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CREN PATRONS



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Head of the Independent Department
for Legislation at the Ministry of
Environmental Protection, Physical
Planning and Construction

Georg Eltz
Member of the Management Board

Valamar grupa d.d.

**THE ACT ON BUILDING
PROCEDURES AND CONDITIONS TO
PROMOTE INVESTMENT**

**DEVELOPMENT STRATEGY AND NEW
PROJECTS OF THE VALAMAR
GRUPU**

**INTERNATIONAL REAL ESTATE
DEVELOPMENT BUSINESS ACADEMY**

INVITATION TO PARTICIPATE AT THE ACADEMY



INTERNATIONAL REAL ESTATE DEVELOPMENT BUSINESS ACADEMY

INVITATION TO PARTICIPATE AT THE ACADAMY

MODULE 1: COMMERCIAL REAL ESTATE DEVELOPMENT PROJECT

- MACROECONOMIC FRAME
 - PROJECT PROGRAM
 - ARCHITECTURE
 - PROJECT MANAGEMENT
 - FINANCING



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Zagreb Architects' Society, Ban Josip Jelačić Square 3, Zagreb

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1. INTERVIEW

Josip Bienenfeld, LLB,

**Head of the Independent
Department for Legislation at the
Ministry of Environmental
Protection, Physical Planning
and Construction**



THE ACT ON BUILDING PROCEDURES AND CONDITIONS TO PROMOTE INVESTMENT

Would you introduce yourself to the readers of CREN.

I was born in 1962, in Zagreb. In 1987, I graduated from the Faculty of Law of the University of Zagreb and I was employed by the Municipality of Maksimir, and later by the City of Zagreb, where I worked as an advisor for property and legal affairs. Since 1994 I have been working at the Ministry of Environmental Protection, Physical Planning and Construction, and since 2003 I have also been teaching construction-administrative law at the Social Studies Polytechnic in Zagreb.

As a member of various working groups, I have participated in the process of drafting several bills and other legislation that regulates the administrative aspects of physical planning and construction and other areas of law. I frequently participate at seminars and conferences, as a speaker on topics related to these aspects of administrative law, and I am

the author of a number of different articles. I am also the author of several feasibility studies for construction projects, and I have participated as a legal expert and consultant in drafting several physical planning documents, documents related to monitoring the situation in the area and various other studies.

On 17 June 2009, the Act on Building Procedures and Conditions to Promote Investment was published in the Official Gazette, No. 69. You participated in the drafting of this Act. What is its main purpose and objective?

The drafting of this Act was initiated when the Government of the Republic of Croatia, at its session on 26 February 2009, adopted a conclusion, in which it accepted a package of 10 anti-recession measures. One of these measures (no. 7) consisted of providing incentives for direct investments and technology transfer. This measure required, among other

things, providing for more efficient coordination between the state and the local level related to creating more favourable conditions for direct foreign investments, accelerating activities within projects that have already been prepared, and introducing an accelerated procedure for obtaining all the permits necessary for direct investment within 45 days.

The purpose of the Act is explicitly defined in the provision of Article 1 paragraph 1 of the Act itself. According to this provision, the purpose of the Act is to provide incentives for investments in construction projects until 31 December 2010, and – in view of the already mentioned reasons for the adoption of this Act – the objective is to accelerate the flow of capital, and to enhance direct investment in construction projects, which are currently relatively low.

Which buildings does the Act on Building Procedures and Conditions to Promote Investment relate to?

This Act regulates construction (planning, construction, occupancy, maintenance and disposal), issuance of the documentation necessary for construction, occupancy and removal of buildings, for which the Physical Planning and Building Act stipulates the issuance of a location permit and the confirmation of the main design. Indeed, the major share of all investment in construction is related to buildings, for which it is necessary to obtain both a location permit and the confirmation of the main design. And these are all buildings, except for buildings whose (gross) buildable area does not exceed 400 m², buildings exclusively allocated to agricultural activities whose (gross) buildable area does not exceed 600 m², simple buildings and works defined by the Ordinance on Simple Construction

Works and Works („Official Gazette“, No. 21/09), and buildings specified by the Regulation on Projects involving spatial intervention and construction works for which the Location Permit and/or Building Permit is Issued by the Ministry of Environmental Protection, Physical Planning and Construction („Official Gazette“, No. 116/07). So, this Act relates to the buildings to which the majority of investments in the construction field are related.

However, I have to emphasize that the Act does not relate to construction of all buildings, for which a location permit and confirmation of the main design have to be issued under the Physical Planning and Building Act. The Act on Building Procedures and Conditions to Promote Investment does not relate to buildings:

- for which the investors do not have evidence that they have the right to build within the meaning of this Act,
- whose construction is planned in an area under nature protection (strict natural reserve, national park, special reserve, park of nature, regional park, monument of nature, important landscape, park-forest, and monument of park architecture), and – buildings whose construction was started without an appropriate decision by the competent authority, or buildings that have been constructed without the appropriate documentation, since the technical requirements of such buildings cannot be fulfilled by subsequent development of a concept design as an integral part of the permit to build, because the technical requirements have to be established in the way regulated by the Physical Planning and Building Act, within the procedure of issuing the as-built certificate.

What are the main differences in the provisions of the Act on Building Procedures and Conditions to

Promote Investment with respect to the system of obtaining building permits which was in place thus far?

The differences introduced by the above mentioned Act with respect to the Physical Planning and Building Act are primarily related to the issuance of documents necessary for the construction of the respective buildings. The difference is that – in order to start construction of such buildings – instead of a location permit and the confirmation of the main design (as prescribed by the Physical Planning and Building Act), now it is only necessary to obtain a single permit – the permit to build. Therefore, the deadlines for implementing all procedural steps in the process of issuing this permit are much shorter than in the procedure of issuing a location permit and from the formal perspective, this permit is narrower in scope than the confirmation of the main design. The issuance of this permit does not depend on payment of utility and water contributions, and the law envisages a much more efficient appeal procedure than the regular appeal under the Act on General Administrative Procedure. Also, this Act regulates the issues related to the main design, which is an integral part of the permit to build, in a slightly different way, in aspects related to establishing special conditions necessary for developing the main design.

Besides, in order to fulfil the purpose of this Act, the authorities competent for issuing permits to build may rely on direct assistance from the Ministry of Environmental Protection, Physical Planning and Construction, and in certain cases, this Ministry is entitled to institute disciplinary proceedings against the highest official of the

authority competent for issuing permits to build.

What is the time limit for issuing a permit to build?

The time limit for issuing a permit to build is 45 days from the day the application is submitted, which is significantly shorter than the deadline prescribed by the Physical Planning and Building Act for issuing a location permit, which is 30 days from the date a complete application is submitted, after establishing special conditions, which are determined by public authorities in cases prescribed by special regulations, in addition to the time limit for issuing the confirmation of the main design, which is 30 additional days from the date when the complete application is submitted. I have to emphasize that the 45-day deadline for issuing the permit to build includes the duty of the competent authority to request any supplements/ corrections of the application from the investor, and to conduct any proceedings to establish special conditions, whereas this is not the case with the location permit and the confirmation of the main design. The deadline for issuing those documents only starts running after the application is complete and after all the special conditions have been established.

Is it still possible to obtain a location permit and confirmation of the main design for those buildings, instead the permit to build, if the investor wishes to do so?

Of course! The Act we are discussing has not put the Physical Planning and Building Act out of force nor does it prevent the issuance of location permits and confirmations of the main design. This means that the Physical Planning and Building Act is still applied, even after the Act on Building

Procedures and Conditions to Promote Investment comes into force and location permits and confirmations of the main design are still issued in all cases where this is more favourable for the investor, or in all cases, where the investor applies for them.

Who are the parties to this procedure, and what are the regulations concerning consultations with the parties and concerning on-site inspections under the Act on Building Procedures and Conditions to Promote Investment?

The parties to the procedure of issuing permits to build are basically the same as in the procedure for issuing a location permit. They include the investor, the owner of the property, for which the permit is issued, and persons with other property rights on that property, as well as persons with property rights on the properties adjacent to the property for which the permit is issued, and the local government unit, on whose area the permit is issued.

When does the investor pay the utility and water contributions?

This issue is regulated differently in the Act on Building Procedures and Conditions to Promote Investment than in the Physical Planning and Building Act and other special acts. Namely, under these acts, the permit to build, just like other documents necessary to start building, may not be issued until the investor has paid the utility and water contributions, or until they have paid the first instalment of the contributions, in case they have been granted payment in instalments, but only if the authority competent for determining the amount of utility or water contributions issues their decision within 8 days from receiving

the necessary data from the authority competent for issuing permits to build. This means that if the amount of contributions has not been established in time, the issuance of the permit to build does not depend on whether they were paid or not. However, this does not affect the possibility of issuing decisions on the payment of these contributions, which are regulated by a special piece of legislation, and they are still implemented (collected), but outside the scope of the procedure for obtaining the permit to build.

How does the Act on Building Procedures and Conditions to Promote Investment regulate the procedure for establishing special conditions for the competent authorities that participate in the process of issuing the permit to build?

Establishment of special conditions is possible ex officio, in the process of issuing the permits to build, but also upon a request by the investor, or the designer before initiating the procedure of issuing this decision. If the designers want to submit an application for establishment of special conditions before initiating the process of obtaining the permit to build, they may do so before or during the development of the main design, and request the authority competent to issue permits to build to inform them which authorities are competent to establish the special conditions, in accordance with which the main design has to be developed for a specific building or for works at a special location. The competent authority has an 8-day time limit to respond to this inquiry.

Upon the request by the designer or the investor (developer), the public authority is obliged to establish the special conditions for the construction

of the building as presented in the concept design within 8 days, or to deny the request for establishing special conditions within that same time limit. The public authority is not entitled to ask the designer, or the investor (developer) to submit any other documents besides the concept design, which is an integral part of the special conditions.

A public authority, which does not establish special conditions upon the request by the designer/investor, shall establish special conditions in the process of issuing the permit to build, upon a request by the competent authority. The competent authority sends an invitation to the public authorities, inviting them to examine the main design, at the latest 5 days after the date of submitting the application for the issuance of the permit to build. Examination of the main design with the aim of establishing special conditions is organized at the latest 14 days after the date of filing the application for the permit to build. The public authority shall establish special conditions orally, during the meeting organized to examine the main design, and this is recorded in the minutes. If this is not possible, the competent authority shall grant 5 days for establishing special conditions in written form, or for denying the request for establishing special conditions. If the public authority does not respond to the invitation, or if it does not submit the necessary conditions or a negative decision to the competent authority, it is considered that there are no special conditions, and that the building may be connected to the infrastructure. The public authority shall submit any written conditions to the competent body, which shall immediately forward them to the investor (developer) who can thus align the main project design

accordingly. The investor is obliged to align the main design to the special conditions within 8 days from the day of their establishment in the form of minutes, or from the day when they received the written document from the competent body. If the investor does not do so, the application for issuing the permit to build shall be denied.

What were the first questions that arose in practice after the new Act came into force?

The first, and so far the only questions that have arisen concerning the application of this Act are the first questions that you asked at the beginning of this interview: What buildings does the new Act relate to and is it still possible to obtain a location permit and the confirmation of the main design, if the investor prefers that to the permit to build.

Are there any provisions of the Act on Building Procedures and Conditions to Promote Investment that you would like to emphasize for the sake of the investors?

In our practice thus far, we have noticed that most questions concerning new legislation are asked by persons who have not read it or who have read it only partially or superficially, because all the answers are already given in the regulations themselves. The Act we have discussed is relatively short and clear, and a thorough reader who understands this subject matter does not need any additional explanation. For those investors who do not know this subject matter well, it would be advisable to consult persons who are registered for designing and bodies in charge of physical planning and construction in the area where they intend to build.

In your opinion, which investors will most benefit from the application of the new Act on Building Procedures and Conditions to Promote Investment?

Investors who know exactly what they want and designers who are very well acquainted with physical plans and other relevant regulations will certainly benefit the most.

2. INTERVIEW

Georg Eltz
Member of the Management
Board

Valamar grupa d.d.



Development Strategy and New Projects of the Valamar Group

Would you introduce yourself?

I am a co-owner and a Board member of the Valamar Group, the leading Croatian tourism group. I am an economist by profession. Before I came to Croatia in 1994, I worked in a number of functions in a multinational Swiss company. Among other things, I was a Board member in charge of the marketing and development of operations, and the President of the Board of a daughter company in the Netherlands and Canada.

How did Valamar develop as a brand? What is the size of your portfolio and how many hotel properties do you own?

The Valamar group consists of the renowned Croatian tourism companies: Riviera Poreč d.d. from Poreč, Rabac d.d. from Rabac, Zlatni otok d.d. from

Krk, Dubrovnik-Babin kuk d.d. from Dubrovnik and Puntizela d.o.o. from Pula, and the companies Valamar hoteli i ljetovališta d.o.o., Valamar turistički projekti d.o.o., Dom holding d.d. and Valamar grupa d.d.

Today, the Valamar Group consists of eight companies, and it comprises 22 hotels, eight apartment blocks, and nine camping sites in Istria, on the Island of Krk, and in Dubrovnik. At the same time, this is the name of the first Croatian hotel brand, which we came up with in 2004. The Valamar brand is based on a combination of international quality standards of services, Mediterranean gastronomy, and elements of Croatian hospitality. The tourism portfolio of our Group is managed by a management company called Valamar Hotels & Resorts from Zagreba, which is a 100% owned by the Valamar grupa d.d.

The features of the Valamar brand are the following: excellent location of its facilities in the immediate vicinity of the sea, four-star level of service quality and guest orientation, comfortable refurbished rooms with AC (cooling and heating), spacious gardens with modern swimming pools next to the sea, the Valamar concept of hotel restaurants with an excellent buffet and show-cooking (preparing food in front of the guests), thematic evenings, when guests may get a sense of the special quality of the Valamar destinations through local food and drinks, along with entertainment programmes. There is also the Valamar guest relations team that takes care of whole-day entertainment and activities suitable for various age groups and the hotel management team available to guests at all times.

In Valamar, we base our business operations on continuous and significant investment in facilities and improvement of the quality of service, and investment in continuing staff training. In the past six years, we have invested almost a billion kunas in our facilities, in the “hardware”, and a great deal of management effort in our “software”. Naturally, we still have a huge amount of work ahead of us.

What is your brand development strategy in the light of the existing global crisis and the conditions on the market? Do you plan new investments, and what do they depend on?

We perceived the beginning of the crisis in time and reduced our investments in the preparation for this tourist season. However, we did not want to reduce the number of our staff nor to change our successful branding strategy. Instead, we increased our

efforts in sales. With the exception of Dubrovnik, where the panic among hotel businesses led to a dramatic drop in prices, we realized that even in the time of crisis, the market remains interested in our products, and that quality of service makes it possible to form an adequate price for our rooms.

In 2010, we expect the continuation of the global crisis scenario, and we shall continue with our efforts. We shall also continue with our investments. They concern a capital investment project in Poreč where we intend to refurbish the town hotel, Neptun, on the town’s sea-front promenade, and the nearby historic villa, into a four-star accommodation facility. The new hotel will aim at maintaining the historic tradition of the company called Riviera Poreč, established as far back as 1905, and it will be called the Valamar Riviera Hotel & Residence. The historic Villa Polesini and its beautiful garden at the very top of the old town will also be restored to its former glory, and it will become a part of our offer. We also plan to invest in new administrative buildings for our own needs in Poreč and Dubrovnik.

In view of your enviable portfolio of tourist capacities and your experience, do you prefer refurbishment and raising the quality level of the existing facilities, or development of new projects?

For the past five years, and probably in the next five years as well, our investment priorities are almost exclusively focused on the refurbishment of facilities and raising the quality level of the existing facilities. In total, we will have invested two billion kunas in that ten-year period. Naturally, we also agree with Mr. Miro Dragičević, who says that Croatia needs brand new products for

brand new markets and market segments. We have the locations for such investments, but we still do not have the necessary legal and physical planning framework. If the state were to wake up and realize the need for a modern strategy for tourism development, we hope we would be able to start investing in such projects in five years.

How do you finance your projects? What is your planned period of return on investment, and what is your objective related to the percentage of profit?

We are conservative investors. In our general strategy, we try to use at least two thirds of the capital from our own cash flow. In the tourism business, the return is traditionally very low, and we have to plan between 15-20 years for return on investment.

We have a number of strong partners in the banking sector, and we use special credit programmes for investments in tourism, which are made available by the Croatian Bank for Reconstruction and Development (HBOR). We use not only our whole profit, but virtually our whole cash flow for further investments. By doing so, we have made it quite clear to our shareholders that we will not be paying out dividends in the near future.

Considering the categorization of your hotels, from three to four stars, what is the average investment in a hotel room, when it is refurbished, and what are the costs when a new hotel is developed?

In our last capital investment in a four star hotel, the Valamar Lacroma Resort in Dubrovnik, we spent around 110 thousand EUR per room, including the state-of-the-art wellness centre and

brand new congress facilities for 1200 persons. For the Valamar Riviera in Poreč, a classic town hotel, we planned less than 42 thousand EUR per room for full refurbishment. If we include the refurbishment costs for the Villa Polesini, we have to add an additional 14 thousand EUR per room sold.

It seems that building is cheaper, more efficient and less risky in northern Croatia. In both cases, in order to arrive at internationally comparable investment costs, it is necessary to calculate the initial purchase value of the rooms before refurbishment. In the case of Dubrovnik, there is also the value of the location, but in the case of Poreč, the market value of non-refurbished rooms of three star quality is probably around 50 thousand EUR. To increase the quality level from three to four stars will cost 15 thousand EUR per room alone, which is almost the same as the refurbishment of the facility at the current three-star level. Obviously, this is much less than investing in a green field investment.

You manage a hotel portfolio on the northern Croatian coast, in Istria, and in Kvarner, and furthest south – in Dubrovnik. Can you compare these two tourism regions, bearing in mind all aspects important for project development and for business operations?

The key difference between our northern and southern destinations is that Dubrovnik is mostly a destination reached by plane, whereas our guests in the northern destinations normally reach us by car. This means that in Dubrovnik, we are more oriented towards cooperation with tour-operators, which results in a higher-risk profile. Further, Dubrovnik is a premium destination with a growing

number of five and four plus star hotels, whereas the north (with the exception of Opatija) will remain a mass tourism destination in the foreseeable future.

Therefore, we plan high-quality products in Dubrovnik, where we enjoy the additional advantages of fully owning the land on which our tourist facilities are located. We shall not hurry with investments in similar products in Istria. We shall observe how successful the first two such products by our distinguished competitors turn out.

Valamar is the largest tourism group in Croatia that owns and also manages its own tourist capacities. How do you perceive the entrance of international brands onto the Croatian market, which run the facilities, and as a rule do not own them. Do you believe this to be a more efficient and profitable way of business operations?

Originally all hotel groups were integrated in terms of ownership and management. When Bill Marriott started to divide his brand, offering management services to hotels owned by third persons, he dramatically increased the return on investment. The next logical step was to sell some of his own hotels to institutional investors, such as pension funds, and bind them to long-term management contracts. Thus he significantly increased his return on capital, and Marriott later sold the facilities he managed according to partial ownership schemes. The whole industry followed his example and experts believe that this is the future for all of us. In fact, this is probably the only way to attain a reasonable return on capital. Naturally, in order to implement such a model, it is

necessary to have an integral and safe legal framework, political stability, and efficient physical planning procedures. And these are the areas that still require a lot of work in Croatia.

You have become specialized on the Croatian market of resort hotels. Do you plan to diversify your portfolio through city hotel projects?

In business one should never say no, because it is possible that some good opportunities arise that are too good to let pass. However, the Valamar brand is strongly connected with the segment of family summer resorts, the coast and the sea. These elements can be achieved in cities such as Split, Zadar, Pula, and naturally in Opatija. Classic city hotels, such as those in Zagreb, are currently not on our strategic list.

The Croatian market abounds in small family hotels, and there is a large number of hotel companies that have not yet refurbished and improved the quality of their accommodation capacities. How do you perceive the further development of these two segments?

Development of hotel companies that have an urgent need for refurbishment is mostly connected to bad or unfinished privatisation. The only accommodation facilities that should be run by the state are prisons and military barracks. Hotels run by the state look like these institutions, and they could pass in the seventies and eighties. The Croatian Privatisation Fund, along with the politicians who prevented full privatization for some questionable reasons, have caused great damage. This damage mostly hurt the employees, but also the destinations and Croatian tourism as a whole. We can only hope that the

economic crisis will put an end to these political blockades. Unfortunately, a global financial crisis is not the best moment to sell, but almost anything is better than state ownership. Small family hotels, bed and breakfasts, gourmet restaurants with accommodation are the logical path to the development of a full range of supply – from “Zimmer frei” (Rooms to rent) upwards. Their further development will significantly enrich our total tourism supply. On the other hand, we follow with interest how politicians claim that they are giving their full support to the development of this tourism segment, and on the other hand they draw the profit from the hotel companies through immoderate taxes and parafiscal levies.

What are the new developments and trends in the development of hotel properties on the global and the European markets? How and to what extent can they be applied to the Croatian tourism market?

Besides the latest fashions, such as luxury designer hotels, which are an important international trend, significant to us as well, the trends include the development of summer resorts with partial ownership models, budget hotels meant for business trips, as well as wellness development that have generally raised the investment standards.

At the end of August, the Valamar Lacroma Resort was opened, the largest congress and spa hotel in Dubrovnik. Can you tell us more about this investment, the architectural design, innovations and what it contains?

Valamar Lacroma Resort



The project of refurbishment and expansion of the hotel with numerous new elements lasted more than two years, and the investment amounted to about 300 million kuna. The hotel was designed by the renowned European architect, Boris Podrecca, who fully adapted the appearance of the hotel to the Mediterranean setting surrounding it, in line with his "archinature" approach to design.

The hotel has 385 comfortable, spacious and modern twin bedrooms and 16 suites, of which 13 are on two levels. A special highlight is the presidential suite covering 143 square meters with access to its own wellness Executive Spa zone over 72 square meters (steam bath, Finnish sauna, area for massages and relaxation, external Jacuzzi, bar).



Ragusa Spa



Presidential Suite Terrace

The modern congress facilities of the Valamar Lacroma Resort consist of a large multi-function congress hall, Elafiti, with a capacity of up to a

thousand people (divisible into four areas), a Business Center with seven smaller conference rooms, a large lobby, an exhibition space and offices to rent.



At the Ragusa Spa hotel wellness centre, covering a surface of almost 1000 square meters, one can relax from the stressful daily routines in the various elements of the Spa – several types of saunas (Finnish, bio, infrared, steam bath, ice fountain, relaxation rooms with waterbeds), and in the Afrodita Spa part, which is exclusively dedicated to ladies. The Ragusa Spa also includes a fitness centre, a beauty parlour, massage and relaxation rooms, an outdoor Jacuzzi, wellness bar and indoor and outdoor swimming pools.

A supreme enogastronomic experience in the hotel is ensured by various restaurants and bars. Besides the spacious hotel restaurant, Lacroma, with show cooking performed by the highest quality chefs, the hotel also offers the Langusto Fine Dining fish

restaurant with a terrace and a magnificent view of the sea and the Elafiti islands. In addition, there is the Nocturno Wine & Cocktail Bar with a rich selection of wines and cocktails, the Orsula Lobby Bar, the Palma Lounge Bar and the Onofrio Pool Bar.

We expect that the Valamar Lacroma Resort will bring a new dimension to the quality of supply within our group, and that it will ensure the further growth of our revenues. It will strengthen the market position of Valamar, Dubrovnik and Croatia, in the business tourism (MICE) segment. Therefore, this hotel, which will do business the whole year round, is extremely important for the advancement of not only Dubrovnik, but the whole Croatian congress tourism supply.

3. WE PRESENT YOU

Shopping centre Garden Mall - Dubrava



Garden Mall is the first third generation shopping centre in the eastern part of Zagreb, covering a surface area of 38,585 square meters and 26,000 square meters of retail store space, which makes it the largest shopping centre in that part of the city. Garden Mall is located in Oporovečka ulica in the neighbourhood of Gornja Dubrava, and its very location is one of its main comparative advantages.

Visitors to Garden Mall can use 1,300 free parking spaces on three parking locations – an external parking lot, along with an underground and roof

garage with a view of the eastern part of the city and the slopes of Medvednica mountain.

This is a third generation shopping centre, the total value of which exceeds 70 million EUR, which makes it the largest private investment in the history of Dubrava.

The first two catchment areas, at only 5 to 20 minutes distance from the centre, have 365,000 inhabitants. In addition, residential capacities in the vicinity of the centre are constantly expanding, which is one of its great advantages.



Varied supply of the centre

Along with the sales area, which consists of more than 70 retail stores, Garden Mall also offers varied additional facilities, or to be precise: six cafes, two restaurants, F&B snack bar and a hairdresser, as well as a manicure stand, a pastry corner, and other things. Visitors can use the free parking lot and a large free play area for children with constant professional supervision. The centre will host the Interspar store on 4,000 square meters of sales area, and a special novelty is the first Interspar restaurant in Croatia, which will offer visitors daily selection of freshly prepared meals, drinks, desserts and fruit. According to research, Interspar, as a retail chain with a wide range of commodities, is the store that buyers rate the highest in terms of their satisfaction with key parameters such as the supply, service and cleanliness.

The location and significance for the local community

Due to the varied supply offered by the various stores, and the F&B facilities, and due to the fact that Garden Mall is the first modern shopping centre in the eastern part of the city, one can expect exceptionally good business and good cooperation with the local community. Namely, according to various public opinion surveys conducted at different stages of the project development, it was established that not only inhabitants of Dubrava, but generally people who live in the eastern part of Zagreb expect an integral shopping experience in their vicinity. Moreover, a significant number of persons surveyed expressed their dissatisfaction with the fact that they have to take a trip to a distant part of the city and lose a great deal of time in order to do their shopping.

All this indicates the expected success of Garden Mall and the satisfaction of its tenants. Also, as a project, which will provide around 500 new jobs and an incentive to implement other projects in the eastern part of the city, Garden Mall can be seen as a sort of engine for the development of Dubrava, which has so far been bypassed by large investments.

The immediate vicinity of the Dubrava tram and bus terminal ensures excellent connections for Garden Mall with both Zagreb centre and the neighbourhoods on the eastern outskirts of the city, such as Sesvete, Dugo Selo, Sesvetski Kraljevec and numerous others. Also, in front of the very entrance to Garden Mall, there is a bus stop for the no. 206 bus line, Miroševac – Dubrava. Along with all the above, the strategic location is additionally reinforced by the vicinity of public institutions such as the Military Hospital, the School of Business and Economics and the Faculty of Agronomy.

Arrival by car has been facilitated by the re-constructed and expanded Oporovečka ulica, which has greatly reduced the traffic load and prepared the necessary infrastructure for easy access to the centre, without delays caused by traffic jams.

Innovative architecture

From the architectural point of view, Garden Mall shopping centre responds to all the demands of its primary allocation, and visually it fits nicely into its environment, emphasizing its positive features. It was designed by Mr. Bernhard Bügelmayer and Mr. Wolfgang Ritter from the Austrian ATW architectural studio. As it is a tall building surrounded by lower buildings,

the Garden Mall is visible from all directions, and its modern and transparent design has changed the vista of that part of the city for the better. Immediately upon arrival, buyers are offered a unique shopping experience. The parking lot on the roof of the shopping centre has a good view of the eastern part of the city and the picturesque slopes of the Medvednica mountain. The south and the west side of the roof-level parking lot has a view of Maksimir and the entire Dubrava neighbourhood, including a large part of Zagreb.

Due to the numerous glass panes, the centre interior has an abundance of natural light, which is additionally

emphasized by water elements, and a large number of live plants, which create an atmosphere that fully justifies the name of the centre – Garden Mall. Convenience of shopping and comfort of stay in the closed areas of shopping centres are some of the most crucial elements that attract buyers to or put them off individual shopping destinations. In this respect, Garden Mall is more than just a shopping centre, to which one goes just to cover all the items on one's shopping list. Its relaxed and transparent interior and easy orientation on two levels promise us shopping without the usual stress, and the possibility of getting together in nicely decorated F&B facilities.



About the developer

The developer of the Garden Mall project, the Austrian MID group, has been present on the market since the nineteen-nineties. After developing a series of projects of retail, office and parking premises in Austria, this group has spread its business operations beyond the borders of its country of origin – to Slovenia, Croatia, the Czech Republic, Slovakia, and Hungary. By 2005 MID had implemented projects valued at more than 500 million EUR in Croatia and Slovenia alone. The Group's investment focus is oriented towards countries that have not yet developed the retail facilities market, and that have huge growth potential.

As a developer on the Croatian market, this Group has implemented several retail projects, which it has brought to the stage of construction works, and they include several shopping centres and retail parks. The geographical vicinity of the mother company in Klagenfurt and Ljubljana makes it possible for the Croatian branch – MID Bau Nekretnine d.o.o. – to cooperate intensively with partners and use their international experience. Due to the excellent local network, they guarantee the possibility of offering concrete projects with safe and stable conditions, which ensures the trust of international tenants.

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	2.041	899 - 5000
Houses	1.850	586 - 8.000
Commercial space		
Offices	1.920	1.300 - 3.809
Business premises	2.409	888 - 8.663
Office blocks	1.390	618 - 2.474
COAST		
Housing		
Apartments	2.022	848 - 5.423
Houses	1.920	860 - 11.000
Commercial space	1.663	555 - 9.148
Tourist facilities	2.870	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, July 2009

In July 2009, construction works decreased by 6.3%, as compared to July 2008.

Construction works in the period from January to July 2009 decreased by 3.2%, as compared to the period from January to July 2008.

In July 2009:

- by type of constructions, 47.4% out of the total working hours were done on buildings and 52.6% on civil engineering works;

- by type of works, 59.7% out of the total working hours were done on new constructions and 40.3% on reconstructions, repairs and maintenance.

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

4.2.2. Completed construction works, orders and residential building, Legal entities employing 20 or more persons, second quarter of 2009

The value of new orders:

- in the second quarter of 2009 increased by 37.1%, as compared to the same period of 2008
- in the period from January to June 2009 increased by 14.6%, as compared to the same period of 2008.

compared to the same period of 2008.

In the period from January to June 2009, construction companies employing 20 or more persons completed 4 146 dwellings, which was by 19.8% more than in the same period of 2008.

The value of construction works done:

- in the second quarter of 2009 decreased by 2.8%, as compared to the same period of 2008
- in the period from January to June 2009 decreased by 0.6%, as

At the end of June 2009, these companies were working on 9 289 dwellings (uncompleted dwellings), which was by 24.3% less than in the same period of 2008.

Advice: Completed construction works, orders and residential building, Legal entities employing 20 or more persons, second quarter of 2009, Central bureau of statistics, Zagreb, 2009

5. PRESSCLIPPING

Suvremena hr, 14nd September 2009

Opening of the first Technomarket centre in Croatia

Technomarket opens in the Plodine shopping centre in Rijeka

Technomarket, the retail chain for consumer electronics and household appliances opened its first Croatian store covering more than 2000 square meters in the Plodine shopping centre in Rijeka.

company CEO, Mario Ivančić announced that Technomarket plans to open another two stores in Croatia by the end of the year, and it intends to continue its intense expansion activities next year as well.

This company does business in eleven countries of Central and Eastern Europe and it offers a large selection of electronic products and household appliances of renowned brands like Samsung, Panasonic, and Whirlpool, along with a whole range of various IT products.

At the press conference just before the opening ceremony, the

Ivančić added that product prices in Technomarket stores will be adjusted to the state of the market, and that their aim is to provide a range of electronic and IT products, as well as a range of household appliances at every price level.

Suvremena hr, 14nd September 2009

Two new bauMax stores opened in Zagreb

The bauMax opened two new stores in Zagreb today: the sixth bauMax store opened in Sesvete, covering a surface area of 17 thousand square meters, which will offer numerous products from the bauMax range of products and services at permanently reduced prices. Besides the store in Sesvete, the expanded bauMax store re-opened in Jankomir, now covering a surface area of 18 thousand square meters.

This is how we address not only the final users, but also craftsmen. A special feature of the bauMax concept of low prices is that the store offers a "minus 12% price guarantee". This means that any buyer that finds a product at a more favourable price in a competitive store can get the product at the more favourable price, plus an additional 12% rebate.

Both bauMax stores in Zagreb, as well as the newly opened venues in Split and Zadar, have a specially prepared package of services and prices for buyers. Under the slogan 'baumaximum low prices every day', the buyers are offered a new concept of low prices adjusted to the financial and economic crisis.

Besides, in Croatia, for all products from our range we guarantee permanently low prices", said Martin Essl, the president of the bauMax AG, in his address to members of the press at the opening of the new centre in Sesvete.

He emphasized that bauMax, in view of the great demand for construction material in Croatia, dedicated a large

part of its sale area to the field of construction, following a new store concept, which clearly differentiates it from the competition.

A special feature of the newly opened centre in Sesevete is also a drive-in area, on six thousand square meters, presented for the first time in Croatia, where buyers have the possibility to

load construction materials onto their vehicles in the store itself.

At the occasion of the opening of the new stores in Sesevete and Jankomir, Thomas Marx, the bauMax CEO for Croatia and Slovenia, donated on behalf of the bauMax a coupon worth 20 thousand kuna to its partner organisation "Association for Promoting Inclusion".

5.2. NEWS FROM THE REGION

Source: www.europe-re.com

REDEVCO opens 50,000-m² Gordion Shopping Center in Ankara (TR)

Gordion Shopping Center opened its doors to the public in Ankara on Thursday, 17 September. More than 165 stores in a total area of about 50,000 m² offer a multitude of inviting opportunities to shop, eat and enjoy. It is the first project by developer/investor REDEVCO in Turkey.



Plaza Centers acquires site in Lodz (PL)

Plaza Centers N.V., a leading emerging markets property developer, today announces that it has acquired a 55,000-m² site in Lodz, Poland for the development of a major new shopping and entertainment center.



€200 million Lenbachgärten real estate transaction is Germany's biggest in 2009 (DE)

IMMOFINANZ finalized the sale of two office buildings and a hotel in Munich's Lenbachgärten today. The calculation of the purchase price for the transaction of the 65,000 m² Munich city center property consisting of two fully let office buildings and a five-star-plus hotel...



Land Securities sells 40-50 Eastbourne Terrace for €57.5 mln. (UK)

Land Securities has exchanged contracts for the freehold sale of 40/50 Eastbourne Terrace, a partially refurbished office investment in Paddington, London W2, to a Far Eastern fund purchaser for £50.5 million (approx. €57.5 mln.).



6. PAST EVENTS...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
July 02, 2009	CEE Private Equity	Warsaw, Poland	www.easteurolink.co.uk
September 03-04, 2009	EPRA Annual Conference 2009	Brussels, Belgium	www.epra.com/event
September 15-16, 2009	GRI Europe Summit	Paris, France	www.globalrealestate.org
September 21-22, 2009	Corenet Global Emea Summit	Brussels, Belgium	www2.corenetglobal.org/summits_events/brussels_2009

September 25, 2009	SEE Real Estate 2009	Bucharest, Romania	www.europaproperty.com
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7. DO NOT MISS OUT...

<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

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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 to help us improve CREN and make it the leading medium on the Croatian real estate market.

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