

PIE POLAND & CEE REAL ESTATE SUMMIT

Central European historic properties offer opportunities

Investment into historic properties in central Europe offers a much more solid investment for private equity than many suppose, Michael Tippin, founder of the Tippin Corporation, told PIE's Poland & CEE Real Estate Summit.

Tippin started buying and renovating properties in his native Canada with the Flatiron building in Toronto, but took his first step into Europe with 2007's €5.5m purchase of a derelict factory in east Berlin – the electrical substation (Umspannwerk) in the Gleimviertel quarter. As tenant he attracted the start-up German online fashion retailer Zalando, whose subsequent fast expansion financed completely the renovation of the asset. He sold last year for €26m.

On a tip from an Israeli contact, Tippin, a former investment banker, then moved into Georgia, where he later bought a Stalin-era airport building at the Tbilisi international airport. The next move was to Hungary with the former stock exchange building in Budapest, a 50,000 sq.m. state-owned downtown landmark. "People said you are crazy and you're going to lose your shirt but we've had zero problems," he told the Summit in Warsaw. "We still own it."

Tippin said he avoided debt finance, and instead worked with private equity for capital investments.

Michael Tippin, Tippin Corporation, spoke about opportunities in historic buildings.



"All these projects involved an element of private equity," he explained. "Many ivy-league universities are co-investors. They invest because of the landmark and realised the value of investing in something great for the long term. They are interested in investing in community, history. It goes beyond just money."

Tippin also dismissed myths such as tenants' preference for new buildings. High-tech firms, in particular, like historic buildings because they appreciate the sheer space, ceiling heights, character and prestige such buildings provide. "These firms think in cubic metres not square metres," he added. He also refuted claims that investing in old buildings entails high renovation costs and entangling red tape. Renovation can cost between €500 to €1,000 per sq.m., but bureaucracy is not the obstacle that many assume. He nonetheless suggested keeping politicians at arms' length. ■ pie