

Quick Economy Stats

	Change from	
	Q4 2009	Q1 2009
GDP growth	↑	↑
Unemployment	↑	↑

• GDP in 2009 contracted by -4.7% (in current prices) according to the National Statistics Office. The current GDP prediction for 2010 published by the National Bank of Slovakia is 3.2%.

• The current average inflation rate as at Q1 2010 reached 0.4%, mainly due to lower energy and oil prices.

Quick Office Stats

	Change from	
	Q4 2009	Q1 2009
Supply	↑	↑
Take-up	↑	↑
Vacancy	↑	↑
Prime rent	→	→

Hot Topics

- Total leasing activity this quarter came to 23,900 sq m in 26 transactions, which is in line with the same period in 2009.
- Market was not able to absorb new completions and as a result, vacancy increased to 14,2%.
- Telecom sector accounted for 50% of total office take-up, followed by IT sector with 26%.

MODERN OFFICE STOCK

By the end of Q1 2010, Bratislava modern office stock reached ca. 1.33 million sq m. In the last twelve months, modern office stock expanded by approximately 145,000 sq m (increase of ca. 10% since the beginning of 2009). The distribution of modern office stock by location at the end of Q1 2010 was:

- City Centre submarket (30%), with a vacancy rate of 14.7%
- Inner City submarket (45.8%), with a vacancy rate of 13.7%
- Outer City submarket (24.2%), with a vacancy rate of 15.5%

By the end of Q1 2010, class A office buildings made up 59.3% of the total stock. New built schemes accounted for 69.7% and refurbishments 30.3% of the market.

NEW SUPPLY

Q1 2010 supply consisted of one main newly built development described below. This new supply is in line with the amount of space brought to market in the previous quarter (23,700) and represents a slight decrease of 12% on the same period in 2009.

The main project that was brought to the market in Q1 2010:

- Eurovea (24,500 sq m), Pribinova, developed by Ballymore

TOTAL LEASING ACTIVITY

Total leasing activity (TLA) in Q1 2010 came to 23,900 sq m and considerably exceeded the previous quarter's total (8,500 sq m). This is higher than the quarterly average in 2009, which was ca. 16,000 sq m. However, it is worth mentioning, that a large share of 23,900 sq m consists of one pre-lease transaction with a size of 12,000 sq m. As a result, the structure of the leasing activity has changed with pre-leases making up ca. 50% of TLA. In terms of number of signed transactions, 26 transactions were completed in Q1 2010, which is slightly less compared to the quarterly average of 32 in 2009.

In terms of market share, the telecom sector accounted for the largest share of total leasing activity this quarter at 50%; followed by the IT sector with 26%. For the last four quarters, the IT and manufacturing sector has dominated demand for modern office space in Bratislava.

Office Market Indicators, Q1 2010

	City Centre	Inner City	Outer City
Total stock (sq m)	400,200	611,500	323,400
Vacant space (sq m)	60,100	80,800	48,000
New supply (sq m)	24,500	0	0
Headline rent (€/sq m/month)	14.00-17.00	10.00-14.00	8.00-12.00

Source: CB Richard Ellis

In terms of distribution of total leasing activity for Q1 2010 by location, 72% was in the Inner City Submarket followed by the Outer City submarket with a 20% share and the City Centre submarket with an 8% share. This was significantly influenced by the large pre-lease transaction mentioned above in the Inner City submarket.

We recorded one sub-lease transaction, which accounted only for ca. 3.8% of total leasing activity in Q1 2010.

VACANCY

Demand in Bratislava office market did not keep up with development completions and as a result, the city-wide vacancy rate increased from 11.8% last quarter to 14.2% in Q1 2010. This was caused mainly by significant new supply of 24,500 sq m in the City Centre submarket. In addition, the amount of occupied space currently being offered for sublease exceeds 4,000 sq m, which represents another 0.3% of so-called 'grey vacancy'.

PRIME RENTS

We did not record a lease transaction that would be considered prime in Q1 2010. However, with the significant amount of new office space delivered to the city centre along with the existing available space in the area, we believe the prime rent remained at approximately 17.00EUR/sq m/month. We expect this to stay at the same level in the next months.

OUTLOOK

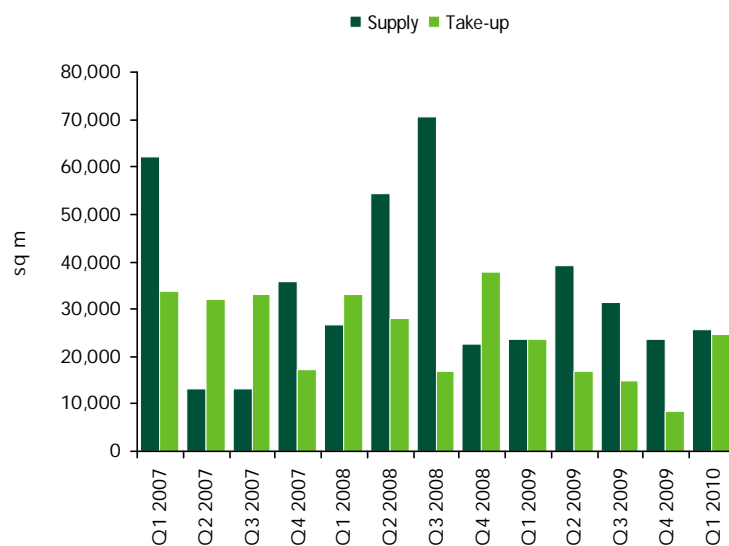
In terms of pipeline, there is ca. 64,000 sq m of modern office space forecast to be completed in 2010; all of the projects making up this total are currently under construction. Out of this, ca. 25,000 sq m will be delivered to the market in Q2 2010 through the RiverPark project, developed by J&T.

We would therefore expect further downward pressure on rents and higher tenant expectations, particularly in terms of rent free periods.

In terms of the longer term pipeline, our research indicates that a large number of planned projects are still on hold on which construction has not yet begun. We expect speculative development to remain slow, unless a considerable number of pre-let agreements are signed.

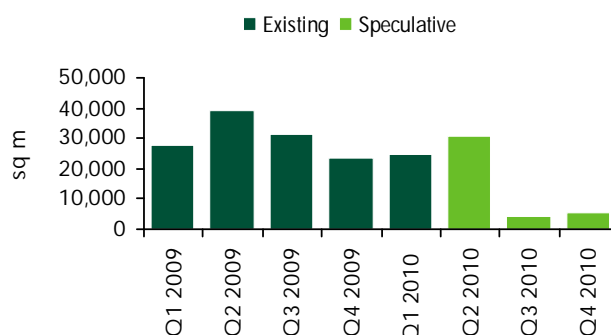
In terms of sub-lets, there was an increase in space available for sub-lease in 2009 compared to 2008. Due to companies' cost saving policies, we expect this trend to continue in 2010 together with renegotiations.

Office take-up and supply levels



Source: CB Richard Ellis

Development pipeline 2009 - 2010



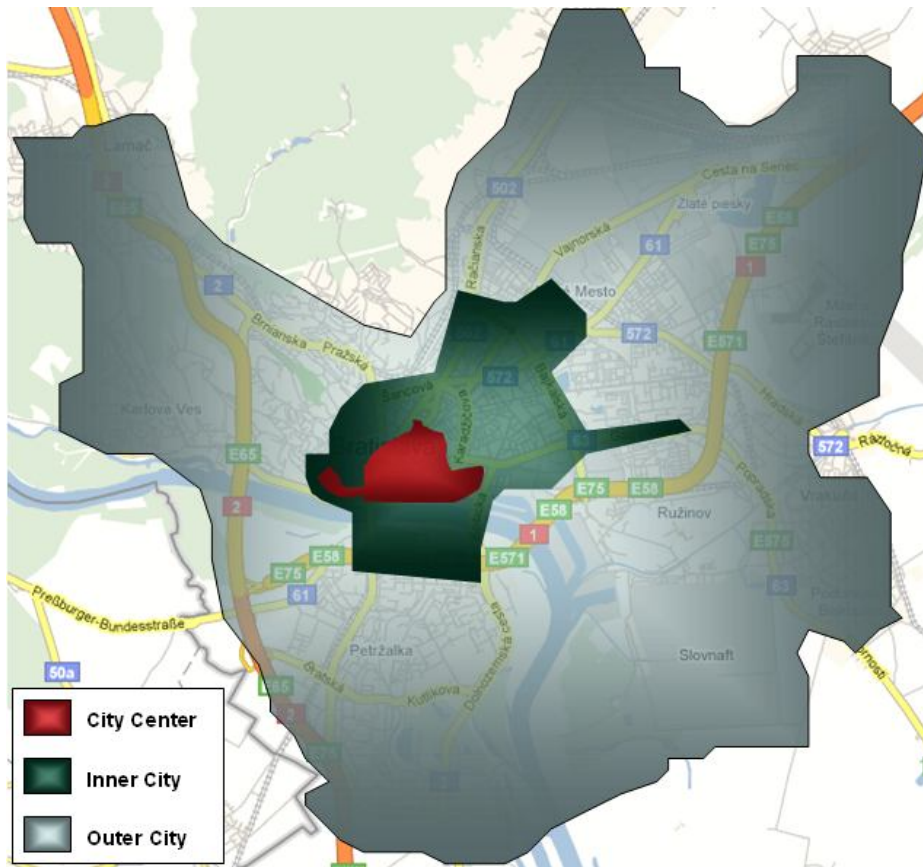
Source: CB Richard Ellis

Stock and vacancy rate by submarket as at Q1 2010



Source: CB Richard Ellis

Bratislava Office Submarkets



Definitions

STOCK – modern office space in class A and B buildings.

VACANCY RATE – the ratio of vacant office space to total stock.

TOTAL LEASING ACTIVITY – office space that has been leased in a given period including; leases, renegotiations, pre-leases, subleases and owner occupied take-up.

PRE-LEASE (PRE-LET) – take-up that was signed either in the planning or construction stage.

SUBLEASE – space currently leased by tenant, who needs to dispose of such space in order to lower its occupancy costs.

PRIME RENT – typical ‘achievable’ open market headline rent (can be hypothetical) for a unit of standard size of the highest quality and specification and in the best location in the market, at the survey date. It does not need to be identical to any of the transactions, particularly if the deal flow is limited or made up of unusual one-off deals.

SERVICE CHARGE – includes all applicable services and shared common costs, excluding measured energy consumption.

NB: There have been some adjustments to our total stock numbers, this is in line with changes from the Bratislava Research Forum.

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