

- CREN - Croatian Real Estate Newsletter

filipović
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CREN PATRONS



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TOPIC OF THIS ISSUE:

THE ROLE OF ARHITEKTS IN THE REAL ESTATE DEVELOPMENT

Otto Barić, B.arch.,
Director,
ATP projektiranje d.o.o.

1. INTERVIEW

**Otto Barić, B.arch.,
Director,
ATP projektiranje d.o.o.**



THE ROLE OF ARCHITECTS IN THE REAL ESTATE DEVELOPMENT

How would you assess Croatian architecture in the international context?

I believe that Croatian architecture has progressed. There are many young high quality architects working on the Croatian market. Unfortunately, we still have not reached the standard of Slovenia, which is one step ahead of us. Despite that, I believe that Croatian architecture is going in the right direction. Young architects have the possibility to participate in new projects of real estate development, simply because a large number of projects are currently being developed. However, I would say that we are still below average, if we look at everything being produced. We are more prone to following trends than to being trendsetters ourselves. Croatia has about a dozen excellent architectural bureaus, which have left a trace in European terms as well.

This situation on the market is largely the result of the approach of investors. The investor in Croatia is frequently a successful individual. There is a small number of institutional investors, who do not find it difficult to pay for good quality architecture, because they are used to that.

Currently there are discussions about inviting five renowned international architects to submit their proposals for

Zagreb airport. So far, there have not been any projects, which would involve 5 such renowned professionals: Richard Rogers, Norman Foster, Zaha Hadid, Frank O. Gehry.... If this idea is implemented, it could be a very interesting project. We shall see. It is my opinion that investors who invest in Croatia still do not have a sense of what better quality of architecture would mean for the successful development of a project. There have been several attempts to bring renowned architects to Croatia, such as Daniel Libeskind...I believe that such attempts are praiseworthy, because they automatically reflect on the quality of the architecture surrounding such projects. It is the task of the Ministry of Environmental Protection, Spatial Planning and Construction to resolve the construction problems through the law, but I believe that it is very difficult to develop extraordinary architecture in the city centre, because there are a whole range of limitations there, imposed by the spatial planning documents, the Historic Buildings Boards etc.

Can you briefly present your creative work to our readers.

I graduated from university in Zagreb in 1983, and after the mandatory military service I started my independent work. I have been

working since 1984, which means for about 24 years. For the first five to six years, I attempted to develop my business on my own. This was during the socialist period, when it was not possible to sign projects for large buildings, only for family homes and certain interior decoration, so that this was the largest part of what I did. In 1988, I had a chance to go to Austria, to work for a large architectural bureau, and I worked there intensively for 5 years. My first major project, which I signed, was the reconstruction of a beautiful palace in the centre of Prague. At that time, I was located in Munich, and this was a period when bureaus from Germany worked intensively in the eastern countries. We developed commercial centres in Leipzig, Dresden and Prague. This was the Koruna Palace, located on Vaclavske namjesti, at number 1. It includes about four to five floors of commercial premises, plus some offices and bars and restaurants. We successfully implemented this project for an Austrian investor. The project was completed in 1996, when I had already returned to Zagreb. From 1994, I slowly started to develop a small architectural bureau in Zagreb, with my partner, Professor Kasanić from the Faculty of Architecture. We had about 10 employees, when we merged with an Austrian bureau. The incentive for this was the project called Shopping City Zagreb in Zaprešić, where we headed the spatial planning, drafted the city development plans and participated in the development of the whole project. Since the Shopping City was the initial element for establishing the bureau together with the Austrians, this was also the reason why we separated in 2007. I believe that one cannot make designs for Croatia, and be located in Vienna, despite the fact that this has become common practice, because large bureaus across the world work like that. I believe that this project is

special, and the proof for that is also the fact that the building permit has been in issuance procedure for months now. As far as my other work is concerned, one of the larger projects implemented in Zagreb includes the Zagreb Tower, which I personally like very much; City Centre One, which is not an example of grand architecture, but it is a successful box for money production. It had almost six million visitors last year. The project is so successful because of its „tenant mix“, and its good-quality approach. This is the first classic shopping centre in Croatia. So far, other mixed concepts have been offered, such as the Kaptol centar, or even Avenue Mall, which are hybrids between shopping and entertainment centres. The Americans used the term “decorated shed” some thirty years ago, and this actually referred to a shopping centre. It directs people to go in and to leave their money there.

The City centar One is so successful that a second part of the project is to be developed. There, we have the possibility to add another 20,000 m². The parking space will be doubled, there will be another parking level, underground. In the first part of the project, we had the possibility to create more parking spaces, but the city planning inspectors decided that it would be better to plan it according to medium, rather than maximum expectations.

Once the project next to the City centar One is finished – the former “Leclerc” – this part will become the main shopping centre for the western part of the city of Zagreb. Škorpikova Street will probably lose some of its value, but eventually, the shopping offered there can actually be seen less as competition and more as a supplement. The classic example for this is the Shopping City Süd in Vienna, which is the largest shopping

centre, and is still growing. By doing so, it actually does not allow a second such complex to be repeated in Vienna.

A very similar concept is planned in Split, where the project has come near the construction stage. Currently, it is at the stage immediately preceding the construction permit.

Can you describe the Zagreb Tower project to us? What are the most frequent problems, which you encounter in similar projects? Are skyscrapers, or high buildings your favourite architecture?

A skyscraper or a high building is a form, which poses a challenge to architects, because it is a spatial sign. In the 12th century, during the romantic period, one started with the construction of cathedrals, which aspire towards the sky. Surely, when you look at the space, a high building is a sign, and every sign is – in a way – an additional motivation.

A high building is – in my opinion – an absolutely logical consequence of the high price of construction plots. The prices of construction plots in Zagreb have absolutely reached the European level, within two to three years, one can even say that the plots in Zagreb are more expensive than in some European cities. I remember that in Munich, a square meter for housing construction cost 500 EUR in 1992. The current prices of plots in Zagreb are far beyond my expectations. A high building is, thus, the consequence of the plot price, and on the other hand it is a derivative of the number of parking lots allowed. The building is as high as its allowed number of parking spaces.

As far as its form is concerned, the Zagreb Tower project should have had about seven to eight floors more than

it currently has, but unfortunately the investor decided to have only two underground levels of parking spaces, and this automatically led to a smaller gross surface area above ground. This is a project I like, and I believe that a certain progress can be seen there, although realistically speaking, this is pure „mainstream“, there are no great deviations from other projects on the market. Actually, we are still lacking a real tower, because what we currently have are solid, but, in global terms, average buildings. My bureau is currently working on two projects for two new high-rises, one at the western entry-point to Zagreb, and the second in the Vukovarska Street.

What are the problems typical for high-rise projects?

The main problem is actually the seismic situation of Zagreb. Zagreb is in the ninth seismic zone. We have to count with the possibility of earthquakes. The higher the building, the more powerful are the horizontal forces, and this is automatically a limiting factor. I also believe that it is important who the contractor of the civil works is. In the Zagreb Tower project, the main contractor was the Austrian Porr, but the construction was built by Međimurje graditeljstvo d.o.o. In Croatia, there are several construction companies, which can implement such projects.

You also worked on the project of refurbishing the Esplanade Hotel? Could you tell us something about this project? Also something about the refurbishing of the Austoria and Bristol Hotels in Opatija.

Croatia is a country of tourism, and a large part of our future is related to quality use of our potential resources. In a way, I advocate bringing the existing hotels to their maximum, and only then to start with new projects.

At the moment we are working on a hotel in Rovinj for the Adris Group. It is a five star hotel with 120 rooms, located in a wood on the protected peninsula outside Rovinj. It is an inevitable fact that however careful we are, every new building still destroys some of the plant life. That is why the renovation of the Esplanade Hotel in Zagreb was an exceptionally dear project for me. In terms of design, in the end it did not pay at all in financial terms. It took about twelve thousand more hours of work by designers than we planned.

But this still does not retract from the fact that it is a very quality building. It was built in 1922, and enabled us in one, not too major reconstruction to create a space which was well accepted and which now, after 3 or 4 years, is working to 90 percent capacity.

We also worked on two reconstruction projects in Opatija: Hotel Bristol and Hotel Astorija. Projects on the level of 4 or 5 stars should be the aim for the Adriatic coast. In these reconstruction projects, cooperation with the conservation department of the Ministry of Culture is important. In all three projects the cooperation with the conservation department was successful, both in Zagreb and in Opatija. Especially in Opatija. All the ideas for extensions were accepted, and everything that could be preserved was preserved, to the mutual satisfaction of the investor and the conservation department.

I believe that good cooperation with the conservation department depends on the individuals working on a specific project. In the Ban Centre project in Cesarićeva Street, it is status quo. I believe this is because of a sort of fear of decision making, and in no way ignorance. After the crisis related to the Flower Square project,

an unfavourable situation was created for the development of other projects. The Flower Square project and Ban Centre are two completely different projects and therefore we did not have any form of public event, nor criticism of the project. It is simply the closing in of a block, a hole which arose in the 1920's when Stara Vlaška was demolished. This hole needs to be filled in because it is like a missing tooth.

Your name is mainly linked in relation to the Shopping City Zagreb project?

In the Shopping City Zagreb project we became acquainted with absolutely all the Croatian specifics in real estate development projects, starting with the disorder between the cadastre and the land registry. There were more than 300 owners of 400 plots. 90 percent of those owners had never in at least one generation registered their ownership in the land registry. We began purchasing and most of those plots were bought for a reasonable price. When I say reasonable, I mean that they were bought for between 5 and 15 DEM per square metre, which for that land, which was not even useable for agriculture, was a reasonable price. It was necessary to invest in infrastructure and spatial planning documents. There were several difficult situations involving blackmail by the owners of certain plots. In the end this was all resolved with the help of the town of Zaprešić, which is following the entire project positively. This is the largest commercial centre in Croatia of about 220,000 m². A minor failing is that it is outside the city. We have always compared it with Shopping City Süd in Vienna, because the relationship is similar. The project is currently about 2 years overdue, and now is the last minute to realize this project. The advantage of the project is that it has

6,500 parking lots. This is a classical regional centre, a centre where people will not go every day, but once a week to do their shopping, and with its more than 200 stores, including many world brand names, it will meet the needs of Croats. I think it has a chance to succeed. The space, as far as I know, is already 90 percent leased. Building work has partially begun. Work is going on to improve the building land, as it is very marshy and actually very bad quality. It was necessary to invest about 2 to 3 million euros in preparations to stabilize the ground alone. In a large project like this situations are unavoidable where amongst 200 to 300 plots all at once one turns up which is not registered in the land registry and it is necessary to make corrections in the land registry, which is complicated.

The advantage of the project is that it is about 800 m from the main Zaprešić junction, which is just before the toll booths. From City centar One to Shopping City Zagreb it takes 7 minutes by car on the ring road, with no toll. There are two more major infrastructure projects being planned, the Zagorje highway is to be widened to four lanes with three large entry roundabouts, and a northern ring road is being built around Zaprešić, a bridge over the River Krapina, a direct link with the centre of Zaprešić and the two Zaprešić villages below Sljeme, Ivanec and Jablanovec, are to be linked with Zaprešić. The investment in the commercial centre alone is about 180 million euros, which is a large investment at a time when there is otherwise a lack of major investment.

The latest project you are working on is Ban Centre. What does the project look like? What was the main idea in the design?

This is the fourth or fifth contest run for this project. The investors, IGH and Zagrebačka banka, decided to run a contest by invitation, which the old General Urban Plan (GUP) allowed. Now, according to the new GUP, there is no contest by invitation, they are all public. Eight architects were invited to propose ideas. It turned out that those 8 ideas were very different. Our solution was selected primarily because it used the space most economically, and it remained within the specific limitations of the heart of the lower town. It is planned for the basement, lower floor and ground floor to be public, with commercial facilities, the first floor will be offices, so to create a distance from the street and then from the second to seventh floors to be accommodation, top quality accommodation, flats of one hundred, two and three hundred square metres, and as many as three penthouses of, let's say, three to four hundred square metres. These flats are of a type that could be located anywhere in Europe. It seems that this position and the view of Zagreb Cathedral, the area below Sljeme, the northern and southern views over the city, is very interesting. I think that the accommodation will be very comfortable - to live five minutes from the Ban Jelačić Square and still have privacy. The price of the flats will certainly be from 7,000 to 8,000 eura/m², although flats like this are not sold by the square metre but as a whole, in the world. I do not know how far it is known at the moment, that in the new tower in Dubai, flats are about 500 m high, and about a hundred of those flats were decorated by Giorgio Armani, and they are being sold for 22,000 eura/m². These are not flats built for the working population. Regardless whether the flat will cost 2 million or 5 million euros, it will find a buyer. Regarding design, it is planned as a glass house, in the sense of reflecting glass, it will live by light, day-

night, light-shadow, and there will be texture in the glass giving a kind of semi-transparency. We are working quite intensively on this now. The project is at the point of receiving its location permit. Demolition work has been completed, the area has been cleared, and I think that work should begin on the lower floors by the summer. Certain details are being aligned with the City regarding the scope of the work beyond the boundaries of the plot. The City of Zagreb is reserving certain corridors for a metro line, but I think that by the end of March, the permits should be ready.

How do you see the role of architects in development projects for commercial real estate in Croatia?

The development of commercial real estate is a specific subject. Very often the role of the architect in Croatia on a specific project is much greater than the role of the architect in projects abroad. In Croatia, at least in my opinion, it all comes down to who has land. In that part of the projects architects are included a great deal. Very often architects even offer projects with land, or land with a project. I am not really convinced that this is a good idea. I think that this is something that professionals should be dealing with. There are people who deal in this and who have the necessary "know how." It all comes down to land, which is a little sad in fact. Urbanism should be what determines the position, and in this country this is reversed – where there is land there is the possibility to create urbanism.

What advice would you give to domestic and foreign developers who are preparing real estate development projects in Croatia?

I think it is most important to check on ownership and all the conditions related to the real estate on which the project is planned. This is where there are most frequently problems. The land registry documents need to be examined in full. It is also necessary to include an architect in the early phase of the project, immediately after defining the idea for the project, in order to establish whether the project fits with spatial planning documents and to what extent. This particularly relates to large cities such as Zagreb, Rijeka and Split, where the spatial planning documentation is such that it is possible with relative certainty to determine whether a project is feasible. These are two elements without which it is difficult to approach a development project seriously.

What is not within the domain of architects is the question of financing. Foreign banks have shown more willingness to invest in risky projects, which has proved to be profitable in the long run.

What is the greatest challenge you face in your everyday work?

For me the greatest challenge is definitely getting permits for a certain project. There are so many elements which need to be taken into account. The regulations have become too complex. For example, in the project to extend the building of the head office of IGH, which is a simple eight-storey building, it was seen how much regulations slowdown the course of the development of the project. There is no systematic overview of the issues in the project as a whole, but the project is divided into phases which are burdened by regulations. And this is why the greatest challenge is in fact to obtain the permit. Once you get the permit, the majority of the project is complete.

What is your experience in working with developers in the commercial real estate sector?

I have mainly worked with private developers and investors. I have worked with local people and foreigners. I think that the main green-field investors in Croatia were Austrians, at least until now. Now I see that they are beginning to lose heart. Work with foreign investors is always on a professional basis. However, it is often the case that foreign investors keep to prescribed forms that they use in several countries and are less willing to alter

their standards to improve the development of the project. Croatian investors are much more flexible. The result of this is that there is a time shift of about five to ten years, some are still learning this, and others are still in the downward phase. I have to say that I have no preference in terms of local or foreign investors.

I think that the market still lacks large funds, real institutional investors, banks and insurance companies, who would be visibly involved in real estate development projects.



The Fourth Annual International Conference on the Real Estate Market in Croatia

May 5th & 6th, 2008 The Westin Zagreb Hotel

<small>ORGANIZI</small>	<small>PARTNERI</small>	<small>SEKULARNI SPONZORI</small>	<small>OLJEVNI SPONZORI</small>	<small>SPONZORI</small>	<small>MEĐA SPONZORI</small>	<small>OSTALI PARTNERI</small>
	  	  	 	 	  	

Program and application form are available on www.filipovic-advisory.com

3. INVITATION FOR APPLICATION..

TRIGRANIT

DEVELOPMENT CORPORATION

INVITATION FOR APPLICATION

for the post of

Tenant Coordinator

TriGránit has emerged as one of the largest property developers in Central & Eastern Europe. The company has so far completed projects with a total value of Euro 1.5 billion. TriGránit is currently working on some 30 developments across 11 countries with a total planned investment of Euro 8 billion. After having successfully completed projects in Hungary, Poland and Slovakia, the company has now widened its focus to include Romania, Serbia, Croatia, Slovenia, Montenegro, Bulgaria, Russia and Ukraine.

Due to this steady growth, we are looking for a **Tenant Coordinator**.

Job Description:

- Coordination of fit-out works for tenants
- Ensure timely completion of fit-out works for Tenants
- Reporting to Head Tenant Coordinator on all fit-out activities
- Supervision of all activities with the tenant for procurement of all necessary permits
- Coordination of project approval by the Lessee for fit-out works by the Tenants

Profile:

- Minimum of High School Diploma
- Knowledge of Construction Regulations
- Proficient in English Language (written / verbal)
- Proficient in use of MS OFFICE
- Excellent organization and communication skills
- Ability to work within a team environment
- Drivers License B Category

Ideal candidates should have a background in Architecture or Civil Engineering.

Please send your applications with a CV in English and your photo on e-mail: mail : info@trigranit.hr
or address: Trigranit
Tomašičeva 8
10 000 Zagreb
Croatia

4. WE PRESENT YOU...



Shopping City Zagreb

Red Serve

The construction of the largest business and commercial complex not only in Croatia, but in the whole of South-Eastern Europe – called Shopping City Zagreb – started in October 2007. The project is built 7 km north-west of Zagreb near the town of Zaprešić.

of what is called the “Northern Tangent”, the construction of which should resolve the problem of transportation connections between the easternmost and westernmost parts of Zagreb.



Position along the Zagreb – Macelj motorway



View of the plots on the area covered by the Shopping City Zagreb

The site is characterized by excellent traffic connections, which makes it possible for Shopping City Zagreb to develop all the prerequisites for the development of a commercial, logistics and business park: the immediate vicinity of the Zagreb-Macelj motorway, its own exit from the motorway and the county road to Maribor, and the vicinity



Position in the region

West Gate Shopping Centre



West Gate

Shopping City Zagreb will be built in three stages. The first stage will consist of the West Gate Shopping Centre as the central part of the whole area. On an area amounting to 275,000 square meters, a superb shopping centre will be built, with 215,000 square metres gross surface area, and more than 200 stores of well

known Croatian and foreign fashion brands, and about 6,000 parking spaces. This 300 million EURO investment will provide about 6,000 new jobs, and it is expected to attract buyers not only from Croatia, but also from Austria and Slovenia.



View of West Gate from above

Specialized stores

In the second stage, south of the West Gate Shopping Centre, there will be an area with various specialized stores, including some stores of the “do-it-yourself” type, furniture stores, a gas station and a Centre with specialized shops.



Centre with specialized stores

A Centre with specialized stores

One of the projects in this complex is also the Centre with specialized stores, with a gross surface area amounting to 11.455 m², which will include stores specialized in textiles, furniture, construction material and equipment, and a wide range of restaurants. When the Centre with specialized stores was planned, it was taken into account that there is a large demand for goods at acceptable prices, as a supplement to the high quality and luxury offer of the shopping centre.

Car park

Another attractive project in this part of the complex is the largest agglomeration of business clients related to the car and vehicle industry in this part of Europe, with the most renowned car dealerships, insurance companies, stores with spare parts and equipment, and a garage for technical examination of vehicles.

Logistics and Business Park

The third stage of Shopping City Zagreb is a logistics and business park with office, business and hotel premises, which will be built on a plot amounting to 297.818 m² surface area. This area should enable new companies to become established on the market, and for existing companies it should make it possible to expand their distribution channels.

Current state of works

Currently, the plot of the West Gate Shopping Centre is ready for construction, and in the next couple of weeks, there are plans to expand the works to the southern part of the area as well.



Works on the West Gate construction site

The completion of works on the West Gate Shopping Centre is planned for autumn 2009. The development of the Centre with specialized stores is taking place in parallel to the West Gate Centre, and the completion of the whole southern part of the complex is expected in 2011, whereas the opening of the logistics and business park is envisaged for 2012.

Participants in the project include Redserve, which specializes in the real estate business, the Austrian architectural bureau ATP Architects

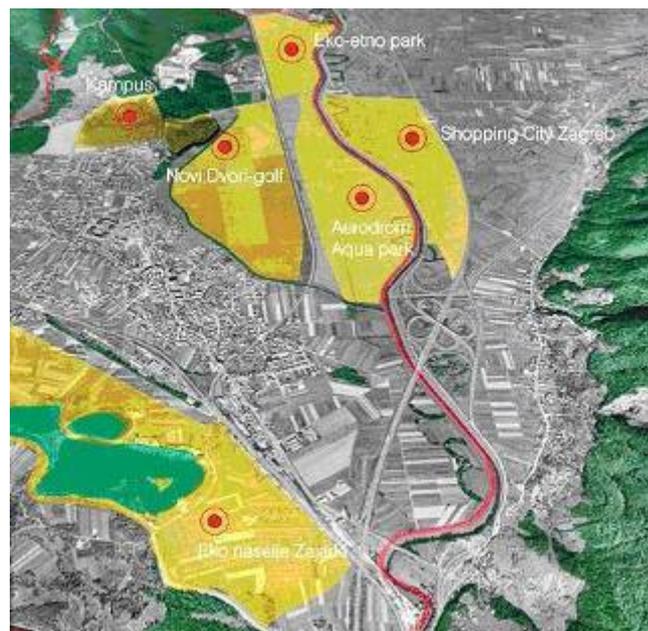
and Engineers and the company IGR, as the main designer of infrastructure.

Redserve is in charge of the development of the whole project and for project management, whereas the ATP Architects and Engineers ensure the high value architecture of the current and future development

The main contractor of works concerning the preparation of the plot is the company Hydrocommerce, and the main contractor for the construction of the West Gate Centre is the Stipić Group

Surrounding synergies

According to the statements of the mayor of the town of Zaprešić, in the area surrounding the Shopping City Zagreb, further projects will be developed by 2020, with a total value of 1 billion EURO. Some of the planned projects include a student campus for 5,000 students and a technology park, along with sports and recreational facilities. There are also some discussions about golf courses, a water and eco-park and an airport.



View of the plots on the area covered by the Shopping City Zagreb

Market analysis

In the area surrounding Shopping City Zagreb, there are about one million inhabitants. The City of Zagreb, due to its well developed industry, has relatively low unemployment rates compared to other parts of Croatia, and salaries are above average, which means that this part of the population has the greatest purchasing power.

Project advantages

The existing detailed development plan (DPU), as the basis for commercialization, guarantees fast and targeted implementation of the project. Experienced location management will ensure optimum project management and the creation of an inter-regional image for Shopping City Zagreb. Other advantages of this project include excellent traffic

connections, especially due to its own exit from the motorway, as well as the separately planned vast water and green belt, which – along with the high architectural standards – ensures the attractiveness of the whole project.



Project stages

5. ANNOUNCEMENT...

4th croatian Real-estate and associated industry fair

CentarNekretnina.net, leading website for advertising real-estates, is organizing the fourth croatian Real-estate and associated industry fair. The fair will be held on April 26th and 27th in Boćarski dom Zrinjevac in Zagreb.

During those two days, the Fair will become central place, where the investors, real-estate agencies, banks and associated industry will be gathered. There will be panel discussions held on both days of the Fair, as well as the educational seminars, which will elaborate the most interesting themes from the real-estate sector.

Croatian real-estate and associated industry fair has already proven to be the central place for the direct contact with the aiming group, as well as unique place where you can brand and compete with your business activity.



The atmosphere at the third croatian Real-estate and associated industry fair held last year

We invite everybody to visit the Fair and look for the proper advice, get acquainted with the present market situation or find the final solution – a home according to your own wishes and needs.

6. STATISTICS

6.1. Average Asking Prices of Real Estate Offered for Sale – March 2008

	average price EUR/m ²	price range EUR/m ²
ZAGREB		
Housing		
Apartments	2.247	817 - 5.000
Houses	1.890	562 - 5.733
Commercial space		
Offices	1.893	840 - 3.100
Business premises	2.000	668 - 8.663
Office blocks	1.271	618 - 1.692
COAST		
Housing		
Apartments	2.057	503 - 4.642
Houses	1.820	263 - 11.600
Commercial space	1.573	555 - 4.605
Tourist facilities	2.811	750 - 9.537

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.

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

6.2.1. Construction work indices, December 2007

In December 2007, construction works increased by 2.0% as compared to December 2006.

Construction works in the period from January to December 2007 increased by 2.4%, as compared to the period from January to December 2006.

In December 2007:

- by type of constructions, 44.9% out of the total working hours were done on buildings and 55.1% on civil engineering works,

- by type of works, 59.4% out of the total working hours were done on new constructions and 40.6% on reconstructions, repairs and maintenance.

Notice: Construction work indices, December 2007, central Bureau of Statistics, Zagreb, 2008

6.2.2. Building permits issued, January 2008

In January 2008, there were 438 building permits issued, which was by 50.5% less than in January 2007.

In January 2008:

- by type of constructions, 88.4% out of the total number of permits were issued on buildings and 11.6% on civil engineering works

- by type of construction works, 77.9% of permits were issued on new constructions and 22.1% on reconstructions.

According to permits issued in January 2008, it was expected for 971 dwellings with the average floor area of 80.2 m² to be built.

Notice: Building permits issued, January 2008, central Bureau of Statistics, Zagreb, 2008

7. PRESSCLIPPING...

11 March 2008, Poslovni dnevnik

Zagreb Does not Need New Shopping Centres

Due to the start of construction work, which should result in 500,000 square meters of new shopping centres, the capital reaches its optimum and strengthens decentralization....

Along with the existing 230 thousand square meters, with the new centres, Zagreb will reach the average of 800 square meters of commercial centre per thousand inhabitants, which is considered the optimum capacity in European terms. There is still room for specialized centres, and there is no doubt that the entry of, for example, the Swedish furniture producer IKEA would be well accepted, but it is a fact that the new half a million square meters will create tough competition among companies that lease premises in the centres. Along with modernisation, it can be expected that the prices of the lease will decrease by five percent. Currently, they range from 20 to 80 EURO per square meter per month. The market will thus initiate Croatia's decentralization in the segment of commerce. However, this only concerns the market of commercial centres, such as King Cross, Avenue Mall, the Tower Centre in Rijeka, but this analysis does not cover the so-called "big box" shopping centres, such as Getro, Metro or Pevec, nor the so-called "food" concept, which includes Marcator and Interspar. "Considering that the Zagreb market will – according to announcements – be enriched in a couple of years by an additional half a million square meters of commercial premises, this means a large increase in the market supply. It is not easy to foresee if such a situation will increase the demand as well, and if this at the same time means that the market will

become saturated. However, it is possible that Zagreb, after the new shopping centres are built, might face stagnation with respect to new investments, because the market might become saturated. In order to prevent such a situation from happening in the near future, we propose that investors should direct their attention and resources to other cities in Croatia", says the Colliers manager, Vedrana Likan. According to the estimate that one square meter of investment in commercial centres, with the equipment, amounts to about 1250 EURO, about 625 million EURO should be invested in the new shopping centres in Zagreb. Two new concepts of shopping centres can be expected in the capital city – the "neighbourhood centre", and the "power centre".

Greeks and Austrians

The former are focused on the inhabitants who live about 15 minutes walk away, to satisfy all their daily needs, even including wellness, night bars etc. Power centres are large regional centres, which include several concepts – a large commercial centre with stores and entertainment, specialized commercial centres, big box centres etc. They usually attract consumers from the broader region, and they are situated at locations, which are well connected in the transport sense. One example of the neighbourhood centre would be the Vrbani Centre, which will be built by the Greek Fund, the Bluehouse capital in Zagreb, and the example of a Power Centre would be Shopping City Zagreb, which is being built by the Austrian Redserve near Zaprešić. Even today, with the currently existing

shopping centres, Zagreb has more square meters of shopping centres than all the other cities in Croatia together. Unlike a couple of years ago, the cities of Split, Šibenik, Osijek, Rijeka, Varaždin and Dubrovnik are becoming attractive for investments. Thus Rijeka will get another Interspar Centre, and a third generation shopping centre is planned at Grobnik near Rijeka. In Zadar, the existing centre in Relja is being expanded, as well as the Dalmare Centre in Šibenik. In Splitu, City Centre One is being built, with 25 thousand square meters for lease, and another three centres were announced. In Dubrovnik, a shopping centre with 20 thousand square meters will be built, and another in Varaždin with 30 thousand. In Osijek, four projects have been announced, and in Slavonski Brod, the centre will be built next to the sports hall.

In Norway 700, and in Croatia 117 square meters

According to the data by the International Council of Shopping Centres, there are about 67 million square meters of shopping centres in Europe. In comparison to the United States, where there are about 2000 square meters of shopping centres per thousand inhabitants, this average in Europe ranges around 200 square meters. In Croatia, it currently amounts to about 117 square meters per thousand inhabitants. In Norway, this number reaches more than 700 square meters, whereas the average in Central Europe amounts to about 224 square meters per 1000 inhabitants. The largest number of shopping centres is located in large cities. In the region, Ljubljana is the leading city according to the number of square meters of shopping centres, but it is considered a special example, because it has a relatively small number of inhabitants.

Announced shopping centres in Zagreb and the construction of which has already begun		Shopping centres in Croatia	
Name	Lease surface	City	Lease surface
Shopping City Zagreb	115.000	Zagreb	230.000
Supernova	60.000 - 120.000	Rijeka	
Metropolis	60.000	Tower Centar	60.000
Zagreb City Centar - Trigranit-	50.000 - 100.000	Zadar	
Radnička Project	cca 38.000	City Galeria	40.000
Prebendarski Vrtovi	cca 4.000	Mercator Centar	2.000
Leclerc	cca 70.000	Šibenik	
Vrbani project	20.000	Jolly	6.200
Dubrava project	27.000	Dalmare	14.250
TOTAL	484.000	Split	
		Joker	54.000

	Mercator	36.000
	Mercatone Emezzeta	45.000
	Osijek	
	Esseker	14.200
	TOTAL	511.650

8. PAST EVENTS...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
November 15 – 17, 2007	MAPIC	Cannes, France	www.mapic.com
November 27 – 28, 2007	New Europe GRI 07	Istanbul, Turkey	www.globalrealestate.org
December 8 – 12, 2007	The Cyprus Business and Investment Summit	Limassd, Cyprus	www.simaexpo.com
January 1, 2008	4th Annual Real Estate Conference for CEE	Prague, Czech Republic	www.easteurolink.co.uk
February 1 - 2, 2008	„Zagreb Development“ Conference	Zagreb, Croatia	www.grad.hr/zagreb
February 27, 2008	5th CEE Real Estate Quality Awards	Warsaw, Poland	www.ceequa.com
March 11 - 14, 2008	MIPIM – Property talks 2008	Cannes, France	www.mipim.com

9. DO NOT MISS OUT...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
April 8 -12, 2008	SIMA 2008	Madrid, Spain	www.simaexpo.com

April 16-18, 2008	ICSC European Conference Amsterdam RAI	Amsterdam, Netherlands	www.europaproperty.com
April 16 - 17, 2008	TIME TO INVEST UKRAINE	Kiev, Ukraine	www.europaproperty.com
April 26-27, 2008	4th croatian Real-estate and associated industry fair	Zagreb, Croatia	www.centarnekretnina.hr
April 23 - 24, 2008	Investments. Construction. Development in Russian and CIS	Moscow, Russia	www.rpi-inc.ru
April 23 - 25, 2008	Real Estate Investment World Russia 2008	London, England	www.europaproperty.com
May 06 – 07, 2008.	Immobilienwirtschaft 2008.	Berlin, Germany	www.immobilien-forum.com
May 06 -07, 2008	GRI WORLD SUMMIT 2008	London, England	www.globalrealestate.org
May 08, 2008	The 3rd Annual SEE Real Estate Awards Gala for 2007	Bucharest, Romania	www.europaproperty.com
May 09 -10, 2008	CEPIF	Warsaw, Poland	www.europaproperty.com
May 21 -22, 2008	Europaproperty CRE Russian Investment Conference II	Moscow, Russia	www.europaproperty.com
May 27 - 29, 2008	REAL VIENNA	Vienna, Austria	www.realvienna.at
May 29 -31, 2008	2008 FIABCI World Congress	Amsterdam, Netherlands	www.fiabciamsterdam2008.com
June 01 – 03, 2008	Retail City 2008 - Bringing Together Retailers & Malls In Emerging Markets	Dubai, United Arab Emirates	www.retailcity.ae

June 10 – 13, 2008.	The Italian Real Estate Event	Milan, Italy	www.italiarealestate.it/eire/eng
June 16-18, 2008	CIB W70 International Conference in Facilities Management	Edinburgh, Scotland	www.fmresearch.co.uk
November 06 -08, 2008	Expo Real 2008	Munich, Germany	www.exporeal.net
November 13-17, 2008	The World Urban Forum IV	Nanjing, China	www.unhabitat.org

10. WE POINT OUT...

Interesting Web Pages

- www.demaniore.com
- www.centraleurope.gerealestate.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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