

- CREN - Croatian Real Estate Newsletter

filipović
business advisory ltd.

Volume 40, October 2009

CREN PATRONS



TABLE OF CONTENTS

1. INTERVIEW: Prof. Srećko Pegan, Ph.D., B.Sc.Arch. Faculty of Architecture, University of Zagreb.....	2
2. THE FIRST SYMPOSIUM ON GREEN BUILDING IN CROATIA.....	7
3. INTERVIEW: Erin English, Regional Sustainability Advisor, Colliers International, Southeast Europe	9
4. STATISTICS	15
4.1. Average Asking Prices of Real Estate Offered for Sale – September 2009.....	15
4.2. Statistical Reports of the Central Bureau of Statistics from the.....	16
Area of Construction.....	16
4.2.1. Construction work indices, August 2009	16
4.2.2. Building permits issued, August 2009.....	16
5. INTERNATIONAL REAL ESTATE DEVELOPMENT BUSINESS ACADEMY.....	17
6. PRESSCLIPPING	20
6.2. NEWS FROM THE REGION.....	22
7. PAST EVENTS.....	24
8. DO NOT MISS OUT.....	25

TOPICS OF THIS ISSUE INTERVIEWS:

Erin English
Regional Sustainability Advisor
Colliers International, Southeast
Europe

**Prof. Srećko Pegan, Ph.D.,
B.Sc.Arch.**
Faculty of Architecture,
University of Zagreb

**GREEN BUILDING IN CROATIA AND
THE SOUTHEAST EUROPE REGION:
OPPORTUNITIES, COSTS AND
POTENTIAL**

**SYSTEM OF SPATIAL PLANNING IN
CROATIA**

1. INTERVIEW

**Prof. Srećko Pegan, Ph.D.,
B.Sc.Arch.
Faculty of Architecture,
University of Zagreb**



SYSTEM OF SPATIAL PLANNING IN CROATIA

Could you introduce yourself to the readers of CREN?

I was born in 1949 in Zagreb. I graduated in 1972, from the Faculty of Architecture of the University of Zagreb. Between 1973 and 1988, I worked as a designer, lead design architect and director at the office for architectural design known as "Arhitektonski studio" (Architectural Studio) in Zagreb. I spent my sabbaticals in Germany and in the United States. I am currently a regular professor at the Faculty of Architecture of Zagreb University, teaching in the Department for Urban Planning, Spatial Planning and Landscape Architecture, where I teach several courses in graduate and post-graduate studies. My work includes spatial planning, urban planning and urban planning legislation. I am one of the initiators of the scientific journal "Prostor" for urban planning and architecture, and a member of the board of editors and a reviewer. I have spoken at international conferences and workshops, and I am the author of a book, some scripts and scientific papers. My professional opus consists of 71 urban planning and architectural projects, including 31 adopted spatial plans, 34 author's architectural design projects for public and apartment buildings, schools, factories, and

several architectural designs for family and vacation homes. 21 of my architectural designs for public, residential, commercial and industrial buildings have been implemented as original designs. I have participated in 12 competitions by invitation and public tender, and I have won first prize 4 times. I am a member of the Spatial Planning Council of the Government of the Republic of Croatia, the Croatian Academy of Technical Science, the Croatian Chamber of Architects, and the Association of Croatian Architects.

You are a regular professor at the Department for Urban Planning at the Faculty of Architecture in Zagreb and you teach the course in spatial planning. Could you explain to our readers the system of education for a spatial planner in the Republic of Croatia? What does a spatial planner do?

Spatial planners in the Republic of Croatia acquire their field-specific knowledge during graduate and post-graduate studies of architecture and urban planning at the Faculty of Architecture in Zagreb. They can continue with further training on a specialized course in spatial planning, and scientific research on the Ph.D. course in spatial planning, urban planning and landscape architecture

within the scientific discipline of “Urban and Spatial Planning”. In order to be able to develop spatial plans, it is necessary to pass a state licence exam in spatial planning and construction, or to be a certified architect and a member of a team of experts for designing spatial plans within a company that has received authorization from the Ministry of Environmental Protection, Physical Planning and Construction for performing these activities.

The activities of spatial planners are regulated by the Spatial Planning and Construction Act, Art. 2, paragraph 24, which says: *“Spatial planning, as an inter-disciplinary activity, is an institutional and technical way of managing the spatial dimension of sustainability, on the basis of the assessment of development possibilities and by preserving the characteristics of an area, respecting the protection requirements and preserving its environmental quality. It defines the allocation of areas/surfaces, the conditions for the development of activities, and their spatial distribution, the conditions for improvement and urban reconstruction of developed areas, and conditions for implementing planned projects in space.”*

In the book *Prostorno planiranje* (eng. “Spatial Planning”) by the author Ante Marinović-Uzelac, the founder of spatial planning in the Republic of Croatia, the work of spatial planning is defined as an activity, which provides directions for the spatial distribution of people, goods and activities, with the aim of ensuring optimum use of space, and in the narrow sense, this is a process of developing spatial plans. Spatial planning proposes measures and activities aimed at harmonizing the interests of use of space and the need for preservation of the environment,

and it is pursued by developing and implementing spatial plans. Spatial planning is defined by social conditions – social interests, efforts, politics, but also private interests. Spatial planning is significantly different to urban planning, and the difference is the object of planning, planning objectives and methods, the contents and the integral parts of these plans.

An urban plan deals with the internal spatial development of towns and cities, and the type (level) of urban planning determines the ways and methods of plan development.

The area of spatial planning is one of the main starting points for all activities in a space, and especially for the property market and commercial property development projects. Requirements for such projects include development of plans and obtaining permits, and they involve a number of ministries and other competent authorities. Developers, especially from abroad, are frequently confused with this system, when faced with the issue of competencies. What is your opinion on that?

Spatial planning is a long and a long-term process, especially when it concerns the development and adoption of spatial plans. As a rule, it takes at least a year to develop and adopt a spatial plan, and only after this is over, is it possible to obtain a permit to build. This kind of procedure can be discouraging to investors, since it takes several years from the original expression of interest until any major project can be implemented, which jeopardizes the accuracy of estimations, based on which the investment was proposed. I expect that the situation will improve in this respect, since all the cities and municipalities in the Republic of

Croatia have already developed spatial plans, and the development of more detailed urban plans is under way. It is to be expected that after these detailed urban plans are adopted, the process of property development in line with the defined allocation will be shorter. So, the system is well set up, but its main weakness is its implementation in practice.

The problem of competence is a great source of difficulties, it slows down the procedure and leads to confusion, and often contradictory interpretations. This issue has become very topical lately among professionals (the Croatian Chamber of Architects), as well as in state institutions. It will take a great deal of resolve to deal with this issue thoroughly.

In your work, you have to do with institutional developers and investors who invest in large real estate development projects in Croatia. What is your experience with them?

I do not work directly with major project developers, but in my professional and scientific work, as well as part of my activities in various commissions and boards, I do participate in providing opinions and assessments about how proposed projects comply with the existing plans. Some developers are very well informed, and they implement their ideas more or less successfully. Unfortunately, some developers, especially foreign developers, tend to invest in projects and real estate before they have checked whether their proposals are in line with the valid planning documents. The result of such efforts is either a failed attempt or indefinite postponement of project implementation. The developers then tend to try to accelerate the process in any conceivable way. Finally, they remain disappointed when they fail and

they complain about the inadequacy of the system and lack of readiness of the state for major investments. When they justify their proposals, they compare areas in Croatia with undeveloped areas in other states, and they do not compare the most valuable areas of those states with the corresponding, undoubtedly exceptional values and sensitivities of areas in Croatia (especially sensitivity to building projects).

Could you briefly compare the spatial planning system in the Republic of Croatia with the countries of the EU, and what new development in the area of spatial planning can we expect when Croatia joins the European Union?

The spatial planning system in the Republic of Croatia has similarities with spatial planning systems of Western European countries, which are defined by the organisation of the state. Systems of spatial planning vary among the countries of the EU, not only at the state level, but also at the level of individual entities or larger administrative areas within a single state.

A general comparison of the spatial planning systems can hardly be objective and justified from a professional point of view, because the characteristics of every system are based on state-specific definitions of ownership, economic, social and political development, and other factors that affect the use and protection of space. What we can compare are, for instance, types and contents of spatial plans, the procedures for their adoption etc.

Membership in the EU will, among other things, mean that we have to be more consistent in implementing the obligations we accept with respect to

use and protection of space. In this context, there is a separate issue of regional and trans-regional connections that has been insufficiently elaborated, and that also determines spatial allocations, as part of overarching development plans and organisational possibilities. Any delays in becoming involved in such activities at the EU level might have disastrous consequences for anyone, especially with respect to spatial development. Some EU studies (ESDP) mention Croatia as a country that is suitable for senior citizens, ecological agriculture and environmental protection. I do not think I have to comment on this further.

It is certain that all weaknesses or ambiguities in political decisions that affect spatial development become accumulated in the spatial planning system, including the development and adoption of spatial plans. This is the reason why spatial planning is increasingly perceived as a restrictive, rather than a developmental activity, which it should be.

What are the most frequent issues that the Spatial Planning Council of the Government of the Republic of Croatia deals with?

The Spatial Planning Council of the Republic of Croatia was established by the Government in order to define the conditions for more balanced spatial development in the Republic of Croatia, and to examine the professional and scientific basis of spatial planning documents and other documents in the field of spatial planning. The Council issues opinions, proposals and assessments on the proposed spatial planning documents and other documents as defined under the Spatial Planning and Construction Act at the state and regional level, and it issues recommendations concerning individual issues in spatial planning. In

the previous four-year term, the Council worked on raising awareness about space. In 2005, the Council developed a *Proposal of Necessary Measures to Improve the Spatial Planning Policy*, which was submitted to the Government of the Republic of Croatia. Some of these proposals were incorporated into the *Spatial Planning and Construction Act*, and one can expect the proposed measures to have significant mid-term and long-term effects. The Council has just finished drafting a proposal for the *Criteria for Planning Tourism Areas along the Sea Coast, 2009*.

The areas in which the Council is active and will continue to be active in future are the following:

- participation in and coordination of development of documents that will define spatial development in the Republic of Croatia,
- measures to improve spatial development policies and criteria for construction,
- general and special requirements concerning the objectives and the use of plots and buildings in state ownership,
- coordination of main infrastructure routes and corridors, and energy supply routes,
- changes in spatial development in areas around new motorways, with the aim of defining new developmental possibilities of local areas and encouraging spatial development of underdeveloped regions,
- defining priorities in tourism, and acceptable forms of tourism through planning the economic

development of tourism and other plans.

It is of primary importance to increase the level of compliance with mandatory criteria for construction, as defined by the Spatial Development Strategy and Programme of the Republic of Croatia, the Spatial Planning and Construction Act and other valid spatial plans. At the same time, it is necessary to adopt new measures to improve spatial development policies by drafting new spatial development documents at the level of the Republic of Croatia. We emphasize the importance of amending the existing or drafting new spatial planning regulations, as prescribed by the Act, and of

coordinating the adoption of documents that regulate various areas, in order to achieve harmonization. These activities are a pre-condition for the quality professional work and organisation of this profession. We especially emphasize the need to establish the Croatian Institute of Spatial Development, as stipulated by the Act, as an institution that would provide constant monitoring and propose measures for spatial development in Croatia. In order to gain support for the suggestions and measures proposed by Council, it is necessary to keep the public informed, and to encourage training and scientific research in the area of spatial development.



INVITATION TO PARTICIPATE IN

THE FIRST SYMPOSIUM ON GREEN BUILDING IN CROATIA

Tuesday, November 24, 2009
Zagreb Architects' Society, Ban Josip Jelačić Square 3, Zagreb

1. Goals of the Symposium

The First Symposium on Green Building in Croatia has the following goals:

- Introduce the Green Building Council of Croatia as a platform for green building advocacy
- Present global and local green building activities
- Discuss past, present and future of sustainability in Croatian building sector
- Discuss opportunities and challenges of a progressive green building movement in Croatia
- Network and exchange experiences of business people

2. Symposium Program

PANEL 1

GREEN BUILDING ON THE GLOBAL AND PANEUROPEAN LEVEL

Green Building Councils around the World
Green Building Programs & Rating
Systems
(EPBD, BREEAM, LEED, DGNB, etc.)
Costs & Benefits of Green Building

PANEL 2

GREEN BUILDING IN CROATIA: PAST, PRESENT AND FUTURE

What are Croatian best practices from
past and present?
What are the obstacles and opportunities
to building green?
Are we on time with green building in
Croatia?
How can we cooperate to expedite the
green building market?

3. Who Should Attend?

The First GBC Croatia is a network for all who are involved in the development of the built environment. Representatives from companies, organizations and institutions from any building sector-related area are welcome to join the Symposium:

- Contractors and Builders
- Corporate and Retail

- Educational and Research Institutions
- Environmental and Non-profit Organizations
- Finance and Insurance Community (institutions, appraisers, accountants)
- Professional Firms (such as architectural, engineering, consultants, legal, design and technical)
- Building Product Manufacturers (such as controls manufacturers or operators)
- Professional Societies and Trade Associations
- Real Estate and Real Estate Service Providers (owners, developers, property managers)
- Governmental Bodies and Organizations

The Green Building Council of Croatia

The Green Building Council of Croatia (GBC of Croatia) is a not-for-profit organization that serves as a country-wide platform for the promotion of sustainable building practices. The GBC of Croatia acts as a network for all parties involved in the development of the built environment - from architects or materials manufacturers, to financial institutions or academics. The organization will be able to campaign with these private and public sectors for adoption of sustainable building practices, and it often offers services such as building certification and professional training programs. The GBC of Croatia is in its initial stages of development, and the opportunity to become a cofounding member is still available.

Participation and Information

Participation in the Symposium is free of charge, however advance registration is required. Due to the limited number of seats available, please confirm your participation to one of the following emails in advance.

Further information on the Symposium Program and Participation are available at:

Filipović Business Advisory Ltd.

Ban Jelacic Square 3, Zagreb, Croatia
Tel: +385 1 48 16 969
Email: konferencija@filipovic-advisory.com
www.filipovic-advisory.com

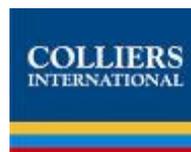
Green Building Council of Croatia

A. Hebranga 32, Zagreb, Croatia
Tel: +385 1 48 86 280
Email: info@gbccroatia.org
www.gbccroatia.org

U partnerstvu s:



&



3. INTERVIEW

Erin English
Regional Sustainability Advisor
Colliers International, Southeast
Europe



GREEN BUILDING IN CROATIA AND THE SOUTHEAST EUROPE REGION: OPPORTUNITIES, COSTS AND POTENTIAL

Could you please introduce yourself to the CREM readers?

First, thank you to CREM for hosting this interview. My name is Erin English, and I am the Regional Sustainability Advisor and green building consultant for Colliers International in the Southeast European region. Within Colliers, I direct a program called the Regional Initiative for Sustainability and the Environment (RISE). RISE is a holistic sustainability program that encompasses employee education, corporate strategy, research, market leadership and service development with regards to green building. I am also the Chief Advisor to the Board of Directors of the Green Building Council of Croatia.

Regarding my education and background, I am a LEED® Accredited Professional and hold a Bachelor Degree in Mechanical Engineering from the University of California at Berkeley. LEED stands for “Leadership in Energy and Environmental Design,” and is the leading green building certification and professional credentialing system of the United States Green Building Council.

While living in Berkeley, I served two years on the board of the Berkeley chapter of Engineers for a Sustainable World. Before joining Colliers, I lived in Mumbai, India, and worked on a water and sanitation project in slum communities. I was an intern with USAID in Madagascar on a similar project regarding drinking water in rural schools.

In Southeast Europe, I end up traveling quite a bit around the region, but what is most exhilarating for me is the opportunity I have found in Croatia. Since the middle of 2008, I have had the privilege of working with an extraordinary group of people in Zagreb to initiate and found the Green Building Council of Croatia (GBC Croatia). Together with fifteen other companies, Colliers is a Co-Founding Member. The GBC Croatia is a non-profit organization dedicated to expediting and empowering the green building movement in Croatia.

Can you tell us more about the RISE program of Colliers?

RISE is an internal program of Colliers International, Southeast Europe. A major objective of RISE is to provide

opportunities for our employees to educate and credential themselves in the field of green building. Colliers, as a real estate consulting company, realizes that the future of the building sector is inevitably 'green,' and it makes sense to begin educating our staff now instead of waiting for the market to shift. I offer trainings in the offices, as well as online, on topics such as what is green building, the costs and benefits of green building, or green building best-practices for Southeast Europe. Anyone in the company can take these courses – they are completely voluntary.

Additionally, our employees are encouraged to earn a specialized green building credential through the Green Building Certification Institute – a LEED Accredited Professional or Green Associate certificate. We now have six Colliers staff who are LEED® accredited. This certificate is one way for them to distinguish themselves as knowledgeable green building consultants.

What about the research component of RISE?

One of the first things I did, when I started working as a sustainability advisor to Colliers, was to conduct a survey in all of our offices. We have offices in Albania, Bulgaria, Croatia, Greece and Montenegro – and my objective was to investigate the level of understanding within our company on the topics of green building and sustainability. Our education programs that I just described were created based on the results of this study, which took place in early 2008.

However, we have come a long ways since then, and our most recent research effort was external, and took place during the summer of 2009. The RISE program carried out a most extensive green building audit and

stakeholder survey program – possibly the most comprehensive study of its kind in the region.

We audited 64 buildings across six countries, and the data collected basically analyzed the buildings for their existing and future potential for sustainability in multiple areas – including energy efficiency features, building geometry, building envelope materials and design, water efficiency elements, landscaping choices, access to public transportation, on-site site recycling, and more. Most of the buildings were commercial office buildings, but we also incorporated some multi-family residential, retail and logistics buildings. The results of this study will come out at the end of the year. We carried out these audits in order to get a better understanding of what the opportunities and barriers are to lower-carbon, lower-energy and more-ecological building would be.

For an example, I can discuss one of the results of our building audit - on the subject of the "Urban Heat Island Effect." We collected data on what the roof surface was for each building in order to recommend ways to improve the building's energy performance. The roof surface of a building is one of many factors that determine how much heat is retained from solar radiation. Lighter-colored surfaces (such as white cement or white paint) reflect more radiation than darker ones (such as grey EPDM or grey asphalt shingles) – leading to reduced cooling loads in the summer. The phenomenon of heat storage from dark surfaces is called the "Urban Heat Island Effect."

We plan on publishing the results of this study – as well as the surveys of tenants and buildings and their perceptions of green building – at the end of 2009.

One major result from this study is that we found examples of almost every green building feature, technology or

best-practice available in the region. We hope that this study will provide some credible evidence that the potential for green building is significant in Croatia and throughout the region, and we also hope that other companies and institutions will be inspired to do their own research on this matter. This is very important for a market transformation.

You mentioned green building certificates. What can you tell us about LEED certification of both building and credentialing of professionals?

There are over 3000 commercial buildings certified through the LEED Green Building Rating System™; but there are more than 21000 commercial buildings registered to be certified – which is most astonishing.

The LEED system originated in the United States over 15 years ago and

was inspired by the BREEAM green building certificate. The major difference is that LEED is run by a non-profit green building council.

There are LEED certified buildings in over 60 countries around the world, included most European countries. I have included a map showing which European countries have LEED buildings (either certified or registered), and how many are in each. We can expect this number to grow substantially over the next five years as the commercial real estate markets in Central and Eastern Europe become more competitive.

As the supply of commercial building stock exceeds the immediate demand, developers are going to have to get more creative when it comes to distinguishing their project from other similar projects. LEED certification is one way to do this.

Countries in Europe by number of LEED projects (registered and certified)

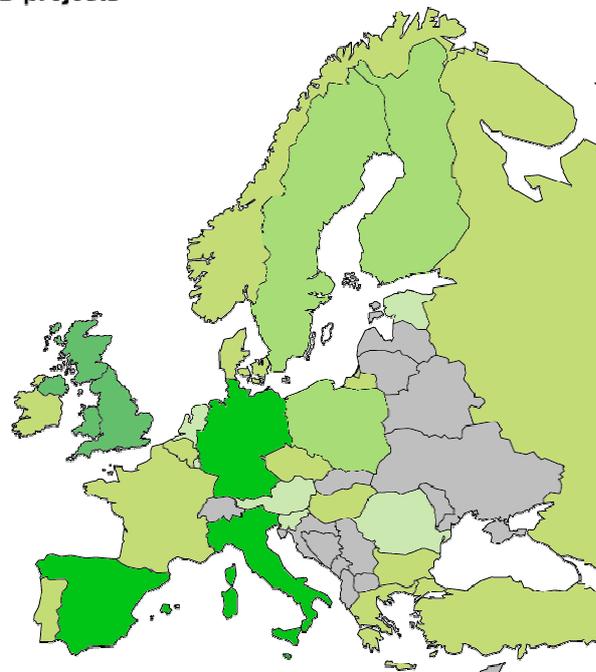


Image: LEED® Certified and Registered Building in Europe– Most countries in Western Europe have at least one registered or certified LEED® building. As shown on the map, Germany, Italy and Spain have more than 20 existing or pipeline LEED projects, the United Kingdom, Finland, Sweden and Poland have more than five, and a large list has between two and five. Currently, there are no registered or certified LEED buildings in Croatia. (Sources: RISE Research, 2009, and USGBC.org, 2009).

You have mentioned a lot about the region as a whole, but what is the current state of green building in Croatia?

The green building movement in Croatia is not unlike the situation of most countries in Central and Eastern Europe – it is happening but it is not main-street and not yet a clear market force.

As shown by the growing number of co-founding members in the Green Building Council, there is interest from private companies and a willingness to participate in the development of a market force. However, much of the enthusiasm is speculative, for the green building market is quite limited at this point.

It should be noted that there are currently no certified green buildings in Croatia (LEED or BREEAM), but there are a few buildings that meet the energy efficient German Passivhaus standard. Multiple Passivhaus buildings are currently being designed and built in Croatia. One of our co-founding representatives of the Green Building Council is a Ljubomir Miscevic, a veteran of the German Passivhaus standard and a Professor of Architecture at the University of Zagreb. He is one of the many pioneers who will help to lead a major market transformation in Croatia.

Our Colliers office here in Zagreb has been actively involved in the RISE program, including the green building research this summer. My Croatian colleagues not only see this as new and exciting, but they know this is the future. Colliers is only one example of many companies who are starting to take their role in the green building market quite seriously.

Additionally, there are public and private sector programs –both domestic and international –aimed at promoting energy efficiency in buildings, such as the United Nations Development Programme (UNDP), the World Bank, and the Energy Institute Hrvoje Pozar. But it should be noted that these programs are focused almost entirely on energy efficiency. Green building as a concept is about this and much more.

So, how would you define green building then?

Green building is a holistic concept idea centered around sustainability of the built environment - the way it is designed, constructed and operated - in a four-pillar approach that includes environmental, ecological, social, and cultural sustainability.

There is no universally accepted definition of green building, but the idea of green building as a concept idea is generally accepted.

In addition to “what it means,” it is important to note that green building is also about “who is involved.” Designing, constructing and operating a green building in a cost-effective manner requires involvement from many professionals in the building sector. We are not only challenged to change what we do, but are challenged to change the fundamental way that we think about buildings.

Green building is often perceived as being expensive? What does green building cost?

Green buildings do not have to cost more than their comparable counterparts. The cost of building green should be determined by the

project's budget set and not by its aspiration to build green.

This might be difficult to believe at first, but there is clear evidence on the economics of green – both in terms of what it costs to build green, as well as what the expected financial benefits are.

To begin with, multiple studies show that the average premium for a certified green building is less than 2%. Of course an average implies two things – first, that there are expensive green buildings and, second, that there are inexpensive green buildings. Of course the same can be said for 'non-green' buildings. A second study confirms these results, and also compares this low premium to the 'perceived' premium of 17% more than a non-green building– the premium that developers believe it will cost them. Clearly one of the biggest barriers to building green is the myth of huge costs.

In case you would like to find these reports, they are all available free to public on the website of the United States Green Building Council (www.usgbc.org). One of these studies was done by Davis Langdon in 2004 and is called "Costing Green: A Comprehensive Cost Database & Budgeting Methodology." They also have a 2007 study that reconfirms these results. Another study is published in 2008 Greg Kats called "Green Buildings and Communities: Costs and Benefits."

You mentioned that green buildings are better investments? How so?

Yes, this is what evidence from more mature markets is telling us. In what claims to be "the first credible evidence on the economic value of the

certification of 'green buildings,'" top economists from the University of California, Berkeley, and Maastricht University in the Netherlands analyzed over 10000 subject and control office buildings.

The results were astonishing, because they basically show that green buildings are worth – on average – 16% more than comparable non-green buildings. This study was done by leading economists who had no interest in whether or not this was the result. It is truly incredible, not to mention directly in line with what other more preliminary studies have suggested.

The study aimed to perform a sensitive examination of the change in rental rates and selling prices of LEED® certified and Energy Star labeled office buildings – compared to 'regular' buildings – in the United States. The results are that green buildings demand rental rates of 3% higher per square foot (compared to "otherwise identical buildings – controlling for quality and the specific location"); effective rental rates are shown to be 6% higher per square foot; and selling prices are confirmed to be about 16% higher. The full paper can be downloaded online as well, look for the title "Doing Well by Doing Good? Green Office Buildings" (Quigley, 2008).

With regards to green building in Croatia, what is the public activity in the market and industry?

Currently, the most 'hype' about green building as a more holistic idea (rather than just energy efficiency) is occurring within the commercial real estate market. For instance, there are a few developers who are choosing to market their project as "green" but are

not electing to obtain a third-party verification or certification. An example is the planned city center of Rijeka, Croatia, that shall include buildings with green roofs and “open air circulation,” which could possibly mean natural ventilation features. This is one of the first examples that I have found that presents a green holistic strategy. Additionally, Croatia already hosts many large multinational companies that are known for giving preference to green buildings when selecting leases, such as Siemens, Microsoft and Coca-Cola.

It is likely that alignment of potential demand for green building features from the tenant side with choices made by developers will be a critical task of the Green Building Council due to the fact that most attention is being paid to energy efficiency.

Finally, very little research is available on public perception or understanding of climate change or environmental issues. The stakeholder survey component of our RISE research within Colliers asked about green building awareness in six different countries, including Croatia. We will publish this as well by the end of 2009.

You have spoken about the Green Building Council of Croatia. What does it do?



Image: Green Building Council of Croatia—The GBC Croatia is a non-profit organization, founded in 2008, and serves to promote green building in Croatia (Source: GBCCroatia.org).

The Green Building Council of Croatia (GBC Croatia) is a not-for-profit organization that serves as a country-wide platform for the promotion of sustainable building practices. The GBC will work in partnership with other key organizations to educate research, promote and empower people to design and build sustainable buildings in Croatia.

The GBC acts as a network for all parties involved in the development of the built environment—from architects or materials manufacturers, to financial institutions or academics. The organization will be able to campaign with these private and public sectors for adoption of sustainable building practices, and it often offers services such as building certification and professional training programs.

The GBC Croatia is in its initial stages of development, and the opportunity to become a co-founding member is still available. We currently have fifteen Co-Founding Member companies in the GBC.

The GBC, in partnership with Filipovic Advisory Ltd., will host the First Symposium on Green Building in Croatia on November 24th. Interested companies can contact the GBC (info@gbccroatia.org) or visit the website (www.gbccroatia.org).

What would you recommend to a developer who wishes to build green in Croatia?

My first response would be to congratulate this developer on considering a good investment decision, and I would also hope that this consideration is being made very early on in the pre-design phase. Multiple research studies show that the biggest factors in determining the cost

of building a green building or a certified green building is the planning that goes into it. As I explained in an earlier question regarding the costs of green building, there are expensive green buildings, and there are inexpensive green buildings.

Start by outlining your intents and your project requirements. What would a 'business-as-usual' building look like, and then discuss how can your building be more ecological, more energy efficient, more water efficient, more adaptable.

For each and every consideration, do a cost-benefit analysis. Building the first green buildings in Croatia doesn't mean that a developer has to make a financial sacrifice. The first developers must experiment with their options, but at the end of the day, they have every right to choose the most cost-effective solutions.

In time, as evidenced by more mature markets in Western Europe and North America, economy of scale will make specialty technologies – especially specialty ecological and non-toxic materials – more cost effective. For now, I suggest that a developer doesn't get caught up these types of products, but instead focuses on what is currently available in the Croatian and regional market. For example, good architectural features that optimize solar gain don't have to cost more, but they do have to be intentional. Additionally, energy efficient lighting, HVAC and electronics are already available and have a clear payback on their investment. They are also marketable.

For the early pioneers who build green, it will come down to having a good project team, encouraging creativity, knowing your options, and maintaining a desire to succeed.

4. STATISTICS

4.1. Average Asking Prices of Real Estate Offered for Sale – September 2009

	average price EUR/m ²	price range EUR/m ²
ZAGREB		
Housing		
Apartments	2.027	899 - 5.000
Houses	1.830	586 - 8.000
Commercial space		
Offices	1.913	1.300 - 3.809
Business premises	2.390	888 - 8.663
Office blocks	1.380	618 - 2.474
COAST		
Housing		
Apartments	2.008	848 - 6.500
Houses	1.910	860 - 11.000
Commercial space	1.652	555 - 9.148
Tourist facilities	2.848	1.600 - 8.382

Average is calculated on the basis of the currently quoted prices on the Burza nekretnina d.o.o. (*Real Estate Stock Market Ltd.*), which is available online: www.burza-nekretnina.com.

4.2. Statistical Reports of the Central Bureau of Statistics from the Area of Construction

4.2.1. Construction work indices, August 2009

In August 2009, construction works decreased by 7.1%, as compared to August 2008.

Construction works in the period from January to August 2009 decreased by 3.7%, as compared to the period from January to August 2008.

In August 2009:

- by type of constructions, 47.3% out of the total working hours were done on buildings and 52.7% on civil engineering works;

- by type of works, 60.5% out of the total working hours were done on new constructions and 39.5% on reconstructions, repairs and maintenance.

Advice: Construction work indices, August 2009, Central bureau of statistics, Zagreb, 2009

4.2.2. Building permits issued, August 2009

In August 2009, there were 845 building permits issued, which was by 13.1% less than in August 2008.

The total number of building permits issued in the period from January to August 2009 increased by 9.3%, as compared to the same period of 2008.

In August 2009:

- by type of constructions, 92.5% out of the total number of permits were

issued on buildings and 7.5% on civil engineering works

- by type of construction works, 78.7% of permits were issued on new constructions and 21.3% on reconstructions.

According to permits issued in August 2009, it was expected for 1 159 dwellings with the average floor area of 98.8 m² to be built.

Advice: Building permits issued, August 2009, August 2009, Central bureau of statistics, Zagreb, 2009

5.



INTERNATIONAL REAL ESTATE DEVELOPMENT BUSINESS ACADEMY

Zagreb, 22-24 October 2009

The International Business Academy on Commercial Property Development – Module 1 – took place from 22-24 October 2009, in the premises of the Zagreb Architects Association, located on Zagreb Ban Josip Jelačić Square, and was organized by Filipović Business Advisory Ltd from Zagreb.

During the Academy, lectures were given by 7 speakers from Croatia and abroad, and they were attended by 40 participants who participated actively.



The opening address of the conference was given by **Marija Noršić** from Filipović Business Advisory.

The first lecture at the Academy was given by **prof. Ljubo Jurčić, Ph.D.**, extraordinary professor at the School of Business and Economics in Zagreb. The topic of his lecture was macroeconomics and the property development industry. He spoke about the influence of the economy in general on the property market, and

about the influence of the economic crisis on the property market.

The next lecture, on the topic of Project Management, was given by Mr. **Piers Ridout**, director of Davis Langdon. He spoke about the role of a project manager, about the influence of the current situation on the financial market on project development strategy, and he answered the question of how to add value to a project and how to have the best possible risk management.



The last lecture, or rather two sets of lectures, on the first day was given by Ms. **Erin English**, who is a LEED® accredited professional and regional adviser for South-Eastern Europe for Colliers International. Through her lecture, she presented the concepts of green and sustainable building to the participants of the Academy, and also the LEED® certification procedure, the points and credits, and the costs and benefits of green building.

At the end of the first day of lectures, there was a cocktail party that provided a pleasant opportunity for socializing, both for participants and the speakers at the Academy.

The first speaker on the second day of the Academy was Mr. **Vlaho Kojaković**, Development Director of TriGranit, whose lecture was also divided into two parts. He spoke about the project development of the Arena Centre project, the importance of due diligence, and about further development of the area surrounding the shopping centre, and building costs. He also presented other projects in the region.

After that, again in two parts, there was a lecture by Saša Randić, director of Randić-Turato d.o.o., who presented the work of architects through several case studies. Mr. Randić prepared a very imaginative Power Point presentation.

The last day of the Academy was dedicated to the topic of financing real estate projects. The first lecture was given by Ms. **Marina Agafonchikova** from the EBRD. She spoke about risk assessment from the point of view of the financiers, and about how to select an optimal financing structure for any individual project, by using examples and engaging the participants of the Academy in discussion.



The International Business Academy for the Development of Commercial Property – Module 1 – was concluded by the lecture given by Mr. **Juraj Sinanović**. Mr. Sinanović used a case study to explain the key requirements of term sheets, responsibilities, guarantees and closing transactions.

The intended objective of the Academy was to gather in one place all the experts who participate in commercial property development projects: developers, investors, project managers, architects, city planners, engineers, contractors for construction works, users of the property, banks, evaluators, attorneys and others. An Academy is a form of professional training course with a multidisciplinary approach. Also, in view of the limited number of participants, it made it possible to create a collegial environment and to have a high-level of interaction between the speakers and the participants. This was a place to establish new and further existing business contacts, and build on the experience and knowledge necessary for successful management of commercial property development projects.

It is also important to emphasize that we plan to organize a number of modules on several different topics.





„The Academy provided all the participants with an opportunity to communicate with each other and to exchange experiences, which contributed to the attractiveness of this event. My impressions are beyond excellent, and I would like to thank Filipović Advisory for its continued efforts to contribute to real estate market development, especially by providing opportunities for continuous learning and exchange of knowledge.“

Juraj Sinanović, TriGranit Development Corporation
Academy Lecturer

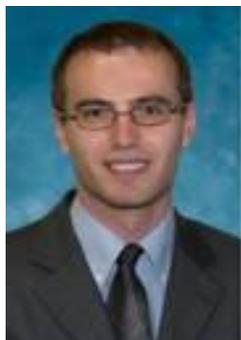


“As I expected, the Academy was a hit. Excellent speakers with professional know-how and concrete exchange of information and knowledge on commercial property development. I would like especially to emphasize the discussion based on concrete examples and projects, in the contributions by our colleagues from TriGranit and the EBRD. Congratulations to Filipović Business Advisory for the high quality of this programme and its organisation, and I’ll see you at the next module.”

Silvije Barišić, Quaestus Invest d.o.o.
Academy Participant



It was a true pleasure to participate in the first module of the International Business Academy on Commercial Property Development. There were several reasons to be satisfied: the excellent speakers touched upon a number of interesting topics, there was a great deal of new information presented about the various stages of development of individual projects, and an excellent selection of case studies. Sometimes it is nice to move away from the daily routine and find oneself in an environment, which values knowledge. Therefore, we would like to thank Filipović Business Advisory for its efforts and pioneering steps in raising the level of training in the field of commercial property development.



Petar Isaković, Colliers International
Renata Suša, Colliers International
Academy Participant

6. PRESSCLIPPING

Suvremena hr, 29nd October 2009

Three Shopping Centres Within a Month and None Next Year

Within just one month, 150,000 square meters of new stores opened in shopping centres.

Despite reduced consumption and the fact that Croats are now less inclined to pay for their shopping with their credit cards, two new shopping centres opened in Zagreb during the past month, and the third – so far absolutely the largest – will open on 12th

November.

Naturally, we are talking about the West Gate shopping centre in Zaprešić, preceded by the opening of Garden Mall in Dubrava that has already recorded as many as 300,000 visitors, and last week's opening of the Cascade shopping centre near the Kaptol Centar.



SIA has arrived in Croatia

The Cascade is definitely the most exclusive shopping centre in Croatia so far, and although its occupancy has only reached a relatively low 60 percent, it is conceived as a new trendy place for socializing and as a true lifestyle centre that, along with fashion stores selling clothes, shoes and accessories, will offer a large number of home design stores, such as SIA, Bella Forma, Stipić InterArt, and numerous cafes, lounge bars and restaurants that are necessary for the revitalization of the city centre. In comparison to other shopping centres in Croatia, which are all products of standard corporate architecture, a

special feature of the Cascade is its modern design and architecture, with the signature of the renowned Croatian architect Goran Rako.

- Instead of the classic box-design, we envisaged the Cascade as a lifestyle centre that reflects the typical vista and identity of the city. What we did is a modern reinterpretation of the famous steps leading up to the Upper Town and the terracotta facade of the nearby Gliptoteka (Sculpture Museum), by which we achieved a terrace-like structure, which has four "promenades" where people can take walks or sit and drink coffee – says Rako.

After

2001

Less demand by stores

If you are wondering when we shall see the end to the opening of new shopping centres, then the answer is that next year there will certainly be no new openings in Zagreb. However, the data that in Croatia there are about 110 square meters of retail area per 1000 inhabitants tells us that there is still room for more shopping centres, because this is still below the average of most countries in the region.

“Major projects that will probably be implemented include the Trigranit Arena Centar, with its opening planned for the last quarter of 2011, a 3D shopping centre in the fourth quarter of 2012, and IKEA Zagreb East also in the last quarter of 2011”, according to the report by King Sturge, one of the leading consultancies.

The occupancy rates in shopping centres and other retail areas in the centre of Zagreb are still very high, but this year saw a significant reduction in demand for new retail areas at attractive locations in the city, so that one can expect lower occupancy rates of premises located in the city centre and in the new shopping centres, which are to open in future.

- Retailers are reacting to the weakened economy by cutting back their expansion plans, expecting to negotiate on reduced lease prices should the crisis continue. This could significantly impact the shopping centres currently under development, and it will most certainly impact the time needed to reach satisfactory occupancy rates. It is expected that prices will go down by 5-15%, depending on the location. According to King Sturge, prices at less attractive locations are expected to fall drastically, whereas they will be kept at a relatively stable level at more attractive locations.

6.2. NEWS FROM THE REGION

Source: www.europe-re.com

Prime commercial properties offers rare retail opportunity in Germany (DE)

International real estate advisor Savills, on behalf of Prime Commercial Properties (PCP), has brought to the market a freehold portfolio of four shopping centers in Germany for a guide price of circa €400 million. The four centers, Allee-Center Leipzig, Billstedt-Center Hamburg, City-Center Chorweiler, Cologne; Haven Höövt Vegesack, Bremen, comprise 139,355 m² of retail, storage, office and partially residential units.



Dariusz Milek to present three new shopping centers at MAPIC (PL)

Dariusz Milek, president of NG2 and winner of Ernst & Young's prize 'Entrepreneur Of The Year', will present three unique shopping center projects standing out for their remarkable architecture and concepts at MAPIC in Cannes.



€100 mln deal marks LaSalle's first acquisition for LaSalle Property Office Venture Fund (FR/UK)

LaSalle Investment Management ('LaSalle') has made its first acquisition in continental Europe with the purchase of Le Blériot office building in Suresnes, Paris for a figure close to €100 million. The acquisition of the 21,500-m² grade-A office building was made by LaSalle on behalf of the LaSalle Paris Office Ventures fund ('LPOV') from Standard Life Investments.



Jernhusen buys Stockholm hotel in strategic transport move (SE)

Swedish property company Jernhusen, represented by international real estate advisor Savills, has acquired the leasehold to Hotel Scandic Continental from Swedish life insurance company Folksam for approximately €50 million.



ERIAPARTNERS & Pramerica launch 48,000 m² shopping center project in Antalya (TR)

ERIAPARTNERS and Pramerica Real Estate Investors have launched the TerraCity shopping mall & entertainment project in Antalya. The total investment cost of the project will be around €150 million. TerraCity will be Antalya's biggest shopping mall. The development of around 120,000 m² of construction consists of shopping mall with around 48,000 m² of gross leasable area, including 140 stores.



7. PAST EVENTS...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
September 30, 2009	GRI Russia	Moscow, Russia	www.globalrealestate.org
October 01-03, 2009	Mall Expo 2009	Kiev, Ukraine	www.mall-expo.com
October 01, 2009	Experts Forum CEE/SEE	Vienna, Austria	www.regioplan.eu
October 01-04, 2009	Second Home The Eleventh International Real Estate Exhibition	Moscow, Russia	www.house-show.com
October 01-04, 2009	RREF Russian Real Estate Forum	Moscow, Russia	www.mref.com
October 05-07, 2009	Expo Real	Munich, Germany	www.exporeal.net
October 07-08, 2009	HOTELFORUM	Munich, Germany	www.hotelforum.org
October 20-21, 2009	The 10th Annual Prodexpo - Greece & South Eastern Europe	Athens, Greece	www.tsomokos.gr/projects3.php
October 22-24, 2009	INTERNATIONAL REAL ESTATE DEVELOPMENT BUSINESS ACADEMY	Zagreb, Croatia	www.filipovic-advisory.com
November 05 - 07, 2009	BeIRE Belgrade Real Expo	Beograd, Serbia	www.belre.org
November 06 - 07, 2009	"14. FORUM OF THE REAL ESTATE ASSOCIATION"	Vodice, Croatia	www.hgk.hr

8. DO NOT MISS OUT...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
November 12, 2009	III International conference on warehouse logistics in Ukraine	Kiev, Ukraine	www.en.logisticsplatform.com
November 13, 2009	Real Estate Conference Insolvency, Restructuring & Acquisition	Bucharest, Romania	www.realestate.evensys.ro
November 18, 2009	MAPIC	Cannes, France	www.mapic.com
November 18 2009	MIPIM ASIA	Hong Kong, China	www.mipimasia.com
November 23 2009	New Europe GRI	Warsaw, Poland	www.globalrealestate.org
November 23 - 25, 2009	European Real Estate and Investment Summit	Monte Carlo, Monaco	www.ere-summit.com
January 19, 2010	TURKEY GRI 2010	Istanbul, Turkey	www.mygri.com/turkey

PUBLISHER:

Filipović Business Advisory Ltd.

Trg bana Josipa Jelačića 3/V
10000 Zagreb – Croatia
Tel: +385 1 481 69 69
Fax: +385 1 483 80 60
e-mail: cren@filipovic-advisory.com

It is our wish that the Croatian Real Estate Newsletter / CREN be a source of speedy and quality information for all who are active in the real estate sector – developers, planners, contractors, mediation agencies etc. Please send your comments, proposals and opinions to cren@filipovic-advisory.com to help us improve CREN and make it the leading medium on the Croatian real estate market.

Editorial staff: Vladimir Filipović – editor-in-chief, Lana Maria Milić, Marija Noršić, Petra Škevin and Natalija Vulić.