

# - CREN - Croatian Real Estate Newsletter

filipović  
business advisory ltd.

Volume 38, July/August 2009

## CREN PATRONS



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**Sani Ljubunčić**

**Director of the Trade and Investment Promotion Agency**

### **THE ROLE AND SIGNIFICANCE OF THE TRADE AND INVESTMENT PROMOTION AGENCY**

**Zvonimir Sever**  
**Certified Civil Engineer,**  
**President of the Croatian Chamber of**  
**Civil Engineers**

**Helena Knifić Schaps**  
**Certified Architect,**  
**Acting President of the Croatian**  
**Chamber of Architects**

**ESTABLISHMENT OF THE CROATIAN**  
**CHAMBER OF CIVIL ENGINEERS**

**ESTABLISHMENT OF THE CROATIAN**  
**CHAMBER OF ARCHITECT**

## 1. INTERVIEW

**Sani Ljubunčić**  
**Director of the Trade and**  
**Investment Promotion Agency**



### **THE ROLE AND SIGNIFICANCE OF THE TRADE AND INVESTMENT PROMOTION AGENCY**

**Could you briefly introduce yourself?**

I came to the position of director of the Trade and Investment Promotion Agency from the Ministry of Economy, Labour and Entrepreneurship, or more specifically from the post of acting Director of the Investment Promotion and Export Directorate, where I spent the past ten years of my professional life, so that I perceive my arrival at the Trade and Investment Promotion Agency as a continuation of my prior activities in the field of trade and investment promotion in the Republic of Croatia, now with more emphasis on the further development of a more attractive and competitive system of trade and investment promotion in the Republic of Croatia.

For the past ten years, within the remit of the Ministry, that is of the Investment Promotion and Export Directorate, I was directly in charge of the implementation of the Investment Promotion Act, that is implementation of incentives and privileges for direct investment projects, both local and foreign, which have been implemented in the Republic of Croatia. Specifically, this includes more than 90 successfully implemented projects, whether domestic, foreign or joint direct investments, and most of them were greenfield investments, which means brand new investment projects.

In the past five years, since 2005, I have been intensively involved in the work of two working groups for the preparation of the negotiating process between the Republic of Croatia and the EU in:

- Chapter 8 – Market competition
- Chapter 22 – Regional policy and coordination of structural instruments.

As a member of the working groups and representative of the Investment Promotion and Export Directorate of the Ministry of Economy, Labour and Entrepreneurship, I was in charge of harmonising the national regulations in the field of investments and business operations within free zones, and specifically for the harmonisation of the Investment Promotion Act, and the Free Zones Act with the relevant EU acquis.

Finally, I am pleased to say that my further activities within the Trade and Investment Promotion Agency, are – both in the regulatory and institutional sense, fully harmonized with the EU acquis, which is certainly an important comparative advantage in further activities of attracting and promoting trade and investments in the Republic of Croatia.

**The Trade and Investment Promotion Agency (APIU) is an agency of the Croatian government, and its main role is to provide a full service to investors in implementing their investment projects, to propose measures for improving the investment environment and to present Croatia abroad as an attractive location for investments. What will be your first tasks as the new Director of the Agency?**

As the new Agency Director, my first tasks can be briefly defined in three main areas of activities.

First, I would like to emphasize the intensification of activities to support and promote exports from the Republic of Croatia, and generally more intensive promotion and support for the internationalization of the Croatian economy. I emphasize this, primarily bearing in mind the newly adopted International Competitiveness Promotion and Croatian Economy Internationalization Programme for the period 2009 – 2010, which was adopted by the Ministry of Economy, Labour and Entrepreneurship.

This programme clearly defines the significant role of the Trade and Investment Promotion Agency, as one of the partner institutions in the internationalization process, which participates in the activities of preparing, organising, and approving supports for joint entry of export-oriented economic entities or economic associations on the international target markets, using three programme instruments of the internationalization programme:

**- organisation of joint exhibitions at international fairs,**

**- organisation of economic missions on international markets,**

**- opening of trade promotion offices on international markets.**

I would like to emphasize that this programme is the first structured and institutional effort, based on the partnership of all stakeholders in this process, which provides transparent and very concrete support to export-oriented and internationally oriented economic entities in the Republic of Croatia, and through such processes, the Trade and Investment Promotion Agency will certainly be a constructive and supporting partner to our entrepreneurs in all stages of the process, regardless if they are related to the preparation, organisation or implementation of export projects or internationalization projects, as well as in the process of applying for the respective subsidies within the internationalization project at the competent Ministry.

Another thing that I would like to emphasize as a priority in the area of advancing the existing activities of the Trade and Investment Promotion Agency, is the issue of real implementation of the “proclaimed” principle of “pro-active investment attraction”.

Here, I primarily refer to the increased efforts by the Agency to present Croatia internationally as an attractive investment destination in this part of Europe, and to present its specific competitive advantages within the Central and South-Eastern European Region, emphasizing the leadership position of the Republic of Croatia in attracting direct investments “per capita”, in comparison to other countries of South-East Europe, and in comparison with all transitional

countries of the “new Europe”, including the new EU member states.

A further priority related to this is the advancement of pro-active, constructive communication with domestic and foreign investors, as well as with all “partners” involved in planning, preparation and implementation of investment projects in the Republic of Croatia. The term „partners“ implies all institutions in the Republic of Croatia, who are directly or indirectly involved in the process of implementation of any investment projects, starting from the local government units, regional development agencies, investment support institutions, and the competent state authorities – that is the respective ministries competent for any issue directly related to the implementation of any investment project in the Republic of Croatia.

Under the term pro-active, constructive communication, I would like to imply that the Trade and Investment Promotion Agency, in cooperation with partner institutions in charge of managing state property, will create new possibilities and investment project initiatives for attracting both domestic and foreign potential investors, through new models of “economic activation” of the existing portfolio, with the clear objective of increasing the value of these assets and to corporatize these assets in the form of new economic entities in the Republic of Croatia.

And, finally, the third area of intensifying the Agency’s activities will be in an area already clearly defined in the Regulation on the Establishment of the Trade and Investment Promotion Agency, and it is the area related to initiating new measures, giving recommendations and proposals to

competent state authorities and to the Croatian government in order to improve the investment and entire economic environment, with the objective of intensifying export and investment activities of Croatian business entities.

**The World Bank has ranked the APIU among the Top 25 agencies in the world. How does the Agency operate? Does it draw on experience from other agencies? How do you support foreign investors in implementing their objectives?**

It is true, according to the latest research by the World Bank, the Trade and Investment Promotion Agency was ranked among Top 25 agencies for attracting investments, from among 181 competing countries. It is important to mention that the APIU has thus made it to the company of very developed countries like Austria, who was ranked first, Sweden, Germany, Canada, the UK etc., whereas from among the transitional countries, besides Croatia, only Lithuania, Latvia, Hungary and the Czech Republic were ranked among the first 25, and we have to say that we are very proud of this recognition.

We have signed cooperation agreements with many agencies, and we have signed a joint Memorandum of Understanding with other trade and investment promotion agencies from this region which includes the countries of the former Yugoslavia, Albania, Montenegro, Bosnia and Herzegovina, Macedonia, Serbia, and naturally Croatia. One of the points of this Memorandum is that we will jointly start working on enhancing economic cooperation activities, exchange experience in the promotion of foreign investments and advance our exchange of information, with the aim

of improving the investment opportunities of the whole region and of every individual country.

Concerning the ways we assist foreign investors in accomplishing their goals, I have to emphasize that the Agency employs about 40 qualified professionals, who are prepared to answer any questions by the investors. The main task of the Agency is to provide investors with a package, which they find acceptable, and to help them obtain the information they need in a quick and transparent way. Our activities are also oriented towards a pro-active search for, and attracting and implementing qualified investment projects, which include the production of high value added goods and services intended for export, and the projects, which will result in creating new jobs. We have established contacts with representatives of the diplomatic community in Croatia, and with the Croatian diplomatic network abroad, with the aim of establishing cooperation in the area of exchanging information and attracting foreign investors.

We provide information to all investors – to potential investors, and to those, who are already at the stage of implementing their projects, and the information we provide includes information on incentives for investment projects, the economic and legal framework for investments, entrepreneurial and free zones, technology parks and properties, which are available to investors.

We also organize visits to potential investment locations, and we actively participate in issuing the necessary permits, in the process of approving incentives, and in the implementation of the investment project from the very first contact, through the implementation stages and after that.

As an Agency, we serve the investors as the connecting point to all government authorities, local and regional institutions, municipal and infrastructural companies, and financial, accounting, legal and other business advisors.

**How would you assess the current state of play in the Republic concerning foreign investments, especially in the commercial real estate sector?**

The current state of play in the Republic of Croatia in the field of foreign investments is strongly and directly influenced by the current economic crisis, which means that there is a lower inflow of foreign direct investments in all sectors of the Croatian economy. It is fully understandable that at a time of such deep global economic crisis, all investment activities have significantly subsided, and the recent statistics published by the Croatian National Bank (CNB), which reflect a significant decrease of foreign investments in the Republic of Croatia in the first quarter of 2009, are by no means surprising. The investments decreased by approximately EUR 400 mil., which is a 40% decrease of FDI in comparison to the same period last year.

It is also evident that foreign investors have changed their behaviour concerning profit management, but it has to be said that this change in the intensity of FDI and generally in issues of capital management policies is a direct consequence of the already mentioned deep economic crisis.

Concerning the commercial real estate sector, the CNB statistics show that, in line with the national classification of activities, there was a significant decrease in foreign investments in the

real estate sector, just like in any other industry. This already started last year, in comparison to the previous year – 2007. The CNB shows that there is even a negative balance of FDI in the real estate sector in the first quarter of this year, and it amounts to EUR -5.9 million, but we have to take into account the explanation provided by the National Bank, that the negative figures expressed are also a consequence of the change in methodology, and that it is only at the end of this year that we will have a realistic picture.

So now the state of play in the Republic of Croatia, with respect to foreign investments, is a direct reflection of primarily the financial, and then also the global economic crisis, so that every new individual implemented investment project – both by domestic and by foreign investors – is currently more than welcome, and I can only emphasize that the Trade and Investment Promotion Agency, in the framework of its competences, will continue to provide comprehensive expert, technical and logistic support in order to implement such investment projects jointly and successfully.

### **What would you recommend to future investors who wish to invest in Croatia?**

The message by the Trade and Investment Promotion Agency to existing and future investors in Croatia is certainly that now – at the moment of finalizing the intensive pre-accession processes with the European Union – is the right time to make a decision on starting or expanding all forms of investment activities in the Republic of Croatia. Croatia is now at an advanced, mature stage of the pre-accession process, and experience from other Central European countries,

who have joined the EU shows that they attracted the largest investments precisely during the accession process. This is the reason why in 2009, the Agency will continue to promote the specific, familiar competitive advantages of Croatia:

- its extremely favourable, unique geographic position in this part of Europe,
- its high quality transport and communication infrastructure,
- its modern educational system,
- its harmonized legislation in the field of investment promotion and support, which is fully harmonized with the EU acquis,
- its legislation on designated economic zones within the Republic of Croatia: free zones and entrepreneurial zones, and on the operational regime of such zones, which is fully harmonized with the relevant EU acquis,
- its well-developed system of regional investment and business support institutions in all Croatian regions/counties, and the establishment of the Trade and Investment Promotion Agency at the national level, as a central, strategic authority for planning and jointly implementing investment project in the Republic of Croatia, that is the profiling of the Agency as an efficient „one-stop-shop“, where the existing and potential investors may obtain all necessary information and professional assistance and support in drafting Applications for investment incentives under the Investment Promotion Act, and as a place where investors can establish contacts and communication with all other relevant institutions and legal entities, which participate in the implementation of their projects.

## 2. INTERVIEW

**Helena Knifić Schaps  
Certified Architect,  
Acting President of the Croatian Chamber of Architects**

### **ESTABLISHMENT OF THE CROATIAN CHAMBER OF ARCHITECTS**

The Constituting First Assembly of the Croatian Chamber of Architects was held on 19<sup>th</sup> June 2009. On behalf of the editors of CREN and Filipović Business Advisory Ltd we would like to congratulate you on the establishment of the Chamber.

Could you, as the acting president of the Croatian Chamber of Architects, explain to our readers what the reasons were for establishing the chamber and how this process went?



Constituting Assembly

Preporodna dvorana (Revival Hall) of the Croatian Academy of Science and Arts (HAZU), Opatička 18

At the First Assembly, we elected the transitional management, what was once the Constituting Committee of the Croatian Chamber of Architects has now become the Management Board, and I – as the former president of the Class of Architects and the chairperson of the Constituting Committee – became the president of the Croatian

Chamber of Architects until the first elections.

A great deal has been achieved in the past ten years, not just within the Class of Architects, but also within the whole Croatian Chamber of Architects and Civil Engineers. However, the Chamber has unfortunately become too inert and too large. There were too

many of us at the decision-making stage, and our professions are simply too different to make consensual decisions for each profession.

For 18 years, almost since the Croatian state gained its independence, architects have been asking for their own chamber. When a chamber was established after 8 years, in 1998, it was established as a joint Croatian Chamber of Architects and Civil Engineers. Architects were never happy with this form, because there are virtually no other such examples in Europe. Ten years have passed. We have learnt a lot within the joint chamber, we have achieved a great deal, but we reached the conclusion that the time was ripe for changes. Gradually, Croatia is fulfilling the conditions for joining the EU, and the mentioned forms are not sustainable in the EU. In the process of establishing their own chamber, Croatian architects have enjoyed great support from other professional organizations in Europe, for instance by the Architects' Council of Europe, as well as the International Union of Architects. Now that our laws, which regulate architects' organisations, were in the process of harmonisation with the European acquis, this was a great opportunity to establish the Croatian Chamber of

Architects. Other engineering professions from the Croatian Chamber of Architects and Civil Engineers have opted for the establishment of their own chambers, which is also regulated by the Act on Architectural and Engineering Activities in Physical Planning and Construction. As a result five separate chambers will be established, related to the construction sector.

### **What are the main objectives and tasks of the Croatian Chamber of Architects?**

The Croatian Chamber of Architects is the successor of the Class of Architects. The main tasks have not changed a great deal, and they include promoting architecture as an expression of a nation's identity and the culture of a country, advancing architectural activity with the aim of protecting the public interest and protecting third persons. The tasks certainly also include protection of our members, but the primary task of every chamber is protection of the public interest. So the Croatian Chamber of Architects will still be dealing with all this, but now as the only body competent for representing architects before the state, foreign entities and in relation to third persons.



Vladimir Petrović, HKA (Croatian Chamber of Architects - HKA), Luciano Lazzari, honorary member of the HKA, Italy, Vlado Krajcar, Slovenia, Helena Knifić Schaps, acting president of the HKA, Alicia Lazzari, Italy, Viktor Pust, honorary member, Slovenia, Elisabeta Siola, vice-president of the UIA Region II, Greece

**How many members does the Croatian Chamber of Architects have, and what is the structure of its members?**

At the First Assembly, on 19 June 2009, the Croatian Chamber of Architects had 2,542 members. We have active members, and members with inactive status. There are 2,127 active members, and 315 inactive members. Naturally, we also have honorary members: Klaus Alberts, Ph.D. from Germany, Bogdan Budimirov, an architect from Croatia, Đuro Narađđa, a civil engineer from Croatia, prof. Ante Marinović Uzelac, Ph.D., an architect from Croatia, Luciano Lazar, an architect from Italy, and Viktor Pust, Ph.D., an architect from Slovenia.

We transferred the basic structure of the Class of Architects to the Croatian Chamber of Architects, and this is a division in four professional directions. The main professional group is most numerous and most important, and it includes certified architects, of which there are 2,066; then there are 16 certified architects – urban planners, 6 certified interior design architects, and 39 certified landscape architects. Architects who are only certified for a single activity (interior design, landscape or urban planning) may only perform work within their own field, whereas certified architects may perform all of the above mentioned activities.

**The establishment of the bodies of the Croatian Chamber of Architects is currently under way. What bodies are there in the Chamber, and what are their tasks? What will be the tasks of the President of the Croatian Chamber of Architects?**

The structure of the Chamber and its bodies are defined by the provisions of the Act on Architectural and Engineering Activities in Physical Planning and Construction. The most important body is the Chamber's Assembly, then the Management Board, which consists of eight members plus one (the President), the Supervisory Board, the Registry Committee, arbitration, a disciplinary body, regional committees and the Chamber's secretariat. Arbitration is the only new body, and its aim is to provide dispute resolution without first going to court arbitration.

During the ten years of our work, we have established numerous committees, in which we work on an operative level. They are the Finance Committee, the Professional Training Committee, the Committee for Regulations, Architectural and Urban Planning Tenders, International Cooperation, Information and Publishing, the Committee of Landscape Architects, the Committees for Urban Planning, Education and the Committee for the Implementation of the Architecture Programme, and Children of the International Union of Architects. A new committee, called the Committee for Developing Business Proposals under the Conditions of Recession, is of particular importance. We established this Committee within the Croatian Chamber of Architects and Civil Engineers, some time before the separate Chambers were constituted. I expect that all these committees will continue their work within the Croatian Chamber of Architects. Also, there is a need to establish new committees, such as a Committee on Sustainable Development and Energy Efficiency, which is of extreme importance in the Architects' Council of Europe and in

the International Union of Architects. In line with all this, we shall continue to work as we have so far, only with greater intensity, taking full responsibility for the architectural profession.

The president of any chamber is something like the prime-minister of a government. The Chamber's president does not propose his own team in the Management Board, but the members of this Board are elected. The candidacies are currently under way, and we expect the elections for all bodies to be organized at the next assembly, which is convened for 17<sup>th</sup> July 2009. The President will be the main person responsible for the operation of all the Chamber's bodies. The Management Board will consist of eight members and a president, and each of the members will be in charge of one of the "line" departments. The President will coordinate their work, and be responsible for the work of the whole Chamber.

**In your opinion, what are the most important improvements related to the architectural profession, achieved in the last few years – since the establishment of the Croatian Chamber of Architects and Civil Engineers?**

We have developed a price list for services, limiting minimum and maximum prices, and we have developed a Code of Professional Ethics, which is very important for architects. Out of about eight hundred professions covered by the European Directive on Recognition of Professional Qualifications, the architectural profession is one of eight regulated professions (the other seven regulated professions are related to the field of medicine and veterinary medicine). Architects are obliged to

abide by the Code accepted by the Architects' Council of Europe. We have professional liability insurance, which is very important for our clients. Later, this insurance was also introduced for contractors of construction works. We also have a programme of professional training for architects and other professions who are obliged to undergo training under the relevant Rules, the adoption of which we initiated ourselves, and which we implement ourselves, having obtained the consent of our line Ministry. Within three years a total of 24,000 professionals have attended our professional training courses, which means that we are systematically training our architects in new laws, materials and technologies, so that both local and foreign investors can fully rely on our skills.

A very important thing is the Regulation on Architectural and Urban Planning Tenders, which we adopted together with the Croatian Architects' Association, and it regulates the implementation of architectural and urban planning tenders. Since this Regulation has been in force, great progress has been achieved, which means that the quality of projects is improving. We have published a brochure on the protection of copyright in the field of architecture, which was a great help to our members and our clients – who are also your target group – because it made it clear that the copyright work is regulated by the Act on Copyright and Other Related Rights. Every copyright work increases the quality of developments, and the value of the buildings. We can see what kind of buildings are being built – not every work is copyright work, and our profession has to regulate this some day. We have started, but we have not finished.

And, naturally, one of our great successes internationally is joining the

Architects' Council of Europe as full members, which means that we have the right and the obligation to participate in the adoption of guidelines and decisions for performing professional activities on the European market.

**How would you assess the current state of play on the market of architectural services, and what will the Croatian Chamber of Architects do with respect to the bad economic situation, which has already started to affect the sector of real estate development and construction?**

The situation is getting worse, not only in Croatia, but all across Europe. We have some analyses by the Architects' Council of Europe, which surveys its members every three months. In some countries, the situation has become alarming, for instance in Spain.

When it comes to the chain of construction, architects are the first in line. Currently, the construction companies maybe still do not sense the dramatic proportions of this crisis, because they are busy finishing projects, which started earlier. For approximately a year and a half now, we have been warning about this situation, together with the other most competent institutions in the field of planning and construction, even at a time when there was still no talk of recession, simply as a result of some new provisions of the Physical Planning and Construction Act. Almost a year ago, we initiated a commission at the level of the Croatian Chamber of Architects and Civil Engineers, the task of which was to analyse the situation and business operations in recession; how to protect the profession, how to help, how to protect the quality of projects and the public interest. Under the conditions of recession, most frequently there are no building

activities, and the existing projects are often constructed in bad quality, because there is a demand for the cheapest projects. But you cannot obtain the maximum quality from the cheapest project. This does not mean that only the most expensive projects are of the best quality, but the price is not the only factor in planning. Within the joint body of the former Chamber, we have worked on programmes and in this segment it is the construction companies, who are the most active, because they have infrastructural projects, which are financially the strongest. It is our goal to propose measures to the Croatian Government, aimed at surviving this crisis in the most painless way.

**The Croatian Chamber of Architects actively participates in the work of international professional associations. What are these associations, and what is your role in them?**

The Croatian Chamber of Architects is a full member of the Architects' Council of Europe (ACE) already mentioned, then the International Union of Architects (UIA), and the European Forum for Architectural Policies (EFAP). This year, we have also been invited to join the Union of Mediterranean Architects (UMAR), so that we expect to become its member as well.

The members of the ACE are the national chambers, which means associations of business entities. The Architects' Council of Europe engages in advancing the business operations of architects, issuing proposals to the European Commission for the adoption and implementation of directives. The work is mostly organized in working groups, and Croatia has been particularly active in the work of the

Working Group on Education. Already the Class of Architects recognized the extreme importance of architects' education, and its aim was to raise the quality of architects' work through professional trainings – from the faculty onwards.

The International Union of Architects (UIA) has programmes, in which we actively participate. It also engages in all other forms of activities, including education. We have become involved in a programme called "Architecture and Children", which we are running for the third year already, and three months ago we had an international conference in Zagreb on this topic.

The European Forum for Architectural Policies recognizes the need to have professional policies in the field of architecture, at the level of European countries, which are implemented in the official national policies of every single country. What is the reason for this? It is the great number of professionally unscrupulous investors who bring down the quality of construction. Europe is fighting for a "Baukultur", the culture and quality of building. And quality affects life, the appearance of our developed environment, the social awareness of people, sustainable development, environment, and climate. It is a set of national policies that make the architectural policy of Europe. After the political union within the EU, Europe is uniting in all other aspects as well – cultural, health, economic policies, and also architectural policies. We are trying to be active at the national level, but we still have not succeeded in raising the level of awareness concerning the adoption of a Croatian architectural policy. It is our priority to adopt an architectural policy for the Republic of Croatia.

**The Croatian Chamber of Architects is conducting several projects (Hooray Architecture, Continuous Professional Training etc.). What are these projects, and what are their objectives?**

Hooray Architecture was just the title of the International Conference "Architecture and Children", which took place in Croatia, but it seems that this title is so catching that it is becoming a brand. The aim of this programme is to incorporate basic knowledge from the field of architecture and spatial culture into the national educational curriculum, ranging from pre-school education until the end of secondary school, so that children's awareness of their environment – both the developed and natural environment – is raised even from their pre-school days. Internationally, the results of this approach have been fantastic; many countries have recorded a reduction in violence against the surroundings and a reduction in devastation, because children have started identifying with their surroundings. This programme does not serve the purpose of orienting these children towards studying architecture, but the purpose is so that they know that the room they sleep in is theirs, that it has to be aired, be healthy, light, positive, and that the house they live in has to be clean and functional, that the street they live in has to be safe and maintained, that the school is theirs, just like the city they live in.

When we speak of education, we have initiated professional practice for students of the Faculty of Architecture, which has transferred to the Bologna Process, and it was already implemented for one semester in the 2008/09 academic year. We are certainly the only faculty in the whole Croatian academic community, which

implements professional practice programmes for undergraduate students, and it seems that we are the only chamber in Europe, which systematically implements professional practice programmes for students. The goal of this practice is to see what the students have learnt, and – accordingly – to suggest improvements to the faculty, and for undergraduate students to see what real life looks like, so that later they can choose from the various specializations in their Master's Study more easily.

Alongside everything mentioned above, we plan a new programme called "Sustainable Development and Energy Efficiency", in which we will actively concern ourselves with the existing buildings, which is also one of the guidelines of the Architect's Council of Europe. One of the very important programmes is also the IUA programme – "Architecture for Everybody", which deals with the issues of accessibility and obstacles for people with mobility difficulties and people with special needs. This is something that every country and every national chamber needs, and it is particularly necessary in a country that has been through a war.

**How do you perceive the future development of the architectural profession in Croatia, and the role of Croatian architects on the Croatian, European and global markets?**

Croatia is part of the European market. Our laws are mostly harmonized with the European laws. Architecture is very important for the development of any state, the planning of buildings and facilities, which are the competence of architects. There certainly is a future, but first of all we have to find our way out of the crisis caused by the

recession. Various professions in the field of construction will submit their proposals on that. Architecture is something that defines the environment we work and live in. Architecture is an everyday thing and it is the everyday encounter of man with the art.

**The Croatian Chamber of Architects and Civil Engineers is now divided into five new chambers: the Croatian Chamber of Architects, the Croatian Chamber of Civil Engineers, the Croatian Chamber of Geodetic Engineers, the Croatian Chamber of Electro-technical Engineers, and Croatian Chamber of Mechanical Engineers. How will this new organisation of professions, which participate in real estate planning, influence the market of real estate development projects?**

The goal of every chamber is to work on increasing the quality of the developed environment and the quality of education of certified architects and engineers. This quality and education will result in greater competence and greater security for investors. The real estate market is not only supported by the quality of our professionals, but also by a whole series of other factors – which means that, along with the quality of architectural work, we also need a regulatory basis, which will allow for successful work. In line with all this, our Ministry has adopted all physical plans. Great progress has been achieved in this segment, but I believe that the procedures are still too slow and too long. It is necessary to respond to the needs of investors and contractors, to accelerate and improve procedures, but not at the cost of quality and space. We, as architects, constantly emphasize that space is a one-off value, a non-renewable resource. Therefore, it is necessary to

manage space and its development very carefully. Investors today are educated people who know what it means if a zone is designated as a tourism zone in planning documents. This means that it is a potential tourism zone, but it still has to be asserted. Architects have to have the best

possible cooperation with the line ministry in proposing legislation and regulations, and in implementing them. Only then will the architect be able to do the maximum for the investor, in the legal framework. And nothing beyond that.

### 3. INTERVIEW

**Zvonimir Sever,  
Certified Civil Engineer,  
President of the Croatian Chamber of  
Civil Engineers**



#### ESTABLISHMENT OF THE CROATIAN CHAMBER OF CIVIL ENGINEERS

**The Constituting Assembly of the Croatian Chamber of Civil Engineers took place on 18 May 2009. You are the president of the Croatian Chamber of Civil Engineers. On behalf of the editors of the CREN and Filipović Business Advisory Ltd, we would like to congratulate you for this appointment. Could you explain to our readers what the main reasons for the establishment of the Chamber were and how this process went.**

**The Croatian Chamber of Civil Engineers, as one of the legal successors of the Croatian Chamber of Architects and Civil Engineers, was established on the basis of the Act on Architectural and Engineering Activities in Physical Planning and Building, and this Act was adopted in the process of harmonising the Croatian legislation with the European Union acquis.**

Your question probably relates to the reasons for abolishing the Croatian Chamber of Architects and Civil Engineers, which resulted in the establishment of independent chambers of architects, civil engineers, electro-technical engineers, mechanical engineers and geodetical engineers.

There were several reasons that led to the abolition of the Croatian Chamber of Architects and Civil Engineers. First of all, the interests of the various professions were different in many cases, and in some cases they were even mutually opposed. Another reason was that the chamber had large and inert management structures, which resulted in slow decision making, and because of the system of adopting consensual decisions, some decisions could never be made.

Besides, there was confusion concerning the management competences of the Chamber's professional classes and the central bodies of the Chamber, so that there were very many conflicts and misunderstandings in that area. And lastly, from the time the Croatian Chamber of Architects and Engineers was established, some professions were dissatisfied about being organized within a joint chamber.

### **What are the main objectives and tasks of the Croatian Chamber of Civil Engineers?**

**The Croatian Chamber of Civil Engineers**, as an association of competent and responsible professionals, is an active partner in social life, a partner who has something to say, who needs and has to work in synergy with others, in order to advance the profession, its dignity, responsibility, and influence on the well-being of individuals and of the whole society.

The tasks of the Chamber are to introduce order in the field of planning, to supervise and control projects in the field of construction, to protect the public interest, to protect the interest of third persons, to represent and coordinate the interests of its members.

The Aim of the **Croatian Chamber of Civil Engineers** is to become a central place of gathering and organising civil engineers in Croatia, who are the most numerous group of engineers. Through this status, we wish to actively influence educational curricula and enrolment quotas at civil engineering faculties and polytechnics, and in civil engineering secondary schools. We wish to actively influence the development of the construction industry and the civil engineering

profession in the Republic of Croatia, and – through our cooperation with the ministries – we want to influence the adoption of norms and regulations in the field of construction.

**The Croatian Chamber of Civil Engineers** also intends to assume an active role in creating development programmes, which will encompass projects and investments, with the aim of affirming the construction industry as an important factor in overcoming the recession.

### **How many members does the Croatian Chamber of Civil Engineers have, and what is the structure of its membership?**

The Croatian Chamber of Civil Engineers has about 3,500 active members and about 400 members with inactive status.

### **In your opinion, what are the major improvements concerning the profession of civil engineers, which have been achieved in the period since the establishment of the Croatian Chamber of Architects and Civil Engineers?**

The most important improvements could be summarized in a couple of sentences;

- Order has been introduced in the performance of engineering services in the area of planning and supervision;
- The status of certified architects and engineers has received full affirmation in society;
- The Chamber has established cooperation with the state bodies. It became an indispensable participant in drafting laws related to the field of construction, physical planning and environmental protection;

- Mandatory liability insurance of certified engineers has been introduced as one of the indispensable terms in offering services.

In brief, in the ten years of its existence, the Chamber introduced more order into the field of planning and supervision than all the laws, regulations, ministers and politicians before it, and it contributed to the affirmation of the professions of certified architects and certified engineers.

**The Fourth Certified Civil Engineers' Conference was organized from 18-20 June 2009 in Opatija, organized by the Croatian Chamber of Civil Engineers. Could you please tell our readers about the topics of this conference and who were the speakers and participants?**



" The Fourth Certified Civil Engineers' Conference"

Within the Fourth Certified Civil Engineers' Conference, there were 24 seminars, and a total of 117 lectures, with more than a hundred speakers. The topics were related to all areas of the construction business. Among the new topics, I would like to mention waste management seminars, seminars on the rational use of energy in the sector of buildings, waste water treatment and project management.

However, I would like to draw your attention to the topic of the plenary session, which was also attended by

the Minister of Physical Planning, Environmental Protection and Construction, Ms. Marina Matulović Dropulić. The topic of this session was "The Construction Industry – an Important Factor in Overcoming the Economic Crisis".



The Minister of Physical Planning, Environmental Protection and Construction, Ms. Marina Matulović Dropulić

**Can you briefly tell us what this was about?**

Croatia is evidently in recession. This is – among other things – also reflected in decreased investment, especially from abroad.

A couple of months ago, the governor of the Croatian National Bank, Mr. Rohatinski, stated at a conference that foreign investment will decrease drastically, which is naturally not good for the Republic of Croatia. However, we have to ask ourselves how many projects there are in Croatia, which are prepared – say – up to the level of the location permit, and which can be immediately offered to investors, who can start their construction, or on the basis of which we can apply for the EU funds or favourable loans. With a couple of exceptions in some public companies, as a rule we do not have any such projects. We have ideas and plans, but – as a rule – we do not have prepared documentation to start the investment.

It is for this reason that the Chamber has decided to initiate the drafting of a Programme of Development Projects, which will include projects that should be initiated to overcome the recession. We plan to propose this Programme to the Government in the autumn. The programme will define concrete projects in the areas of:

- Energy facilities
- Transport infrastructure (roads, railways, waterways)
- Multi-purpose hydro-energy systems
- Energy savings
- Environmental protection (waste management)
- Agricultural soil improvement
- Tourism facilities
- And other areas.

At this moment, this means that the Government, through its public companies or ministries has to find resources to prepare the necessary documentation up to the level of location permits and pre-feasibility studies, which could be offered to potential investors, or on the basis of which it would be possible to apply for EU funds or a favourable special purpose loan.

The programme will also indicate possible sources and models of financing, and it will point to inconsistencies in our regulations, which hinder the implementation of projects in several segments and repel investors.

In order to avoid subjective and politically conditioned decision making, a uniform methodology of project evaluation will be proposed.

### **How would you assess the current state of play on the market of planning services, and what will the Croatian Chamber of Civil Engineers do in view of the bad economic situation, which is already reflected in the real estate and construction industries?**

The reduction of investment is already being felt on the planning services market. If this continues, I believe that some of the planning companies will be in a difficult situation. The greatest problem right now is lack of liquidity.

The main thing is to start investment, and in order to do that, it is necessary to do the preparatory work, and here is where the planners should play a crucial role.

In a time of recession, when investment has decreased, and when everybody tries to save where they can, it is necessary to prepare documentation for investment, which will be launched in near future. This means that the planners should be the busiest during a recession. Now is the time to start serious planning? The Programme of Development Projects, which we initiated, ought to give an overview of investments, for which it is necessary to do the corresponding preparatory work.

### **How do you perceive the future development of the civil engineering profession in Croatia, and the role of Croatian civil engineers on the Croatian, European and global markets?**

Civil engineers are the most numerous group of engineers in Croatia. There is not a single project in which civil engineers do not participate.

Croatian civil engineers, with their know-how and references, can equally compete in any project on the global market. We have already witnessed the success of our construction companies on the foreign market. I believe that the entry of our companies onto the foreign markets will become intensified, and they will have great opportunities to conclude serious projects on foreign markets.

**The Croatian Chamber of Architects and Civil Engineers is now divided into five new chambers: the Croatian Chamber of Architects, the Croatian Chamber of Civil Engineers, the Croatian Chamber of**

**Geodetic Engineers, the Croatian Chamber of Electro-technical Engineers, and the Croatian Chamber of Mechanical Engineers. How will this new organisation of professions, which participate in real estate planning, influence the market of real estate development projects??**

The project of any building is a joint product of several professions. All newly established chambers will shape their criteria and prices of their services accordingly. I believe that this will bring no major changes with respect to the market of projects.

## 4. STATISTICS

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

	average price EUR/m <sup>2</sup>	price range EUR/m <sup>2</sup>
<b>ZAGREB</b>		
<b>Housing</b>		
Apartments	<b>2.096</b>	<b>949 - 5.000</b>
Houses	<b>1.859</b>	<b>586 - 8.000</b>
<b>Commercial space</b>		
Offices	<b>1.940</b>	<b>1.300 - 3.809</b>
Business premises	<b>2.420</b>	<b>888 - 8.663</b>
Office blocks	<b>1.425</b>	<b>618 - 2.500</b>
<b>COAST</b>		
<b>Housing</b>		
Apartments	<b>2.065</b>	<b>848 - 5.423</b>
Houses	<b>1.926</b>	<b>860 - 11.000</b>
<b>Commercial space</b>	<b>1.642</b>	<b>630 - 6.888</b>
<b>Tourist facilities</b>	<b>2.820</b>	<b>820 - 9.537</b>

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](http://www.burza-nekretnina.com).

## 4.2. Statistical Reports of the Central Bureau of Statistics from the Area of Civil Engineering

### 4.2.1. Building permits issued, May 2009

In May 2009, there were 1 050 building permits issued, which was by 15.5% more than in May 2008.

The total number of building permits issued in the period from January to May 2009 increased by 21.8%, as compared to the same period of 2008.

In May 2009:

- by type of constructions, 88.0% out of the total number of permits were

issued on buildings and 12.0% on civil engineering works

- by type of construction works, 78.2% of permits were issued on new constructions and 21.8% on reconstructions.

According to permits issued in May 2009, it was expected for 1 887 dwellings with the average floor area of 92.6 m<sup>2</sup> to be built.

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

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## 5. PRESSCLIPPING

Source: Suvremena hr, 02<sup>nd</sup> July 2009

### The new OBI centre employs around 50 people This is the third centre of the OBI German chain in Croatia

Today, the European leader in selling equipment for the house and the garden, the German OBI, opened its third retail centre in Croatia after Sisak and Slavonski Brod.

The retail centre in Varaždin is built on a surface of more than 7000 square meters, and it opened 52 new jobs.

The opening of the OBI centre is further proof that the City of Varaždin remains a city of investment even at a time of economic crisis, because many new companies and shopping centres have been opened since the beginning of the year.

This is the reason why Varaždin is still a city with one of the lowest unemployment

rates in this part of Europe, as the mayor of Varaždin, Mr. Ivan Čehok, emphasized who also opened the OBI centre together with its regional director Michael Vinzing.

Mr. Vinzing emphasized that the newly-opened centre in Varaždin is one of the most modern OBI centres.

OBI, with more than 530 centres across Europe, is a leading brand for selling equipment for homes and construction equipment, and it currently has 334 centres in Germany, and about 200 centres in 12 countries of Central and Eastern Europe.

In the 2006/2007 business year, the OBI Group achieved turnover of EUR 5.8 billion.

The OBI Group, with its seat in the German town of Wermelskirchen, employs more than 38 thousand employees.

The newly-opened OBI centre is located within a new shopping centre in

Varaždin, which should be finished by the end of August. The value of the investment in the construction of the whole centre amounted to approximately 20 million EUR, and the centre extends on the surface of 19 thousand square meters.

**Source: Lider, 11<sup>th</sup> July 2009**  
**Between 10-13,000 new apartments “on hold”**  
**Apartment buyers can be counted on the fingers of one hand**

The total amount of housing loans in May dropped by 667 million HRK in comparison to April, which means that – in absolute terms – the amounts related to the repayment of debt are much higher than the amounts of new loans concluded, according to the novilist.hr portal.

The real estate market, which mostly relies on loan financing, has been frozen for quite some time already, and properties, which mushroomed in the stage of the construction boom, now have problems in finding buyers. Some real estate agencies in Rijeka claim that demand has dropped because citizens fear the banks and the growth of interest rates. Jasna Salvaro, from the Tectorium Agency, says that – in addition to this – loans take ages to become approved, except in a few banks, and this greatly impacts sales transactions, which have become so scarce in the past two or three months that you can count them on the fingers of one hand.

Housing construction in Croatia needs a whole set of measures to help it overcome the crisis, emphasized Dubravko Ranilović, president of the Association of Real Estate Agents at the Croatian Chamber of Commerce. What we need, says he, is a loan insurance

fund, simplified and accelerated procedures for issuing building permits and cheaper municipal and utility fees. We also need sound official statistics on supply and demand. If this is not ensured, he concludes, nothing new will be built next year.

The supply is simply much greater than the demand. While loan financing used to dominate over cash financing, now it is the other way around, and the consequence is that total sales are now at a far lower level, says Salvaro, mentioning the example of a buyer, who waited for five months to get a loan approval. He mentions that prices have decreased, by approximately 15 percent in old buildings in the whole of Rijeka, whereas apartments in new buildings, mostly in the suburbs, have become as much as 25 percent cheaper.

The larger fall in prices for new buildings in comparison to old buildings is a logical consequence of the pressure that banks exert on investors, raising their interest rates, so that they are forced to sell and decrease their prices, explained Salvaro. She says that now, apartments in both old and new buildings in Rijeka and along the ring around Rijeka can now be bought at an average price of about 1,200 EUR per square meter. ([www.novilist.hr](http://www.novilist.hr))

## 5.2. NEWS FROM THE REGION

Source: [www.europe-re.com](http://www.europe-re.com)

### Commerz Real acquires Die Mitte retail complex in Berlin (DE)

Commerz Real has acquired the retail property 'Die Mitte' in Berlin. For the open-ended real estate fund hausInvest europa, the acquisition involved total investment costs of €126.6 million. It has a gross lettable area of nearly 20,000 m<sup>2</sup> and is fully let, long-term.



### ING UK Real Estate Income Trust makes further asset disposals and enhances occupancy rate

ING UK Real Estate Income Trust Ltd ('IRET' / 'the Company'), a Guernsey-registered closed-ended investment company, has announced that it has exchanged contracts on the sale of two assets for a total consideration of £14.1 million reflecting a 1% discount on its March valuation.



### First green shopping center in Turkey awarded BREEAM certificate (TR)

REDEVCO Turkey has been awarded a BREEAM Certificate, with a rating of 'Very Good', for the Erzurum shopping center project, prior to its opening in the third quarter of 2009. The certificate demonstrates that the shopping center meets very strict requirements for green design, and goes beyond national legislation.



The shopping gallery 'Neues Thier-Areal' in the city of Dortmund ranks among Europe's largest privately financed projects being launched in the midst of the financial crisis. Just in time for the start of construction in July...



### Union Investment acquires 4-star hotel in Poland (DE/PL)

Hamburg-based Union Investment Real Estate AG has made its first hotel investment in Central Europe with the acquisition of the Radisson Blu four-star hotel in Krakow for its Unilmmo: Europa open-ended real estate fund.



## 6. PAST EVENTS...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
May 13-14, 2009	<b>International "ELITE ESTATE" Conference</b>	Saint-Petersburg, Russia	<a href="http://www.eliteforum.ru">www.eliteforum.ru</a>
May 14-17, 2009	<b>INTERNATIONAL REAL ESTATE FORUM "INFOREAL"</b>	Saint-Petersburg, Russia	<a href="http://www.realfor.ru">www.realfor.ru</a>
May 26-28, 2009	<b>REAL VIENNA</b>	Vienna, Austria	<a href="http://www.realvienna.at">www.realvienna.at</a>
May 27, 2009	<b>Russia CIS Premier Real Estate Awards Ceremony</b>	Vienna, Austria	<a href="http://www.europaproperty.com">www.europaproperty.com</a>
June 02-04, 2009	<b>The EMEA-Focused Real Estate and Investment Fair</b>	Istanbul, Turkey	<a href="http://www.istanbulrestate.com">www.istanbulrestate.com</a>

June 09-12, 2009	<b>EIRE Expo</b>	Milan, Italy	<a href="http://www.italiarealestate.it">www.italiarealestate.it</a>
June 22-24, 2009	<b>REBEC Conference</b>	Belgrade, Serbia	<a href="http://www.europaproperty.com">www.europaproperty.com</a>
July 02, 2009	<b>CEE Private Equity</b>	Warsaw, Poland	<a href="http://www.easteurolink.co.uk">www.easteurolink.co.uk</a>

## 7. DO NOT MISS OUT...

<b>Date</b>	<b>Name</b>	<b>Location</b>	<b>Web</b>
September 03-04 2009	<b>EPRA Annual Conference 2009</b>	Brussels, Belgium	<a href="http://www.epra.com/event">www.epra.com/event</a>
September 15-16 2009	<b>GRI Europe Summit</b>	Paris, France	<a href="http://www.globalrealestate.org/">www.globalrealestate.org/</a>
September 21-22 2009	<b>Corenet Global Emea Summit</b>	Brussels, Belgium	<a href="http://www2.corenetglobal.org/summits_events/brussels_2009">www2.corenetglobal.org/summits_events/brussels_2009</a>
September 25, 2009	<b>SEE Real Estate 2009</b>	Bucharest, Romania	<a href="http://www.europaproperty.com">www.europaproperty.com</a>
September 30, 2009	<b>GRI Russia</b>	Moscow, Russia	<a href="http://www.globalrealestate.org">www.globalrealestate.org</a>
October 01-03, 2009	<b>Mall Expo 2009</b>	Kiev, Ukraine	<a href="http://www.mall-expo.com">www.mall-expo.com</a>
October 01, 2009	<b>Experts Forum CEE/SEE</b>	Vienna, Austria	<a href="http://www.regioplan.eu">www.regioplan.eu</a>
October 01-04, 2009	<b>Second Home The Eleventh International Real Estate Exhibition</b>	Moscow, Russia	<a href="http://www.house-show.com">www.house-show.com</a>
October 01-04, 2009	<b>RREF Russian Real Estate Forum</b>	Moscow, Russia	<a href="http://www.mref.com">www.mref.com</a>

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October 05-07, 2009	<b>Expo Real</b>	Munich, Germany	www.exporeal.net
October 07-08, 2009	<b>HOTELFORUM</b>	Munich, Germany	www.hotelforum.org

PUBLISHER:

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**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](mailto:cren@filipovic-advisory.com) to help us improve CREN and make it the leading medium on the Croatian real estate market.**

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