REAL ESTATE MARKET OVERVIEW
SLOVAKIA - Bratislava 2007

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ECONOMICS

Slovakia currently has the fastest growing economy in Central and Eastern Europe. It has been a member of the European Union since May 2004 and its entry in the euro zone is scheduled for January 2009. With approximately 5.4 m inhabitants, it is a small market compared to the Czech Republic, Hungary, Romania or Poland. The population density amounts to 111 inhabitants per km^2.

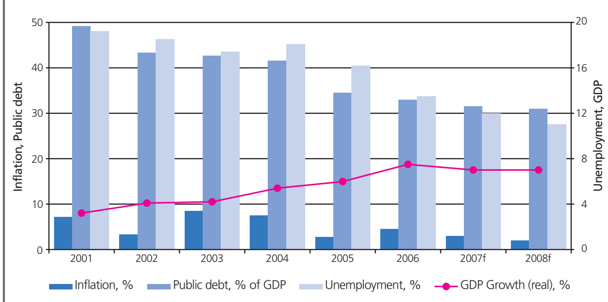
The Slovakian economy is growing strongly, with a **Gross Domestic Product (GDP) growth** of 7.5% for the year 2006. As exports are starting to gather momentum, foreign trade is again contributing positively to overall GDP-growth, following two years of negative contribution.

Rising prices of energy, health care, housing rents and increased consumer borrowing had an impact on inflation. The **inflation rate** rose to 4.5% in 2006, compared with 2.7% in 2005.

The strong economic expansion has been reflected in rising employment. Following a 2% increase in 2005, employment rose by nearly 4% in 2006. The **unemployment rate** decreased from 18.1% in 2005 to 16.2% in 2006. The rate for 2007 will be about 13.5%.

Along with rising labour demand the unemployment rate will continue to decline. Demand for labour has been on the rise in both domestic and foreign-owned companies; in particular new foreign Greenfield investment has already created many new jobs. However, with foreign investors focusing on the country´s more developed western regions, the eastern parts of Slovakia with high unemployment are falling further behind.

Economic Indicators Slovakia



Source: WIIW, 2007

REAL ESTATE MARKET

The Slovakian real estate market has experienced a great deal of development in the last few years. Due to the healthy conditions of the Slovakian economy and Bratislava´s central and strategic position, there is still a strong investor interest. Low taxes, a highly skilled and educated, but low cost labour force and governmental incentives made Slovakia to one of the most attractive investment locations in Europe. While investors of retail and shopping centres discover Slovakia's regional capitals, the office market, which developed in the late 1990s, remains almost focused on Bratislava. The ongoing economic stability, the increasing local and foreign demand and the sizeable untapped development potential are driving production.

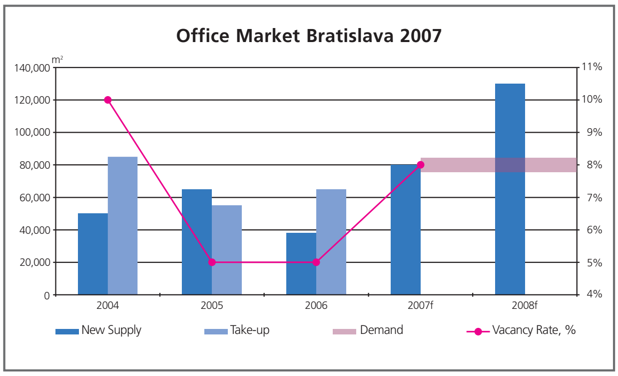
Bratislava, Slovakia´s capital and largest city with a population of almost 450,000 inhabitants, offers some of the best opportunities to investors and continues to prove profitable in 2007. The city has prospered as major telecom and high tech companies, as well as service providers flow into the region. The rapidly expanding airport is helping to make Bratislava a more competitive business centre.

OFFICE MARKET BRATISLAVA

Bratislava is structured in five districts and 20 areas which coincide with the “city parts”. Concerning the Bratislava´s office market, there is no special area that can be considered as a “central” office location. The most popular area continues to be the Old Town (Stare Mesto), which contains more than a half of the office stock, followed by Petrzalka, Nove Mesto and the Ruzinov district. The central business district includes the Old Town and its immediate surroundings. The most competitive and primary non-core zone is located on the north side of the Danube, to the west of the Old Town and the central business district. A new business district is emerging on the north bank of the Danube – the harbour area. On the left bank of the Danube also a huge, new area is developing – the “Eurovea”.

The office market in Bratislava has been growing constantly for three years and it has seen an increase of foreign and especially of local developers. Currently there is an estimated 1,000,000 m² of office space in the capital. Only about 430,000 m² of this can be considered high quality office stock.

Supply levels are rising rapidly, but new delivered projects are still unable to keep up with the backlog of demand, which will continue in 2007. The office market is dominated by a small number of large projects. The active demand for high quality office space is also demonstrated by a steady rise in take-up volume, driving vacancies in Class A buildings down. The next three years will be excellent for real estate investments with an estimated annual **demand** of about 75,000 – 85,000 m².



Stock and New Supply: Bratislava´s modern office stock amounted 430,000 m² at the end of 2006, after approximately 65,000 m² of new office space entered the market in 2005. In 2006 the new production was only about 38,000 m². During 2007, an estimated 80,000 m² should enter the market, in 2008 approximately 130,000m².

Take-up and Vacancy Rate: In 2006 the take-up volume was around 65,000 m². As the first wave of Class A office development ended in 2005, the vacancy rate dropped down from about 10% to 5% and remained stable in 2006, because of the lack of new supply during 2006. In 2007 the vacancy rate for quality office space will see an increase between 8% – 10%, due to the forecasted new supply.

Prime Rents: The average office rents have decreased slightly year on year and were between EUR 10 and EUR 11/m²/month at the end of 2006. The headline rents for Class A office properties range between EUR 13 and EUR 16/m²/month due to the shortage of new supply during 2006 and will remain unchanged in 2007 or show a possible slight increase.

Prime Yields: The prime yields for office space in Class A properties in 2005 were between 7.5% and 8.5% and fell during 2006 to a range between 6% and 7%. In 2007, they will see a slight decrease to about 6% – 6.5%.

Office Indicators

Bratislava	2004	2005	2006	2007f*)	2008f*)
Modern Stock (m²)	330,000	395,000	433,000	513,000	643,000
New Supply (m²)	50,000	65,000	38,000	80,000	130,000
Take-up (m²)	85,000	55,000	65,000	–	–
Demand (m²)	–	–	–	75 – 85,000	75 – 85,000
Vacancy Rate	10%	5%	5%	8% – 10%	–
Prime Yields	9% – 9.5%	7.5% – 8.5%	6% – 7%	6% – 6.5%	–
Prime Rents (EUR/m²)	11 – 13	12 – 14	13 – 16	14 – 16	–

*) Forecast
All figures are year-end

WE LOOK FORWARD TO TALKING TO YOU.

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