

- CREN - Croatian Real Estate Newsletter

filipović
business advisory ltd.

Volume 42, February 2010

CREN PATRONS



TABLE OF CONTENTS

1. THE SIXTH ANNUAL INTERNATIONAL CONFERENCE ON THE REAL ESTATE MARKET IN CROATIA.....	2
2. INTERVIEW Ninoslav Dusper, M.Sc., B.Arch. Director of the Urban Planning Institute of Croatia Ltd.	2
3. INTERVIEW Don Markušić,, President Board of Governors of American Chamber of Commerce in Croatia (AmCham), Barrister & Solicitor	8
4. STATISTICS	11
4.1 Average Asking Prices of Real Estate Offered for Sale – February 2010.....	11
4.2. Statistical Reports of the Central Bureau of Statistics from the	11
Area of Construction	11

TOPICS OF THIS ISSUE:



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

Don Markušić, President Board of
Governors of American Chamber of
Commerce in Croatia (AmCham),
Barrister & Solicitor

Ninoslav Dusper, M.Sc., B.Arch.
Director of the Urban Planning Institute
of Croatia Ltd.

ENHANCING THE BUSINESS
ENVIROMENT IN CROATIA

THE ASSOCIATION OF URBAN
PLANNERS



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

The Regent Esplanade Hotel
Zag**RE**b, Croatia ● May 4 & 5, 2010

Organizer


filipović
business advisory ltd.

Patrons



AmCham
America's Chamber of Commerce & Consulting
American Chamber of Commerce in Croatia

Golden sponsor

Inter IKEA Centre Group 

Silver sponsor

 Centar
Nekretnina
www.CentarNekretnina.hr

Sponsors



 MDprofil
nekretnine

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

2. INTERVIEW

**Ninoslav Dusper, M.Sc., B.Arch.
Director of the Urban Planning
Institute of Croatia Ltd.**



THE ASSOCIATION OF URBAN PLANNERS

We would like to congratulate you on the establishment of the Association of Urban Planners and on your appointment as the president of that Association. Can you explain to us what the Association of Urban Planners is, what its bodies are and who are its members?

The Association of Croatian Urban Planners (established on 16 September 2008) is the Association of legal entities that are licensed for performing the tasks of spatial and urban planning, and for whom spatial and urban planning are the main part of their activities. We could say that the companies that are our members generate the majority of their revenue from developing spatial plans and from similar activities (developing spatial development studies etc.).

The bodies of the Association are the Association's Assembly and the Executive Board, which is composed of the following 5 members:

- President of the Association,
- Deputy President of the Association, and
- 3 other members.

The Association was established by its 21 founding members, which include

all major renowned companies active in this field.

Recently, a special session was held, dedicated to the beginning of the activity of the Association of Urban Planners. Who participated at this session and how did it go?

This session was held on 29 January 2010, and it was declared a special session, because this was the first time that our Association, after its initial and administrative problems, presented itself to the public.

Along with all members of the Executive Board, and delegates from most member companies, the session was also attended by Minister Marina Matulović-Dropulić, and the president of the Spatial Planning Council of the Republic of Croatia, Mr. Boris Magaš, Member of the Croatian Academy of Arts and Sciences.

The session focused on working issues: we used the benefit of the Minister's presence to identify the main problems that our profession is faced with – in terms of competence, staffing, material problems, problems with trainings, relations to other ministries, the Public Procurement Act and the relationship to the general public.

Why was the Association of Urban Planners established and what is the Association's programme?

Our starting point is the need to define and protect the common interests of the legal entities licensed for spatial planning, in particular the following:

- Asserting urban planning as an activity and profession,
- Adherence to professional standards in developing spatial planning documents,
- Ensuring standardized legal procedures, based on the principles of reciprocity, professionalism, professional and social accountability,
- Adherence to ethical professional standards in mutual relations,
- Mutual relations characterized by professional and material solidarity, based on adherence to the price list of services in accordance with the Regulation on the prices of services by the Croatian Chamber of Architects and Civil Engineers and adherence to other decisions made by the Association, resulting from effective regulations and the Association Bylaws,
- Keeping up with cultural, scientific and technical developments, developing international cooperation and providing further professional training,
- Representation before the state authorities and local and regional self-government units.

These are the main reasons why the legal entities licensed for performing the activities of spatial planning and development by the ministry in charge of spatial planning established the Association of legal entities licensed for spatial planning (hereinafter: the Association), regulating in their Bylaws the above mentioned objectives, the name and the headquarters of the Association, the activities aimed at achieving the Association's objectives, membership, the rights and obligations of members, bodies of the Association, and other provisions that the Association Bylaws must include in accordance with the law.

What is the state of play in architectural profession, in companies authorized to provide architectural services that engage in urban planning?

As for the first question – the state of play in these companies – I can say that the prevailing characteristic is a shortage of competent and experienced spatial and urban planners, while at the same time – paradoxically – there is a shortage of work. In past years, during the investment boom, there was much more to do (and more financial resources involved) in direct, specific tasks – architectural planning and planning of infrastructure – which motivated a significant number of experts from urban planning companies to pursue more profitable tasks. Also, a whole generation of younger engineers, who had only just graduated from university, also found employment in that same field.

What is the role of our profession, that is of our expertise, in society in general (spatial planning and urban planning professions)?

Spatial planning and urban planning companies thus lost a whole generation of experts that now would have had 5-7 years of practical experience, and who would have been the backbone of the whole profession.

The system of education for urban planners is also partially to blame for this trend. At the level of higher education, spatial and urban planning are only seriously represented at the Faculty of Architecture, and only to a minor extent – as individual subjects – at the faculties of civil engineering, within the landscape architecture course at the Faculty of Agronomy, at the Faculty of Natural Sciences and Mathematics.

However, at the Faculty of Architecture in Zagreb, urban planning still comes second, because most students see their future primarily in identifying with the great names of the architectural profession. This is, naturally, partly understandable, because architecture affirms individuals, whereas urban planning requires team work and a multidisciplinary approach, so that individual names do not attract the same attention.

It is my opinion that we will not have “fully fledged” young spatial and urban planners as long as there is no graduate or at least post-graduate inter-faculty study and at least one strong scientific research institute that would deal with the problems of the relationship between space and society.

At the same time, the corresponding posts in the counties, municipalities and cities have remained vacant for the very same reasons (lack of financial and professional attractiveness).

So, what happened is that we do not have anybody to prepare quality spatial plans, there are no where near enough professionals competent in developing spatial plans, let alone monitoring their implementation.

All these factors have significantly influenced the overall role of urban planners in society, which is currently – taking into account the last 50 years – at its lowest.

Since the reputation of our profession and confidence it evokes is mostly proportional to the power of the profession to change society's approach to using space, it is clear that our reputation is not on an adequate level.

This was one of the reasons significant for establishing the Association.

What challenges do you see ahead for the profession of urban planners in the next year or two?

Our main concern in the next year or two, although we can hardly refer to it as a challenge, will be to survive. Namely, we do not expect to be able to effect any significant change in the role of spatial and urban planners in the society under the current conditions of fighting for survival. Quality and socially responsible planning requires a solid financial basis, which is unattainable in our profession due to the inappropriate and non-critical application of the Public Procurement Act.

Do urban planners feel the influence of the economic crisis and how is this reflected?

Still the Association is trying to turn this difficult period to our advantage, and we shall use the time of economic recession to attain a firm and significant position through our expert

work, in order to prepare ourselves to be ready for the next development cycle.

What challenges lie ahead for urban planners in view of Croatia's impending membership of the European Union?

Both with respect to legislation and practice, the profession of urban planners in Croatia was involved in all elements of social and economic life much earlier than in most countries of the European Union. Already in the early 1950-ties spatial planning became rooted in Croatia, and in the 1960-ties and 1970-ties it was already taken for granted. The strong development of spatial planning and urban planning activities and strong social affirmation of this profession in the 1960-ties and 1970-ties resulted in a solid legislative framework for spatial planning and the profession had a strong influence on society.

Croatia's independence in 1990 and the affirmation of private ownership resulted in new elements and criteria in the field of spatial planning, and we can even say that legislation has still not been fully adapted to the new legal and economic circumstances.

However, our professional heritage, as well as our contemporary urban planning practice, make it possible for our profession to become part of modern European developments in this field, at a high and good quality level.

We even believe that our experience of spatial planning, particularly in sensitive areas, such as the Adriatic coast and the islands, will be quite useful and valuable for European Union countries with similar landscapes.

On the other hand, when we talk about urban planning, we believe that the transfer of experience will also go in the other direction – that the experience of economic and social relationships and their influence on the planning of cities will be important experience for Croatian planners.

What types of plans are currently being developed most?

In Croatia, we have finished the cycle of developing county plans, as well as the first generation of spatial plans for municipalities and cities. I consider it important to draw attention to the fact that the county plans and the Development Strategy of the Republic of Croatia deserve revision. Consequently, the existing planning mostly consists of urban plans, whereas the detailed development plans are scarce.

The lack of a public development vision, and lack of standards related to the utilization of space at the state level is transferred to county plans and to lower levels, which results in developmental confusion amongst those responsible for spatial development: the cities and municipalities. This situation is the main reason why precious spatial resources are being used irresponsibly.

Green and sustainable building is a very topical issue. How can urban planners contribute to the popularization and acceptance of this concept and what is being done in this respect?

Sustainable building is certainly an interesting topic, and all the efforts undertaken by various experts from all across the world – urban planners, energy experts, producers of

construction materials etc. – are praiseworthy and necessary.

Regarding green building – this is naturally an illusion, which expresses our desire to reconcile something, which is a contradiction in itself.

You cannot build “green”.

If we now set global problems aside – problems in areas, where there are no construction activities, but still the environment is being deliberately destroyed (such as the Amazon river basin), and if we go back to Croatia, we are faced with the serious problem of preserving green and public areas, especially in the cities.

Namely, in the process of transformation from social to private ownership (with respect to space), even now – after 20 years – we still have not found the right mechanisms for “producing” new public areas – pedestrian zones, sports and recreational areas, parks etc.

In addition, we have not defined the processes and criteria for determining and assessing issues of public interest. These facts already pose one of the most serious problems of Croatian urban planning, and they will create the main obstacle to the creative planning of Croatian cities.

What are current projects of the Croatian Association of Urban Planners?

As a result of historic and other circumstances, the Urban Planning

Institute of Croatia is mostly active outside of Zagreb, and its most interesting projects are related to the Adriatic coast. Among our current plans, we would certainly like to mention the set of spatial and urban development plans for the area of Opatija, the General Urban Plan of Šibenik, the Babin Kuk Urban Development Plan in Dubrovnik, planning in progress for the Island of Lopud and Novalja, a large resort project on the Island of Krk and a set of interesting plans for the interior of Istria.

One of the most attractive tasks is the Spatial Plan for the Plitvice Lakes, and architectural projects for companies within the Agrokor Group, Agrolaguna in Poreč, and Belje in Baranja, and projects of large wine cellars.

Environmental impact studies are also extremely important, as they are a very significant segment of the professional and business activities of the Urban Planning Institute of Croatia, and we are most fond of complex projects that require the integration of urban planning and environmental protection issues, such as the IKEA project in the municipality of Rugvica near Zagreb, where we were entrusted with these tasks.

The Urban Planning Institute of Croatia continuously seeks technological improvement, and we established close cooperation with a US company Microlmages, Inc., whose excellent GIS software we apply, sell and provide customer training for.

3. INTERVIEW

**Don Markušić, President Board
of Governors of American
Chamber of Commerce in
Croatia (AmCham), Barrister &
Solicitor**



Enhancing the Business Environment in Croatia

Economic green shoots or weeds

For Charles Darwin, those who survive are not the strongest nor the smartest but those who can adapt to change. We must adapt to the changes taking place in the financial, real estate and other markets in order to survive the global economic downturn. As the largest economies emerge from recession, most people say that 2009 is a year to forget. I say that we must never forget 2009 and the lessons learned and the factors which lead us to the events of 2009. Moreover, Croatia still needs to get through 2010 before we will see any green shoots in the economy and perhaps even beyond before we can determine that they are not weeds.

The upside is that much uncertainty has recently been removed. There is talk in both Brussels and Zagreb about the potential completion of EU accession negotiations this year. Prime Minister Kosor has taken decisive action in relation to the economy and in combating corruption. The Presidential elections are behind us without any surprises. Foreign investment is the key to economic recovery and AmCham has been active in removing

obstacles to foreign investment to Croatia.

Role of AmCham

AmCham assists and provides a forum for its members to assist each other in dealing with difficulties such as those resulting from the economic crisis by combining members' strengths and resources to deal with specific situations and to adapt to the prevailing economic circumstances. Moreover, the current Board of Governors comprises high powered business people representing prominent companies and who are very active in dealing with matters of concern for our members. We are extremely fortunate to have an American Ambassador, James Foley whose priority is to enhance business and work closely with AmCham to this end.

Membership in AmCham enables businesses to raise issues which are often of mutual concern to other members as well as the US Embassy. As the voice of the business community, AmCham provides a strong platform to engage the Croatian Government on such issues. The Law on Foreigners Task Force which I

chaired is a case in point. Our successful efforts to amend the Law on Foreigners have not only benefited our members, but just as importantly, set a powerful precedent for the kind of work that AmCham can do on behalf of the business community in Croatia. Representatives of the US Embassy's consular and commercial sections were active on the Task Force and we included other Chambers and foreign embassies' points of view in our arguments. This provided a very strong platform to engage the Croatian government on this issue. By improving the Law on Foreigners we removed an obstacle to Foreign Direct Investment. The Task Force was a catalyst and model for two new committees which were immediately set up: Intellectual Property Rights and Trade and Investment Committees.

Corruption

Corruption is a major concern for our members. I also sit on the Board of Transparency International and thereby maintain close cooperation between AmCham and Transparency International. Concrete steps to curb corruption include working with Transparency International in implementing their anti-corruption tool for public procurement, namely, the Integrity Pact.

There is a direct correlation between corruption and Foreign Direct Investment. In last year's Transparency International Corruption Perception Index, Croatia scored 4.1 out of 10. Every one point increase in this score results in an increase in FDI of 0.5% of GDP and a rise in average incomes of up to 4%. By fighting corruption we are increasing Foreign Direct Investment.

Croatian Property Market

As far as the property market in Croatia is concerned, it's a buyers market but no one's buying. Behind the downturn are some of the usual reasons but also some peculiarly Croatian phenomena. It is apparent that irrespective of the recession and indeed in spite of it, the laws of demand and supply in relation to price equilibrium apparently do not apply to the Croatian property market. Property Owners would rather keep their properties empty longer than to rent them out for less sooner. There are also misrepresentations regarding the property market. A property will be promoted as being on the market for EUR 4,000 per m² but it is never sold for that price but nevertheless giving the impression of exorbitant prices.

Legislative Developments in Real Estate

As an expert member of the Parliamentary Legislative Committee I have had the opportunity to analyse draft Bills and propose amendments before they are enacted into law by Parliament.

A year has passed since the long anticipated liberalisation of property ownership for foreigners which did not open the floodgates to foreign buyers as anticipated due to the global recession. This was a result of Croatia's obligation under Article 60 of the Stabilisation and Association Agreement to adjust its legislation concerning the acquisition of real estate by nationals of the Member States of the European Union to ensure the same treatment as compared to Croatia nationals. The conditions of reciprocity and approval

by the Ministry of Justice remain for non-EU citizens purchasing property in Croatia.

The Amendments added two new provisions to the Law on Ownership and other Rights in Rem, namely, Articles 358 (a) and (b) which enable physical persons and legal entities from the EU to acquire ownership of property under the exact same conditions as Croatian citizens or legal entities which have their seat in Croatia. However, agricultural land, forests and land located in natural areas which are protected by specific laws remain out of reach of foreigners.

More recent amendments to the Law on Ownership and other Rights in Rem should enhance the property market by overcoming Croatian banks' policy of not securing mortgages on 'parts' of jointly owned property even though it is legally possible. Namely, joint owners who hold a title deed for a part of a building are now bound to commence all necessary procedures before the competent state authorities and courts to subdivide the building into strata lots each of which receives its own certificate of title as they would be separately registered in the land register. This will enable the transfer of these titles to the purchasers. Owners

would finally receive a title deed for their part of the building and at the same time, obtain a certain degree of freedom and protection that simply wasn't available to them as joint owners which would also apply to the bank when securing a mortgage. Whilst there is a three year deadline within which joint owners must commence the subdivision, there are no sanctions for non-compliance nor do the amendments set out who will bear the cost. It is to be inferred that the owners bear the cost equally but there is no provision for the situation if one refuses to do so. One solution is to dip into the pool of funds set aside by owners for building repairs etc (pričuva).

Conferences are one of the best ways to keep up with latest developments and to meet potential business partners which is why AmCham is pleased to be associated with the Sixth Annual International Conference on the Real Estate Market in Croatia organised by Filipovic Business Advisory which we have supported from the outset. We shall again be producing a special feature on property in our News and Views Magazine to coincide with the event.

4. STATISTICS

4.1 Average Asking Prices of Real Estate Offered for Sale – February 2010

	average price EUR/m ²	price range EUR/m ²
ZAGREB		
Housing		
Apartments	1.942	912 - 5.000
Houses	1.791	602 - 8.000
Commercial space		
Offices	1.876	1.300 - 3.809
Business premises	2.390	722 - 8.663
Office blocks	1.360	618 - 2.474
COAST		
Housing		
Apartments	1.933	848 - 6.500
Houses	1.850	872 - 10.000
Commercial space	1.662	578 - 9.148
Tourist facilities	2.690	1.600 - 8.382

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

4.2. Statistical Reports of the Central Bureau of Statistics from the Area of Construction

4.2.1. Building permits issued, December 2009

In December 2009, there were 1 093 building permits issued, which was by 31.5% less than in December 2008.

The total number of building permits issued in the period from January to December 2009 was by 4.4% lower as compared to the same period of 2008.

In December 2009:

by type of constructions, 87.3% out of the total number of permits were issued on buildings and 12.7% on civil engineering works

by type of construction works, 80.0% of permits were issued on new constructions and 20.0% on reconstructions.

According to permits issued in December 2009, it was expected for 2 021 dwellings with the average floor area of 86.6 m² to be built.

Advice:., Building permits issued, December 2009, November 2009, Central bureau of statistics, Zagreb, 2010

4.2.2. Construction work indices, November 2009

In November 2009, construction works decreased by 9.8%, as compared to November 2008.

Construction works in the period from January to November 2009 decreased by 6.0%, as compared to the period from January to November 2008.

In November 2009:

- by types of constructions, 47.5% out of the total working hours were done on buildings and 52.5% on civil engineering works;
- by types of works, 58.8% out of the total working hours were done on new constructions and 41.2% on reconstructions, repairs and maintenance.

Advice:., Construction work indices, November 2009, Central bureau of statistics, Zagreb, 2010

PUBLISHER:

Filipović Business Advisory Ltd.

Trg bana Josipa Jelačića 3/V
10000 Zagreb – Croatia
Tel: +385 1 481 69 69
Fax: +385 1 483 80 60
e-mail: cren@filipovic-advisory.com

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

Editorial staff: Vladimir Filipović – editor-in-chief, Marija Noršić, Petra Škevin and Natalija Vulić.