of private investors active in Czech Republic and Hungary, so I expect to see it increase in Poland.

There are good opportunities across all sectors in the less core markets and for smaller lot sizes, where the yields can be attractive. We see a clear divergence in yield profiles between the core product in large cities and the smaller secondary or tertiary assets. The smaller regional cities are a good source of investment opportunities – as core investors don't ideally target these cities, this is an opportunity for local investors to become active. As more secondary products come on the market hopefully we will see a surge of local investment.

It is clear that the usual European players such as Union Investment, Allianz, GLL, Deka, Invesco, Tristan Capital Partners, Blackstone, Starwood etc., who have been active over the last few years, will continue their dominance of the market in 2014 and beyond. In addition to this, we have started to see new capital from Asia and the US entering the market but they are active through existing investment managers, so are not directly visible.

Do you expect investments to focus almost exclusively around core next year, or might there be a widening in investor targets? How are they likely to finance such transactions?
The biggest challenge for the core markets is availability of stock. Over the last few years in retail we have seen numerous core assets being traded and these have generally been acquired by long-term holders such as the German open-ended funds or Unibail-Rodamco. There will only be a few core retail assets traded in 2014 and yet the demand for them remains very high. Given the scarcity of core retail product, I expect to see more investment activity in the first and second generation shopping centers, which offers great opportunities for value enhancement through asset management initiatives.

Marvipol taps the capital markets

The residential developer's CFO Slawomir Horbaczewski says Warsaw is the best place to invest during the market's return to growth

Has the market definitely hit bottom?
I think this has definitely happened. The second quarter of this year presented evidence that we are entering into the growth phase of the business cycle in the residential sector. There's growth in the number of transactions, which is now at the highest levels since 2009. So it's back to the peak years before the crisis hit the market. Secondly, you have rapidly shrinking offer of developers, so there are fewer dwellings available. This means that the market is regaining its balance.

So there's less supply and more demand?
Yes, there's an imabalance there because the developers are not prepared well for growing demand. But there's been moderate growth in transaction prices, so I conclude from that that the market is regaining its balance.

Also, sales offices for developments are noticing increased interest levels from buyers. They're not just visitors, they're real buyers. There are more people coming to look at the development plots to see what's happening at the site. And people are bringing engineers and lawyers to the sales offices, so it's become more professional on the buyer's side.

Will prices rise quickly? Should consumers be in a rush?
I don't think there's any rush to buy at the moment. But on the other hand it seems that now we have the best conditions to make a move to buy. We have low interest rates today, low prices, so it's a very good window of opportunity to buy. The market is moving slowly but steadily.

The sales results are very good, reaching an all-time high not only in the number of dwellings, but also in the floor area of sold apartments. Our company, for example, has been setting new records every month this year. The best developers haven't reduced prices significantly. Although we have reduced some and we're trying to adjust our supply to the demand that is evolving, starting the new projects that are smaller and more compact than they used to be. And the prices are more reasonable, adjusted to market demand.

How do you go about financing projects? What sort of pre-sale levels do you need before you begin construction?
Usually we are able to finalize very good terms with the banks with 15 percent pre-sales. We haven't ever had more than 20 percent pre-sales. If you have more than 30 percent pre-sales, bank financing isn't needed.

Marvipol has had good success raising bonds on the market. What has your strategy been, and is its changing?
Until recently, we've been issuing mostly bonds, but now we're moving to more equity. Marvipol succeeded in increasing its shareholder equity by nearly 20 percent at the end of October through financial institutions. For example, Pioneer Fund has subscribed for nearly 7 percent of Marvipol, which is one third of the new issuance. Other qualified institutional buyers have also invested but individually they have less than 5 percent. This demonstrates that we can raise new money. In the coming days we will announce a new issue of bonds as well.

What do you use the money for?
In part, to roll over the old debt and then to arrange the new projects, since we have to look for new projects. This is crucial for us because we have to have new ones to avoid gaps. It's crucial to strengthen our equity base so if there would be an opportunity to raise new capital we would do it, though I don't mean immediately. And right now we will be starting our new project in Ursynow, which is the biggest one we've ever undertaken.

POLISH HOUSING RETURNS TO BOOM LEVELS

Recent data released by the Polish Statistical Office (GUS0 showed the number of building permits issued for residential projects in October increased for the fourth consecutive month in Poland.

According to the report, construction started on 7,000 new flats last month, an 81.9-percent increase year-on-year. “The market has posted a two-digit jump for the fourth consecutive month in October, which indicates growth is stable,” says Bartosz Turek of Lion’s Bank.

The residential specialist REAS points out that sales on flats also grew in the month of October. “We haven’t seen this level of transaction activity since 2007, during the boom,” says Kazimierz Kirejczyk, CEO of REAS. He adds that nearly 33,500 flats have been sold in Poland’s six largest cities since the beginning of the year.

WARSAW TO OFFLOAD 14 PLOTS

The city of Warsaw is set to put 14 plots of land up for sale this year, the daily Puls Biznesu reports, with some of the city’s top locations topping the list.

Warsaw’s urban gardening company MPRO, will oversee the sales, having been given the green light by Warsaw officials to start selling the land it manages on behalf of the city.

“We have several significant housing, office and hotel projects under preparation at the moment and despite their size, we’re planning to carry them out at the same time,” says Andrzej Ners, CEO of MPRO. He says growing demand for investment land has led to its belief that “we won’t have any problems securing buyers.”

CHINA TO GIVE POLAND $10BN LOAN FOR ROAD PROJECTS

As part of a wider plan to increase food imports from Central Europe, the Chinese government has agreed to give Poland a $10bn loan to help improve road infrastructure.

“In China, the demand for food continues to grow, as the number of the Chinese emigrating from the countrysides to the larger cities is growing,” said Chinese Prime Minister Li Keqiang during a visit to Romania. The announcement came on the eve of a summit between Li and 16 European prime ministers through which China hopes to improve trade relations with CEE.

CIJ Awards 13 Poland

The 12th annual CIJ Awards Poland were held at the Westin Hotel in downtown Warsaw on Oct. 30 by CIJ, Central and Eastern Europe's leading real estate magazine. The CIJ Awards are aimed at developers, their projects and their service providers in the commercial and residential real estate sector. While this year may have been a challenging one for the rest of Central Europe, the ability of Poland to continue to produce new developments on a large scale impressed the entire region.

What's impressed , however, has been the increased quality of projects built in these more difficult times.

The first prize on offer for the evening was the highly competitive Office Development of the Year category, a prize that went this year to Plac Unii by Liebrecht & wooD Poland. With Warsaw in the midst of a construction boom of new offices, this project stood out above the rest in the eyes of the judges and voters. The winner of the Office Developer of the Year, however, went to Ghelamco Poland, and it was the same company that picked up several additional prizes. These were for Office Investment Transaction of the Year, for the sale of Senator in cooperation with CBRE, and the company also picked up the Office Lease of the Year for Warsaw Spire. In the next category, NEINVER's project Galeria Katowicka picked up the Retail Development of the Year prize, and CIJ's selected voters chose NEINVER as well as the Retail Developer of the Year.

The Industrial/Warehouse Development of the Year award went to Panattoni Park Łódź, and it was Panattoni which returned to the stage for the Industrial/Warehouse Developer of the Year prize. This accolade was justified in part by the Industrial/Warehouse Lease of the Year being awarded to the deal the developer did with BTS Castorama in Stryków for Castorama Polska. The final award in this category was for Industrial/Warehouse Investment Transaction of the Year, and it was judged to belong to SEGRO for SEGRO Business Park Warsaw, Żerań

This year's residential project categories was split in two. The first, the Residential Affordable Development of the Year, went to Wilno, a project by Dom Development. Meanwhile, the plaque for the Residential Luxury Development of the Year belongs on the walls of Hoża 55 by the developer Yareal Polska. It was Dom Development, however, that took away the prize for Residential Developer of the Year.

The CIJ Award's environmental initiative is the ESSA Green Award, given to those projects that display and prove a high level of commitment to the goals and ideals of environmental sustainability. The ESSA Green Award in 2013 was presented to the following projects: Factory Annopol (NEINVER Polska); Oxygen Park (Yareal Polska); Aquarius Business House (I phase) (Echo Investment); T-Mobile Office Park (Ghelamco) and Plac Unii (Liebrecht & wooD Polska).

This year's Marketing Team of the Year was judged to have been Echo Investment, and it was the same company that won the PR Team of the Year honors. Sales Team of the Year was won by Jones Lang LaSalle, while Axi Immo Group won the Local Real Estate Agency of the Year prize. The hotly contested International Real Estate Agency of the Year award for 2013 was first-time winner CBRE. Finally, Robert Dobrzycki of Panattoni Europe was honored with the Leadership of the Year prize.


Robert McLean (RPMG), Marcin Prokop and Robert Fletcher (RPMG)

CIJ Awards Poland
Winners 2013

Office Development of the Year
Winner: Plac Unii - Liebrecht & wooD Poland

Office Lease of the Year
Winner: Warsaw Spire – Ghelamco Poland

Office Investment Transaction of the Year
Winner: Senator – Ghelamco Poland

Office Developer of the Year
Winner: Ghelamco Poland

Retail Development of the Year
Winner: Galeria Katowicka - NEINVER

Retail Developer of the Year
Winner: NEINVER

Industrial/Warehouse Development of the Year
Winner: Panattoni Park Łódź

Industrial/Warehouse Lease of the Year
Winner: BTS Castorama Polska - Panattoni Europe

Industrial/Warehouse Investment Transaction of the Year
Winner: SEGRO Business Park Warsaw, Żerań - SEGRO Poland

Industrial/Warehouse Developer of the Year
Winner: Panattoni Europe

Residential Affordable Development of the Year
Winner: Wilno - Dom Development S.A.

Residential Luxury Development of the Year
Winner: Hoża 55 - Yareal Polska

Residential Developer of the Year
Winner: Dom Development S.A.

Marketing Team of the Year
Winner: Echo Investment

PR Team of the Year
Winner: Echo Investment

Leadership of the Year
Winner: Robert Dobrzycki - Panattoni Europe

Sales Team of the Year
Winner: Jones Lang LaSalle

Local Real Estate Agency of the Year
Winner: Axi Immo Group

International Real Estate Agency of the Year
Winner: CBRE

ESSA Green Award
Winners:
1. Factory Annopol - NEINVER Polska
2. Oxygen Park - Yareal Polska
3. Aquarius Business House (I phase) - Echo Investment
4. T-Mobile Office Park - Ghelamco
5. Liebrecht & wooD Polska – Plac Unii


Dominika Nowakowska (Liebrecht & wooD)


Jeroen van der Toolen (Ghelamco Poland)


Rafał Osiecki, Renata Osiecka and Wojciech Waryś (AXI IMMO)


Olga Prokopiak (YAREAL Polska)


Radosław Bieliński (Dom Development)

Katarzyna Oleksińska (YAREAL Polska)


Monika Olejnik-Okuniewska (NEINVER)

Bianka Kuchcińska, Anna Krystecka, Malwina Pawłowska and Joanna Krawczyk-Nasilowska (Ghelamco Poland)


Waldemar Lesiak (Echo Investment)

Justyna Czernikiewicz (Echo Investment)


Wojciech Gepner (Echo Investment)


Jonathan Steer (CBRE)


Sylwia Dobrzycka and Robert Dobrzycki (Panattoni Europe)


Marek Dobrzycki, Marek Foryński and Marek Kosielski (Panattoni Europe)


Paweł Sapek and Bozena Krawczyk (SEGRO)

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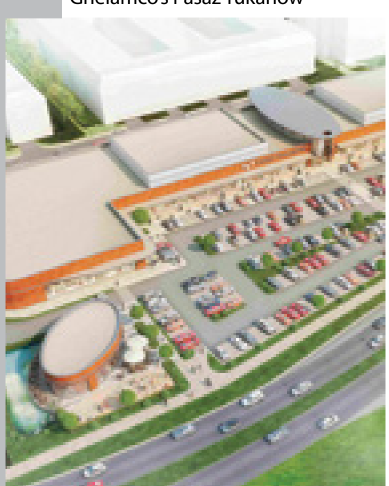
Thanks to all our partners and attendees this year for a great and successful event.

GHELAMCO SECURES BUILDING PERMIT FOR PLAC VOGLA

Ghelamco secured a construction permit for Plac Vogla, its first retail project on the Polish market. Construction on the 11,000 sqm "open-air center" should kick off next year at the intersection of Syta, Zaściankowa, Łokciowa and Vogla streets in Warsaw's Wilanów district. The developer said it expects to complete the project within seven months. Plac Vogla is one of three retail schemes the developer has planned for Poland. The other two are Prochownia Łomianki and Pasaż Tukanów in Piasecznie.

Ghelamco's Pasaz Tukanow



POLIMEX CONTINUES SELLING RE ASSETS TO STAY AFLOAT

The Polish builder Polimex-Mostostal expects to close the sale on the second portion of its real estate portfolio within the next couple of months, the Polish Press Agency reports. As a part of its restructuring plan, Polimex agreed to liquidate a substantial part of its real estate portfolio in sales expected to raise PLN 200m from the sales.

According to its restructuring agreement, Polimex put two packages of its real estate portfolio on the market this year, which includes properties in Warsaw and Kraków. The pre-sale agreements from the first portion of the portfolio are reportedly nearing PLN 85m. "The sell-off of the first package is expected to close this month, while the second is likely to close in January 2014," said Robert Bednarski, Polimex's deputy CEO.

VANTAGE DEVELOPMENT SET TO START WUWA2 PROJECT

Vantage Development is set to start its Wuwa2 housing project in Warsaw's Żerniki district, following the acquisition of a 2.6 ha plot. Construction is expected to start next year. The project is part of a bigger scheme called Nowe Żerniki, which covers 40 ha. The City of Wrocław started selling land this year for the commercial project.

Meanwhile, Vantage Development secured three loans totalling PLN 85.8m from Alior Bank that will make it possible for the developer to continue work on the second phase of its Promenady Wrocławskie project.

REVENUES AND PORTFOLIO GROW AT MLP

Revenues for MLP Group increased by 9.2 percent year-on-year over the first nine months of the year, hitting PLN 69m. Net profit also expanded to PLN 55m between January and September, up from PLN 25.9m posted in the same period last year. The value of the developer's portfolio grew by 20 percent y-o-y since the start of the year compared with the same period in 2012.

MLP'S 2013 RESULTS AN IMPROVEMENT

Revenues for MLP Group increased by 9.2 percent year-on-year over the first nine months of the year, hitting PLN 69m. Net profit also expanded to PLN 55m between January and September, up from PLN 25.9m posted in the same period last year. The developer's portfolio value rose by 20 percent y-o-y since the start of the year compared with the same period in 2012. MLP said that the current valuation of its portfolio has helped improve its results.

CHOICE HOTELS SEEKS POLISH INVESTORS

The American-based chain Choice Hotels is seeking new investors for its attempts to enter the Polish market. Talks with potential partners regarding new builds and sell offs of new hotels are already underway, with the chain targeting at least six major cities in Poland. "We are looking for investors who will be willing to carry out the development process on new hotels and to become the franchisee of our brand," said Georg Schlegel, representing Choice Hotels in Poland.

Choice Hotels first tried entering the Polish market in 2010 through the acquisition of six hotels from Hote System Management, only to see the deal fall through at the last moment. "There's still a lot of room for new hotel investment on the Polish market," says Schlegel, adding that the company is hoping to launch its first project in Warsaw.

Cautious optimism over economy

Economists can't make up their minds whether improved Q3 GDP figures mean they've been too pessimistic

Donata Karpik

The National Statistics Office released better-than-expected QIII results for Poland's GDP, leaving economists to ponder whether or not to jump on to the optimism bandwagon. Having been resigned to just 1.7 percent growth between July and September, economists are contending with the meaning of a surprising result of 1.9 percent. What do these preliminary figures mean? Is a real turnaround already underway?

While key European figures still suggest a healthy dose of caution is in order, the most recent data is leading local analysts to improve their forecasts for the economy's prospects. The buoyant result is all the more startling given the anemic pace of economic expansion over the first two quarters of 2013, with statisticians registering just 0.5 percent growth for Q1 and a barely improved Q2 tally of 0.8 percent.

"This optimism is not exaggerated," claims Piotr Bujak, Chief Economist at Nordea Bank, adding, however, that growing activity by Polish exporters continues to fuel growth, instead of domestic demand. The current market consensus is that growth could hit 3 percent in 2014, but

GDP growth forecast for Poland

GDP growth forecast for Poland in 2013-2014 [%]

	EC	OECD	IMF	EY	Handelsbank	EBRD	Barclays	Rząd RP
2013	1.1	0.9	1.2	1.5	1.3	1.2	1	1.5
2014	2.2	2.2	2.2	2.8	2.7	2	2.8	2.5

Marcin Mazurek, senior analyst at BRE Bank, believes even this is too low. "This consensus does not reflect current market sentiment which is far more optimistic," he says, adding that analysts are underestimating consumption levels and Poland's reviving housing sector. "Based on positive signals from these two sectors, we expect Poland to see 3.4-percent growth in the first half of 2014," he says. Other economists are coming around to this view as well, he claims.

Driving this growth are Polish exports, which continue to soar thanks to the weakening Polish złoty, despite the uncertainty that continues to grip the country's primary European trading partners. Market watchers note that the confidence of Polish companies has been rising since the start of the year, and that they've become increasingly willing to unfreeze their capital in an effort to target new markets. The best examples of this are acquisitions by Polish companies on markets east of Poland. "This can best be seen in the oil and banking sectors at the moment, but we also see growing activity from Polish retailers," says Piotr Bujak, citing recent deals in Ukraine, Romania and Russia.

In order to sustain the current level of GDP growth, however, economists warn that consumption and imports will have to rise as well. Piotr Dmitrowski of Bank Gospodarstwa Krajowego warns that this is precisely what isn't happening. "Instead, what we've seen are poor readings on imports and consumption, resulting from lower investment levels." Marcin Mazurek adds that with investment from the private sector continuing to fall, public sector investments need to step in to drive the economy forward. "We expect a new wave of public investments to hit in the second half of the year," he says, initially in the form of new road investments.

LC CORP'S CZARNECKI TO EXIT SKY TOWER PROJECT

Leszek Czarnecki, the CEO of LC Corp, will sell Sky Tower back to his company's minority shareholders for PLN 259m. Polish media reported earlier this year that Czarnecki may find it difficult to part from the project, having bought it from LC Corp in an effort to give his company a liquidity boost during the economic slowdown. However, according to the daily Puls Biznesu, an agreement was reached this month between Czarnecki and CL Corp shareholders. The 259,000 sqm Wrocław scheme is currently 75 percent leased. "The price for the project is based on the potential income it is expected to generate in the coming years, including the planned rent increase," said Cezary Bernatek of Espirito Santo, adding, however, that the deal will have an impact on the upcoming dividends payments.

GDDKIA AUDITING POLIMEX OVER A4 CONTRACT

In a continuation of the grief road building has caused between investor and contractor, Poland's General Directorate of National Roads and Motorways (GDDKiA) commissioned an audit of the Polish builder Polimex-Mostostal, which is overseeing construction on the A4 Rzeszów-Jarosław motorway. It's a contract reportedly worth PLN 2bn, but Polish media outlets were speculating in November that Polimex was on the verge of leaving the construction site. According to GDDKiA's press office, work on the Rzeszów-Jarosław section has slowed down, leading the investor to consider worst-case scenarios.

"The pre-emptive actions we have taken will make it possible for us to continue construction without Polimex," GDDKiA told the daily Puls Biznesu. The newspaper points out that the EU, which is co-funding the investment, is insisting that the project stick to a tight completion deadline of 2015. "There's no reason for GDDKiA to terminate the contract, as the construction is on schedule," says Gregor Sobish, CEO of Polimex-Mostostal.

LPP LOOKS TO NEW MARKETS TO MAINTAIN 25% GROWTH

In order to maintain its 25-percent growth rate, LPP is looking to expand into new markets. LPP said it is no longer considering entering the Middle East. Instead, it's looking for key locations in Western Europe. "In an effort to secure the best locations in those countries, we need to make our brand more recognizable" says Dariusz Pachla, deputy CEO of LPP. He adds that LPP is also eager to expand in China.

The chain was operating 1,213 stores, totaling 516,000 sqm of space, at the end of September, a 31-percent jump year-on-year. The retailer wants to expand its network to 1,326 stores by the end of the year, a 37-percent increase year-on-year. Within the next 12 months, LPP wants to expand to 1,569 shops, totaling 764,000 sqm of space.

Plaza Centers restructures after bond trouble

Unable to sell off enough assets at good prices, Plaza Centers missed a bond payment due to Poles

Donata Karpik

Shares in the developer Plaza Centers took a 50 percent nosedive last month on the Warsaw Stock Exchange following revelations that it would be unable to make €15m in bond payments due on Polish bonds. Within two hours of the news being made public on the London Stock Exchange, the news triggered the WSE to suspend trading in the company's shares. In a statement issued to the LSE, the company explained that despite its best efforts to raise additional financing and to sell off assets, it was unable to come up with the needed cash.

A month on and the restructuring of the group is well-underway, a move the developer insists will allow the developer to meet its obligations, albeit at a later date, and at greater cost. "Given the strong balance sheet of the company on an ongoing concern basis, the restructuring plan will be aimed at resolving the present liquidity situation in order to safeguard the continuity of the company and preserve value for the creditors," Plaza Centers wrote in a statement.

Still, Polish shareholders were spooked by the news and many sold off their holdings in a rush. News that the developer had sold its Indian scheme, the Koregaon Park Plaza shopping center, did nothing to stem the tide. While the WSE's open pension fund ING cut its stake in Plaza to less than 10 percent, BZ WBK AIB Asset Management has disposed of its entire holding in the company, a clear sign that the Polish institutions aren't buying into the restructuring process. The company's inability to exit any of its projects in Poland won't have helped build any confidence either, as the company pays for what observers call poor strategy decisions.

While shopping mall development remains its core business, Plaza has been targeting Poland's smaller cities, which is a tough sell. "Plaza's portfolio in Poland includes mostly so-called called secondary locations, such as Toruń, Zgorzelec and Suwałki," says Cezary Bernatek of the brokerage house BM BESI. "These are not the locations that potential buyers are looking for," he says. Poor performance of the assets conspires with weak locations to stall any cash-generating deals from taking place.

With limited options, market observers expect Plaza to continue selling off its portfolio, with its short-term goal being to lower its indebtedness and reduce operating costs, which exceeded rental income some time ago. Future sell-offs are most likely to cover only the loans with no surplus whatsoever," says a source. "They might be thinking about raising capital, but I don't expect the majority shareholder Elbit would be willing to do so. Especially since such a move that would further dilute the value of existing shares, that are already at historic lows," adds Cezary.

Plaza Centers' Polish retail schemes

Project	sqm	completed	sold
Kraków Plaza	60	2005	2005
Lublin Plaza	26	2007	2007
Poznań Plaza	40	2005	2005
Ruda Śląska Plaza	22	2005	2005
Rybnik Plaza	18	2007	2007
Sadyba Best Mall	53.078	2005	2005
Sosnowiec Plaza	13	2007	2007
Suwałki Plaza	20	2010	
Toruń Plaza	44	2011	
Zgorzelec Plaza	13	2010	
Kielce Plaza	33	under construction	
Leszno Plaza	16	under consruction	
Łódź	80	under consruction	
Łódź Plaza	45	under consruction	

SKANSKA PROPERTY POLAND LAUNCHES SILESIA BUSINESS PARK

Skanska Property Poland has started construction on its most recent office project in Katowice. Called Silesia Business Park, the four-building office complex broke ground this week at Schoolwork Street. It's the biggest office investment for the developer on the Polish market so far, being comprised of two 12-storey buildings totaling 46,000 sqm of office space along with underground parking for 600 cars. The first building is set to be completed in the fourth quarter of 2014.
Architects from Medusa Group provided the design. Skanska will be overseeing construction and leasing on the project. The developer already applied for the LEED "Gold" certificate and the EU's GreenBuilding label.

NATIONAL TV OFFLOADING ASSETS TO BOLSTER BUDGET

Polish National TV (Telewizja Polska) plans to offload the first of two buildings it owns and manages at Plac Powstańców in Warsaw. The step is seen as part of a wider plan to optimize the company's real estate portfolio. The sale is expected to bolster Telewizja Polska's budget which has shrunk by more than PLN 500m over the past several years.
"We decided to sell the building, as it has been generating costs over the past years," says Biznes Juliusz Braun, CEO of Telewizja Polska. He adds that the funds from the sale will allow the company to start working on its new headquarters on Woronicza street in Warsaw. The company expect to have all permits in place by the end of next year for construction of the 11-story building.

ORCO SUSPENDS INSO FROM ZŁOTA 44

Orco Property Group suspended the general contractor Inso Sistemi from working on its flagship Warsaw project, Złota 44. Orco claims the Italian builder is to blame for construction delays. "We want to speed up the work, and the previous contractor hasn't been able to complete the work on time," said Alicja Kościesz of Orco. Kościesz added Orco still expects to obtain the occupancy permit in the first half of 2014.
Inso, meanwhile, claims Orco has not paid it for work already completed on the high-end residential scheme. Inso claims Orco's decision to suspend it from the construction site is illegal, as Orco never broke the contract.

Złota 44 still faces problems on the ground

Romanian developers look to IT&C

High-tech investments are inspiring a new round of development across the country

Amelia Turp-Balazs

The recent decision of Electronic Arts (EA) to lease an entire office building in AFI Park, Bucharest, has brought Romania's growing IT&C market into the spotlight, with developers seeing it as an important potential growth area. AFI Park has a leasable area of 12,200 sqm and is the second of five buildings which will form AFI Park. The transaction was mediated by Jones Lang LaSalle – which represents Electronic Arts Inc. globally, and by The Advisers/Knight Frank, which represented the landlord AFI Europe.

"With the second building fully-leased and advanced negotiations underway regarding the pre-lease of 6,000 sqm in AFI Park 3 (currently under construction and to be completed by the end of 2014), we plan to start construction on AFI Park 4 and 5 next year,„ David Hay, CEO AFI Europe Romania said.

According to figures from the Ministry of Finance, the top 50 software companies in Romania have continued to expand in recent years, and in total employed 15,500 people in 2012: an increase of 2,700 on the previous year. Turnover had grown in 2012 as well, rising 14 percent to €657m.

IT&C companies tend to prefer the west and north of Bucharest. The west enjoys proximity to the Politechnical Faculty and its student campus, while the north has the highest concentration of office buildings in the Romanian capital. IT&C employees are some of the most difficult to relocate, making companies careful about their choices.

Some projects, like West Gate Park, even incorporate a private student campus, as IT companies tend to recruit their future employees while still at university. The campus contains three blocks totaling 925 studios and rental apartments, and 2,000 students currently live in them.

One year ago, Oracle, rented 20,000 sqm in Floreasca Park. Oracle Romanian team currently has 2,500 employees and it's growing by about 300 people annually (2,184 employees in 2012 compared with 1,715 in 2011).

IBM has nearly tripled its headcount over the past five years, from 400 to 1,100, with profits exploding from €4.1m in 2008 to €13.6m last year. Market sources confirm that IBM might be close to renting two office buildings in Bucharest: the Bucharest Corporate Center in the Piata Victoriei area and Global Business Center at the Polytechnic.

Hewlett Packard is already active in six locations in Romania, including Cluj Napoca and Timisoara, but it announced recently that it would be moving some operations from Slovakia to Romania, due to lower salary costs. The company currently employs 3,600 people – a figure that will reach 3,800 by the end of the year.

Another local company, BitDefender, has seen consistent growth continue through the economic crisis, with turnover reaching €36m last year, up from €23 million in 2009. "We intend to expand our activities, and relocated our headquarters in March into a new and larger space," Andrei Taflan, Global PR Manager at BitDefender told CIJ. "We chose to rent a bigger space rather than rearrange the one we used to occupy." BitDefender moved from West Gate Park to Delea Veche 24, a more central location, where it occupies five floors.

"While it is not true to say that IT companies are the sole driver of real estate developments, over the last 12 to 14 months they have definitely been the most active segment in the market," Marius Scuta, Head of Office Agency and Tenant Representation at JLL told CIJ. "Starting in Bucharest and continuing with Cluj, Timisoara, Iasi and Brasov, almost all IT companies have either expanded their existing spaces or have relocated into new ones, designed to fit their current needs and demands," Scuta said.

"At this time, due to the availability of a skilled workforce in the IT field, Romania is strong competition for other CEE countries like Poland, Hungary or the Czech Republic," Scuta added.

The most attractive areas for these IT companies remain those which can facilitate the services required by the sector: proximity to public transportation, to the campuses and universities with specific profiles, proximity to shopping malls or extra office facilities and – perhaps most importantly - locations that offer expansion space flexibly.

Dynamic Brasov sets tone for central Romania

A score of new investments illustrates the dynamism of central Romania

Amelia Turp-Balazs

Significant investments in the automotive, IT and industrial sectors are currently making Brasov the most dynamic area in central Romania. Leading the way is tire-maker Continental, which in October opened a new production unit close to **Brasov** after a €44m investment. Following close behind is the airbag maker Autoliv, which recently announced plans to add 1,000 people to the payrolls of its Brasov factories, while Spanish bus maker Indcar inaugurated a new factory in September. In addition, Miele, Elektrobit, IBM, Draexlmaier are all looking to employ more people in Brasov, while the real estate developer Immochan is currently working on its Coresi retail project.

According to Victor Ignat, Project Manager at IBC Focus, a market research agency, besides Immochan's €60m Coresi development, "there are a number of other projects currently underway in and around Brasov. The most important projects are a 168 MW solar energy park - an investment of up to €200m - being developed by Green Vision Seven, and a Cora shopping complex named Corall which will include, besides the hypermarket, an 11 floor hotel operated under Hilton's Hampton brand, offices and residential buildings." He also lists a logistics platform and an office building being developed by the owners of the Keller Steak House in Ghimbav.

During the first 10 months of the year, the IBC Focus research team identified 646 projects in Brasov county's pipeline. That's a fall of 6 percent compared to the same period in 2012, but is still up 23 percent compared to the 524 **investments** in the same period of 2011.

Over the first 10 months of 2013, Brasov ranked sixth nationally in terms of the number of existing building sites, after Bucharest (1,243 projects), Cluj County (993), Ilfov (822), Timis (808) and Constanta (697). "Brasov county is dominated by private real estate investments. The first three types of buildings under construction in this area are private residential ones (24 percent of the total), Hotel & Relaxation (20 percent) and industrial buildings (16 percent)," said Ignat.

Construction material makers in the area are also active. Wood processing giant Kronospan doubled its capacity in Brasov this autumn, following a €40m investment, while local roof tile maker Bilka Steel expanded its production capacity to 17,500 mp. Bilka was founded in 2008 by the Horatiu Tepes (then age 30), but grew during the crisis, both in terms of volume and values. Bilka's turnover last year reached €16.6m and sold more than 2 million sqm of roofing metal. "Our turnover for the first nine months of this year is around €16.8m, up more than 41 percent compared to the same period of 2012. This growth makes us consider new investments in production equipment and logistics facilities," Tepes told CIJ. He added that 95 percent of its roofing tiles end up on Romanian buildings. "We

Continental's newest production facility

are paying attention to the evolution of other market players in metal roofing and do not rule out acquisitions, if opportunities occur."

Regarding the construction market in the Brasov area, Tepes says that although his company's numbers have decreased since last year, it "is one of the few areas where building projects are still going and we do not see too many abandoned sites. In addition, I have noticed an increase in renovation works."

Just a three-hour drive from Bucharest, Brasov still does not have its own airport yet, but work on one is currently underway. Brasov City Council has invested €12m into a runway for the new airport. The bad news for the city is that that the council lacks the money for the rest of the airport, tower and terminal, and is currently seeking a partner from the private sector. This would be a boon for this city which is already a popular tourist destination. The highway from Bucharest extends just 55 km to Ploiesti.

Gheorghe: Short leases hurting investments

Razvan Gheorghe (Activ Property Services/C&W Alliance Partner) says the weak economy and laws are still hurting the investment sector

What's the biggest hurdle blocking deals on today's investment market?
There is a big gap between investor expectations and what most of the Romanian landlords are willing to accept. Because to accept a yield of 10 - 11 percent for a good property in Romania is not possible for landlords there. They ask themselves what they would do with the money, or where would they put it. And on the demand side, big institutional investors are no longer traveling in Romania with the intention to buy, and this will continue for two or three years when other markets will exhaust their opportunities.

So it's a matter of competition?
The competition isn't so much in terms of the quality of the buildings, but rather in terms of doing business. Today in Romania, most medium to big occupiers are looking to have very flexible lease contracts. A very common request is to have a break option after two to three years. What can you do with that kind of property? Can it be considered investment-grade with such a short time of security?

Also, the legislation isn't very supportive of the landlord. Tenants are sometimes able to walk away from contracts relatively easily, and this is not good for an investment market. Retail is a sector without stability and low sustainability. Industrial is also not very clear and we have just one office market, Bucharest, where there are good buildings at 8 percent with investors looking to buy at 10 percent. That's the situation at the moment. Although we have active office markets in Cluj and in Timisoara, investment there is a bit difficult.

So is there product available, but at unrealistic prices?
I think that most developers, most property owners with good properties have real problems accepting yields of more than 8 percent. They read newspapers and they're connected with the market and they can't understand a gap of 200 basis points between us and the surrounding countries

How do you explain it to them?
I tell them the market is very weak in terms of secure occupation and it's weak in terms of [overly] protecting tenants. But at the end of the day, they say, this is what we want, so call us when you have something.

What will the volume of investment deals be this year?
It's hard to say, but it will be below €500m. It should be a bit better than last year because of some deals from NEPI and others that are almost completed. We are close on one and I assume other agencies are completing others as well.

How active are Romanian investors?
They're looking for enforced sales from the banks and they're involved in the debt business. I think they are attracted by investments of 20 or 30 cents on the euro, which they can sometimes get from the banks if they buy portfolios. If they buy piecemeal, then it's different.

What will it take before the market picks up again?
The office market and the industrial market are heavily much influenced by the macroeconomic situation, whereas the retail market is more influenced by the confidence of Romanians to open up their pockets. That's been hurt by the lack of consumer credit. But the improving economy should be a sign. Young people, though, are still waiting for lower prices before spending, it's not that their saving money to earn interest. It's because they're afraid of spending and they're worried about their jobs, even though the situation has stabilized and big layoffs aren't in the headlines all the time now.

CORA LOOKING FOR PARTNER FOR BRASOV MALL PROJECT

Cora, part of the Louis Delhaize Group, wants to partner with a retail developer to oversee construction of a mall in Brasov. The mall will go up on land the company owns in the city center. DTZ Echinox will act as a consultant during the selection process.

"We want an innovative project for Cora in Brasov, and we are currently developing an international selection to choose the most suitable partner with experience in complex projects, such as Cora Brasov," said Charles de Jerphanion, real estate director at Louis Delhaize. Cora Romania operates 12 stores across the country, four of which are located in Bucharest. The other eight are located in Ploiesti, Cluj-Napoca, Baia Mare, Arad, Drobeta Turnu Severin, Constanta and Bacau.

IMMOCHAN STARTS WORK ON CORESI SHOPPING CENTER

Immochan, the real estate division of Auchan Group, broke ground In November on its Coresi shopping center in Brasov. The scheme will offer a 32,000 sqm shopping gallery as well as a 13,300 sqm Auchan hypermarket and 2,400 parking spaces. The Spanish fashion retailer Inditex has already signed on for 6,000 sqm. The mall will also include a 6,000 sqm entertainment area with a food court and an eight-screen multiplex cinema. Completion is set for Q1 2015. Construction will be overseen by Bogart and Pitesti Conarg under BREEAM-certification standards.

ELECTRONIC ARTS LEASES ALL OF AFI PARK 2

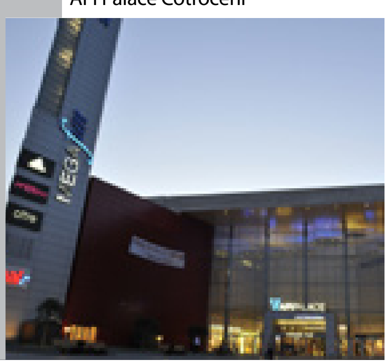
In one of the biggest deals of the year, AFI Europe leased the entire AFI Park 2 office building, currently under construction to Electronic Arts. The 20,000 sqm AFI Park 2 will offer 12,200 sqm of leasable space. It is the second of five office buildings at AFI Park, which is situated next to the AFI Palace Cotroceni shopping mall. Jones Lang LaSalle represented Electronic Arts in the transaction, while The Advisors/Knight Frank represented AFI Europe.

AFI PALACE COTROCENI POSTS €21.2M IN REVENUES

AFI Palace Cotroceni Mall posted €21.2m in net operating revenues for the first nine months of the year, up 8 percent from the same period last year. The Bucharest mall posted €7.1m the third quarter, a 10-percent increase from the same period last year. Sales at AFI Palace Cotroceni totaled €145m between January and September.

AFI Europe, which owns the Bucharest mall, recently signed one of this year's biggest and most important office deals with Electronic Arts, which is leasing the entire AFI Park 2 building. AFI Park 2 will be completed in April 2014.

AFI Palace Cotroceni



ARGO REAL ESTATE FILES FOR INSOLVENCY OF ROMANIAN SUBSIDIARY

Argo Real Estate Opportunities Fund started insolvency proceedings for its Romanian subsidiary Omilos Oradea, which owns Era Shopping Park Oradea. The decision follows a dispute with the shopping mall's general contractor, Bihor SA. The builder is demanding €3.2m, which it claims to be owed under the terms of the contract. A court ruled in favor of Bihor, which has initiated foreclosure proceedings against Omilos Oradea to recover the debt.

Argo said the voluntary insolvency would "afford protection and minimize the disruptive impact caused by the hostile acts" of Bihor. The fund added that it would work with lenders to restructure its debt in an effort to stabilize Omilos Oradea's financing.

THE ADVISERS/KNIGHT FRANK ADVISES BENEVO ON LAND

Benevo Capital Corporation has acquired a 10 hectare plot on which the Aversa factory in Bucharest currently stands. Located in the Obor area, a densely populated neighborhood in the eastern portion of the center, it's seen as a hot spot for retail. Benevo plans to relocate the current pump manufacturer on the site to a more technologically advanced facility. The Advisers/Knight Frank worked for Benovo on the transaction, as it did on another Benovo project: the construction of Victoria City. Ionut Petcu, Head of Land Division for The Advisers/Knight Frank, spearheaded the transaction. Calling it the largest land deal in 2013, the agency sees it as further evidence that Bucharest continues to offer good opportunities for commercial development.

ADAMA TO LAUNCH TWO RESIDENTIAL PROJECTS IN 2014

Following the completion of more than 200 apartments over the last 12 months, Adama unveiled plans to launch two new residential projects in Romania next year. The company said it will begin development on a project in southern Bucharest in 2014, which will include 80 residential units in its first phase. No details were provided about the developer's second project.

Meanwhile, Adama has started work on the last phase of Copou Bellevue Iasi, a €1.7m investment scheduled for completion in June. The developer is also working on the final phase of its Ventilatorul project, which is also scheduled for completion in June and will offer between 90 and 100 residential units.

TAGOR BEGINS €110M RESIDENTIAL SCHEME IN TIMISOARA

The developer Tagor has begun construction of its third residential building in Romania. The project involves a €110m investment to be made in Timisoara on 61,000 sqm of land. The first stage of the project includes 107 apartments.

The project will be similar to those the developer built in Bucharest and Arad. Tagor is the Romanian operational partner of Patron Capital, a British real estate investment fund with assets of over $5bn. Next year, Tagor will start the second phase of its Bucharest project, called, Adora Urban Village, comprising two more apartment buildings. In all, Adora Urban Village will include a total of 12 buildings with 548 flats and a total investment of €34.4m.

1,600 APARTMENTS UNDERWAY AT MILITARI RESIDENCE

An additional 14 apartment blocks will be delivered to the Militari Residence scheme in the first quarter of 2014. Once completed, the Bucharest project, considered one of the largest developments the Romanian market has seen in the last five years, will offer 5,600 apartments in 56 housing blocks.

Between 60 and 80 apartments are selling per month, and the developer decided to expand the project to keep up with growing demand. Prices start at €450 per sqm. The complex currently offers 4,000 apartments in 42 buildings spread over 150 ha. The project is located near Metro and Auchan hypermarkets and schools.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Lordship hammers away on Kammené Square

The Czech-based developer continues to find progress slow going but aims for international architectural competition

Nina Fibigerová

After years of patient planning, but little visible progress on its project on Kamenné námestie in central Bratislava, the developer Lordship had a turbulent November. Having spent the past two years working on changes to the square's master plan, it had hoped to cement control of the location when the city put its plot up for sale.

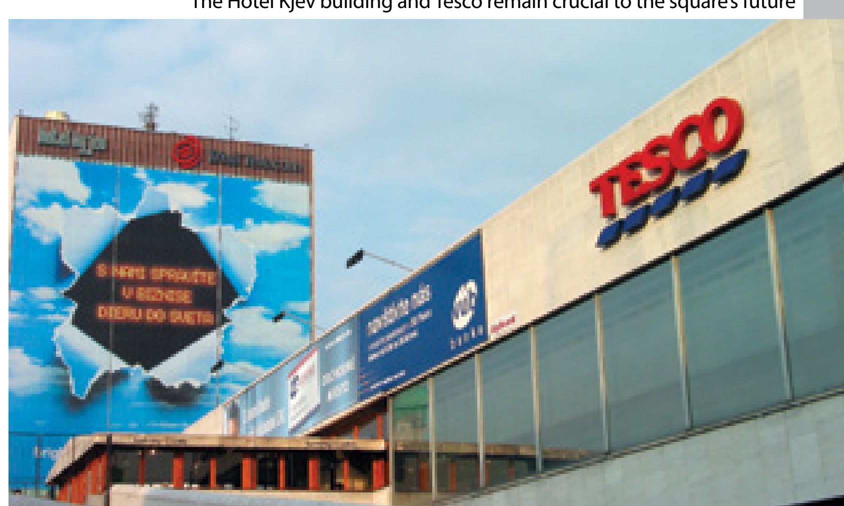
"The city announced they would sell the plot, so we applied for it, because we did not want to risk that someone else does it," says Lordship's director, Martin Pilka. But the city's proclaimed willingness on the matter proved illusory when the city assembly swept it off the agenda. The reason given was that the sale would only be considered after the developer presents a redevelopment project in line with the city's ideas for the location.

Pilka says the city needs to agree to changes to the square's master plan, in particular to increase the volume of construction that's allowed there. Once this happens, says Pilka, Lordship and the city would launch an international architectural contest to come up with a design for the space. At this point, Pilka reveals no more than that Lordship envisions a mixed-use project including office, retail, hotel, leisure and residential components.

Lordship's efforts to build on the site date back to before the financial crisis, but Pilka says Bratislava Mayor Andrej Ďurkovský broke off discussions in advanced stages and that the matter stalled. Lordship was unable to make any progress until after a new administration emerged from the 2010 elections. But Pilka admits the process has continued to move forward only very slowly.

The developer has been buying property in and around the square for a decade now and now controls most of the buildings together with Tesco, claims the website of the daily SME. Many will have hoped the new design for the square would not include the concrete slab Kyjev hotel (owned by Tesco and Lordship), but Pilka doesn't believe it will be torn down. An attempt by its architect to have it listed as a protected monument failed, but Lordship appears resigned to having to carry out an expensive reconstruction. No other highrise can be built at the location.

The Hotel Kjev building and Tesco remain crucial to the square's future



BRATISLAVA RECONSIDERING RAILWAY STATION CONTRACT

The city of Bratislava wants to check the schedule of the redevelopment of Predstaničné square in the center of Bratislava. The investor Transprojekt has been planning to re-design the square in front of the city's main train station, rebuild the **main railway station** and create a road and tram transport hub at the site. But the city appears to be losing patience with Transprojekt, with important voices such as transport chief Jozef Uhler claiming the plans are unrealistic. Igor Ballo, the head of Transprojekt, claims he would be welcome an analysis of the project and insists the company invested €16m into the project documentation.

AHOLD EXITING SLOVAKIA TO FOCUS ON CZECH OPERATIONS

The Dutch retail chain Ahold decided to withdraw from the Slovak market and focus more on the Czech Republic. The company will offload its 24 outlets and six petrol stations in Slovakia to Condorum. Condorum operates a network of 90 Terno and Moje Samoška supermarkets, with revenues totaling €127m in 2012.

Ahold has seen a steady decline in revenues in Slovakia in recent years. It posted a turnover of €159m in 2012, down from €200m in 2011 and has reportedly been considering leaving since 2007, when its sold its Polish network to Carrefour. Ahold operates 283 super- and hypermarkets under the Albert brand in the Czech Republic. It posted CZK 48bn (€1.7bn) in revenues last year.

PROLOGIS TO BUILD A 14,000 SQM BTS FOR TOMRA IN BRATISLAVA

Prologis signed a 15-year lease contract for 13,900 sqm of space in Prologis Park Bratislava with TOMRA. The contract includes construction of a build-to-suit facility for the Norwegian company, which produces sensor-based technologies for sorting, peeling and process analytics for the fresh and processed food industry. In its new facility, TOMRA will assemble machinery for its customers, including Pepsico, McCain, Wendt and Lamb Weston Boardman. Construction of the facility is expected to begin in the first quarter of 2014 and is expected to result in 180 jobs.

"We are delighted to support TOMRA's growth through the delivery of astate-of-the-art production facility," said Ben Bannatyne, managing director and regional head, Prologis Central & Eastern Europe. "By understanding their needs, we were able to put together a proposal which combines a prime location, tailored solutions, and a high quality fit and finish."

Prologis Park Bratislava includes seven warehouses totalling 208,000 sqm of distribution space. The new facility will increase the total area to 222,000 sqm. Thanks to its location 24 km from Bratislava, two km from Senec and 16 km from the international airport, the park is attractive for the international logistic operators. The site also has direct access to the first exit from the D1 motorway and to the European Corridor 4 to Trnava.

HB REAVIS STRIKES FIRST LONDON DEAL

HB Reavis has entered the London property market through its acquisition of 33 King Williams Street. The developer paid €75m for the building and surrounding land. The prime office property is located next to the Bank of England and London Bridge. The building is leased to BlackRock. Knight Frank and Norton Rose Fulbright brokered the transaction.

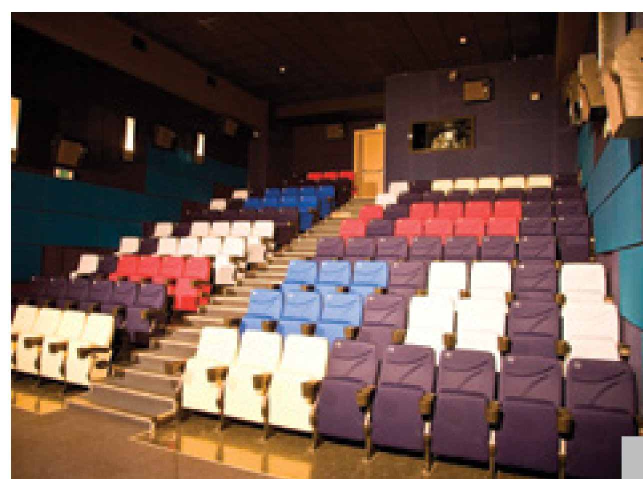
Meanwhile, HB Reavis has already secured a building permit for another office scheme that will go up next to 33 King Williams Street. The nine-story building, designed by John Robertson Architects, is scheduled for completion in the second half of 2016. It will offer 21,345 sqm of leasable space.

60 NEW MULTIPLEXES WILL ADD 500 SCREENS TO THE UK MARKET IN THREE YEARS

The UK multiplex business seems to be booming, with 60 new cinema developments predicted to open between 2014 and 2017. This will add approximately 490 screens to the market, according to data collected by Cushman & Wakefield. Cinemas are becoming an attractive anchor for smaller mixed-use developments just as demand for classic retail space appears to have stalled.

"Cinemas are anchoring an increasing number of schemes in the UK. And property owners have finally realized that a leisure hub is essential – customers want a scheme with atmosphere and vibrancy," says Thomas Rose, Cushman & Wakefield's head of leisure and restaurants. "In-town, out-of-town, both can be successful, as long as you create a memorable experience for visitors." He points to the "Big Three" -- Odeon, Cineworld and Vue, that will likely dominate the market.

"First and second generation cinemas will need to adapt and develop in order to compete with the new competition – or risk 'cannibalisation'," he says. "It is also worth remembering that some older cinemas and even some new developments could fail and require redevelopment."



CBRE COMPLETE THREE ACQUISITIONS IN HARROGATE

CBRE Global Investors have completed three acquisitions totaling GBP 13.5m (€16m) on behalf of its client. The properties are all located in the prime location of Harrogate, a popular market town. The first transaction includes two prime shops at 32-34 Cambridge street, in Harrogate's main shopping district which is expected to present strong rental growth. The units have been let to O2 until 2015 and Pandora until 2020 and were purchased for GBP 2.5m.

The second acquisition was a purchase of a freehold site in a prime location with a good transport access from the nearby train station. It is let to Odeon Cinemas Limited, with the contract to mature in 2038. The investor paid GBP 7.75m for it.

The third deal involved an approximately 10,000 sqm site in a residential neighborhood that includes a food store and a car park. The site is let to the Co-operative Group Limited until 2025 and was purchased for GPB 3.7m.

GVA ACQUIRES JAMES BARR IN SCOTTISH GAMBIT

GVA has acquired James Barr, a leading Scottish property specialist. The combined business will operate in Scotland as GVA James Barr. The transaction has opened way for GVA to the Scottish property market, and at the same time, it established of the third largest commercial property advisory by turnover in Scotland. "GVA has entered a period of growth allowed largely by the restructuring of the business last year, an event which leaves us just 12 months away from becoming a debt-free business as well as increasing our profits substantially, coupled with the strongest trading performances this company has seen since 2007," says Rob Bould, Chief Executive of GVA. "These events have turned GVA into a far safer and stronger proposition." He said this was the background to the company's acquisition of James Barr, and the company was making high level appointments that would help grow the company throughout the UK.

Eric Forgie, chief executive at James Barr, pointed to the fact that the merger opens way for the company to upscale its business, which is vital in the increasingly competitive market. "Having completed a strategic review of our business, it was clear we needed to upscale our operations to meet the increasing demand for our services in what has become a fiercely competitive marketplace for property consultancy and transactional advice," he said.

UK ATTRACTS GREATEST PORTION OF QIII EMEA INDUSTRIAL INVESTMENT

A CBRE report on the EMEA's Industrial and Logistic sector reveals that while the occupier market remained stable in the third quarter of 2013, the level of investment turnover hit a five-year high. Continuing economic uncertainty is holding back new development decisions, a situation which is causing rents to inch upwards. In CEE, this means that much of the new stock is taken up immediately upon completion. Investment volumes rose 4.6 percent over the quarter, but this was a 40-percent jump over the third quarter of 2012. In all, the sector has attracted more than €10bn in investments over the first nine months of the year, with the UK netting the biggest portion of the total, nearly 40 percent. By contrast, the CEE region (defined here as Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia an d the Ukraine) pulled in just 8.9 percent of the total.

TAX LOOPHOLE CLOSED FOR FOREIGNERS

There's consternation over the decision by the UK government to kick foreign property investors where it hurts: in the tax. Long an attractive proposition thanks to a weakening pound and no profit tax on sales for non-UK citizens, the UK property market has been the go-to place for foreigners concerned about the security of their home currency and the safety of their savings. Greek, Russian and now especially Asian investors have flooded into the market, driving up residential prices in London and inspiring a wave of luxury developers. Agents warn that there's already been a softening of prices on the low end of the luxury market. It's thought that clients from South Asia make up nearly 66 percent of buyers of pre-sold homes, meaning there's a high level of vulnerability at the moment for developers. The level of the capital gains tax hasn't been set yet.

EUROPEAN IMPORTS PROPPING UP GROWTH

Exports are expected to remain the primary growth engine for the Polish economy in the coming years, but this means the country is vulnerable to the strength of the European economies.

"The German economy has been the biggest driver for the region in the past years, and it is likely to maintain this role," says Krystian Jaworski of Credit Agricole, adding that Polish economic growth reached 1.6 percent in the third quarter of the year. Recent data from the European Commission suggests that, despite disappointing Q3 data for the eurozone, where growth fell to 0.1 percent, the outlook for the region remains positive. A fresh reading of investor sentiment in the eurozone grew better than expected in October, increasing to 98.5 percent from 97.7 percent. "Moods on the European markets started improving, including consumer confidence as well as the attitude from the financial institutions," says John Lories of Atradius.

RETAIL SALES DOWN 0.6% IN OCTOBER

Retail sales dropped by 0.6 percent y-o-y in the Czech Republic in October, down from the 4.5-percent growth seen in September, according to new figures released by the Czech Statistical Office. Market watchers had been expecting to see a 0.2-percent increase in October. They are now forecasting the numbers will be up again in November, thanks to the holiday shopping rush. Prices went up after the Czech central bank weakened the crown to CZK 27 per euro. However, sales are expected to fall again in December, according to Jan Bureš, chief economist at Era Poštovní spořitelny. Bureš and Michal Brožka, the chief economist at Raiffeisenbank, expect overall retail sales for 2013 will fall by 0.3 percent prior to a 1.5 percent resurgence in 2014.

WSE DEVELOPERS POST 16.5% RETURNS IN 2013

WIG-Deweloperzy, a sub-index on the Warsaw Stock Exchange, has generated a 16.5-percent return rate since the start of the year, claims the business server forsal.pl. The website points out, however, that compared to the 22-percent return rate posted during the same period by the benchmark WIG 20, the developer sub-index's results aren't so impressive. Still, some titles have shot through the roof during 2013, including Ronson whose shares jumped more than 160 percent thanks to better-than-expected sales. Ronson announced last month it reached its 2013 sales goals, having sold more than 500 flats this year.

Vantage Development posted the second biggest gains, with a 122 percent jump in value. Market watchers attribute this in part to its securing of a €24m loan to finance its office project Zita.

And yet there were losers as well. Gant Development and Plaza Centers beat the crowd in the race to the bottom as both missed bond payments this year. The collapse of investor confidence saw Gant shares crash by 78 percent, while Plaza shares dropped by 83 percent.

POLAND'S MANUFACTURING GREW AGAIN IN OCTOBER

Poland's manufacturing sector grew in October by 4.4 percent year-on-year and by 6 percent compared with September 2013, according to the Polish Statistical Office (GUS). Still, the figures failed to match market expectations, as analysts had predicted the sector would produce year-on-year growth of 4.7 percent in October and 6.3 percent month-on-month.

At the same time, GUS points out, the net price for manufacturing goods continued its fall in October for the 11th consecutive month, this time recording a decline of 1.3 percent year-on-year and 0.5 percent since September. With investments picking up, however, market observers believe significant growth could be in store next year.

CZECH INFLATION TO GROW BY 1% IN 2014

Inflation may dip this year, thanks to decreasing energy prices, but analysts estimate the rate will increase by 1 percent over the next 12 months. Inflation dropped below 1 percent y-o-y in October, prompting the Czech National Bank (ČNB) to weaken the koruna against the euro in hopes of stimulating the economy. Analysts are predicting the inflation rate will see a significant jump next spring. "The ČNB will thus reach its target, namely an increase in inflation. However, I am not convinced whether the economy will benefit from it," Pavel Sobíšek, an analyst with UniCredit Bank, told ČTK. David Marek, the chief economist at Patria Finance, added: "The effect of the weaker crown will spread across the imported goods in the consumer basket, and in the course of the coming 12 months, inflation should increase by some 1 percent."

CZECH REPUBLIC

LAND COVER, 2012, IN % OF TOTAL AREA

Forest and other wooded land	39
Grassland	20
Water/wetland	2
Cropland	34
Shrub land	1
Bare land	1
Built-up and other artificial areas	4

PRODUCTION IN CONSTRUCTION

-18.8%
Production in construction in August 2013 in relation to monthly average from 2010.

-6.9%
Production in construction in August 2013 in relation to analogous time of the previous year.

HOUSING COST OVERBURDEN RATE BY TENURE STATUS (% OF POPULATION)

Owner occupied with mortgage or loan	5.3%
Owner occupied, no outstanding mortgageor housing loan	6.4%
Tenant - rent at market price	25.0%
Tenant - rent at reduced price or free	18.7%

SEVERE HOUSING DEPRIVATION RATE (% OF TOTAL POPULATION)

Men	4.1
Women	3.8
TOTAL	3.9

HUNGARY

LAND COVER, 2012, IN % OF TOTAL AREA

Forest and other wooded land	24
Grassland	19
Water/wetland	3
Cropland	47
Shrub land	2
Bare land	1
Built-up and other artificial areas	4

PRODUCTION IN CONSTRUCTION

-10.4%
Production in construction in August 2013 in relation to monthly average from 2010.

2.0%
Production in construction in August 2013 in relation to analogous time of the previous year.

HOUSING COST OVERBURDEN RATE BY TENURE STATUS (% OF POPULATION)

Owner occupied with mortgage or loan	20.5%
Owner occupied, no outstanding mortgageor housing loan	6.8%
Tenant - rent at market price	43.8%
Tenant - rent at reduced price or free	16.8%

SEVERE HOUSING DEPRIVATION RATE (% OF TOTAL POPULATION)

Men	17.4
Women	17.0
TOTAL	17.2

POLAND

LAND COVER, 2012, IN % OF TOTAL AREA

Forest and other wooded land	36
Grassland	22
Water/wetland	2
Cropland	34
Shrub land	1
Bare land	1
Built-up and other artificial areas	4

PRODUCTION IN CONSTRUCTION

-2.3%
Production in construction in August 2013 in relation to monthly average from 2010.

-8.8%
Production in construction in August 2013 in relation to analogous time of the previous year.

HOUSING COST OVERBURDEN RATE BY TENURE STATUS (% OF POPULATION)

Owner occupied with mortgage or loan	10.0%
Owner occupied, no outstanding mortgageor housing loan	8.6%
Tenant - rent at market price	27.1%
Tenant - rent at reduced price or free	14.3%

SEVERE HOUSING DEPRIVATION RATE (% OF TOTAL POPULATION)

Men	10.7
Women	10.3
TOTAL	10.5

ROMANIA

LAND COVER, 2012, IN % OF TOTAL AREA

Forest and other wooded land	31
Grassland	25
Water/wetland	3
Cropland	36
Shrub land	2
Bare land	1
Built-up and other artificial areas	4

PRODUCTION IN CONSTRUCTION

12.1%
Production in construction in August 2013 in relation to monthly average from 2010.

8.9%
Production in construction in August 2013 in relation to analogous time of the previous year.

HOUSING COST OVERBURDEN RATE BY TENURE STATUS (% OF POPULATION)

Owner occupied with mortgage or loan	13.5%
Owner occupied, no outstanding mortgageor housing loan	9.2%
Tenant - rent at market price	65.3%
Tenant - rent at reduced price or free	11.4%

SEVERE HOUSING DEPRIVATION RATE (% OF TOTAL POPULATION)

Men	26.4
Women	25.5
TOTAL	25.9

SLOVAKIA

LAND COVER, 2012, IN % OF TOTAL AREA

Forest and other wooded land	46
Grassland	19
Water/wetland	1
Cropland	28
Shrub land	2
Bare land	1
Built-up and other artificial areas	3

PRODUCTION IN CONSTRUCTION

-21.1%
Production in construction in August 2013 in relation to monthly average from 2010.

-5.0%
Production in construction in August 2013 in relation to analogous time of the previous year.

HOUSING COST OVERBURDEN RATE BY TENURE STATUS (% OF POPULATION)

Owner occupied with mortgage or loan	23.6%
Owner occupied, no outstanding mortgageor housing loan	6.4%
Tenant - rent at market price	12.9%
Tenant - rent at reduced price or free	8.9%

SEVERE HOUSING DEPRIVATION RATE (% OF TOTAL POPULATION)

Men	4.8
Women	4.7
TOTAL	4.8

GREEN PAGES

Sustainable development news and projects

Schenker completes green logistics hub in Rudná

DB Schenker has opened a new logistics center in Rudná outside Prague. DB Schenker's new area is located just a few hundred meters from its original hub. The investment into the new area totaled CZK 600m. Strabag completed the center, which includes 4,700 sqm of office space and a 8,000 sqm warehouse, in nine months. The area was built with a focus on sustainability. In addition to an intelligent lighting system and standard energy-saving measures, the center includes extensive green areas across the 91,000 sqm plot. A CNG filling station will be added to the area in spring, allowing employees to use natural gas for company cars and reducing overall operational costs. The hub will employ 340 people.

YIT Stavo secures passive building certification

Building F at Koti Hyacint project, now under construction in Prague-Modřany, is the first residential project in the Czech Republic to secure a passive building certification according to criteria set by the German Passivhaus Institute. The certificate was awarded by Centrum pasivního domu in Prague. Vladimír Dvořák, CEO of the investor YIT Stavo, says the certification process takes into account the project's thermal stability, weather protection measures and the quality of ventilation. Building F is scheduled for completion in Q3 2015. The project's energy-efficient measures are expected to cut annual heating costs radically, so a 70 sqm flat could expected to pay just CZK 2,780 annually. That's a far cry from the the more standard CZK 18,000 that's standard for new builds.

ArtGen to add new art gallery to Holešovice

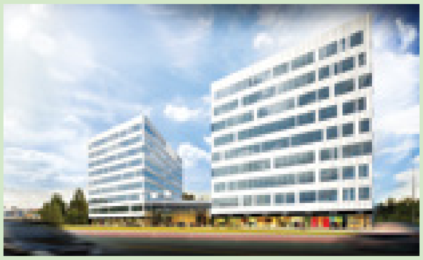
ArtGen, an office project in Prague 7-Holešovice, developed by PPF Real Estate, should be completed next fall. The two buildings, designed by CMC architects and built by Syner, aspires to be LEED Gold certified. The project will use intelligent facility management system and environment friendly technologies, including recuperation, lighting control by motion detectors, cooling by fan coils and opening windows. It will also offer service space for bikers, who can use the nearby bike-path along Vltava river. The developer plans to use part of the space as an art gallery that will be used to showcase work by famous Czech artists as well as for fashion shows. The façade of the building will display art photography. No pre-leases have closed yet. The space is on offer at €12.5-14.5/sqm/month.

SWEDECENTER

SwedeCenter secured another LEED certificate this month for its Brama Portowa I project, a year after the completion of the office building. Brama Portowa is reportedly the first scheme in Szczecin to receive the LEED "Gold" and the developer claims to have already begun the certification process for Brama Portowa II.
SwedeCenter said that the certification follows the implementation of a system of waste segregation, energy-efficient ventilation system, underground charging points for electric and hybrid cars.

SKANSKA PROPERTY POLAND LAUNCHES SILESIA BUSINESS PARK

Skanska Property Poland has started construction on its most recent office project in Katowice. Called Silesia Business Park, the four-building office complex broke ground this week at Chorzowska Street. It's the biggest office investment for the developer on the Polish market so far, being comprised of two 12-storey buildings offering a total of 46,000 sqm of office space along with underground parking for 600 cars. The first building is set to be completed in the fourth quarter of 2014.
Architects from Medusa Group provided the design. Skanska will be overseeing the construction and the leasing process on the project. The developer already applied for the LEED "Gold" certificate and the EU's GreenBuilding label.



DRINKS BEFORE HOME

Robert Fletcher (RPMG), Radosław Krochta (MLP Group) and Alan Colquhoun (DTZ)

Robert Dobrzycki, Sylwia Dobrzycka and Karina Trojańska (Panattoni Europe)

Piotr Bzowski (PointPark Properties), Aleksandra Tokarska and Marzena Tkaczuk (Jartom)

Martyna Latawiec and Piotr Wąs (PointPark Properties)

Monika Kaźmierczak and Magda Twarowska (Axi Immo)

Poland

June 13	PROLOGIS
Sep. 19	P3 POINT PARK PROPERTIES
Oct. 17	RONDO 1
Dec.	Winter Break

Joanna Jaroszewska (Hochtief Facility Management) and Piotr Trzciński (BLACKROCK)

Michael Reisser, Georg Blaschke and Christina Schüßler (Helaba)

During these turbulent times the DBH has created a successful monthly meeting point that is sorely needed in today's marketplace. Now held in five countries the Czech Republic, Hungary, Poland, Romania and the United Kingdom with our latest edition DBH London event now starting in February. For more information regarding sponsorship or to be placed on the invitation list, please contact one of our offices for more information. For the full 2013 DBH calendar for all countries, please visit our website
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Oana Radu, Mihai Paduroiu (The Advisers/Knight Frank)


Ryan Coopersmith (Aig/Lincoln), Iain Brown (Brown Marinescu Consulting)


Ghiorghita Baciu (Raiffeisen Bank),Ciprian Popescu (Raiffeisen Bank), Sebastian Dragomir (Immofinanz)


Raluca Bucuiu (PA Services), Gabriel Sfetcu (GS Capital), Violeta Cenusa (PA Services)


Robert Pasaniuc (Rhenus Logistics), Laszlo Kemenes (Prologis)

Established in 2009 on the Romanian market, as the local associate of Knight Frank, the world's leading independent property consultancy. As a full-service real estate consultancy, The Advisers/Knight Frank provides market-leading advice and transaction support to investors, developers and corporate clients for all property needs. The team performs the highest standards of quality and integrity in global property transactional, management and advisory services. Presently The Advisers/Knight Frank is formed of 33 professionals: the best personal brands on the market, with a collective experience of around 170 years, and with property expertise spanning across all segments of the market.

THE ADVISERS Knight Frank

Romania

Sep. 18	GREENGATE
Oct. 17	VITALIS
Nov. 22	THE ADVISERS Knight Frank
Dec.	Winter Break

New Czech Civil code shifts title debate

Alan Spanvirt (Wilson & Partners) says the land registry is now the last word in title disputes. But it must be read carefully.

How important are the changes to the Czech civil code?
It's a revolution, not just a standard change, the new civil code has more than 3,000 articles, and as of January 2014 it will have a massive impact on investors, on people concluding contracts, and even on the normal life of people. It's a huge change that's been in the works for 13 years, and now it's beginning.

There are obviously a lot of existing contracts out there governing investments, rental contracts and land deals. Will people have to change these contracts?
It's different from case by case situation. Obviously, contracts that were concluded before the law came into effect will continue to exist, so there's no immediate need for changing anything. On the other hand, clever investors will probably need to consider some changes, for example in lease contracts, to reflect new rights and obligations imposed by the new legislation.

Do the change endanger secured cash flows through rental contracts?
There is generally no immediate danger. I would expect that the majority of investors already have the lease contracts concluded in a clever way, meaning there are detailed provisions for rental deposits and the terms of the leases for payment conditions for rent and service charges. If it's detailed enough, it should be sufficient at least at the beginning of 2014.

If detailed provisions governing payments are missing, then the new law should be applied. One of the issues is that if the lease is silent about the payment date of the rent, it's paid "backwards", so it's to be paid for the previous month that has ended.

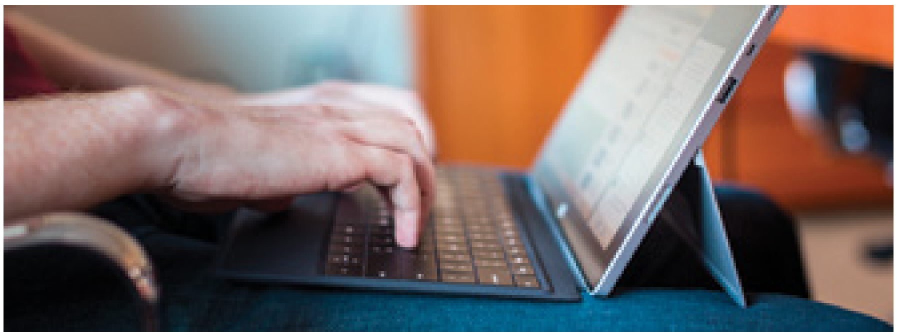
How does the new law treat the relationship between buildings and the land they're built on?
This is one of the biggest changes, the most visible one. As a general rule, the buildings will become part of the land, which is a massive change. If the building owner is the same as the land owner, then the building will cease to be registered in the land registry. There are obviously some exceptions. The new law doesn't mean the building ownership will be expropriated. In these specific cases, the ownership will remain as two separate objects in the real estate registry, but the two parties will have mutual pre-emptive rights to the other's property. So if one of the parties wishes to sell, they will have to offer it to the other party.

How does the new law impact on the registration of properties in the cadastre and issues about land title?
There were obviously problems with the title to land in the past. Nothing in the cadastre was actually guaranteed to be true. Now, the importance of the cadastre has been strengthened, and the law now says that if the buyer acts in good faith according to the registration he becomes the owner even if there are actually some defects to the title which are not registered in cadastre.

Does it mean that any potential "mistakes" from the past are swept away, that the current cadastre is the starting point?
This is what the law provides in a way, but obviously nothing is guaranteed 100 percent. There is the principle of material publicity, meaning that what is registered is deemed to be public knowledge and is at the same time deemed to be true. But potentially, it's not only the extract which states who is the owner of the building and what rights are registered against the property, but there is also the entire collection of deeds. It's uncertain at this point if the buyer of the property is expected to visit the collection of deeds and check the validity of previous titles.

What changes are there for letting?
One potentially negative impact concerns changes of ownership. The principle itself is the same, meaning that if the ownership of the building changes, then the lease follows, unless the contract says otherwise. But, the new law provides that if the acquirer of the building was not aware of the details of the lease, then the contractual details of the lease will cease to exist after the building's acquisition. So, as a tenant, I would demand a provision in the lease requiring the landlord to provide the full wording of the lease to the new owner of the building.

TECH.

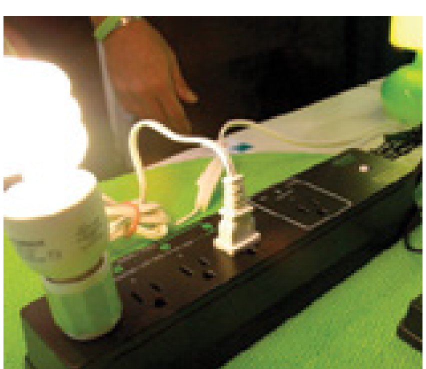


IN-FLIGHT GADGET BAN ENDING

Consumer pressure on airlines to stop harassing passengers about turning their phones and tablets off during flights has finally paid off, as American aviation authorities are now bowing to the inevitable. Laptops, however, will still have to be shoved out of the way somewhere, and you still can't make calls. We assume it's all a ploy by airlines to start charging for WiFi access..

LET THERE BE LIGHT

You got a smartphone, smart kids, now what about a smart house? Believe us, the tech giants are working on it, but it could be decades before anything substantial (and reasonably priced) hits the market. In the meantime, you might want to pick up one of Roger Yiu's Smart Power Strips. It might not sound all that sexy, but this isn't just your average power strip. It has built-in WiFi that allows you to flip on a house light using your smartphone, regardless if you are home, at the office or stuck in traffic.



THE SOUND OF SILENCE

Sick of listening to your neighbors blast Lady Gaga's Poker Face for the 50th time? Or the roar of rush hour traffic? Now you can block out unwanted outside noise with Rudolf Stefanich's handy little plastic solution called Sono, which fits to your window and filters sound in the same way a pair of sturdy headphones do. Working similarly to a radio dial, Sono allows you to skip over irritating noise sources, while "playing" the ones that really matter.

CLOUD STORAGE

Connected Data, the company that brought cloud storage to the average guy with Transporter v2.0, has realized that Mr. & Mrs. Average don't want to pay monthly fees. They also want to pay less (big surprise); they want to be able to sync multiple devices (laptops, tablets and phones) and they want data privacy. The new Transporter Sync is the outcome and will be out in time for the holidays.

WEARABLE TECHNOLOGY

Wearable technology is no longer the future. Pebble may have introduced the on-line watch to the public, but Samsung Galaxy Gear is taking the product mainstream. Along with social networking apps and a variety of different watchface skins, Galaxy Gear will offer a camera and most importantly, sports-tracking capabilities. However, short battery life and difficult typing may cool the buzz some.

PEOPLE

People page in association with TARA HR CONSULTING

RADOSLAV POPKA

Radoslaw Popko joined Von Der Heyden Group in November. He will be responsible for the company's development services, focusing on real estate financing. Before joining Von Der Heyden Group, Popko worked for some of Poland's top financial providers, including Deutsche Bank, Dresdner Bank, DZ Bank. For the past six years, Radosław was in charge of the Polish division of Berlin Hyp.

TOMÁŠ BUDAŘ

Tomáš Budař has been promoted to regional director for South Moravia by CTP. Previously a project manager for the company, he'll be overseeing the company's industrial and retail projects in the region, with particular focus on CTPark Brno, CTPark Brno South, CTPark Pohořelice, CTPark Modřice and the company's newest scheme, CTPark Hrušky. He will also be responsible for projects under construction and new developments, including the Brno Retail Park. Prior to joining CTP in 2006, Budař worked for M+W Zander Facility Management.

ARTUR LEBIEDZIŃSKI

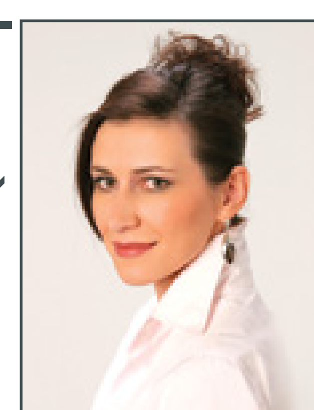
Artur Lebiedziński replaced Wojciech Papierak as a CEO of the Polish Real Estate Holding PHN, after the former Chief resigned from the position earlier this year for personal reasons. Before he was put in charge of PHN, Lebiedzińsk was seating the company's supervisory. He was appointed an interim CEO for the company in August, before PHN's Supervisory Board launched a competition for the position in October.

STUART BLOOMFIELD

DTZ has appointed Stuart Bloomfield as Director of Capital Markets at its Prague office. He has 13 years of experience on the Czech and Slovak property markets, having begun his career in Prague at the same company, which he joined as a junior in 1998. He spent the last six years in the office and investment teams at CBRE.

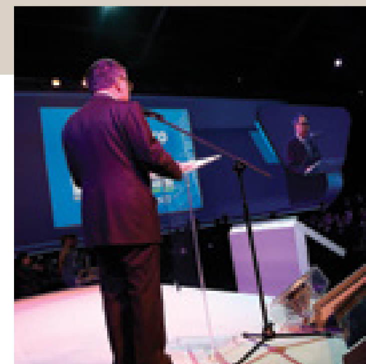
RENATA KUSZNIERSKA

Renata Kusznierska rejoined DTZ as retail director of the company's operations in Poland and the CEE region. Kusznierska has more than 13 years of experience in the Polish retail sector, having previously worked for DTZ for nine years. She has also worked for Carrefour Property Poland, where she oversaw asset management and development of the retailer's property arm. During her time at Carrefour, Kusznierska managed a portfolio of 330 stores around the country and 40 shopping centers. She also helped close more than 2,000 lease agreements.



WARSAW SPIRE

Ghelamco held the official cornerstone laying ceremony for its landmark scheme, Warsaw Spire. Along with Jeroen van der Toolen and Paul Gheysens of Ghelamo, the ceremony was attended by Deputy PM Janusz Piechociński, Belgian Ambassador Raoul Delcorde; Executive Director of Frontex, Ilkka Laitinen; and the event's special guest, Kris Peeters, Minister-President of the Government of Flanders.



Raoul Delcorde, Belgian Ambassador to Poland

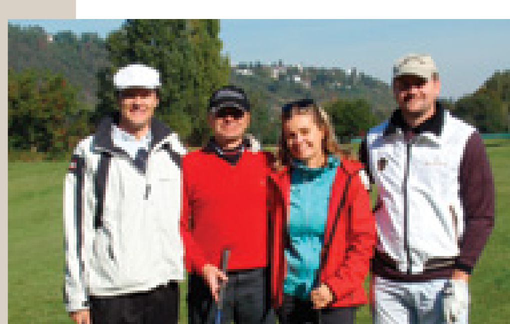
Team photo

WILSON & PARTNERS

The Wilson & Partners' law firm helped raise nearly GBP 5,000 for the Joshua Hayday Helping Hands Trust (JHHT), through the "Men's Health Survival of the Fittest Challenge" that was held in London in mid-November. The team consisted of Bryan Wilson and Daniel Navratil from Wilson & Partners, Will Bucknell of Flow East, Stuart Jordan of JLL and Ian Borders of First Title. To date, the firm has helped to raise more than GBP 10,000 for the JHHT through its participation in various activities.

2013 CUSHMAN MASTERS TOUR

The Hodkovičky Golf Tournament closed the 2013 Cushman Masters Tour. This golf series of tournaments is organized annually by the C&W Prague industrial team for their key clients. The 2013 tournament was the fifth in a row and included three tournaments for golf players along with one for non-players from Prologis, Panattoni, Panalpina, AIG, IKEA,CTP, Skanska, and the C&W Prague team.



Ferdinand Hlobil (C&W), Vladimír Bayer (Assa Abloy), Irena Seibertová (ATOZ), David Nekovář (Inter Ikea)

Irena Seibertová (Atoz), Ferdinand Hlobil (Head of CE industrial team, C&W)

MAPIC

The numbers are still nothing like what they were several years ago, but the mood among the 8,300 delegates who descended on Cannes for the MAPIC retail exhibition displayed a greater sense of optimism than in the past. The impact of the Internet is becoming a center point of discussion for all retailers, while mall owners watch anxiously to see how their buildings will be used in the future.

Barbara Hucková (executive director of the Leontinka Foundation), Mark Winterflood (CEO of HSBC)

LEONTINKA FOUNDATION

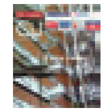
HSBC Bank in Prague supported the 10th annual charity concert organized by the Leotinka Foundation in the Martinu Hall of the Lichtenstein Palace in Prague. The musicians that took part in the concert were students of the Prague Conservatory. Other companies that supported the concert included EXX, FM Logistic and Ogilvy. Proceeds from the concert will help pay for the education of young artists with sight impediments.

MITZI LINKA

There's any amount of bother as we begin to wrap up the year gone by, one that in all fairness turned out better than most had feared. We have a feeling though that some of the people really doing the business have left it until late, at least if they needed to get the figures in before 2014 rolls around. **Isolde's** better half has been taking a deep look into a building from one of **Aks Naks**' former lives whose construction in Prague was ultimately a family affair. Whether the deal actually comes off isn't certain, however. What does seem to have been cleared up is that the Gary's Tango building, while it may have failed as an office building, has some value locked away inside as it's been sold off. The rather public bid of €10m wasn't enough, but while the final price hasn't made the rounds yet, it turns out not to have gone to any of the expected egos. Instead, in a **Cliffhanger**, the **Skale's** were tipped to a local name you hear far less about. When is a luxury flat not a **luxury flat**? When there's five hundred or so of them in the same project. Not easy for anyone to sell, especially with bad vibes still lingering from the days when the price used to be about double. We hear the **ex-agent/developer** was leading the charge was let go for sticking to his guns. If so, well done...onwards and upwards

From the **CIJ Archives**

5, 10, 15 Years



Czech Republic

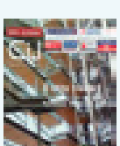
2008
Furious pace of change at ECM

The credit crunch continues to inspire unforeseen twists and turns in the established property landscape of Central and Eastern Europe. In just the most recent such example, ECM Real Estate Investments (ECM REI) announced in mid-November that its board of directors had recommended its shareholders accept an offer by ECM Group to purchase their stakes in the company. The move would enable ECM Group to acquire ECM REI's shares at a price of CZK 303 per share, giving company founder and one-third owner Milan Janků a majority stake. This should help protect ECM REI from takeover attempts by a third party, to be expected because of market volatility and the risk of speculative purchasing.

"Due to the prevailing turbulence in the global financial and capital markets, the challenging situation in the debt capital markets and the overall negative sentiment towards the real estate sector, ECM Real Estate Investment has limited access to financing and cannot raise additional capital in a standard way through capital markets," wrote the company in a statement. "In the current environment it is also very challenging to exit completed properties in a standard way in order to maximize the value for all ECM REI stakeholders."

Slovakia

2003
Optima Extension opens in Košice



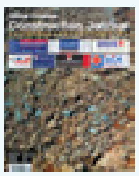
Bigger isn't always better, but when it comes to shopping malls, it's often seen as a survival technique. To ward off competition from other new or expanding projects in Slovakia's second city, Košice, the Optima mall has opened a new section that increases its GLA by 16,000 sqm. With the mall now measuring 50,000 sqm, developer Manhattan Real Estate Management is calling it the largest mall outside Bratislava.

For Košice, it's a first, in the sense that the city now has an operating multiplex cinema, a seven-screen movie theater operated Cinemax. Otherwise, visitors will primarily notice the new glass atrium which has become the focal point of the expanded mall. The new food area and shopping units connect to the original center on the first floor, while te original ground floor shopping passage has been extended as well.

Optima's €33m upgrade is obvious, with a slew of new brands including H&M, Marks & Spencer, C&A, Mango and Promod now present, along with Esprit, Motivi and Reserved. In addition, a new Kika furniture store has arrived, the first time Ikea's biggest rival has opened a store in Slovakia.

Poland

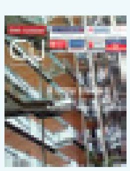
1998
Echo Investments expands rapidly



Echo Investments has taken a major step forward in its bid to build a chain of 15 shopping centers across Poland by agreeing with Royal Ahold (MAX supermarkets and hypermarkets) and B&Q International Partner (NOMI DIY stores). This follows on the heels of an agreement with Hoyts Cinemas to develop 10 entertainment centers, establishes Echo as one of the biggest players on the development scene in Poland. Marcin Materny of Echo Investment says his company has a great deal of work to do in order to fill the remaining space in the shopping centers, many of which are due to open before the end of the next year. In line with the usual trend for such centers, these new ones are to be located on the edges of towns around Poland, most of which are significant, but smaller urban centers. Royal Ahold will operate a supermarket or hypermarket in each of them, depending on the size of the project.

Czech Republic

2003
New Yorker plans Prague flagship



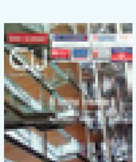
With some 360 stores across Europe, German fashion retailer New Yorker is fulfilling strategic expansion plans and is performing better than expected in all markets.

"That's basically because we plan for the worst case scenario, and as yet that has not occurred," says Jaroslav Mašek, CEO for New Yorker in the Czech Republic, where the company now has 11 stores, 8 of which are located in shopping centers.

A high street address in Brno in 1998 saw the first Czech New Yorker arrive. Prague has three New Yorkers, at Zličín, Letnany and Smíchov, but their fourth, a flagship store for the Czech Republic, a three-level emporium dedicate to fashion and accessories, will open with much pomp and VIP circumstance by April 2004.

Poland

2003
Polish brand triumphs at MAPIC



For the ninth year running, the largest retail real estate showcase took place in Cannes. MAPIC. For many, the highlight of the event were the MAPIC Awards, in which retailers from around the globe competed for top prizes in each sector. For the second consecutive year, Joost Bomhoff, MD of RODAMCO Europe presided over the MAPIC awards jury. The winner of the Clothing & Fashion Accessories award went to the Polish casual-wear brand Reserved (LLP SA). This year, the Imax Corporation lost out to the French-based UGC, a European leader in the Entertainment category. Luch, a company that recently opened an outlet in Prague, won the Health & Beauty category for the their socially and environmentally responsible hand made beauty products and soaps.

Spotlight

Petr Palička

Penta Investments

Petr Palicka's real estate career began on the construction end of the business, having graduated from Prague University with a degree in civil engineering. His first position was at Pragoprojekt, where he worked for eight years until moving to the UK in 1993 to work for Gifford & Partners.

Moving back to Prague, he worked as project manager on projects for clients such as Agip and Nedlloyd. His biggest assignment in this role came with the construction of the Prague Conference Centre, a three-year job that ended in 2000. This was followed by a seven-year stint in charge of Bovis Lend Lease in the Czech Republic and Slovakia. He also spearheaded the company's activities in Croatia and worked as Deputy Director for Central & Eastern Europe from 2003 to 2006.

He's been Managing Director of Penta Investments' Real Estate division since 2007, where he is responsible for the company's development actiities in the Czech Republic. Now staffed by 15 employees, the goal for the division is to grow to 30 professionals and to be one of the leading developers in the country, delivering approximately 20,000 sqm of office space and 200 residential units annually. The company currently has five projects in preparation or construction.

CAREER HIGHLIGHTS

- Led major projects for clients such as Nedlloyds and Agip as project manager
- Served as project manager for the delivery of the Prague Congress Centre, a high-profile, CZK 2.2bn investment
- Led Bovis Lend Lease as Managing Director from 2000 to 2006, during which time the company grew from 60 to 120 people and the company's revenues doubled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