

# - CREN - Croatian Real Estate Newsletter

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## CREN PATRONS



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**INTERNATIONAL REAL ESTATE  
DEVELOPMENT BUSINESS ACADEMY**



## INTERNATIONAL REAL ESTATE DEVELOPMENT BUSINESS ACADEMY

### MODULE 2: COMMERCIAL REAL ESTATE DEVELOPMENT PROJECT

- MACROECONOMICS FRAME OF COMMERCIAL REAL ESTATE DEVELOPMENT IN CROATIA
- REAL ESTATE DEVELOPMENT PROJECTS
  - PHYSICAL PLANNING AND URBANISM
    - ENVIRONMENTAL PROTECTION
    - ARCHITECTURE TRENDS
      - CONSTRUCTION
        - PROJECT MANAGEMENT
        - REAL ESTATE DEVELOPMENT LAW



**March 4- 6, 2010**

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

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## 2. INTERVIEW

**Hrvoje Hrabak, BA(Arch),  
President of the Croatian  
Architects' Association (UHA)**



### **CROATIAN ARCHITECTS' ASSOCIATION (UHA)**

**We would like to congratulate you on your recent appointment as the president of the Croatian Architects' Association (UHA). Can you explain the role of the UHA to our readers?**

The Croatian Architects' Association is an umbrella organisation, which assembles all regional architects' associations. Its basic activities include the allocation of annual awards in the field of architecture, the organisation of the Zagreb Salon – Architecture, the Annual Exhibition of Architects' Work, Architects' Congress and other professional conferences, as well as implementation of tenders in the field of architecture and urban planning, publishing, international contacts and cooperation and public activities aimed at the advancement of this profession.

In the next two years, the vision of leadership of the UHA is not at all glamorous, as it has often seemed in past years, but it involves some very existential elements that cannot be postponed.

**What are the trends that are evident in Croatian architecture, and what do you believe about the direction, in which the architecture in Croatia**

**will continue to develop in the forthcoming period?**

A group of colleagues who have worked on this for the past ten years have implemented a project, which we might interpret as the positioning of Croatian architecture on the European and international scene. Most of their activities were aimed in this direction – from appointing selectors from abroad for the Zagreb Salon to various forms of international co-operation, from research to tenders and publishing. The crown of this work is certainly the fact that Croatian projects were included in the selection for the most prestigious European award - the Mies van der Rohe, as well as the series of concrete successes achieved by Croatian architects who competed for this and other awards.

However, the main precondition for these successes were the investment conditions that we had in Croatia in the past decade, which – along with a series of other factors – provided excellent support to creating competitive architecture. Let us remind ourselves of the developments of the past decade – first of all, there was a remarkable number of public architectural tenders, which (for the

first time in Croatian architectural history) actually resulted in implemented projects, primarily for projects with public financing (such as incentivized housing construction, kindergartens, schools, sports halls and other public facilities in Zagreb; a series of university and sports facilities across Croatia etc.). Also, the investment climate on the private market was flourishing and it also resulted in numerous implemented projects, which included a noticeable number that we could qualify as quality architecture.

**What is the current situation in the architectural profession in view of the economic crisis and the major reduction in investments in development of real estate?**

The coming years will inevitably bring changes, and it will become clear that the past decade was the result of a unique set of circumstances, which we will long remember with nostalgia. Public investments will be less opulent and much more restrictive, and it is very questionable for how long we will be able to keep our 'good practice' of public competitions in the conditions of European integration, because the practice that we have here in Croatia is internationally unprecedented. So, irrespective of the financial situation, we can expect that a large number of doors will be closed in terms of public investments.

In the domain of private investments we also expect reduced activity and significantly greater selectiveness in choosing projects and in the attention paid to the projected commercial effects of the projects. The situation will be made additionally difficult by the stronger presence of foreign planning companies on our market, which is bound to happen, in one way or another. Even now, all these

developments have caused significant changes in the field of architecture, and it is evident that we will have to undertake significant steps in business terms concerning the organisation and profiling of our offices with respect to their efficiency, reliability and accountability. We'll also have to adopt new know-how in the field of sustainability and environmental protection.

Actually, under these conditions, most of us – most colleagues – will be faced with the issue of how to survive on the market, and the issue of 'architectural excellence' will become secondary. This is where we see the main challenge for the work of the Croatian Architects' Association in the years to come – we have to provide an incentive to preserve architectural discipline and search for excellence in architecture. However painful the current situation may be, we strive to perceive it as a positive potential for change, because one thing is certain: although the climate of the past decade was full of incentives, those conditions were not sustainable, nor were they based on sound foundations, and what awaits us is certainly a process of sobering up and putting things into a realistic perspective, which will also mean a kind of recovery, which we hope will provide a good basis for longer-term development.

**What is your programme and what are your priorities as the president of the UHA?**

We will additionally tighten the ranks of our regional associations, the Croatian Chamber of Architects and the Croatian Architects' Association in order to fight for timely and necessary legislative solutions, for the further promotion and protection of the model of public competitions, for regulating

the work of foreign architects and to provide the conditions for the further existence of a broad range of high quality architectural offices in Croatia. In line with this, we intend to profile our regular activities accordingly, starting with our exhibitions to publishing activities.

An additional challenge in the forthcoming period will certainly be to develop a new and sustainable model of financing for the Association, since it has become obvious that the existing model, which largely relied on the implementation of competitions and on subsidies from the state budget, will obviously not suffice in future. It will therefore become necessary to develop the profile of the UHA as an organisation, which is able to implement various projects in this field, which will be possible to finance from allocated resources from various funds, including European funds.

Actually, we have quite an extensive and demanding programme ahead, and our primary goal is to integrate the architectural profession (naturally also the profession of urban planning) into a meaningful, longer-term and stable development cycle, which will hopefully start after the crisis is over.

It is from this perspective that we look at the state of play on the real estate market over the past months, which has appeared to be quite apocalyptic – the complete standstill of all activities. I said ‘has appeared’, because indeed, one has to take into account a longer-term perspective in order to get the full picture. And in this longer-term perspective, the current decline is a kind of sobering-up and providing room for better conditions, in which we will develop projects in a couple of years from now. Hyper-production might

have been seductive and lucrative, but we now realize how useful it is to have time once again to consider project problems and programmes more patiently and with more dedication.

**Could you present to our readers your projects, on which you have been working lately and which are currently in the pipeline?**

Over recent months, I have been fully engaged in working on the project of a residential settlement called Samoborski vrtovi – around three hundred residential units opposite the Šmidhen water-park complex. Construction work on this project have just begun, and it is one of the rare large projects, which have managed to survive under the conditions of market decline. All the elements that I have previously discussed have come into play in this project – from the gaps in the Croatian legislation, to complex calculations by foreign investors and financiers... I will not try to hide the fact that we have often found ourselves quite exhausted on this path, but I do believe that the enormous amount of energy invested will yield a positive result for this highly profiled and refined commercial product. Along with this extensive activity, we are trying to provide support in several other projects, which local investors are keeping alive only by investing immense effort, preparing them for market entry in this year or next. I am also hopeful about some projects that are now in the stage of preliminary discussions, as they should open a new page in our work. These are projects oriented towards environmental sustainability – a business park in Zagreb and two extensive recycling facilities in the surroundings of Zagreb.

### 3. THE FIRST SYMPOSIUM ON GREEN BUILDING IN CROATIA

#### Vedrana Likan, General Manager of Colliers International



On Tuesday, 24 November 2009, the First Symposium on Green Building in Croatia took place in the premises of the Croatian Architects' Association, organized by the Green Building Council of Croatia, under the patronage of the Environmental Protection and Energy Efficiency Fund of the Republic of Croatia, in partnership with Filipović Business Advisory Ltd. The main goal of the Symposium was to gather active participants on the building market in Croatia, interested in the topic of green building and thus open the discussion on various topics – from global and local activities in the field of green building to discussing the possibilities and the challenges of progressive development of green building in Croatia. The Symposium made it possible to establish connections between stakeholders related to the topic of green building and for the participants to exchange experiences, who included high-ranking representatives of companies, organisations and institutions in Croatia whose work and activities are directly connected or who directly influence or actively participate in planning, designing and building various facilities in Croatia, and who thus also have an interest in green building.

The Green Building Council of Croatia was established in 2009 as a non-profit organization aimed at encouraging changes in the design and construction of projects in the field of construction, and changes in the way they are used, with the aim of achieving sustainability and taking into account the interests of those who use these facilities, environmental protection, social accountability and profitability.

The activities of the Green Building Council of Croatia are focused on several key areas: Providing information, training and promotion of green building; establishing co-operation and partnership with other organizations; developing and managing training programmes, authorization and certification schemes; organisation of symposiums, seminars, workshops and conferences; organisation and participation in public awareness campaigns, and – where appropriate – activities aimed at influencing legislation in the field of construction.

#### WHAT IS “GREEN BUILDING”?

As was emphasized at the Symposium, “green building” refers to an integral process of design,

construction, use and maintenance of facilities, based on the sustainability principle. Green building is based on holistic principles and it takes into account all the aspects of sustainability of a building – use of the construction plot, connections to the neighbouring facilities and to various available services, the manner and quantity of water consumption, landscape, elements of interior design and atmosphere of the interior, taking care of the health of users, selection and manner of using materials, taking into account the emission of greenhouse gases from the facility, energy efficiency, using renewable and alternative sources of energy and the overall functionality of the facility. The categories that are monitored and evaluated in the case of green buildings include *Environmental Quality, Economic Quality, Social Quality, Technical Quality, Process Quality and Location Quality* (at the same time, these categories are the basis for evaluating green buildings under the German certification system).

A term that has become common in Croatia is “passive houses”, and – in a way it is used synonymously with the term “green building”. However, as was explained at the Symposium, the term passive houses only includes the aspect of energy efficiency, whereas the term green building takes into account numerous other aspects as well.

### **Green Building at Global and Pan-European Levels**

Taking into account that the Croatian property market is only in the development stage, and that the Croatian market still has to experience

a “boom” in the building sector, and considering that the market of “green” investments in Europe has been growing by 20% a year, on average, since 2004, and that it is estimated that the value of this market will reach 537 billion EUR by 2014, the Green Building Council of Croatia has started an initiative for an exchange of knowledge and experience at the level of Croatia and at the European level. Consequently, the First Symposium on Green Building in Croatia was organized in two parts, in the form of panels.

The participants in the first panel dedicated to the topic of Green Building on the Global and Pan-European Level and to a discussion about the activities of the Green Building Council in the world, programmes and models for evaluating green building (EPBD, BREEAM, LEED, DGNB, etc.) and to a cost and benefit analysis of green building included Mark Gero, the President of the Green Building Council of Croatia and Erin English, chief advisor to the Board, GBC Croatia, and other renowned guests: Mr. Gunther Maier, Ph.D., Board Member of the Austrian Society for Sustainable Real Estate (ÖGNI) from Vienna and Anca Bieru, Director Membership & Public Affairs of the Green Building Council of Romania. The first panel touched upon interesting topics regarding the profitability of green building and it presented data based on European and global research, which confirm that the building sector accounts for almost 45% of greenhouse gases. The terrifying data on the existing bad effect on the environment have made green building the only option for the future of the building industry. This is supported by data, which were also presented to participants, based on an analysis of 12 different building

portfolios, which all show the satisfaction of green building users, which is 27% higher than user satisfaction in other buildings, accompanied by 13% lower maintenance costs, 26% lower energy consumption and 33% less CO2 emissions.

Data on the profitability of green building, shown for the same portfolio, awoke the interest of all participants, as they have shown that green buildings achieve 6% more in rents, and 16% more in selling price. The myth of the extremely high costs of building green was dissolved when the panellists on the first panel presented the fact that the real average additional cost of green building is less than 2%! At the same time, in order to confirm that there is a bias concerning the significantly higher costs of green buildings, the panel presented data stemming from a piece of research conducted by Colliers International this summer, covering 97 participants (building owners and users) in South-Eastern Europe, including Croatia, which show that the perceived average cost of green building is 10-20% higher. Also, if we consider the fact that more than 50% of all surveyed persons expressed that they would be "willing to pay" 5%-9% more for green building rather than building according to the old principles, this opens incredible possibilities for initiating new and healthy investments in green building in Croatia.

## **IS THE TIME RIGHT FOR GREEN BUILDING IN CROATIA?**

If we consider everything mentioned so far and place it all in the context of the current economic crisis, we are naturally faced with a question – is an economic crisis the right time for green

building? The findings from the Colliers International research showed that 66% of surveyed persons (building owners or users) expressed that the economic crisis has partly or entirely increased their interest in green building and as many as 95% of them see themselves as future owners, operators or users of a green building in the next 5 years!

The following presentations on the state of play of green building in Croatia have shown that Croatia is one of a few European countries that still do not have any internationally certified green buildings, but only several buildings, which have an "energy efficiency" certificate. In Europe, there are more than 100 LEED® certified buildings (or those registered to be certified), whereas in the SEE region only one building is LEED® certified – the American Embassy in Sofia, Bulgaria.

On the other hand, it is obvious that the potential for green building exists in Croatia, and that green building is demanded, wanted and needed.

The goal of the second panel was to present achievements in the field of green building in Croatia, through an overview of activities, initiatives and the openness of government policies and structures, but also through a discussion about the obstacles and the possibilities for green building based on experience of other initiatives, especially in the segment of energy efficiency. The panel was opened by Professor Ljubo Jurčić, presenting the balance between the interests of those who use such facilities, environmental protection, social accountability and profitability, and he placed the emphasis on his own perception of the potential for the development of green building in Croatia, based both on the

financial and social logic. The panel continued with Marija Ščulac Domac, Assistant Director in the Croatian Environmental Protection and Energy Efficiency Fund, who summarized the activities of the Fund and its perception of the future, and re-asserted the fact that Croatia is definitely a “green-oriented” country – both in the political, social or economic senses. By presenting an overview of projects and the value of investments implemented through the Fund, this panellist pointed to the potential for investors and to the extraordinary potential for small investors in green projects. Mirjana Štraus from the Directorate for Integrated Regional Development of the Ministry of Regional Development, Forestry and Water Management of the Republic of Croatia, pointed out the significance of the Regional Development Strategy of the Republic of Croatia, and its alignment with the definition of regions at the EU level, which both place a great emphasis on environmental protection and sustainable development as prerequisites for the development of society, the economy and for the future of Croatia in general. The continuation of this panel included presentations of their own experience and achievements in the field of green building and their views of the state of play in this field, given by Yuri Afanasiev, the UNDP representative for Croatia, Željka Hrs Borković, representative of the Hrvoje Požar Energy Institute, and Erik Mohorović, general manager of the Verdispar Project Development company, who presented to the audience his own vision and profitability analyses for the first project of a green office building being developed in Zagreb, from the aspect of the investment, benefits for building users, environmental print and social influence. The panel was concluded by the presentation by

Professor Ljubomir Miščević as a representative of Zagreb University and a pioneer of passive building in Croatia. He completed this panel with his views about the significance of the successful transfer of know-how and experience to younger generations, who will be the future promoters and creators of green buildings in Croatia, and to students of architecture, civil engineering, mechanical engineering, economy, who are and who will be responsible for the construction industry in Croatia, and those who embody progressive ideas about green building.

At the end of the Symposium, Vladimir Filipović emphasized that the Symposium had brought together representatives of the American Embassy, competent state ministries and other competent state institutions, bodies of the City of Zagreb, the academic community, professional institutions, companies who produce construction materials and equipment, contractors, designers, architects, developers, investors, real estate funds, attorneys and real estate agents and advisors.

The number of participants of the Symposium amounted to 80 professionals from various fields.

Croatia is only beginning to be interesting to foreign investors, and if we consider the fact that the whole traditional, cultural and social vision of Croatia is based on “green and blue”, then the possibilities for the development of the green building market seem unlimited.

In view of the exceptional interest that the participants expressed for the Symposium, the end of the First Symposium on Green Building was used to announce the next green

building symposium in Croatia. The Symposium was sponsored by the Embassy of the United States of America in Croatia, Colliers

International, the Architects' Association of Zagreb, and the Regent Esplanade Hotel, with media coverage provided by Jutarnji list.

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## 4. INTERVIEW

**Vladimir Krtalić, M.Sc. in civil engineering, Permanent Court Expert for Construction**



### PLANNING THE USE OF LAND

You are the author of the book **“PLANNING THE USE OF LAND – a comparison of the manner and the systems of planning in some EU countries and in the Republic of Croatia”**, published by Novi informator at the end of December 2009. The reviewers of the book were the renowned university professors, Prof. Vlado Belaj, Ph.D., Prof. Ivan Koprić, Ph.D. and Prof. Petar Đukan, Ph.D. The reviewers assessed your book favourably, and one of the reviewers expressed, among other things, that “The book “Planning the Use of Land” by Vladimir Krtalić, M.Sc. is an authentic work, which is largely unique because it describes the systems of planning the use of land abroad, and this is a topic that has not been covered thus far in Croatian literature on this subject. The book will remain a constant source of useful data for the professional audience for whom it was written”.

**Could you introduce yourself to the readers of CREN and briefly depict the most interesting chapters in your book.**

I was born in 1935 in Mostar, and I graduated from the Faculty of Architecture, Civil Engineering and Geodetics in 1961, with a BA in civil engineering, and in 1984 I acquired a Masters degree in the field of civil engineering. From 1962 to 1972 I worked in the company “SOKO” Mostar, as the designer responsible for multi-purpose pre-fabricated halls with pre-fabricated steel supporting structures, and from 1972 to 1985 I worked in MK “ŽELJEZARA SISAK”, as the responsible designer and head of the design department also in charge of the development and design of pre-fabricated multi-purpose halls and steel supporting structures. From 1985 to 1991, I worked in the construction company “Vladimir Gortan” in Zagreb, as project manager,

head of the engineering section and person in charge of development. Then I had the post of the senior advisor at the Restructuring and Development Agency of the Republic of Croatia, where I worked at assessing the value of property, followed by a post at the Ministry of Spatial Planning, Construction and Housing from 1991-1995 as Assistant Minister, and from 1995-2000 as Deputy Minister. From 2001-2005 I was the Director of the Association of Croatian Construction Employers.

**What is the main purpose of publishing this book and for whom is it written?**

The book **“Planning the Use of Land - a comparison of the manner and systems of planning in some EU countries and in the Republic of Croatia”** is a continuation of my work related to research into planning processes, published in the books **“Systems of Planning the Use of Land”** and **“Principles for Assessing the Market Value of Property”**. The book **“Systems of Planning the Use of Land”** (Novi-informator, 2004) briefly describes the historic development of planning the use of land in what is today the territory of the Republic of Croatia, divided into characteristic periods of history: 1918, 1918-1945, 1945-1991 and 1991-2003. It also offers a proposal for the future development of the Croatian system of planning the use of land. The other publication **“Principles for Assessing the Market Value of Property”**, published by the Croatian Association of Court Experts in 2007 presents internationally recognized procedures of assessing value.

This newest book contains brief comparisons between the systems in various EU countries: Belgium,

Denmark, Greece, Italy, Ireland, Luxembourg, the Netherlands, and Portugal, followed by a thorough comparison between spatial planning legislation and regional and local planning of land allocation and construction between the Republic of Croatia and Bavaria.

In the appendix of the book, there are the translations of current Bavarian, that is, German regulations of public construction law, which make it possible for the reader to study more thoroughly individual parts of the relevant laws and to compare individual provisions with the corresponding provisions in the Croatian legislation. These translations could also be useful for those who work on drafting legislation, and to other stakeholders, businesspeople and scientists who provide comments on proposed legislation or propose their own alternative solutions.

**What are the main differences and similarities between the systems in the compared EU countries?**

On the basis of the summaries, which depict the manner and systems of planning land allocation in eight EU countries, we can certainly conclude that – despite the varied legislation in this field, there are comparable levels of planning the use of land. At the national level, there is a **national development programme**, and in the case of federal states there is also a state development programme. The next level is the **regional plan**, which elaborates in greater detail the provisions from the National Development Plan, covering regional planning units with several administrative-legal entities or just areas of larger administrative-legal entities, such as sectors in Belgium or large counties in some of the German

Bundesländer. Planning the use of land ends at the local level, where it is finally implemented (the level of municipalities/cities), in which the planning objectives are specifically put in place. In almost all countries, there are two types of plans for using the land:

- **land allocation plan** (spatial plan of the municipality/city), which is adopted for the whole municipality/city after the development programme has been adopted, and
- **the detailed urban development plan**, which is mandatory for all natural persons and legal entities, adopted for an area of the municipality/city, following the provisions of the land allocation plan.

In general, it can be concluded that **the first level of** municipal plans for land use define the spatial structure of a municipality/city, and they are adopted for the whole territory of the city. As a rule, the land allocation plan differentiates between the internal and the external area. The internal area is the developed building area, and the area of future building developments, and the external area is the green area, where it is not permitted to build anything but infrastructural facilities and structures used for agriculture, forestry, energy and other allocations.

**The second level of** municipal plans, the detailed urban development plan, is the most important spatial plan. This plan is mandatory for all natural persons and legal entities, because it is the basis for permitting building projects and issuing building permits. The detailed urban development plan is adopted on the basis of the first level plan (land allocation plan), for a specific area of the municipality/city,

meaning – undeveloped building areas and developed building areas, if their allocation is changed, or if there are plans for the reconstruction or rehabilitation of certain urban areas. The detailed urban development plan contains mandatory provisions concerning: built-up area, utilization and the allocation of the plot, the boundaries, the shape and the position of the building on the plot, public roads and green areas, water supply, energy supply and waste water collection lines.

### **How long does the procedure of land allocation planning last in these countries?**

The procedure for adopting the **land allocation plans** can last from 3 to 7 years or longer, depending on the size of the municipality or a city. This time includes the time necessary to adopt the **municipality/city development programme**, which is the basis for developing the plan. After the development programme is adopted, it takes at least 18 months to fulfil all the legal requirements and conduct all activities related to public consultations. The procedure for adopting the detailed urban development plan lasts – in theory – one year. In practice, it takes at least 18 months, and in some cases it can take up to three years or longer if there is strong opposition in the municipal/city representative body.

### **Where can one build?**

As a rule, it is only possible to build in:

- building areas, for which there is a valid detailed urban development plan,
- in already developed areas, it is only permitted to build in interpolations, and only

buildings whose shape and allocation does not differ from the surrounding buildings;

- external areas, but only structures, which have to be built in such areas, and only in locations defined by the land allocation plan. This only relates to structures meant for agricultural, forestry, energy or similar use.

### **How many types of building permits exist and how long does the administrative process take?**

The comparison conducted leads to the conclusion that there are three types of permits:

- permits to divide the building plots,
- building permits that relate to the construction of buildings, their reconstruction, building of annexes, changing the allocation of the existing buildings, or removing the existing buildings, and
- spatial planning permits that relate to **infrastructural projects** and large **structures that impact the landscape**.

The spatial-planning permit may be compared to the Croatian location permit, because the process of issuing this permit includes the assessment of the building project (as a rule they are infrastructural projects), the environmental impact assessment and it is then shown in the corresponding land allocation plan.

As a rule, it is not necessary to obtain a permit for building technical urban infrastructural facilities in line with the

detailed urban development plan, because such projects have to be aligned with the local legislation and professional regulations of various stakeholders related to the construction of individual technical facilities which are part of the urban infrastructure, as well as for infrastructure projects.

The administrative procedure for obtaining a building permit for building constructions in the area of a valid detailed urban development plan or for obtaining a permit for interpolation takes:

- up to one month for smaller buildings,
- up to six months for larger buildings and blocks of buildings.

### **What are the main differences and similarities between the Croatian and the Bavarian spatial planning legislation and regulations on regional and local planning of land allocation and building regulations?**

On the basis of the comparison between the Croatian and Bavarian legislation, regulating: national spatial planning, regional and local planning and building, it can certainly be concluded that the structure of the Spatial Planning and Building Act is not comparable to the Bavarian regulations.

Namely, the **Croatian Spatial Planning and Building Act** is not structured according to the planning stages, so that the various planning stages are regulated in various parts of the Act, for instance:

- **PART ONE General Provisions** regulate: the subject

matter of the Act, the terms related to spatial planning and to regional and local planning, and building; principles of spatial planning and important requirements for the building;

- **PART TWO Spatial Planning** regulates: spatial planning entities, spatial planning information system, documents for monitoring spatial developments, protected areas of special interest to the state, documents of spatial planning at the state, county and local levels, implementing spatial planning documents, dividing up of building plots, regulation of building plots and urban land consolidation;
- **PART THREE Building** regulates: participants in the building process, projects, building construction (decision on the conditions for building, confirmation of the main design, building permit, changes during the construction), special cases in building, other special cases, reporting the beginning of construction works, occupancy of the building and removing buildings.
- **PART FOUR Supervision** regulates: administrative supervision and inspection

**Bavarian legislation** that regulates spatial planning of that Bundesland and regional and local planning and building consists of three main acts and two regulations, as follows:

- **The Bavarian State Planning Act,**

- **The Building Code** regulates the planning of the use of land at the level of local government units on the whole territory of the Federal Republic of Germany,
- **Regulation on the Building Allocation of Plots** regulates the types and the allocation of building areas for the whole territory of the Federal Republic of Germany,
- **Regulation on the Principles of Assessing the Market Value of Plots** is applied in the whole territory of the Federal Republic of Germany, and
- **The Bavarian Building Act.**

**What are the main differences and common features of the Croatian and Bavarian legislation that regulate spatial planning and regional planning?**

The Croatian **Spatial Planning and Building Act** regulates the adoption of: the Spatial Development Strategy of the Republic of Croatia and a series of strategies, adopted on the basis of special laws. The spatial planning activity at the state level is performed by the Croatian Institute of Spatial Development, which was established as an institution and has the status of a legal entity. County plans have the status of regional plans in Croatia. County Institutes for Spatial Planning develop and monitor the implementation of county plans. The institutes are established by the counties and by the City of Zagreb, as separate legal entities. However, the county plans in the Republic of Croatia cannot be compared to the Bavarian regional plans, because they cover several administrative and legal units

(counties), which may be compared to Croatian counties according to their size and economic strength.

**The Bavarian State Planning Act** regulates, among other things, the adoption of the State Development Programme and of regional plans. The State Development Programme is developed by the highest state planning entity – the State Ministry of Economy, Infrastructure, Transport and Technology, in cooperation with other ministries. Within the state ministry, there is a directorate dedicated to “State Development”, which is responsible for drafting State Development Programmes and for the implementation of the Programme through the regional plans. The State Development Programme defines spatial-planning units, for which a regional plan is adopted. It is the regional associations that develop the regional plans. The costs for developing the State Development Programme and the regional plans are financed by the Federal State.

### **What are the main differences and common characteristics between Croatian and Bavarian legislation that regulates the planning of land allocation at the level of local government units?**

Planning of land allocation at the local government level is regulated by the **Building Code** for the whole territory of the Federal Republic of Germany. There are two types of plans:

- Land allocation plan (preliminary plan for the use of land), and
- Detailed urban development plan (mandatory plan for the use of land),

Whereas the Croatian **Spatial Planning and Building Act** regulates the planning of the use of land at the level of local government units, whereby there are three types of plans and one administrative act, as follows:

- Spatial development plan of a large city, town or municipality,
- Urban development plan,
- Detailed development plan,
- and one administrative act – the location permit.

The system for planning the allocation of land at the level of local government units in the Federal Republic of Germany has been based on two types of plans for almost fifty years now:

- **the land allocation plan**, which is adopted for the whole territory of a local government unit, after the development programme for the municipality/city has been adopted, and it regulates: the types, the allocation and the use of building areas, internal (built-up and undeveloped building areas) and external areas, and the borders of the building areas, for which it is necessary to adopt a detailed urban development plan and define the admissibility of structures in the external area;
- **the detailed urban development plan**, which is the mandatory plan for all natural persons and legal entities, and it defines the shape, size, built-up area of the plot, gross surface area coefficient, position of the building on the plot, public roads and green areas, regulation and building lines.

This means that, in the Federal Republic of Germany, there is no administrative act that would be comparable to the “location permit” – the most important Croatian legal instrument for implementing the spatial planning documents.

**The Building Code** regulates the procedure for determining adequate compensation in the case of changes or supplements to or the abolition of a detailed urban development plan, whereas the Croatian **Spatial Planning and Building Act** does not regulate these issues.

**The Spatial Planning and Building Act** introduced a new legal instrument termed “**urban land consolidation**”. Some of the provisions that regulate land consolidation are significantly different to those of the German **Building Code**, including the following:

- adopting the decision on initiating the procedure for urban land consolidation and the procedure of defining the scope for land consolidation, land division and land allocation by applying the criteria of “value” against the criteria of “**surface area**”,
- rules for determining the market value of plots before and after urban land consolidation,
- adopting the **Urban Land Consolidation Project**, which consists of the urban land consolidation map and the consolidation list; a document on the basis of which the previous status is replaced by the new status, as defined in the urban land consolidation project.

It has to be emphasized that the provisions of the Building Code clearly define the tasks of the: Land Consolidation Commission, Municipal Department for Urban Land Consolidation, Municipal Office of Land Survey, the Cadastre of Real Estate and the Land-Registry Court.

### **How is the building of technical and urban infrastructure facilities (OTUI) financed in Croatia and in Bavaria?**

Financing of the OTUI facilities, as regulated under the Croatian **Utility Services Act**, is based on the Programme for the Construction of Utility and Infrastructural Facilities and Structures. This Programme is adopted by each municipality/city for each calendar year. The programme is not related to the scope of a specific spatial planning document. The utility contribution fee is determined according to zones and unit values per cubic meter of a building, and not on the basis of real costs or urban density within the boundaries of the detailed urban development plan.

Under the German Building Code, the construction of the OTUI facilities is implemented within the scope of the detailed urban development plan, and it is financed on the basis of real costs and urban density. The Code precisely defines the procedure for calculating the costs of building urban technical and infrastructural facilities, it defines for which facilities a contribution may be charged, when the facilities are to be finalized, how the contributions are to be calculated and when they are due and the way of dividing the costs among the owners of plots, that is how to determine the amount of the contribution according to the urban density.

**Are there any other areas defined in the German Building Code, and not in the Croatian legislation?**

For instance, the **Building Code** defines the legal instrument of “**expropriation**” at the level of the detailed urban development plan. This legal instrument can only be used by German local government units at the level of the detailed urban development plan, in cases where they have exhausted all other customary commercial options of acquiring certain plots necessary to implement the urban development plan.

**The Building Code** regulates another area significant for real estate project development, which has not yet been regulated by Croatian legislation – and it is termed “**special urban planning right**”. The special urban planning right regulates activities that relate to developed urban areas, that is activities of: urban rehabilitation, urban development, urban reconstruction, regulating the issues of social infrastructure, building maintenance, issuing urban orders, developing the social plan and equal distribution of burdens, issues related to rents and leases, and urban measures related to the improvement of agricultural structure.

**In the introduction, you have said that there is a special Regulation on the types and the allocation of building areas, the manner of their use and the utilization of building plots for the whole territory of the Federal Republic of Germany. What does this Regulation cover?**

Types and the allocation of building areas, and the use and the utilization

of building plots are regulated by the **Regulation on the Building Allocation of Plots**, which is valid for the whole territory of the Federal Republic of Germany. This Regulation defines, among other things: types of building allocations, structure of building areas, that is the types of buildings that may be built in a certain area, measures such as the built-up area coefficient of a plot, the gross surface area coefficient, building volume coefficient), and the type of building (detached houses, semi-detached houses, terrace houses, housing blocks).

Special attention is paid to **special allocation areas**, which are used for relaxation (areas of weekend houses, vacation homes, camping sites), which have to be defined in the land allocation plan, as well as **other special areas**. Many local government units do not have areas dedicated to vacation houses or for apartments for occasional use. There are other areas as well that have to be defined and shown as **other special areas**, as they differ significantly from other building areas, and they include: small residential areas, areas with residential units only, general residential areas, special residential areas, rural area, mixed-allocation areas, central areas, business-allocation areas, industrial areas and special purpose areas. **Other special areas** have to be designated in the land allocation plan, clearly showing what their allocation and type of use is.

**The provisions of the Building Code regulate, among other things, the issue of assessing the value of plots of land. Do they also regulate the assessment of the market value of real estate?**

The assessment of the value of plots of land is indirectly regulated by the Building Code. The Code regulates: establishing a committee of experts for assessing the value of the plots, the tasks of the expert committee, it defines the term “transaction (market) value”, the obligation to draft an overview of purchase prices, to develop maps that contain orientation values of the plots, the authorities of the expert committees, establishment of a senior expert committee, **the authority of the Federal Government** to adopt a Regulation on principles for assessing the market value of plots, and **the authority of Bundesländer** to adopt a regulation on establishing expert committees for assessing the value of plots.

Expert committees were established in the 1960s in all major cities of the Federal Republic of Germany with the aim of ensuring transparency on the land market. By prescribing the drafting of mandatory overviews of the purchase prices of plots, as well as through developing maps containing orientation values of plots, the legislator provided for a source of reliable input data for all experts engaged in assessing the value of real estate, as well as for state, regional and local administrations, financial institutions and courts. The book describes in detail the significance of the expert committee of the City of Munich, and the tasks and activities that this Committee performs.

Assessment of market value is regulated by **the Regulation on the Principles for Assessing the Market Value of Plots of Land**, adopted in 1961 on the basis of the Building Code. The Regulation regulates, among other things: the area of application, general principles and definitions of terms, preparing and collecting necessary data for

implementing the procedure of assessing the value of plots of land, procedures for assessing the value of real estate: the procedure of comparable value, the procedure of assessing the value based on future revenues, and the procedure of assessing on the basis of the construction value.

Despite the significance of the assessment of the market value of real estate, the Republic of Croatia still has not – by December 2009 – adopted a legal act, which would regulate the principles for assessing the market value of property, although the terms “market value of property”, “market price of land”, “market value of land” are used in numerous laws and in secondary legislation.

**By the adoption of the new Spatial Planning and Building Act, the previous Building Act was abolished. Could you briefly compare the provisions of the Spatial Planning and Building Act related to building with the provisions of the Bavarian Building Act?**

The provisions of the Bavarian Building Act **are not applied to:** public transportation facilities nor their auxiliary buildings and facilities, with the exception of airport buildings; buildings subject to mining supervision; pipelines and ducts of all kinds, with the exception of those used in buildings; cranes and lifting devices; scaffolds; boiler rooms that are not used for heating the premises or heating water for use, with the exception of home gas cooking appliances, whereas the provisions of the Spatial Planning and Building Act do **not apply** only to designing, building, utilization and removal of mining facilities defined by a special law.

The Bavarian Building Act classifies buildings in **5 categories plus special buildings**, whereas the Croatian Spatial Planning and Building Act differentiates between **buildings up to 400 m<sup>2</sup> gross surface area, and buildings allocated for agricultural or forestry use up to 600 m<sup>2</sup>** and other buildings.

The provisions of the Bavarian Building Act and the administrative procedure defined by this Act are implemented according to the category of buildings, which means that the requirements are less stringent for simpler buildings, and more stringent for buildings classified in higher categories and those classified as special buildings, for instance skyscrapers, buildings higher than 30 m, buildings in which the floor surface area is larger than 1600 m<sup>2</sup> and similar buildings.

We should also highlight areas, which are **not regulated** by the Croatian Spatial Planning and Building Act, but which are **regulated by** the Bavarian Building Act, such as: land plot and built-up area, construction products and construction methods produced on the basis of the national standards, Institution for the issuance of technical permits, drafting of an **A List** of regulated construction products with a list of standards, ways of proving conformity, proof of applicability in case of significant discrepancies, and **drafting a list of Technical Rules** for designing, defining dimensions and construction of buildings and building elements, which are used to prove the important requirements for a building; fire resistance of construction products and building elements (walls, ceilings, roofs), evacuation routes, openings, safety railings, technical equipment of buildings, requirements concerning the conditions for use of constructed buildings, the procedure for waiving the requirement of a building permit.

The Bavarian Building Act only regulates one administrative act, on the basis of which one may build – the **“building permit”**, and only one administrative act, which allows the use of any building – the **“occupancy permit”**.

The new Bavarian Building Act, adopted on 24 July 2007 and effective from 1 January 2008, expanded the **procedure for waiving the requirement of the building permit** for the construction and change of allocation of all buildings, which are not special buildings or production facilities of smaller or larger tradesmen. The Act prescribes the conditions, which have to be fulfilled in order for the waiver of the building permit to be applied, for instance: the building has to be located within the boundaries of a legally valid detailed urban development plan, the building may not be in contradiction to the provisions of the detailed urban development plan and local regulations, one has to ensure connections to technical and urban infrastructure facilities, the municipality may not, within a month, declare that a simplified procedure for obtaining the building permit is being implemented. The investor itself is responsible for fulfilling all the requirements for waiving the building permit and the responsibility for the project being aligned with all legal requirements.

**The Bavarian Building Act** authorizes local government units to adopt local legislation, in the form of rulebooks or decrees, to regulate areas covered by the Act. Local building regulations may also be adopted through the detailed urban development plan or – if it is envisaged by the Building Code – through other rulebooks, as defined by the provisions of the Building Code. Requirements defined under local regulations may also be presented in the form of graphic representations.

Such graphic representations may be published by presenting them for public view within the premises of the competent authority, which adopted them.

The book compares the entire system of planning the use of land – from the adoption of the national development programme to submitting applications for building and occupancy permits. Can you briefly describe the most important differences and common features of the compared regulations?

Based on the summaries of the manner and systems for planning the use of land in eight EU member states, it can undoubtedly be concluded that – despite the differences in the building laws that regulate this area, there are still comparable levels of planning the use of land. There is the national development programme at the national level, and in federal states there is the state development programme. The next level is the regional plan, which is elaborated on the basis of the regional development programme, and covers several administrative and legal entities or just areas of larger administrative and legal entities, such as sectors in Belgium or large counties in some of the German Bundesländer. Planning the use of land ends at the local level (municipalities/cities), in which the planning goals are implemented in practice. At the local level (municipalities/cities), almost all countries have just two levels of plans: the **land allocation plan** (spatial plan of the municipality/city), which is adopted for the whole territory of the municipality/city after the development programme has been adopted, and the **detailed urban development plan**, which is mandatory for all natural persons and legal entities, and which is adopted for individual parts of the

municipality/city on the basis of the provisions of the land allocation plan.

The Croatian Spatial Planning and Building Act is not structured according to the planning units – the planning units are rather regulated in various parts of the Act, whereas the Bavarian, that is, the German regulations on the planning of the use of land and on building follow the planning stages, and they consist of three main acts and two regulations: The Bavarian State Planning Act (BayLplG), the Building Code (BauGB), Regulation on the Building Allocation of Plots (BauNV), Regulation on the Principles of Assessing the Market Value of Plots (WertV), and the Bavarian Building Act (BayBO).

A brief comparison between the Croatian and Bavarian legislation on spatial planning, regional and local planning and building shows that many elements are regulated differently in the Bavarian legislation than in the Croatian Spatial Planning and Building Act, and a significant number of important issues are not at all regulated in the Croatian Act.

To conclude, the current state of play relating to planning the use of land and building, as regulated under the Croatian Spatial Planning and Building Act is characterized by the gradual alignment of the Croatian system with the systems of planning the use of land in the EU member states, but we still have not reached the level of legislation of those countries, which provides a good basis for sustainable economic development and the protection of national interests.

## 5. STATISTICS

### 5.1 Average Asking Prices of Real Estate Offered for Sale – January 2010

	average price EUR/m <sup>2</sup>	price range EUR/m <sup>2</sup>
<b>ZAGREB</b>		
<b>Housing</b>		
Apartments	<b>1.972</b>	<b>899 - 5.000</b>
Houses	<b>1.809</b>	<b>602 - 8.000</b>
<b>Commercial space</b>		
Offices	<b>1.900</b>	<b>1.300 - 3.809</b>
Business premises	<b>2.381</b>	<b>722 - 8.663</b>
Office blocks	<b>1.368</b>	<b>618 - 2.474</b>
<b>COAST</b>		
<b>Housing</b>		
Apartments	<b>1.953</b>	<b>848 - 6.500</b>
Houses	<b>1.867</b>	<b>872 - 10.000</b>
<b>Commercial space</b>	<b>1.670</b>	<b>555 - 9.148</b>
<b>Tourist facilities</b>	<b>2.710</b>	<b>1.600 - 8.382</b>

Average is calculated on the basis of the currently quoted prices on the Burza nekretnina d.o.o. (Real Estate Stock Market Ltd.), which is available online: [www.burza-nekretnina.com](http://www.burza-nekretnina.com).

### 5.2. Statistical Reports of the Central Bureau of Statistics from the Area of Construction

#### 5.2.1. COMPLETED CONSTRUCTION WORKS, ORDERS AND RESIDENTIAL BUILDING, LEGAL ENTITIES EMPLOYING 20 OR MORE PERSONS, THIRD quarter of 2009

The value of new orders:

- in the third quarter of 2009 decreased by 26.2%, as compared to the same period of 2008

- in the period from January to September 2009 increased by 0.3%, as compared to the same period of 2008.

The value of construction works done:

- in the third quarter of 2009 decreased by 12.8%, as compared to the same period of 2008

- in the period from January to September 2009 decreased by 5.3%, as compared to the same period of 2008.

in the period from January to September 2009, construction companies employing 20 or more persons completed 5 555 dwellings, which was by 16.0% more than in the same period of 2008.

At the end of September 2009, these companies were working on 8 515 dwellings (uncompleted dwellings),

which was by 35.4% less than in the same period of 2008.

Advice:, COMPLETED CONSTRUCTION WORKS, ORDERS AND RESIDENTIAL BUILDING, LEGAL ENTITIES EMPLOYING 20 OR MORE PERSONS, THIRD quarter of 2010, Central bureau of statistics, Zagreb, 2010

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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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