

Quick Economy Stats

	Change from	
	Q1 2010	Q2 2009
Inflation	↑	↓
Unemployment	↓	↑

- Latest figure for GDP published by Slovak Statistic Office reached 2.8% y-o-y (in current prices). This was the first positive growth after four consecutive quarters with GDP contraction.

- Over the first half of 2010 the average inflation rate increased by 0.8%, compared with the same period last year.

Quick Office Stats

	Change from	
	Q1 2010	Q2 2009
Supply	↑	↓
Take-up	↑	↑
Vacancy	↓	↑
Prime rent	→	↓

Hot Topics

- Total leasing activity this quarter came to 46,600 sq m in 51 transactions, which is 100% increase q-o-q.
- Strong demand caused decrease of vacancy rate to 13.6%, 60bps lower compared to Q1 2010.
- Second riverfront development was delivered to the market this year.

MODERN OFFICE STOCK

By the end of Q2 2010, Bratislava modern office stock reached ca. 1.37 million sq m. The distribution of modern office stock by location at the end of Q2 2010 was:

- City Centre submarket (31.6%), with a vacancy rate of 17.7%
- Inner City submarket (44.7%), with a vacancy rate of 11.3%
- Outer City submarket (23.8%), with a vacancy rate of 12.3%

By the end of Q2 2010, class A office buildings made up 60.2% of the total stock. New built schemes accounted for 70.4% and refurbishments 29.6% of the market.

NEW SUPPLY

Q2 2010 new supply copied last quarter and consisted of one main newly built development. This is in line with the quarterly average since Q2 2009 (30,570 sq m) and represents a slight decrease of 18% on the same period in 2009.

The main projects that were brought to the market in Q2 2010:

- Riverpark (29,000 sq m), Nábřežie L. Svobodu, developed by J&T
- Panenska 23 (1,200 sq m), Panenska st., refurbishment in the City Centre

TOTAL LEASING ACTIVITY

The Bratislava office market regained its former activity in the first half of 2010, when total leasing activity (TLA) exceeded all expectations and got close to the levels recorded in 2007 and 2008 for the same period. Demand reached over 46,600 sq m in Q2 2010 and doubled comparing with the previous quarter.

In terms of the market share, IT sector accounted for 33% of office TLA, followed by manufacturing and construction sector with 22% share. This is in line with year 2009 when the IT and manufacturing sector have dominated demand for modern office space in Bratislava.

In the second quarter of 2010 51 transactions were completed, which is 100% increase q-o-q and also considerably higher compared to the quarterly average of 32 transactions in 2009.

Office Market Indicators, Q2 2010

	City Centre	Inner City	Outer City
Total stock (sq m)	432,000	611,500	325,100
Vacant space (sq m)	76,600	76,500	40,000
New supply (sq m)	30,200	0	1,800
Headline rent (€/sq m/month)	14.00-17.00	10.00-14.00	8.00-12.00

In terms of distribution of total leasing activity for Q2 2010 by location, 47% was in the City Centre Submarket followed by the Inner City Submarket with a 38% share and the Outer City Submarket with 15% share. This was significantly influenced by the large lease transactions in newly delivered office scheme within River Park project in the City Centre Submarket.

We recorded one pre-lease transaction (3,300 sq m) signed in Jarosova Office Centre and one lease extension in the amount of 1,650 sq m in Aupark Tower.

VACANCY

Strong demand in Q2 2010 caused decrease of vacancy rate to 13.6%, representing a decrease by 60 bps q-o-q. Comparing with the same period of last year, this is higher by 210 bps.

Given the low development pipeline, we expect further decrease of city-wide vacancy rate by the end of 2010.

PRIME RENTS

Bratislava prime office rents remained relatively stable in Q2 2010. With additional 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 16.00-17.00EUR/sq m/month. We expect this to stay at the same level in the next months.

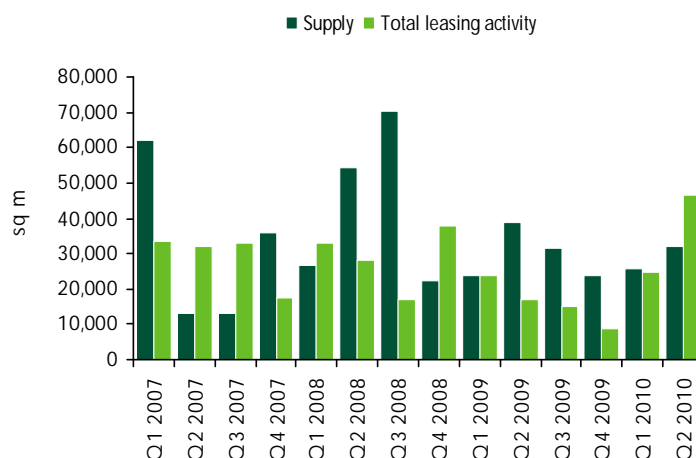
OUTLOOK

Development completions stay below their long-term average and this is not expected to change looking at Bratislava's development pipeline, which amounts 10,000 sq m for the second half of 2010. Looking at year 2011 we expect ca. 52,000 sq m of modern office space to be delivered to the market, where all of the projects making up this total are currently under construction.

Taking this fact into an account, vacancy is expected to go down in the second half of the year. Along with this we expect the market to turn to more developer friendly again within next 12 to 18 months.

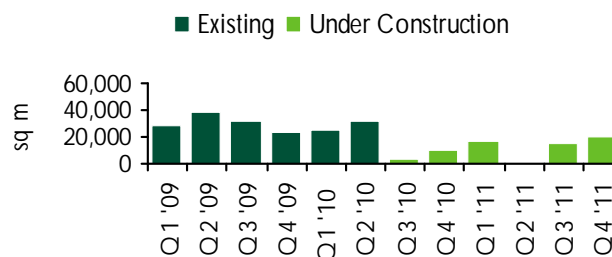
In terms of the longer term pipeline, our research indicates that additional ca. 250,000 sq m of speculative development had been planned to complete in the future, however it is not known whether this can be achieved as a result of the banks' credit policies remaining stringent, causing developers to put on hold number of projects. Therefore we expect speculative development to remain slow, unless a considerable number of pre-let agreements are signed.

Office take-up and supply levels



Source: CB Richard Ellis

Development pipeline 2009 - 2010



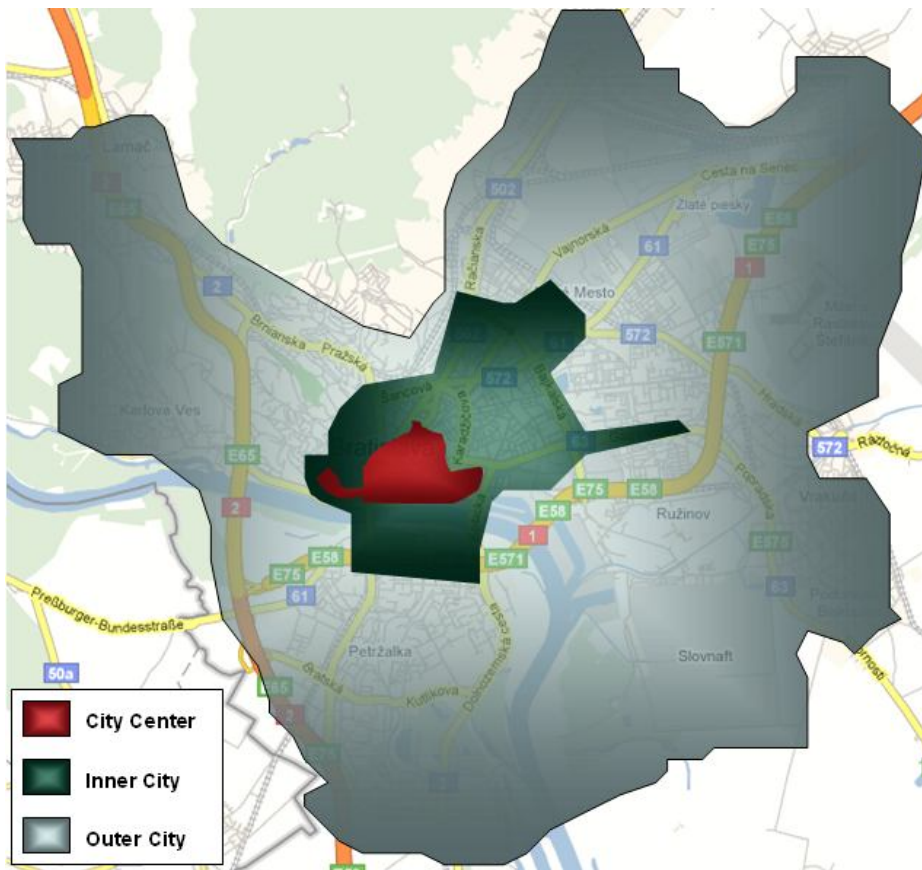
Source: CB Richard Ellis

Stock and vacancy rate by submarket as at Q2 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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