

- CREN - Croatian Real Estate Newsletter

filipović
business advisory ltd.

Volume 33, February 2009.

CREN PATRONS



TABLE OF CONTENTS

1. INTERVIEW: Branko Mihajlov, Manager of Inter IKEA Centre Croatia	3
2. THE FIFTH ANNUAL INTERNATIONAL CONFERENCE ON THE REAL ESTATE MARKET IN CROATIA	9
3. STATISTICS	10
3.1. Average Asking Prices of Real Estate Offered for Sale – February 2009	10
3.2. Statistical Reports of the Central Bureau of Statistics from the	10
Area of Civil Engineering	10
3.2.1. Building permits issued, December 2008	10
3.2.2. Construction work indices, November 2008.....	11
4. PRESSCLIPPING	11
NEWS FROM THE REGION	11
5. PAST EVENTS... ..	13
6. DO NOT MISS OUT... ..	14

TOPIC OF THIS ISSUE:

Branko Mihajlov
Manager
Inter IKEA Centre Croatia

THE FIRST INTER IKEA SHOPPING CENTRE ANNOUNCED IN CROATIA

Inter IKEA Centre Group



1. INTERVIEW

Branko Mihajlov
Manager
Inter IKEA Centre Croatia



THE FIRST INTER IKEA SHOPPING CENTRE ANNOUNCED IN CROATIA

What is the main feature of your project, and what will make it different from other projects announced on the Croatian market?

Inter IKEA Centre, besides the first IKEA department store in Croatia, will offer a range of various global brands and retail chains in Croatia. Within the Inter IKEA Centre there will be more than 250 stores, including a hypermarket, leading fashion brands, stores with household appliances and furniture, books and music, a large store with electronic equipment, sports gear, entertainment facilities for the whole family, restaurants and cafés. The unique design of the Inter IKEA Centre is based on topics from nature, which will set new standards for Croatia. The main entrance to the Inter IKEA Shopping Centre and the IKEA department store, which is fully integrated with the Centre, will be shaped as an atrium with a surface of about 2,000 m². The Centre will spread across 260 000 m², with a leaseable area amounting to 140 000 m², of which 34 000 m² will be taken by the IKEA department store, with about 7 000 parking lots, making it a pleasant, relaxing and exciting place for shopping, for the whole family.

What kind of tenants can we expect in your Centre? Will you bring some new brands, which are currently not operating on this market, such as H&M?

There is a whole range of brands, which exist on the global and the European market, and are still not present in Croatia. Many of them, such as H&M for instance, are Inter IKEA's strategic partners, and we do business together in the region, so that it is to be expected that we will continue our partnership in Croatia as well. There are also many other brands that have already contacted us and expressed their interest in leasing premises in our Centre, but since the negotiations with many of them are still under way, I cannot provide you with more detailed information, but I can definitely tell you that our Centre will offer many innovations and modern concepts, and our range of stores will satisfy the needs and wishes of all visitors of our Centre.

In view of such a large leaseable area, will you be hiring the services of some of the consultancy companies, which engage in these activities in Croatia?

Inter IKEA has established its own team that negotiates on the leases, and this team has its headquarters in Zagreb. Members of the team for leasing the premises will conduct negotiations with potential tenants of the future Inter IKEA Centre themselves, with both leading foreign and domestic brands. Currently, we are at the stage where we are negotiating with what we call “anchor tenants”, that is tenants who are interested in leasing premises larger than 1200 m², and I must mention that these are some truly large and renowned international brands, some of which are not yet present on the Croatian market. After we finish negotiations with the “anchors”, we will dedicate ourselves to negotiations with other tenants.

I would certainly like to mention that the premises at the Inter IKEA Centre will be offered exclusively for long-term lease.

INTER IKEA TEAM



Jelena Granić, Branko Mihajlov, Danijela Bačić Reljić and Tihomir Torbar

We know that the market has a huge interest in your project. How can potential tenants reach you?

Interested potential tenants may contact our lease team members at the e-mail address leasing.croatia@memo.ikea.com or on the phone number 01/6053 500.

Lately, various speculations have been heard about IKEA coming or not-coming to Croatia. Is IKEA going to leave Croatia even before it comes?

As an investor, IKEA has a long-term commitment to the Croatian market. Our decision to invest and build an Inter IKEA Shopping Centre and an IKEA department store in the municipality of Rugvica was never an issue, and it is not affected by possible amendments to the Agricultural Land Act. IKEA purchased a 420 000 m² plot in November last year, and it is there that we are planning to build the largest shopping centre in Croatia, with an integrated IKEA department store as the main tenant.



Has IKEA been considering other plots as well? What happened to the plot in Sveta Nedjelja?

Rugvica is our primary location, and we have already come quite far with project development at this location. The zone, in which we plan to build our Centre is, according to the valid Spatial Development Plan of the municipality Rugvica, for the most part designated for commercial allocation – production, and primarily trades (I2), and we believe that the construction of the Centre will be of extraordinary importance for the development of the municipality of Rugvica, and we are convinced that the construction of the Centre will contribute to the expansion and development of the municipality of Rugvica and its surroundings. Moreover, IKEA will be a source of significant annual revenues from various taxes, for both the local and state administrations. In the long run, it is estimated that the Centre will employ 2 500 persons, and in the construction stage, about 1 000 workers will be necessary. As the Centre is planned in an area located in the immediate vicinity of the City of Zagreb, where there is currently no centre of such quality, design and accompanying infrastructure, it will provide many benefits to the local population and for business

development in this area. Also, a mandatory part of our company's business philosophy is to invite local companies to participate in tenders as potential contractors.

As far as the location of Sv. Nedjelja is concerned, IKEA purchased a 215 000 m² plot there in 1992, but we sold it in 2003, because we no longer considered it to be of adequate size, and it was no longer suitable for the concept and the idea that we wanted to develop.



Is it true that you are having problems with moving the toll booths on the motorway at the Rugvica exit?

Even before we announce our project, the local authorities had plans to move the toll booths. IKEA would benefit from it, but we did not submit any direct requests for moving them, nor was this something that would be of significance to us. Furthermore, we are having discussions with the Croatian Motorways related to building an exit from the motorway, and we hope to resolve this issue soon.

What is the total amount of the investment, and when can we expect the opening?

The total investment in the first Inter IKEA Shopping Centre and the IKEA department store, with a surface area amounting to 260 000 m² will amount to about EUR 300 mln., and the opening is planned for the spring of 2011. We expect that after the opening, 2500 persons will find employment in our Centre.

Do you expect problems with funding, in view of the impact of the global financial crisis on reduced availability of funding on the financial markets?

IKEA has always been careful with finances and costs, but once we decide to invest, we do it. Namely, the financial resources necessary for this project were internally approved long ago, so that the developments on the global and local capital markets will have no impact on the development of our project. This situation is certainly to our advantage, because financial independence is currently a huge plus for us, as other projects and investors are left at the mercy of banks and financial institutions, and thus cannot dedicate themselves seriously to project development, nor can they guarantee their tenants that the announced project will be implemented.



At what stage of the amendments to the spatial development plans are you now? What kind of cooperation do you have with the local authorities?

Even before we announced our project, the municipality of Rugvica had plans to amend the municipal spatial development plan, and the process of amendments was initiated before we announced our project, and is still under way. In the process of implementing our project, we concluded property purchase contracts with land owners, and the total surface area of the plots we purchased amounts to about 420,000 m². Thus IKEA sent an application to local authorities to additionally expand the commercial zone, upon which we received a letter of confirmation from the head of municipality of Rugvica, in which it is confirmed that the commercial zone currently designated by the spatial development plans may be further expanded, so that the new and expanded spatial plan of the business zone will cover our whole plot, in line with legal provisions and requirements.

Besides the project in Zagreb, are you planning any other projects in Croatia?

Whether IKEA will implement one or several projects in a specific state depends on numerous factors. However, our long-term objective is to have three projects in Croatia – three Inter IKEA Shopping Centres, with three IKEA department stores integrated into those centres. As envisaged, the other two centres should be smaller

than the Zagreb one – approximately 60 000 m² of leaseable area, whereas the IKEA department store would be the same as in Zagreb - 34 000 m². One of these projects is planned in Split, and we are currently at the stage of searching for a plot. Our colleague, Ivica Babić, is searching for an adequate plot with a surface of approximately 30 hectares. The third location will probably be Rijeka, although we still have not made an internal decision on this yet. This project is planned for the period 2017-2020.



What is IKEA's strategy for this region?

After detailed analysis of the market and the state of play in the region, IKEA is undoubtedly interested in constructing department stores and Inter IKEA Shopping Centres in Slovenia and Serbia. As many as five centres are planned for Serbia – two in Belgrade, one in Novi Sad, one in Niš, and another one for which the location has not yet been finally decided. All countries in the region undoubtedly have large potential, which is demonstrated by the arrival of numerous domestic and foreign retailers.

2. THE FIFTH ANNUAL INTERNATIONAL CONFERENCE ON THE REAL ESTATE MARKET IN CROATIA



**The Fifth Annual International Conference
on the Real Estate Market in Croatia**

THE WESTIN ZAGREB HOTEL, CROATIA ● MARCH 30 & 31, 2009

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Details about the the Conference, the Conference program and applications are available on
www.filipovic-advisory.com

3. STATISTICS

3.1. Average Asking Prices of Real Estate Offered for Sale – February 2009

	average price EUR/m ²	price range EUR/m ²
ZAGREB		
Housing		
Apartments	2.164	949 - 6.000
Houses	1.920	685 - 7.200
Commercial space		
Offices	1.921	1.300 - 3.809
Business premises	2.283	888 - 8.663
Office blocks	1.410	618 - 2.474
COAST		
Housing		
Apartments	2.092	848 - 4.900
Houses	1.910	450 - 11.000
Commercial space	1.630	555 - 4.605
Tourist facilities	2.918	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.

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

3.2.1. Building permits issued, December 2008

In December 2008, there were 1595 building permits issued, which was by 11.1% more than in December 2007.

The total number of building permits issued in the period from January to December 2008 was by 4.1% lower, as compared to the same period of 2007.

In December 2008:

- by type of constructions, 89.1% out of the total number of permits were

issued on buildings and 10.9% on civil engineering works

- by type of construction, 77.7% of permits were issued on new constructions and 22.3% on reconstructions.

According to permits issued in December 2008, it was expected for 5119 dwellings with the average floor area of 74.6 m² to be built.

Advice: Building permits issued, December 2008, Central bureau of statistics, Zagreb, 2008

3.2.2. Construction work indices, November 2008.

In November 2008, construction works increased by 7.8%, as compared to November 2007.

Construction works in the period from January to November 2008 increased by 11.5%, as compared to the period from January to November 2007.

In November 2008 :

- by type of constructions, 47.9% out of the total working hours were done

on buildings and 52.1% on civil engineering works;

- by type of works, 62.1% out of the total working hours were done on new constructions and 37.9% on reconstructions, repairs and maintenance.

Notice: Construction work indices, November 2008., Central Bureau of Statistics, Zagreb, 2008.

4. PRESSCLIPPING

NEWS FROM THE REGION

Izvor: www.europe-re.com

KPP Retail expands its portfolio of regional shopping centers (PL)

Keen Property Partners Retail is continuing to expand its portfolio of regional shopping centers in Poland, by the acquisition of Galeria Sandomierz, and the announcement of a new significant retail development planned for Gniezno



Korona in Brasov ready to start (RO)

Echo Investment has obtained the building permit for KORONA – a shopping and entertainment center which will be erected in Brasov, Romania.



Argo Real Estate Opportunities Fund announces new leases in Riviera Shopping City (UA)

Argo Real Estate Opportunities Fund announces that its Riviera Shopping City development is on track to open this summer and that demand for space from international retailers is strong. Based in Odessa, Ukraine, the Riviera Shopping City recently signed leases with sought after fashion brands Zara, Pull and Bear, Bershka and Stradivarius.



NEINVER acquires Zweibrucken Outlet from Kenmore Property and Revcap for €110 mln. (DE)

NEINVER, a leading European real estate company in development, investment and asset management, acquired the Zweibrucken Designer Outlet from Kenmore Property Group and Revcap, for a total consideration of €110 million. Following the acquisition, it will now be held in the investment portfolio of “Irus European Retail Property Fund”, one of the main pan-European retail investment funds.



Aberdeen acquires €65 mln. direct property portfolio from Danish pension fund, DIP (DK)

Aberdeen Property Fund Denmark P/S (the Fund) has acquired the commercial property portfolio from The Danish Pension Fund for Engineers (DIP). DIP will receive 40% of the acquisition price in shares in the Fund and will become a new important shareholder amongst the existing institutional and professional investors. The remaining 60% will be cash.



5. PAST EVENTS...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
December 02 - 04, 2008.	Mipim Horizons	Cannes, France	www.mipimhorizons.com
December 04, 2008	Retail Business Forum BestShop 2008	Warsaw, Poland	www.forumbestshop.pl
December 04 – 05, 2008.	7th Annual Conference Warehousing Real Estate Russia	Moscow, Russia	www.europaproperty.com
December 08 –09, 2008	Resolving The Financial Market Crisis	Brussels, Belgium	www.euroconvention.com
December 15 - 16, 2008	Facility Management Warsaw	Warsaw, Poland	www.informedia-poland.com
December 16-17, 2008	Financing Infrastructure Municipalities Regional Development in Russia 2009	St. Petersburg, Russia	www.euroconvention.com
February 05, 2009	CEE Retail Real Estate Awards Gala	Warsaw, Poland	www.europaproperty.com
February 24-25, 2009	CEE Investment 2009	Bucharest, Romania	www.easteurolink.co.uk

6. DO NOT MISS OUT...

Date	Name	Location	Web
February 26-27, 2009	CEE Real Estate 2009	Prague, Czech Republic	www.easteurolink.co.uk
March 03, 2009	The Real Estate Market in Southeastern Europe	Belgrade, Serbia	www.emportal.co.yu
March 10-13, 2009	MIPIM	Cannes, France	www.mipim.com
March 30-31, 2009	The Fifth Annual International Conference on the Real Estate Market in Croatia	Zagreb, Croatia	www.filipovic-advisory.com
April 02, 2009	Russia CIS Premier Real Estate Awards & Forum	London, United Kingdom	www.europaproperty.com
April 08-10, 2009	Mall Expo	Moscow, Russia	www.eng.mail-expo.ru
April 14-15, 2009	4th International Conference "Retailtainment in Ukraine"	Kiev, Ukraine	www.mall-expo.com
April 23, 2009	SEE Real Estate Awards Gala	Bucharest, Romania	www.europaproperty.com
May 07, 2009	11th Shopping Center-Symposium	Vienna, Austria	www.regioplan.eu
May 12, 2009	Transport Logistic	Munich, Germany	www.messe-muenchen.de
May 27, 2009	Russia CIS Premier Real Estate Awards Ceremony	Vienna, Austria	www.europaproperty.com

June 09-12, 2009	EIRE Expo	Milan, Italy	www.italiarealestate.it
June 22-24, 2009	REBEC Conference	Belgrade, Serbia	www.europaproperty.com

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

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