

# - CREN - Croatian Real Estate Newsletter

filipović  
business advisory ltd.

Volume 36, May 2009

## CREN PATRONS



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## TOPICS OF THE ISSUE:

### HUP – DEVELOPERS’ ASSOCIATION

Milka Kosanović

Director of the Developers’ Association  
of the Croatian Employers’ Association (HUP)

### THE PROPERTY MARKET IN THE UNITED STATES, NEW YORK AND MANHATTAN

Tristan H. Harper  
Senior Vice President  
Prudential Douglas Elliman

## 1. WE PRESENT YOU....

**Milka Kosanović**  
**Director of the Developers'**  
**Association of the Croatian**  
**Employers' Association (HUP)**



### HUP – DEVELOPERS' ASSOCIATION

**Could you introduce yourself briefly.**

My name is Milka Kosanović. I am a law graduated. I have been working for the HUP for more than 12 years, and for the past 5 years I have been the head of the HUP office in Osijek. In November last year, I assumed new duties in the HUP headquarters in Zagreb, where I was entrusted with establishing and leading the then smallest sectoral association in the HUP – the Developers' Association.

**Could you introduce the HUP briefly?**

The Croatian Employers' Association (HUP) was established in 1993 as a voluntary, non-profit-making and independent association of employers that protects and promotes the rights and interests of its members. It was established by a group of renowned Croatian entrepreneurs who wanted their interests to be articulated in an organized and professional way. From its establishment until today, the HUP has been the independent and strong voice of Croatian entrepreneurs. It is based on the principle of voluntary membership; it is a legitimate representative of the rights and

interests of employers in their relationship with the Government and the trade unions, in the executive and legislative power and international integration. From just a couple of enthusiastic individuals in the beginning, we have reached the level of more than 6500 members today. And the best way to show the strength of the HUP is the fact that more than 75% of the state budget in the Republic of Croatia comes from the contribution of our members. Therefore, it is clear that our voice has to be heard and respected.

**A few months ago, the HUP Developers' Association was established. Can you introduce it to us? What were the reasons to establish this Association?**

The Association was established at the initiative of the developers themselves, induced by the problems they experienced in their business operations, for which they needed organized assistance to resolve them. Administrative barriers, enormous duties and fees to be paid, along with the economic crisis, distrust by the banks and drastically stricter conditions for obtaining financing led to a situation

where they were no longer able to cope on their own. One of the important factors is also proper public perception, any changes in public perception are extremely dangerous. A position is built for years, but a single newspaper article is enough to start things going in the wrong direction in an uncontrolled way. We should just remember what happened after the catastrophic newspaper headlines saying that the prices of real estate will drop dramatically, mentioning percentages of this assumed drop without any basis or arguments, fully contrary to the real possibilities. However, damage was done, and it will take a long time to fix it. These problems did not arise yesterday, the economic crisis has only deepened them, and developers need the synergy of all important stakeholders to resolve them. This presupposes engagement by the Government of the Republic of Croatia, the line ministries, local government and self-government, the entire public administration, financial institutions, the public...

### **What are the main activities of the Association?**

The main activities of the Association are determined by the current problems, and currently they are mostly related to lobbying the relevant institutions at different levels to make them accept the arguments and improve the position of developers, and to conduct lobbying activities in the field of legislation. We are also planning a series of meetings on the topic of non-tax duties. Besides this, we are constantly working on establishing contact between our members, on improving the supply chain etc. All information we receive is distributed to our members on a daily basis, sometimes they are maybe overwhelmed with information, but on

the other hand, they were left to their own resources for a long time, and now we feel we should help them in all respects.

### **How many members does the Developers' Association have? Can you mention some of the Association's members? Who is the president? Who are members of the Executive Committee?**

Today, the Association has over 40 members. The President is Mr. Igor Oppenheim from INGRA. The Executive Committee members are 18 developers from all across Croatia. I will enumerate just a few: Ingra, IGH, Hoto Grupa, VMD Promet, Tehnika, Profectus, Zagreb-Montaža, Nivogradnja, Energopla, Redserve, Hidrocommerce, GTC, Stipić Grupa, Megakop, Trigranit, Stanoing Varaždin, Lavčević from Split, Profectus Grupa from Split, GP Dubrovnik, MG Profil Grupa from Đakovo etc.

I have to mention that membership is open to all developers who are willing to deal actively with the problems, and not wait for others to resolve them.

### **What are the problem areas that the Association is currently dealing with?**

As I said, in order to cope with most existing problems, it is necessary to work in an organized way, to ensure constant lobbying, and in certain circumstances even to exert pressure on the structures we expect to assist us. One of the major problem generators is bad legislation, and some laws should be changed comprehensively, whereas others just need partial correction and they need to be mutually harmonized, which is especially evident in tourism projects, where it is necessary to harmonize

legislation across various sectors. In practice, regulations often collide or remain vague, so that there is a great deal of confusion in the field. The Act on Spatial Planning and Construction of 2007 should be mentioned in this context as a source of problems, although it provided some good solutions, but also caused numerous difficulties in its practical application. The same can be said about the Expropriation Act, the Agricultural Land Act, as well as other acts, and numerous regulations and bylaws. Along with striving to achieve amendments of such limiting regulations, we shall also not give up on our demands to improve the work of public administration by standardizing the positions and procedural standards of public administration bodies, and by providing better supervision over the quality of their work and the efficiency of civil servants.

### **What about project financing?**

The financial sustainability of projects was never so difficult to ensure as today. The lack of good quality sources of capital, along with the general psychosis concerning the crisis, the continued inflation of tax and non-tax levies – all this places developers in a very difficult position. In March, we held a meeting with the representatives of the largest banks in Croatia on the topic of financing, and the bankers expressed their clear position, saying that they intended to go on supporting good projects by developers. This is a cause for optimism, but it is especially necessary to resolve other things as well. Concrete support by the monetary and fiscal authorities is more than necessary. In this area, we have already started, and we intend to continue, discussions with the Minister of Finance, Ivan Šuker, and we shall see what can be achieved.

### **Developers mention administrative barriers as one of the major problems. Can you as an Association do something to help them overcome such problems?**

Indeed, investors do mention this as their largest problem. The slowness and inefficiency of public administration, arbitrary interpretations of the regulations by the administrative staff in the field, unresolved issues of state ownership and ownership of local government units, GUPs (general urban plans), the cadastre, the land registry – these are all issues of concern. When I mention the land registry, I have to say on behalf of the Association that we have won our first small victory in this field. Namely, we recently had a meeting with the State Secretary at the Ministry of Justice, Mr. Dražen Bošnjaković, to whom we explained how important it is for us to rely on good quality work by the land registry, especially concerning the dynamics of registering title, as this is one of the prerequisites to place the product on the market. We asked him for help, and as a result it was agreed that the members of our Association would be granted priority when registering title in the Land Registry.

### **Tell us something about hidden levies. Developers always mention them as a major problem?**

Yes, this is true. They are so important in the context of real estate investments, that it is necessary to explain what they are. We have requested a meeting with Minister Petar Čobanković on the topic of some of these hidden levies, primarily the water contribution, and we expect a confirmation for this meeting, and after the local governments have been established we plan to have meetings with the leading persons of all major

cities in Croatia on the topic of municipal contributions. These are the meetings that I have already mentioned. The amount and the way of calculating these levies are completely unacceptable. We are talking about tens and hundreds of millions kuna, and one does not know what their purpose or allocation is, and developers have no real use from that. We are not against public contributions, but we believe that if contributions are collected, they should be used for the purpose they were designated for, at least approximately. Today, developers have to pay millions of kuna for the property they are constructing, e.g. in Zagreb, and this is used to fund the construction of water supply infrastructure, for instance in Vrgorac Donji. Although we welcome the improvement of living conditions in our beautiful country, what is the

concrete benefit that developers have from the money they paid? And these are significant amounts: the municipal contribution in Zagreb alone amounts on average to 30% of the total investment costs. So, if the value of your project is 200 million EUR, you can easily calculate what amount that is. It is a similar situation in other cities as well. Therefore, we intend to request a review of the whole system of calculating and charging these non-tax levies, with the aim of achieving that the contribution is paid in line with the real cost of the utility infrastructure, and that the water contribution is paid per m<sup>2</sup>, and not m<sup>3</sup>, that lower contributions are prescribed for shared facilities and some other changes. We do not expect success to be achieved over night, but one should start sometime.



Entrepreneurs' day is a traditional HUP conference for entrepreneurs. This year, the title of the conference was THE ECONOMIC CRISIS:

PROBLEMS AND POSSIBILITIES, and there were around 1000 participants.



Guests of Entrepreneurs' day 2009



Presentation of the Association President - Mr. Igor Oppenheim

The conference was attended by the Prime Minister, Ivo Sanader, Ph.D., Deputy Prime Minister Damir Polančec, ministers Marina Matulović Dropulić, Božidar Pankretić, State Secretaries, leading persons from trade union federations and numerous other representatives from public and political life in Croatia and abroad, as well as numerous media

representatives. Our guest from BusinessEurope was their CEO, Phillip De Buck. Leading persons from the HUP sectoral associations spoke during the panel, discussing various proposals for solutions. The address on behalf of the Developers' Association was made by its president, Mr. Igor Oppenheim.

## 2. INTERVIEW

**Tristan H. Harper**

**Senior Vice President  
Prudential Douglas Elliman**



### **THE PROPERTY MARKET IN THE UNITED STATES, NEW YORK AND MANHATTAN**

**Could you introduce yourself briefly?**

I was born in Split, as long ago as the 1960-ties and was educated in Belgrade, and for a while in Paris and Oxford. Since the early 1990-ties I have been living in New York. After my European career in international theatre production, and in the world of American diplomacy, I worked for several years in the tourism and travel industry in the United States. For the past 11 years, my work has involved exclusively selling and renting residential property in Manhattan, for the largest residential brokerage company called Prudential Douglas Elliman Real Estate, where I have held a position of a Senior Vice President since 2002.

**What kind of property or rather what sector of property have you specialized in?**

My personal interest is residential property in Manhattan. My specialty is mediation in selling and buying apartments and family homes, as well

as the lease of property of the highest category (what is called luxury real estate), especially in the neighbourhoods Upper East Side and Upper West Side. Also, I work as a consultant for developers searching for locations and designing new projects, I also engage in interior design, primarily for clients who want to remodel their homes after they have bought them or before putting them up for sale on the market.

**You are a winner of the Chairman Award and the Legend Award. Can you tell us more about them?**

Chairman Award is the highest award that the Chairman of the Management Board awards once a year to those agents who achieved the highest profit for the firm in the previous calendar year, based on the property they sold or leased. The award is given to the agents who, based on this criterion, make it to the top fifty in the company, which employs 3600 agents, and the top 2% at the level of "Prudential" – the Northern-American network with more than 64,000 agents. I won this

award for six consecutive years– from 2003 to 2008.

The other award you have mentioned is the Prudential Legend Award, which is awarded at the continental level to those agents from the whole Prudential network, who have been awarded the “Chairman Award” for five consecutive years.

Although none of these two awards mean any particular financial gain, nor does it allow for any advantages or privileges in the forthcoming period, they are still a significant recognition of the results achieved and for the efforts invested through the years. They are particularly dear to me, because they are recognition at the company level and at the level of the whole Prudential network, and they confirm that the hard and frequently stressful work that I do does make sense and does receive recognition among colleagues at the national and the international level.

As America is a “land of awards” it is good to put this into perspective. I have to mention that I work for the biggest and most renowned company in New York, which has 11 offices in Manhattan alone. The company is also part of the international network of “Prudential Real Estate Affiliates”, with more than 2,200 offices across Northern America and twice as many in affiliated groups around the world. The name Prudential and the protected logo “rock” represent one of the most recognizable brands in the American business history. The company “Prudential Financial” was established in 1875, and today it is one of the strongest financial companies in the world, in the sector of asset management, insurance and real estate. In the powerful Prudential

network, the company “Douglas Elliman” (named after its founder in 1911) is a private company. It is ranked as the number one within the whole Prudential network, and at the national level it is amongst the largest in the whole United States. With approximately USD 15 billion in annual turnover, and more than 14,000 transactions per annum, the company I work for – Prudential Douglas Elliman alone sells one piece of property every two hours, 365 days a year! On Manhattan, which is considered the most powerful real estate market in the United States, our company has – from year to year – achieved the ranking of the largest and the most significant real estate brokerage company.

### **What are the current trends on the property market in the United States in general, and in New York in particular?**

For almost two years now, you can feel that the United State market has become saturated, and price of residential property has decreased significantly. At the beginning of this decade, there was excessive building activity, and property was sold at unrealistically favourable financing terms. Many people became indebted beyond their resources, based on the “no cash down” offer (without any deposit), and based on an unrestricted policy of crediting the acquisitions. As demand grew, prices grew as well. In order to satisfy the needs, developers built as fast as they could. On the other hand, buyers saw that the value of their investment was growing, and everybody was very pleased. However, as early as 2006, the market began to change, and prices started to drop, especially in those parts of the United States where building activity was uncurbed. Then,

in the summer of 2008, the banking system collapsed, and this marked the start of a “new reality”, both with respect to property, and in almost all other sectors of the economy throughout the country. In thousands of cases across the country people were to lose their title and their property, and this especially hit the states such as Michigan, California, Nevada, Florida. For the first time in American history, the government had to become actively involved in salvaging the situation, both by rescuing the largest banks, as well as individual buyers. Trillions of tax payers’ dollars were invested in various stabilization programmes and programmes aimed at renewing trust in the financial system. Until today, these programmes have not yielded significant results, but they have certainly stopped the extreme drop in the value of real estate, and the possible collapse of the whole system. This can be considered a great success.

As far as New York is concerned, I shall only comment on Manhattan, where I work, and which is considered a “world of its own” in the whole United States. While the rest of the United States was already recording significant signs of slowing down of market activity and a fall in prices in 2006 and 2007, Manhattan recorded continuous GROWTH! Although there were analysts who warned that this would be reflected in the Manhattan market as well, there were few who listened. Every new project was more expensive than the one before, newly built buildings would sell as much as 80% of apartments before the foundations were built for a new building. The market still could not get enough.

Among the numerous reasons for such an atmosphere, there was the low value of the dollar in comparison to international currencies. Foreigners would therefore buy property, not asking about the price. Manhattan, which is historically one of the most expensive markets in the world, appeared to be “on sale” to foreigners, just because they could buy many more square meters of property. Even today, some of the statistics are still showing growth of square meter prices in Manhattan!!! In reality, it was last fall that the situation turned on Manhattan. The critical day was the 18<sup>th</sup> September 2008, when one of the largest investment banks in New York went bankrupt, which caused a chain reaction throughout the country, and throughout the world. Not only did the economy on Manhattan stop, because Wall Street almost collapsed, but since then real estate transactions have been almost non-existent.

### **What is your opinion about the current state of the real estate market in Manhattan?**

Today, more than six months after the “official” breakdown, statistics show that the numbers of new transactions (signed agreements on the sale of property) have dropped by about 80% compared to the same period last year! Donald Trump, the famous developer, recently stated that on such a market, the only ones who are buying or selling belong to the “3D category – Death, Divorce, Debt“. Unfortunately, though sarcastic, this comment has proved to be true in most cases. Luxury property, which accounted for most transactions, is virtually non-existent now. The only apartments still being sold, are smaller apartments (with 1 or 2 rooms, below \$1 mil.), and only those, which can be bought at a large discount of 20-30%.

The irony is that just in Manhattan, despite huge losses on the Wall Street and in the economy in general, there is still a lot of money going around, both local and global money. Even today, many people are still not forced to sell their apartments, because they can still cover their mortgage and maintain a similar standard to what they enjoyed earlier. Therefore, in the luxury sector, you can see a great difference between the owners who have placed their property on the market, and the buyers who are interested in that property. Buyers certainly do not want to pay the sky-high prices that the owners' request, and the owners do not want to sell their valuable property "below price". The typical way of thinking of an owner in Manhattan is "Why should I sell at 30% less than my neighbour who got 30% more last year?" On the other hand, buyers say, "If I have lost 30% to 50% of the value of my shares and my other assets on the stock market and in other investments, why should I have to pay the "full" price for a property on Manhattan?" Therefore, the market is "sleeping". As I am sure you know, the market with no transactions (even at less favourable prices) is the worst thing that can happen to a capitalist economy, such as the US economy, where the major part of all wealth is based on constant transactions in capital, including property.

**What is the current situation regarding real estate prices and what are your forecasts for the future?**

As I mentioned, prices are dropping, but not enough and not as much as the buyers would want or as the buyers believe they should be dropping. If a decent one-room apartment (here, one room apartment

is considered an apartment with a living room, one bedroom, a kitchen and a bathroom) of 750 to 1000 square feet (70 m<sup>2</sup> to 90 m<sup>2</sup>) still costs more than \$1 mil., then such an apartment will not have a buyer in the near future. Unfortunately, on Manhattan, a square foot is still priced above a thousand dollars, and in the luxury buildings on better locations, it even costs much more!

It is very difficult to make any forecasts about the future in such a situation. It very much depends on your perspective – do you perceive the glass to be half full or half empty. It would be realistic to expect that prices, which have dropped by 10-20% on average, will drop by another 15-20% before they start growing again. This may happen in the near future or in the more distant future, but it needn't happen. Analysts who are pessimistic say that we won't see any developments for the better for another couple of years. The optimistic ones, however, believe that the worst developments are behind us, and that we will already record improvements by the end of this year. Most agree that the short-term developments on the Manhattan property market (in the following 3-9 months) will not be dramatically worse or better. A status quo, with a small number of sales transactions, and a fixed inventory of available property, which will not grow significantly, and prices that will vary depending on the type of property, the location and availability. Time will show who has been right.

**Are there differences in the movement of prices and property transactions in Manhattan in comparison to the remaining property market in the US?**

Across the US (and the world), Manhattan is seen as a “world of its own”. In many respects, this is true, with respect to property, but in many other ways as well. The way and the organisation of live in the metropolis, of the economy, immigration, housing structure, types of property etc. – all this is much different in Manhattan than in most other parts of the United States, even different than in other neighbourhoods of New York itself. This is truly so, even if you compare Manhattan with large urban centres such as Chicago, Los Angeles and Boston. This is why the sale of property in Manhattan is quite different to other parts of the United States, regardless what the state of the market is (good or bad).

One of the interesting and unique things in Manhattan is the fact that most residential property is within residential apartment buildings, and not detached units (houses). Besides, from the total amount of property available in Manhattan, most (85%) property is what we call co-operatives, or “co-ops” for short. According to some analysts, this specific form of ownership is what “saved” the property market on Manhattan, the reason why the drop in prices was much milder than on other markets.

„Co-ops“ are buildings, in which the buyer does not acquire title on the property, but buys shares in a corporation, which is a specific building. Every apartment in the co-op is represented by a certain number of shares, and the buyer as the owner of those shares is entitled to use the unit (apartment). The sale agreement for a co-op includes a certificate of the ownership of shares and the proprietary lease of an apartment that goes with the purchased shares. As these are “private corporations”

(buildings), in which the shareholders (apartment owners) decide through their elected representatives on the Board on all issues concerning the building, so they also have the right to make a decision if they want a certain buyer as a new co-op member or not. There are many texts and books written about horror scenarios on the conditions that the co-op Boards set in order to approve a sale and purchase. Since private ownership is one of the major guarantees in the American society, decisions of co-op Boards as private corporations are indisputable. The Board of a building can reject any buyer without any explanation or accountability. There is no court in the United States that would dispute such a decision by a co-op Board, unless it is based on prohibited discriminatory practice. Since the Board does not have to give any reasons for rejecting a buyer, there are no grounds to prove discrimination. Many have tried, but without any success! The most famous people to have been rejected by the co-op were President Nixon and the singer Madonna. Several decades earlier, there was an interesting anecdote related to the founder of the renowned cosmetics company, Helen Rubinstein, who was rejected by one of the buildings because she was allegedly undesirable as a Jew. As she could not prove that because the “Board” did not mention any reasons for rejecting her, she bought another apartment building on prestigious Park Avenue, in which she took two floors of the penthouse apartment for herself, whereas she sold the remaining apartments as co-ops. Until today, this building has remained famous for this reason. After Helen Rubinstein, the penthouse was bought by Marlene Dietrich, and after that the Iranian Shah, and today it is owned by one of

the wealthiest private capital investors.

The logic behind such power of co-ops is that a building is a community of people of similar mindset and similar financial circumstances, and since these are private corporations, they act as a private club. In the United States, it is normal that everybody who wants to join one of the private country clubs or city clubs has to comply with the numerous conditions that the club sets. They have to have recommendations by the existing members, but they can still be rejected without any right of appeal. The same is true of the New York co-ops. Therefore, every individual potential buyer in a co-op has to “prove” that he or she “belongs” to that cooperative. After the price has been agreed and an agreement signed with the owner, the potential buyer has to submit to the Board a great deal of information on himself/herself and his/her family. A typical application for buying an apartment turns out to be a book with a hundred pages, because it includes numerous forms, letters of recommendation by friends and business partners and much more. A detailed financial profile of the buyer supported by documents that prove every dollar owned is certainly the most important part of the application. In the “normal” market, the banks conduct a similar examination of the financial situation of everybody requesting a loan. However, in this decade, banks have started to issue loans under very liberal criteria, which have led to a crisis in many other markets. Since this was the role that the co-op Boards assumed, and as they were continuously stricter than the banks, now they give themselves the credit of “saving” the property market on Manhattan.

The fact is that in most co-ops on Manhattan, despite the difficult economic situation, there are practically no belated payments of loan instalments. It is important to mention that the co-ops require that the buyer – after buying the apartment – still has to keep a certain share of the value of the purchased apartment in his/her bank account, and besides they have to pay a higher advance payment. While the banks would issue loans without any personal deposit by the buyer, a typical co-op requested at least 25% of the value as a minimum cash deposit, even in the most liberal times. This amount would even rise as high as 50% of the apartment value, and in some buildings it was even the whole 100%. The probability that such a buyer would find himself/herself in a situation where they could not repay their loan is really minimal. Therefore, despite the crisis, there has still been no drastic drop of prices on Manhattan, and the Boards, who used to be considered a “necessary evil”, have now been raised to the level of heroes.

**Unlike the rest of New York, prices of property in the Manhattan area are still growing. How do you explain the connection between the growth of prices and the significant reduction of demand in the Manhattan area?**

There is still the perception that prices are still growing. However, de facto, they are falling. Quarterly reports still do not reflect any fall, because a large number of property units were bought a year or two years ago in new buildings whose construction only started after they were sold out. So, today, buildings are being finished, which were sold when the market was completely different, at prices which were defined 18 or 24 months ago. As

I have mentioned earlier, prices are 15 to 20 % lower since the market was at its peak in the summer of 2008.

However, the development of prices on Manhattan is also under the influence of another important factor. Manhattan is an island surrounded by rivers on all sides. The surface of construction sites on Manhattan cannot be increased nor can it spread indefinitely. Therefore, it is considered that the value of property in Manhattan can only grow in the long run. At least theoretically, if the demand continues, even with a smaller intensity than is the case today, there is the expectation that Manhattan will remain one of the most desirable property markets in the world. This, combined with the fact that the building area of the island cannot be expanded, leads to the perception that property on Manhattan will become increasingly desirable. Under the market conditions that we have today, this not only diminishes the expected drop in prices, but it even shows the trend of price growth in the certain market sectors. It is an open question how long this will be the case in the short-term.

**Who are mostly the buyers on Manhattan? It used to be Wall Street people, but who is it today?**

We say here that “the whole world wants a piece of Manhattan”. The fact is that this is largely true. Property buyers in Manhattan come from all across the world. However, as many foreigners do not want to be members of co-ops, they choose another form of ownership, known as condominiums, or “condos” for short, which is true real estate. All new buildings that have been built since mid 1980-ties are „condos“. Very often, even old buildings, which are

turned into residential apartment buildings are organized as condos. This allows for a constant supply for every buyer, regardless if they are Europeans, Arabs, Asians, South Americans or Russians.

Still, most buyers in New York are New Yorkers themselves. The Wall Street people are still buying. Many of them accumulated a lot of wealth during the past decade of growth, so that even the stock market crash, which reduced their wealth by as much as 50%, did not have any major influence on their purchasing power. They still own the remaining 50% of their wealth! Naturally, this is much less than before, but in many cases enough to invest in a market where there are good opportunities (let us remember the “3D formula”!). The new generation of buyers are also those who – until recently – could not afford Manhattan or at least not Manhattan at its highest level. They are numerous owners and co-owners of smaller companies, doctors, attorneys. They also see a window of opportunity now when they can find a better piece of property at a more accessible price. Finally, smaller apartments, which are sold most (because there is most supply in this segment, and the prices are most accessible), are bought by everybody who are still eligible for loans, even at this time of crisis, where there is limited capital available. They are “solid” individuals who have managed to save for the advance payment, and who have a secure job – from civil servants to people employed by international and local companies. The spectrum of buyers is still very broad. Of course, one should not forget that the number of sales has dropped drastically in the past couple of quarters.

**Could you briefly describe the trend of re-allocating factories in Manhattan as residential buildings?**

The trend began when the City of New York, in the nineteen-seventies, when the government was literally on the verge of bankruptcy, began to change the urban plan for Manhattan and make it possible for factories to be transformed into living accommodation. Since these were unsuitable premises for housing, the first “settlers” were artists. For them comfort was not high on their priority list, but they liked the large spaces and high ceilings characteristic of factories in the southern part of Manhattan (Lower Manhattan). Very quickly developers saw the opportunity to convert these premises, with the necessary adjustments, into comfortable housing units at significantly higher prices. So the first “loft” apartments appeared in areas known as SoHo or Tribeca. The trend of luxury lofts culminated in the early years of this century. Artists gradually lost their ability to pay the lease on the large spaces and began to move out into the previously deserted area of west Chelsea, and their premises were turned by developers into super-luxury apartments.

The now former factories as a rule have a doorman 24 hours a day and the apartments are sold at extremely high prices. According to some statistics, the lofts in Tribeca are today some of the most expensive residential units in the city.

Where artists were creating at the end of the 20<sup>th</sup> century, in the 21<sup>st</sup> century young bankers moved in with their families. The unusual and oversized space with the industrial “flavour” was more suitable to their sensibilities. Moreover the location, much closer to

the financial district of Wall Street suited their work schedules. With the luxury lofts and owners like this, the appearance and atmosphere of entire neighbourhoods changed completely in only a few years. Although the facades as a rule remained unchanged (because the Landmarks Preservation Commission so requires), the interior of those buildings is unrecognisable and the content offered by those neighbourhoods is comparable to the most prestigious areas of Upper Manhattan – from restaurants and hotels, designer boutiques, schools and cultural institutions.

**Can you share with us which is your favourite building or development project you have come across in your work?**

It is hard to choose one building or one project. Still it is almost impossible to avoid the building known as the Chrysler Building. Built in 1930 as the highest building in the world, in the tradition of the highest Art Deco style in New York, this building has so many unique details that studies have been written about it. A few years ago one of my



clients was looking for a flat with the main condition that he had a direct view of that building. After a long search we found an apartment which met many other, but not this very important condition. By pure chance the apartment I own also has a view of the Chrysler Building from as many as four rooms, as well as from the large terrace.

Regarding housing projects, I would only mention the latest one. This is a building known as Number 15, Central Park West, completed last year, in which most of the apartments were sold before construction, and it currently holds the record with the two most expensive apartments ever sold in Manhattan (\$48 and \$46 million).



What makes this project important and fascinating to me personally is that it represents all the very best that Manhattan has to offer – an exceptional location on the very south end of Central Park, views on all four sides that are like picture postcards, architecture reflecting a contemporary interpretation of the grandiose pre-war buildings around Central Park, and apartments of exceptional proportions, which vary from floor to floor, so there are very few the same (which is very atypical of large buildings such as this one).

Still what makes this project different from other super luxury buildings is the content offered to owners and the way they are designed and built. This includes a private, club-type restaurant only for owners in the building and their guests. There is a private library, a private gym and spa with a swimming pool in the basement, in the style of an ancient Roman thermal bath in marble and hand made tiles, all with a glass roof, which serves as a fountain in the open foyer of the building, meeting halls and a conference centre, a private refrigerated wine cellar which is bought together with the apartment, a cinema, which can be hired for private showings, and services of any kind provided by tens of maintenance staff. This is not just an aesthetically beautiful project, but it is one that is long remembered above all for its high quality. Since a high quality of life is the principal aim of almost every citizen of New York, this project is important as the best example of all that is best on offer to anyone in this city called New York.

### 3. STATISTICS

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

	average price EUR/m <sup>2</sup>	price range EUR/m <sup>2</sup>
<b>ZAGREB</b>		
<b>Housing</b>		
Apartments	2.120	949 - 6.000
Houses	1.887	710 - 7.050
<b>Commercial space</b>		
Offices	1.934	1.300 - 3.809
Business premises	2.402	984 - 8.663
Office blocks	1.440	610 - 3.000
<b>COAST</b>		
<b>Housing</b>		
Apartments	2.077	848 - 5.208
Houses	1.930	623 - 11.000
<b>Commercial space</b>	1.645	555 - 6.888
<b>Tourist facilities</b>	3.128	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](http://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, March 2009

In March 2009, there were 1 103 building permits issued, which was by 14.2% more than in March 2008.

The total number of building permits issued in the period from January to March 2009 increased by 28.1%, as compared to the same period of 2008.

In March 2009:

- by type of constructions, 87.9% out of the total number of permits were

issued on buildings and 12.1% on civil engineering works

- by type of construction works, 80.2% of permits were issued on new constructions and 19.8% on reconstructions.

According to permits issued in March 2009, it was expected for 1 625 dwellings with the average floor area of 92.8 m<sup>2</sup> to be built.

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

## 4. PRESSCLIPPING

Source: [suvremena.hr](http://suvremena.hr), May 12, 2009

### An 80 million EUR commercial centre to be built in Osijek

An Osijek company named Amplitudo announced that it would soon begin construction of the "Portanova" commercial centre, together with its partners, and the centre will be located off the Osijek bypass road.

The Project, which was presented in Osijek, is assessed at about 80 million EUR.

The Centre will extend across 79 thousand square meters and have 1,600 parking lots, and besides the stores, it will offer entertainment facilities, such as cinemas and casinos.

The centre should employ about 1000 people.

The project was first announced last year, and it was expected that it would be finished by the beginning of 2010, but a valid building permit was only issued on 30 April this year, so that the centre should be finished by the end of 2010.



Source: [suvremena.hr](http://suvremena.hr), May 12, 2009

### Construction of Vendi Park starts in Slavonski Brod

This month, the construction of Vendi Park, the first retail park in Eastern Croatia, will start in Slavonski Brod. The company WPG d.o.o., project investor, reported that the total value of the project is 22 million EUR.

Pre-lease of the stores in the retail park is already under way, and the opening of the Vendi Park was announced for the beginning of December this year.

Vendi Park will host about 40 stores, the pre-lease is going as planned, and negotiations with potential tenants are under way.

The representative and the authorized signatory of the WPG company, Mr. Tomislav Čeh, emphasized that Slavonski Brod was recognized as an attractive location with large market potential, due to its favourable geographical position and exceptional transport connections.



## 4.1 NEWS FROM THE REGION

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

### Fashion House Development plans the first ever Russian outlet center (RU)

FASHION HOUSE Development, successor of The Outlet Company, and a partnership of GVA Grimley Outlet Services and Liebrecht & Wood, have completed the acquisition of their first Outlet plot in Russia.



### Topping-out ceremony at Ozas Gallery in Vilnius, Lithuania (LT)

The topping-out of the Ozas Gallery, to be opened on August 20, 2009, has been celebrated yesterday (April 2). Built to become the preferred fashion shopping destination in Vilnius, Ozas is by far the largest national retail development with a total area of 180,000 m<sup>2</sup> and it features more than 180 shops on a leasable area of approx. 62,000 m<sup>2</sup>.



### ProLogis increases occupancy in the Netherlands with over 60,000 m<sup>2</sup> of leasing activity (NL)

ProLogis European Properties announced that it has renewed a 19,435-m<sup>2</sup> lease agreement at Schiphol, Amsterdam, with DHL Global Forwarding and completed four lease agreements in the Rotterdam area covering almost 42,000 m<sup>2</sup>.



### UK Commercial Property Trust purchases Kew Retail Park for 31.35 mln. (UK)

UK Commercial Property Trust (UKCPT) managed by Ignis Asset Management has purchased Kew Retail Park from Henderson UK Retail Warehouse Fund for 31.35 million (approx. 35.1 mln.) representing a net initial yield of 6.89%.



## Significant rental and take-up declines across Europe's office markets (EUR)

According to Jones Lang LaSalle's Q1 2009 European Office Rental Clock, European prime office market rents decreased by 8.0% over the quarter, a fall not witnessed in the Index before. The Index is based on the performance of 24 markets, and highlights that prime rents decreased in the majority of the markets, led by Moscow and London.



## 5. PAST EVENTS...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
April 07-08, 2009	<b>Energy Use Optimization in Buildings</b>	Warsaw, Poland	<a href="http://www.informedia-poland.com">www.informedia-poland.com</a>
April 08-10, 2009	<b>Mall Expo</b>	Moscow, Russia	<a href="http://www.eng.mail-expo.ru">www.eng.mail-expo.ru</a>
April 14-15, 2009	<b>4th International Conference "Retailtainment in Ukraine"</b>	Kiev, Ukraine	<a href="http://www.mall-expo.com">www.mall-expo.com</a>
April 22-24, 2009	<b>ICSC European Conference</b>	Barcelona, Spain	<a href="http://www.icsc.org">www.icsc.org</a>
April 23, 2009	<b>SEE Real Estate Awards Gala</b>	Bucharest, Romania	<a href="http://www.europaproperty.com">www.europaproperty.com</a>
May 06, 2009	<b>IPD Central &amp; Eastern European Conference 2009</b>	Prague, Czech Republic	<a href="http://www.ipd.com">www.ipd.com</a>
May 07, 2009	<b>11<sup>th</sup> Shopping Center-Symposium</b>	Vienna, Austria	<a href="http://www.regioplan.eu">www.regioplan.eu</a>
May 07, 2009	<b>Developers in distress</b>	Warsaw, Poland	<a href="http://www.propertyprofessionals.pl">www.propertyprofessionals.pl</a>

May 12, 2009	<b>Transport Logistic</b>	Munich, Germany	www.messe-muenchen.de
May 13-14, 2009	<b>International "ELITE ESTATE" Conference</b>	Saint-Petersburg, Russia	www.eliteforum.ru
May 14-17, 2009	<b>INTERNATIONAL REAL ESTATE FORUM "INFOREAL"</b>	Saint-Petersburg, Russia	www.realfor.ru
May 26-28, 2009	<b>REAL VIENNA</b>	Vienna, Austria	www.realvienna.at
May 27, 2009	<b>Russia CIS Premier Real Estate Awards Ceremony</b>	Vienna, Austria	www.europaproperty.com

## 6. DO NOT MISS OUT...

<i>Date</i>	<i>Name</i>	<i>Location</i>	<i>Web</i>
June 02-04, 2009	<b>The EMEA-Focused Real Estate and Investment Fair</b>	Istanbul, Turkey	www.istanbulrestate.com
June 09-12, 2009	<b>EIRE Expo</b>	Milan, Italy	www.italiarealestate.it
June 22-24, 2009	<b>REBEC Conference</b>	Belgrade, Serbia	www.europaproperty.com
July 02, 2009	<b>CEE Private Equity</b>	Warsaw, Poland	www.easteurolink.co.uk
September 30, 2009	<b>GRI Russia</b>	Moscow, Russia	www.globalrealestate.org
October 01-03, 2009	<b>Mall Expo 2009</b>	Kiev, Ukraine	www.mall-expo.com

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October 01, 2009	<b>Experts Forum CEE/SEE</b>	Vienna, Austria	<a href="http://www.regioplan.eu">www.regioplan.eu</a>
October 05-07, 2009	<b>Expo Real</b>	Munich, Germany	<a href="http://www.exporeal.net">www.exporeal.net</a>

PUBLISHER:

**Filipović Business Advisory Ltd.**

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

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