

Bratislava Property

FIRST QUARTER 2008

The Slovak economy registered 10.4% GDP growth, the highest within the EU for 2007.

Office take-up remained strong in Q1 2008

Despite the credit crunch there has been investment activity in Slovakia

Q1 2008 OFFICE MARKET AT A GLANCE

- Take-up ▲
- Supply ▲
- Vacancy rate ▼
- Rental values ➡

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MARKET OVERVIEW

Slovakia recorded the highest GDP growth within the EU in 2007

Slovakia has one of the fastest growing economies within the CEE region and registered 10.4% GDP growth for 2007. This is the highest growth in the EU. The Slovak Crown has been strengthening against the EURO in line with Slovakia's growing economy.

Office occupier demand remained strong in Q1 2008

The office property market continued to perform well, with consistent demand for modern office buildings in Q1 2008, replicating the record take-up from the the same period in 2007 of ca. 33,000 sq m. In total, 36 office transactions were signed in Bratislava since the beginning of the year. The average transaction size was ca. 920 sq m.

Slowdown on the industrial property market

After the record breaking year 2007, we witnessed a slowdown on the industrial property market in Q1 2008 in both; new supply and take-up levels. However, considering the amount of space currently under construction, the development pipeline, consistent occupier demand and the overall positive macroeconomic outlook; we expect the industrial property market to pick up shortly.

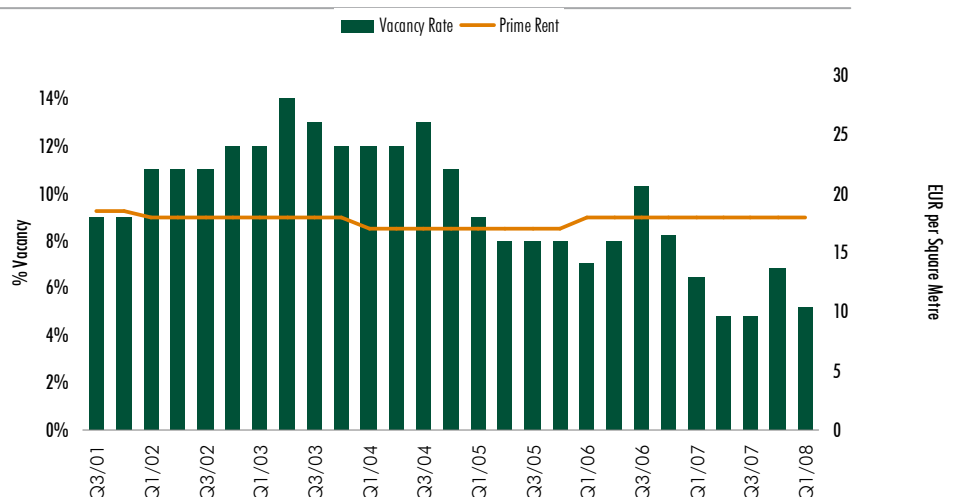
New types of retail schemes already underway

Consistent take-up from retailers and increasing purchasing power have encouraged developers to invest into the retail property market in general, a number of schemes are underway particularly in Bratislava.

Upward yield shift in line with other CEE countries

Despite the constant speculation over the impact of the credit crunch there has been investment activity in Slovakia. The transactions for this quarter were focused on out of town or regional buildings. Debit financing has become more difficult and therefore it is expected that this will continue to have an impact on the investment market and particularly on developers over the course of the year. In light of the surrounding market, we expect that prime investment transactions could be more cautious in this market and are therefore reporting a slight shift in prime initial yields.

OFFICE VACANCY AND RENT



Source: CB Richard Ellis

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ECONOMIC OVERVIEW

After record GDP growth of 14.3% in Q4 2007, the Slovak economy registered 10.4% for 2007 as a whole, the highest GDP growth within the EU. Economic growth was mainly driven by export demand, which increased by 16%.

Slovakia is generally believed to be in line to adopt the EURO on 1st January 2009. The harmonized index of consumer prices is one of the main Maastricht criterion. In the last 12 months the average level was 2.2%, this is within expectations. (Eurostat, March 2008).

According to the Slovak Investment and Trade Development Agency (SARIO), nine new projects were completed in Q1 2008, totalling EUR 103 mln FDI. This is expected to immediately create 1,455 new jobs.

Strong GDP growth and an increasing FDI have had a positive effect on the labour market. As a consequence, the unemployment rate has fallen steadily and is currently at 7.59% in Slovakia and only 1.80% in the Bratislava Region (Upsvar, March 2008).

BRATISLAVA OFFICE MARKET OVERVIEW

Supply

In Q1 2008, modern office stock in Bratislava amounted to ca. 758,000 sq m.

In the first three months of 2008, new development increased the total stock by 26,500 sq m. The largest component of this was the completion of the first phase of Apollo II (14,800 sq m); a new built development by HB Reavis and the refurbishment of former Dell building in the wider city centre (11,700 sq m).

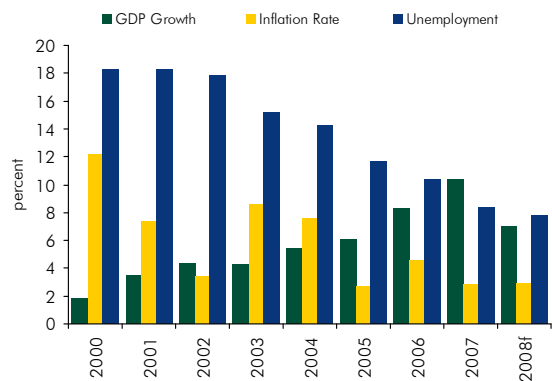
New supply was down by 57.26% in comparison with the same period in 2007. The total new supply in 2008 should surpass the previous year, as more than 150,000 sq m of new office stock is due for completion by the end of the year.

Demand

Office demand remained strong in Q1 2008, replicating the quarterly take-up levels of the first three quarters of 2007 and showing a good start for the year.

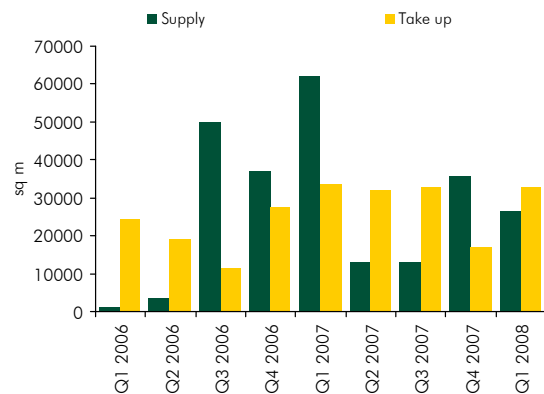
There were 36 office lettings signed in Bratislava, in Q1 totalling 33,022 sq m. 54% of office accommodation concluded in Bratislava since the beginning of the year comprised lettings in newly-completed buildings while 6% comprised lettings in refurbished office schemes. Pre-lettings signed during Q1 2008 accounted for 40% of the total lettings.

SLOVAKIA ECONOMY – BASIC INDICATORS



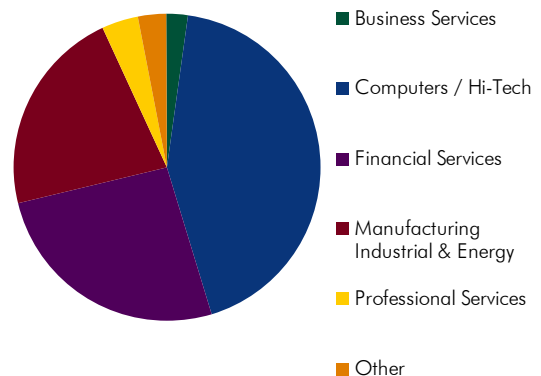
Source: NBS, Eurostat, BA-CA

OFFICE TAKE-UP AND SUPPLY LEVELS



Source: CB Richard Ellis

OFFICE TAKE-UP ACCORDING TO BUSINESS SECTOR IN Q1 2008



Source: CB Richard Ellis

43% of the office lettings concluded in Bratislava in the first three months were to computer or hi-tech tenants. Financial service companies accounted for 26% of lettings in Q1 2008, while manufacturing, industrial and energy tenants accounted for a further 22% of office accommodation concluded in the period.

More than one third of the total take-up was attributable to two large transactions over 5,000 sq m which took place in Aupark Tower, Petržalka. Take up in Aupark Tower accounts for 63% of this quarters office take up.

Vacancy & Development Pipeline

As expected, the vacancy rate dropped during the first three months of 2008 and is currently at 5.19%. Our research indicates that there is currently almost 40,000 sq m of vacant office accommodation in Bratislava ready for immediate occupation.

In addition, approximately 160,000 sq m of new office space is due for completion by the end of 2008 while a further 200,000 sq m is due for completion next year. A major part of the anticipated supply is located out of the city centre area. Most of the anticipated supply is speculatively built office buildings. Even if some of the pipeline would be put on hold, the amount of space delivered to the market should result in an increase to the vacancy rate.

The largest office project in the development pipeline for 2008, is the Apollo Business Center II by HB Reavis. This is located in an area gaining dominance in terms of volume of office stock; Mlynske Nivy. The Apollo Business Center II will add circa 72,000 sq m of modern office space. The first phase of 14,800 sq m was completed in Q1. Other significant projects expected to be completed in 2008 include:

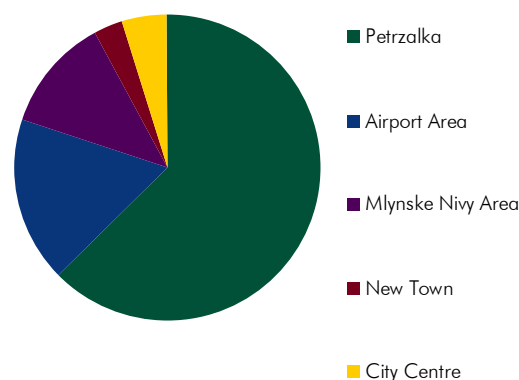
- Lakeside Park I (25,000 sq m), developed by TriGranit
- Galvaniho BC III (16,500 sq m), developed by Lindner
- AC Petržalka (9,300 sq m), developed by IDO Group
- Aircraft (8,100 sq m), developed by Aircraft Diagnostic Company

Rents & Terms

The prime headline rent in the Bratislava office market stabilised in 2007 and has remained stable at approximately EUR 18.00 / sq m / month (EUR 216 per sq m per year) in recent quarters, although there have been few such transactions. The prime rents are relatively flat because of the limited amount of prime buildings within the City Centre submarket compared with increasing out of town development.

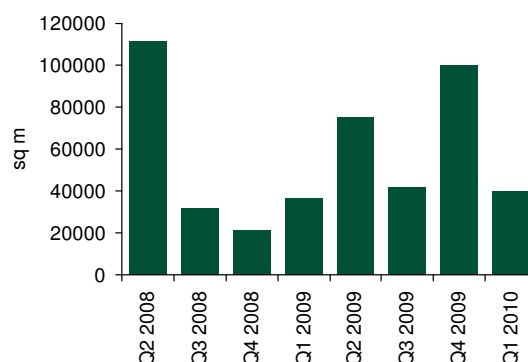
The minimum lease period in developer-led office premises still tends to be 5 years with indexation.

BRATISLAVA OFFICE TAKE-UP BY DISTRICT Q1 2008



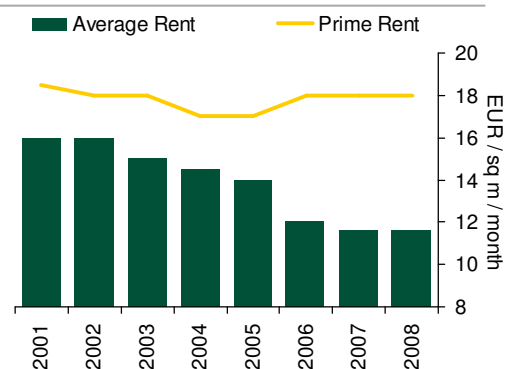
Source: CB Richard Ellis

OFFICE PROJECT DEVELOPMENT PIPELINE



Source: CB Richard Ellis

AVERAGE AND PRIME OFFICE RENT IN SLOVAKIA



Source: CB Richard Ellis

INDUSTRIAL MARKET OVERVIEW

Existing development is still concentrated in the Greater Bratislava Area; almost 93% of the total warehouse space is located there.

The two major hubs along the D1 and D2 highway continue to attract new investors and developers. If developers construct according to their current plans, more than one million sq m of new modern warehouse space could be completed in the next few years. Besides the already established developers, new, large, international developers have entered the market and started construction or disclosed future plans for this area.

Despite the robust development pipeline for the Greater Bratislava Area, we also expect considerable and increasing development outside of Greater Bratislava. Already a number of stand-alone and larger owner occupied schemes are located outside of the Greater Bratislava Area. Our assumption is underpinned by the increasing construction in the regions outside of Bratislava (almost 30% of the total stock currently under construction), availability of labour force Pan Slovakia, the anticipated completion of the D1 highway and the increasing demand for modern warehouse space in the regional cities.

GREATER BRATISLAVA AREA

Supply

At the end of Q1 2008, the amount of modern developer-led warehouse stock in Bratislava amounted to 623,681 sq m of warehouse/logistics space.

After the supply of 180,000 sq m in 2007, only one smaller built-to-suit warehouse was added to the total stock in Q1 2008. We expect the new supply level to increase over the rest of the year.

Over 168,000 sq m of new warehouse space is currently under construction, in six projects, in the Greater Bratislava Area, four of them are located along the D1 Highway. The largest are; ProLogis Park Bratislava (94,000 sq m) and Senec Logistics Centre developed by Goodman (45,000 sq m). After the successful projects in Raca and Svaty Jur, HB Reavis has also disclosed the plans to develop warehouses in Senec.

VGP, Czech-Belgian industrial developer, is constructing a 12,500 sq m warehouse on a speculative basis in Malacky, on the D2.

Demand and Vacancy

In Q1 there were six warehouse lease transactions recorded, totaling 29,118 sq m. The average size of transaction was almost 5,000 sq m, in line with Q4 2007.

The vacancy rate in Q1 fell by 2.89 p.p. and currently stands at 10.91%. There is approximately 68,000 sq m of available warehouse space within existing schemes. However, a part of this space is currently under negotiation and the vacancy rate is expected to fall again in Q2.

Rents and Terms

The prime industrial rents in the Greater Bratislava Area remained relatively stable and range between 3.50 – 4.50 EUR / sq m / month. This is strongly determined by the lease terms, size and surrounding tenants.

PAN SLOVAKIA

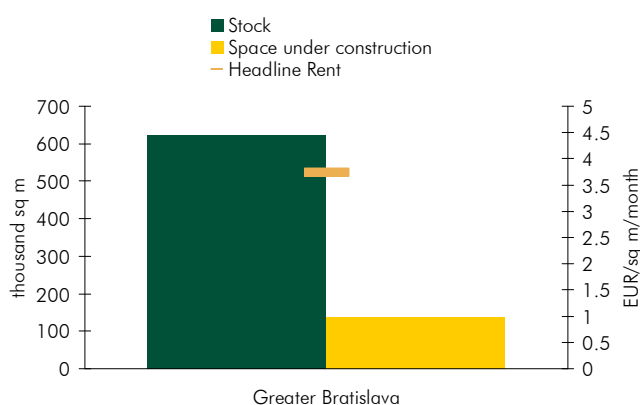
There are a number of large international investors occupying their own warehouses across Slovakia, however, the first developer-led parks are currently underway.

In Nove Mesto nad Vahom, ProLogis is constructing a 25,000 sq m warehouse for C&A and Joebstl. In the same location, Immoeast started the construction of 22,500 sq m speculatively built warehouse. Another ca. 11,000 sq m warehouse currently under construction is being developed by IPEC and is located in Maly Saris in Presov, Eastern Slovakia. More than 50% of the building, according to the developer, is already pre-let.

CTP Invest is preparing land for their developments, in cities across Slovakia; Martin, Presov, Zilina, Trencin.

Within Kosice, the logistics hub being developed by Penta Group and Immorent, is expected to be near the airport.

DIVISION OF GREATER BRATISLAVA STOCK AND SPACE UNDER CONSTRUCTION IN Q1 2008



Source: CB Richard Ellis

Shopping Centres		
Name	GLA	Anchors/Key Retailers
Aupark	58 000 sq m	P&C, Alain Delon, Levis, Gant, Diesel, Tommy Hilfiger, Mango, MEXX, ZARA, Peacock
Polus City Center	40 100 sq m	Adidas, Benetton, Datart, Dráčik, Kenvelo, Mango, Pietro Filipi, Samsonite, Swarovski, Tommy Hilfiger
Avion Shopping Park	72 000 sq m	IKEA, C&A, H&M, Datart, Humanic, Olip, Baťa, Marks&Spencer, Alain Delon, Dráčik, Peek&Cloppenburg

RETAIL MARKET

The existing modern shopping centre stock in Bratislava amounts to approximately 275,000 sq m. In Q1 2008, there was no significant change to the stock. However, consistent demand from retailers, the positive economic outlook and increasing purchasing power means a number of schemes are underway particularly in Bratislava.

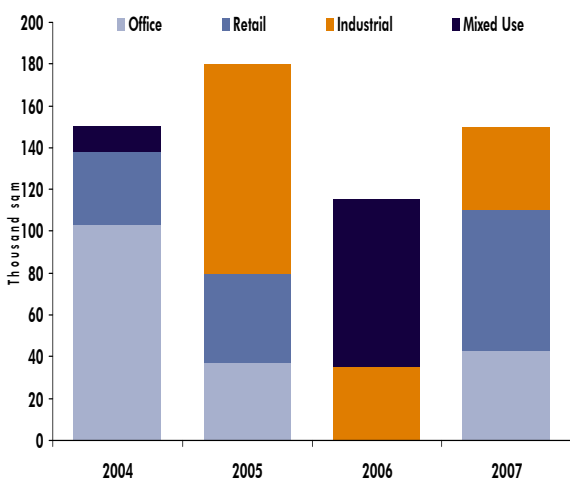
Pipeline stock includes extensions to existing shopping centres (e.g. Avion) and large retailing concepts or schemes and retail within large mixed-use schemes (e.g. Eurovea).

The most important projects in the pipeline include:

- Eurovea (more than 80,000 sq m) developed by Ballymore Properties
- Twin City (95,000 sq m) developed by HB Reavis.
- Main Railway Station Project (approx. 60,000 sq m) developed by IPR Slovakia
- South City (100,000+ sq m), developed by Cresco/Quinlan
- The Port (80,000 sq m), developed by Penta

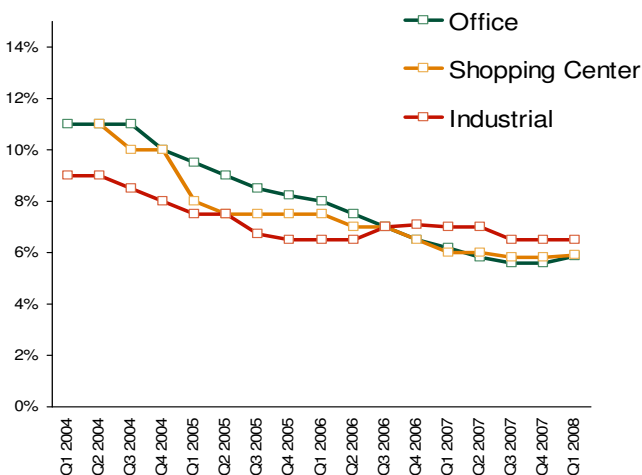
Without question, these developments will bring new retailers and new retail elements to the market and cause a greater differentiation between well anchored and managed shopping centres with optimal retail mix and less well occupied or managed schemes.

INVESTMENT ACTIVITY IN BRATISLAVA REGION



Source: CB Richard Ellis

PRIME INVESTMENT YIELDS IN BRATISLAVA REGION



Source: CB Richard Ellis

INVESTMENT MARKET

Despite the impact of the credit crunch being felt, there have been several transactions in Q1 2008. However none of those transactions have focused on prime property but instead seem to be focusing on market opportunities or fundamentals. What they have demonstrated is that a slight shift in yields is being felt which is in line with transactions in the CE - countries.

Purchasers are seeing more room to negotiate, creating protracted deals and changes to debt financing are impacting on developers and investors decision making. In turn, this should free up more investment stock to a market which has seen few transactions to date. In short, we expect that 2008 will be an interesting year for investment in Slovakia.

Much of the international discussion concerning the credit crunch, and its impact, focuses on the fact that fundamental principles now apply. In reality what this means is that transactions where there will be rental growth, consistent demand, located in central locations with good infrastructure should remain interesting to purchasers at the right price.

With Slovakia in line to adopt the EURO in Jan 2009, the continued strength of the economy and currently low vacancy rates the Slovakian property investment market should be an interesting market in 2008.

DEFINITIONS

Floorspace Figures

Figures relate to net lettable office areas. Availability records all office space which is being formally marketed. Take-up records all space which is let and sold for occupation.

Development Figures

These include new buildings, redevelopments behind existing facades and buildings undergoing substantial refurbishment to provide high quality accommodation. All figures refer to net lettable office areas.

Classification

Class A: Best space available – i.e. new or high quality secondhand space in good locations, with top specification and prominent market image.

Class B: Good quality secondhand space - i.e. no longer prime because of factors such as age or location.

Class C: Poorer quality space – i.e. older and/or non-air conditioned with a lower standard of amenities and service provision.

Void Rate (Vacancy Rate)

Available space which is also ready to occupy immediately, expressed as a percentage of total office stock.

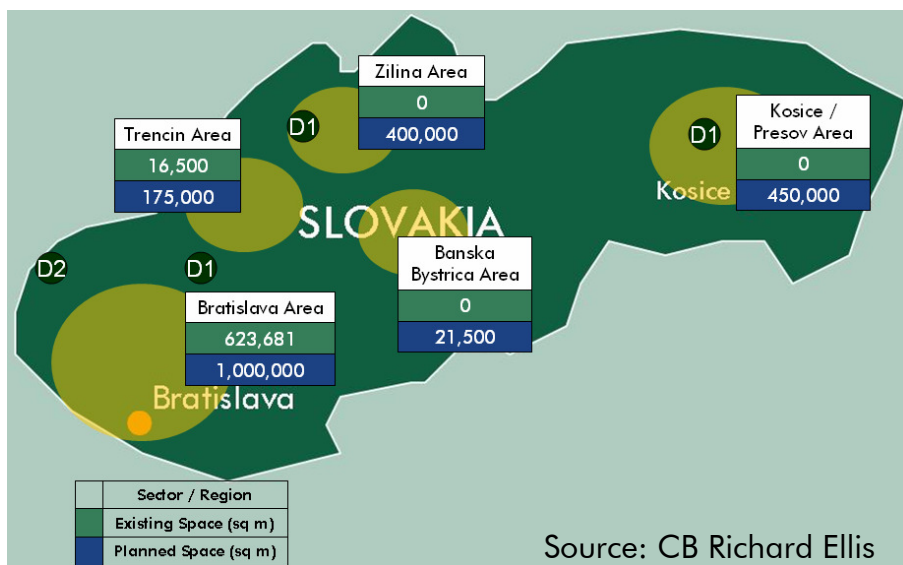
Pre-Let

New space leased prior to or during construction.

Rents

Prime rents are derived from our opinion of rental value for units of 1,000 sq m of class- A (usually new) offices. An average of the rental values applicable to the highest quality buildings in prime locations is taken to give a top rental value norm figure.

DEVELOPER LED WAREHOUSE SPACE IN SLOVAKIA



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