

# We're investing billions of Kuna, but we don't like when Croatians don't abide by their own laws

*Eirik Forthun, Chief Executive Officer of EELD, a group which includes the largest Norwegian investor in Croatia Verdispar, talks about five big projects, however also about problems they have encountered while doing business in our country*

The Norwegian Verdispar, part of the Emerging European Land Development (EELD), is the largest investor from this country in Croatia. Their 90 million Euro spent on the purchase of land and the construction of the shopping centre Lumini comprises almost the entire amount of Norwegian investment into Croatia.

The following projects are in the works: a commercial tower in Zagreb, a large ecological settlement in Kupinec, the construction of three residential skyscrapers in Zagreb and two logistical centres, in Benkovac and Kupinec. The total investment for the development of all the projects is measured in the billions of Kuna.

Since the beginning of May, Eirik Forthun has been the new Chief Executive Officer of EELD, in charge of Croatia. On the occasion of the visit of the King of Norway Harald V and Queen Sonja, he talked exclusively to Poslovni dnevnik about the plans of the group in Croatia.

## **What do you expect from the visit of the King of Norway to Zagreb and the business forum being held on this occasion?**

We expect an increased focus on the exchange of goods between Croatia and Norway. For us it is important to make new contacts with possible partners, suppliers, politicians and present our projects. As Norwegian investors we are particularly pleased that such a senior delegation visited Croatia. This is a good sign for us as investors, but also for Croatia which will soon be a member of the European Union.

## **Why did Verdispar decide to invest in Croatia four years ago?**

At the time many countries throughout the world were looking for investors and presenting their projects and all thought that the economy would grow, however we recognised the opportunities right here in Croatia. We had local contacts and knew the country. In Oslo we were presented with the possibilities and we decided to come.

## **How much land have you purchased in Croatia?**

About 2.6 million square metres, the majority of which pertaining to the settlement Kupinec – 2.3 million square metres. The overall portfolio of EELD in Croatia consists of five development projects.

## **How much do you plan to invest and in what time period?**

The fact is that we cannot invest in all five projects simultaneously. We can't pinpoint exactly how much money we will invest because we have short-term but also long-term projects like the settlement Kupinec. This year our priority is to complete the shopping centre Lumini in Varaždin (45 million Euro, author's note). For the others I can't give you exact amounts because we are currently redefining the strategy for Croatia which should outline what the next priority will be. The situation on the market has changed since we purchased the land and that is why we are focusing on the first two projects for now, while the others are for a longer time period. Croatia is a priority for us. All projects will be completed and will remain in our portfolio. We will look for partners for certain projects.

## **Did you make a mistake purchasing land when its prices were peak?**

The land itself would probably be cheaper today, but we created additional value through urban plans so it is difficult to say whether we made a mistake. The purchase timing may have been wrong from this perspective, however today even construction costs are lower so we arrive at a greater balance. For example, we believe that we did well with the price of the land and construction for Lumini.

**You have two logistical centres in the portfolio, in Benkovac and Kupinec, however investors complain that it is expensive to develop them in Croatia due to municipal contributions.**

The land in Benkovac is completely prepared, and we also have contacts with Norwegian suppliers who already have finished systems for construction of logistics centres. These are units which are put together like Lego bricks so there shouldn't be special problems with costs. Innovative technology will also be used which should provide savings to lessees. Although we have good locations, we are waiting for recovery of the market situation before we begin building.

**Although Verdispar usually purchases already finished facilities, you did not do this in Croatia. Does this mean that it was more viable to build yourselves?**

We concluded that we have a great return of investment by developing a project rather than purchasing "cash flow" in Croatia. It can be purchases anywhere around the world, especially in Norway. When developing a project the risk is greater but so is the return.

**What are your experiences to date in Croatia, what problems have you encountered and did you have difficulties with local government?**

We have very good experiences with the local community in Varaždin, all permits were issued on time and all the procedures were explained to us. The authorities behaved professionally, however we had smaller problems which can occur on any market. The business culture is different and problems occurred with vendors and suppliers. Business customs are different than in Norway and we could not have foreseen this. We believe that our attorneys will resolve this. We abide by Croatian laws and expect our partners in Croatia to abide by them too.

**Why was the previous management fired in Croatia?**

We were not satisfied with some details in business operations and decided to change the management. Now we have a new team which functions excellently and we are continuing with activities according to the plan we defined at the level of the group in Norway.

**How will you run the business here in Zagreb from Oslo?**

It will be a bit difficult, but I will be here often because it has been decided that people from Norway will come to Croatia more frequently and control the implementation of the projects.

**What in particular is attractive to you in Croatia and for investment and living?**

When you look at Croatia from northern Europe, it is the weather, temperature, climate in general, but also the people are very important. Everyone is so warm, open and amiable. We feel comfortable and safe here. We communicate very easily, even though we have a different work culture and customs. Life is pleasant. We think that the geographical position of Croatia is very favourable and this is why we have begun to develop our business activities in Croatia.

**What is the perception of Croatia in the eyes of Norwegian investors, do they know what kind of country we are?**

Norwegian investors have enough information about Croatia through very detailed brochures. In the society it's well known that you have a beautiful sea and islands. Cities like Split and Dubrovnik are tourist destinations, but you are also recognised as having a good soccer team and general team sports in general. Aside from this, my mother spent six months as a nurse in Vukovar. I believe that Norwegians have a very good understanding of Croatian culture and economy. You are recognised as a country which belongs to Western Europe even though you are in South-eastern Europe.

**What is the overall capital available to you for investment in this year?**

We are constantly working on capital. It should be emphasised that all investments in Croatia, including the construction of Lumini, were done with our own funds, with only minimal assistance from the bank. This is exactly where our strength is because we are not chipped away by debt like many others affected by the crisis. For further investments a decision about the ratio of own capital and money from the bank is yet to be made. The time has come for banks to once again be open for cooperation and we plan to resolve some things through this form of financing.

**EELD created by private individuals**

**What is the ownership structure in EELD, Verdispar after its arrival was perceived as the company of the Norwegian billionaire Halvor Olsen?**

We have almost 700 investors, of which about 90 percent is private money, while the remainder are institutional investors. There is no majority owner, however Mr. Olsen had an idea and attracted investors. No one has more than 10 percent individually.