



Status of the Development in Slovakia

Stavebne Forum

Ermanno Boeris, January 2011

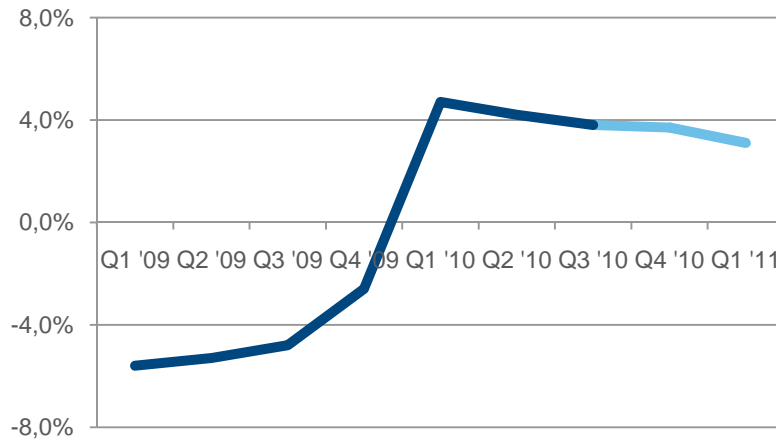
Accelerating success.

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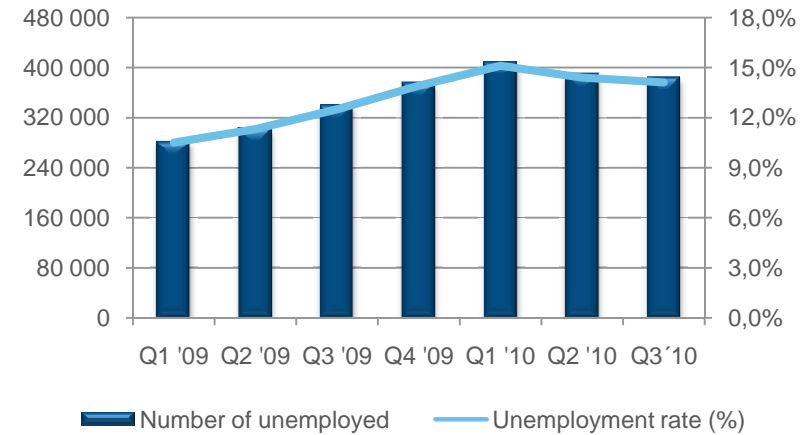
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Slovakia Macro Economy

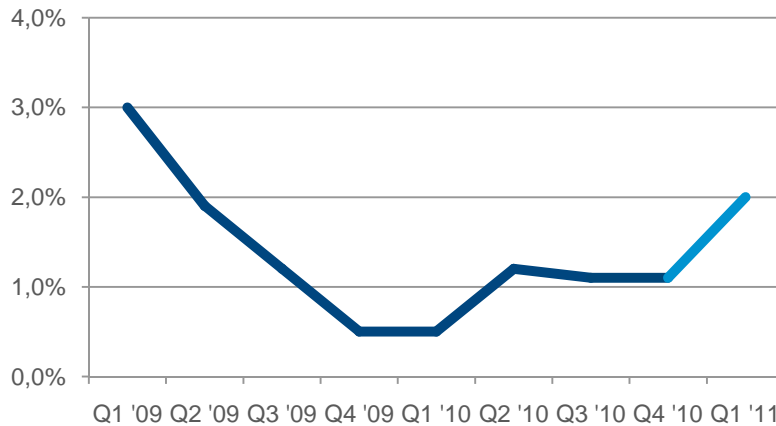
GDP Evolution



Unemployment Rate



Consumer prices

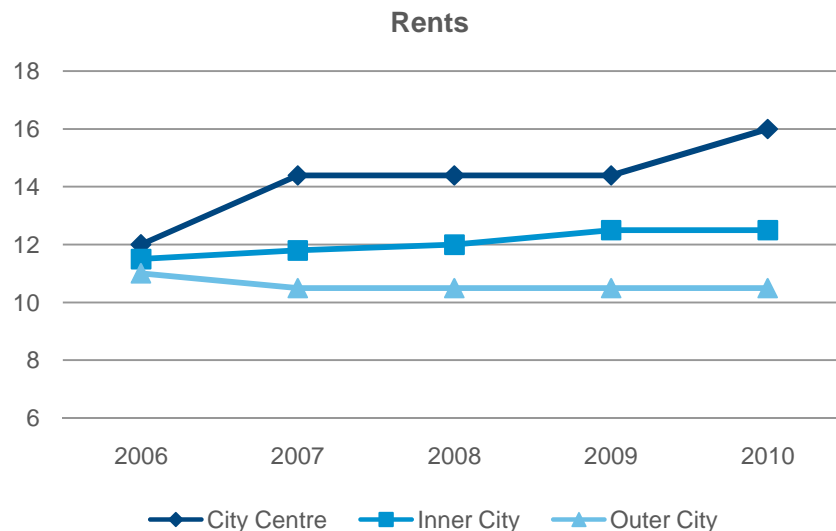
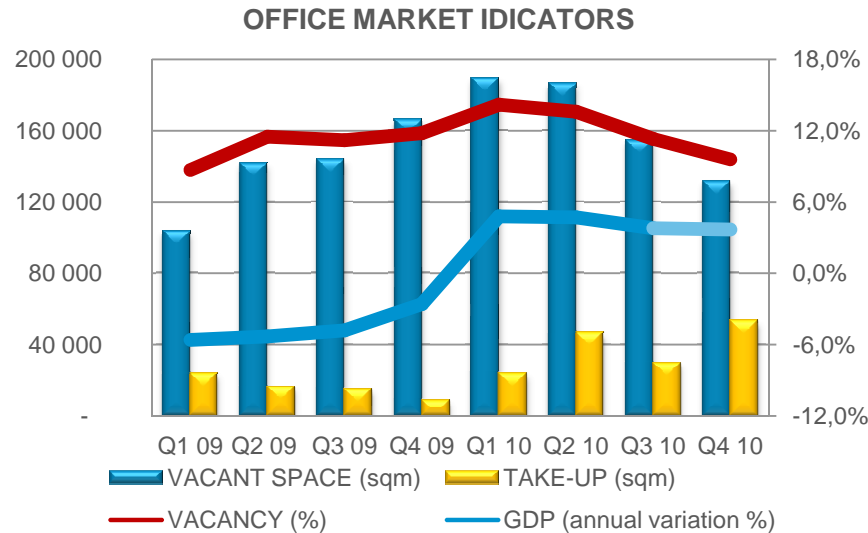


- SR Economy during 2010 bounced back to strong growth compared with 2009
- Inflation is expected to reach 3% on 2011
- Stable unemployment rate.



Commercial Real Estates

Office / Record Take-Up in 2010 driven mostly by relocation

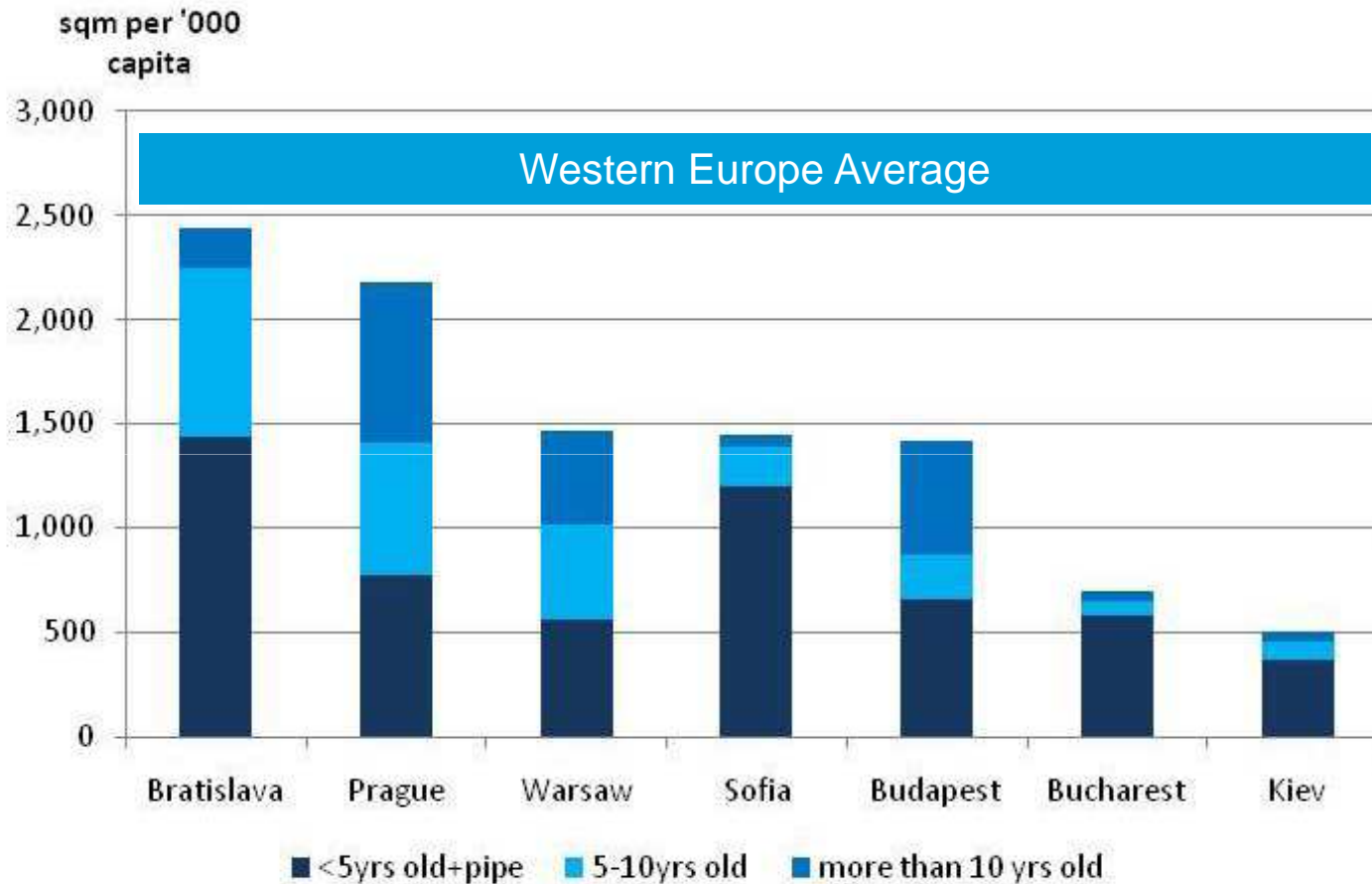


- 2010 Take-Up of over 150k m²
- Occupiers are moving from B/C offices to newly built A class offices
- Operational expenses / Energy costs plays important role in occupiers decision making process.
- Without strong GDP growth, existing project pipeline shall be spread through next 5+ years



Commercial Real Estates

Office / SR Vs. CEE Countries



- No more room for new projects in SR.
- With rents moving up re-development might be an opportunity for older and not effective buildings



Commercial Real Estates

Office / Develop Green Buildings is not a priority yet...



Green Building in Europe

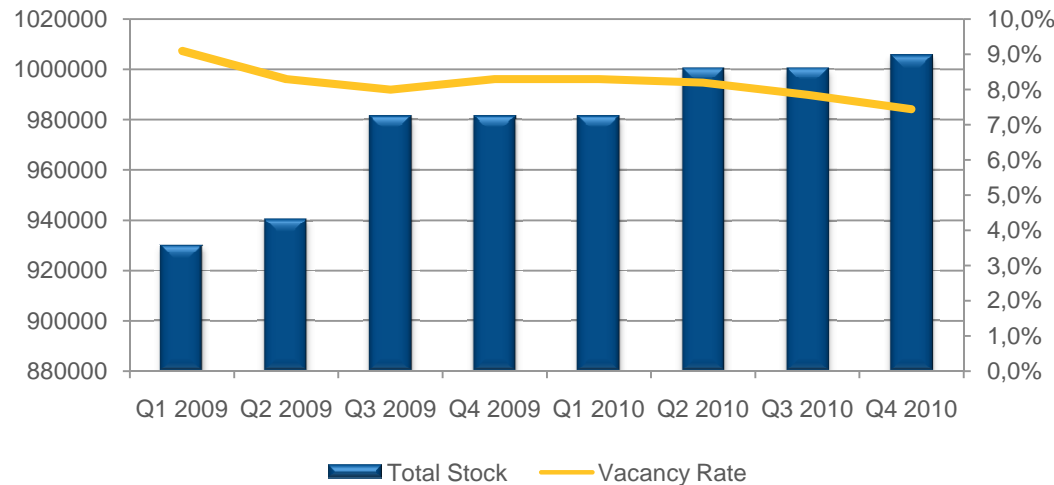


Commercial Real Estates

Industrial/ Industrial growth does not mean need for more space



TOTAL STOCK / VACANCY RATE



- Take-Up limited to 43.000 m² (-69% Vs. 2009)

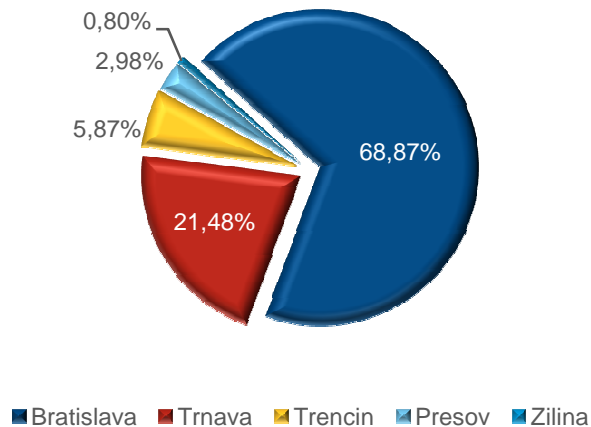
- Rental Rates 3,60 to 4,60 EUR/m²/month

- New demand coming from Eastern Slovakia (Kosice and Presov) where new projects are expected to be available from H2.2011

- Low vacancy shall stimulate speculative construction from developers

- Sale & Lease back becoming trendy

TOTAL STOCK BY REGIONS



Commercial Real Estates

Industrial/ SR Vs. CEE Countries



MARKET	VACANCY	STOCK
SOFIA (Bulgaria)	3.9%	1,478,000 sqm
MOSCOW (Russia)	7.0%	5,000,000 sqm
SLOVAKIA	8.2%	1,000,500 sqm
PRAGUE (Czech. Rep.)	14.4%	1,571,000 sqm
BELGRADE (Serbia)	15.0%	520,000 sqm
POLAND	15.6%	6,081,400 sqm
CZECH REPUBLIC	16.5%	3,638,300 sqm
BUCHAREST (Romania)	17.5%	907,000 sqm
KIEV (Ukraine)	22.0%	814,000 sqm
HUNGARY	21.3%	1,605,000 sqm
WARSAW (Poland)	21.8%	2,404,700 sqm
ST.PETERSBURG (Russia)	24.0%	905,000 sqm

Room for additional development



Residential Market

MACRO ECONOMY	DEMAND	OFFER
Financing Accessibility Inflation rate	Stable GDP Growth Positive/Stable trend on unemployment rate Average and consistent family income	Quality properties Good Locations



DEAL = Value X Money



Residential Market

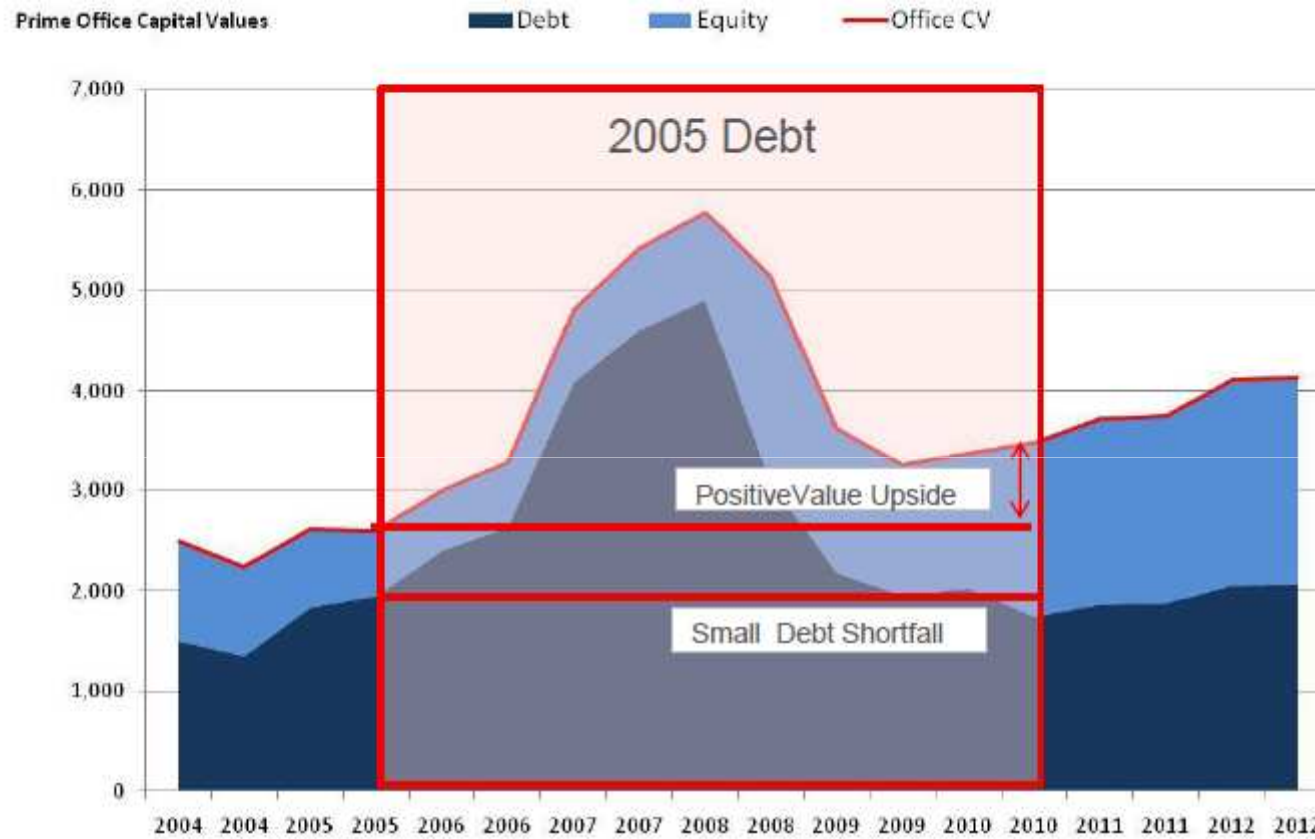


1. Still several thousands of flats remains unsold.
2. Old stock (<2008) **lost** competitiveness Vs. newly built flats because of higher prices and construction costs.
3. Buyer market is pushing developer to deliver **more quality products** in **better location** at **competitive prices**.
4. Offer of quality product still lower than really demanded.



Property Finance

The LTV & “Revaluation” Outcome



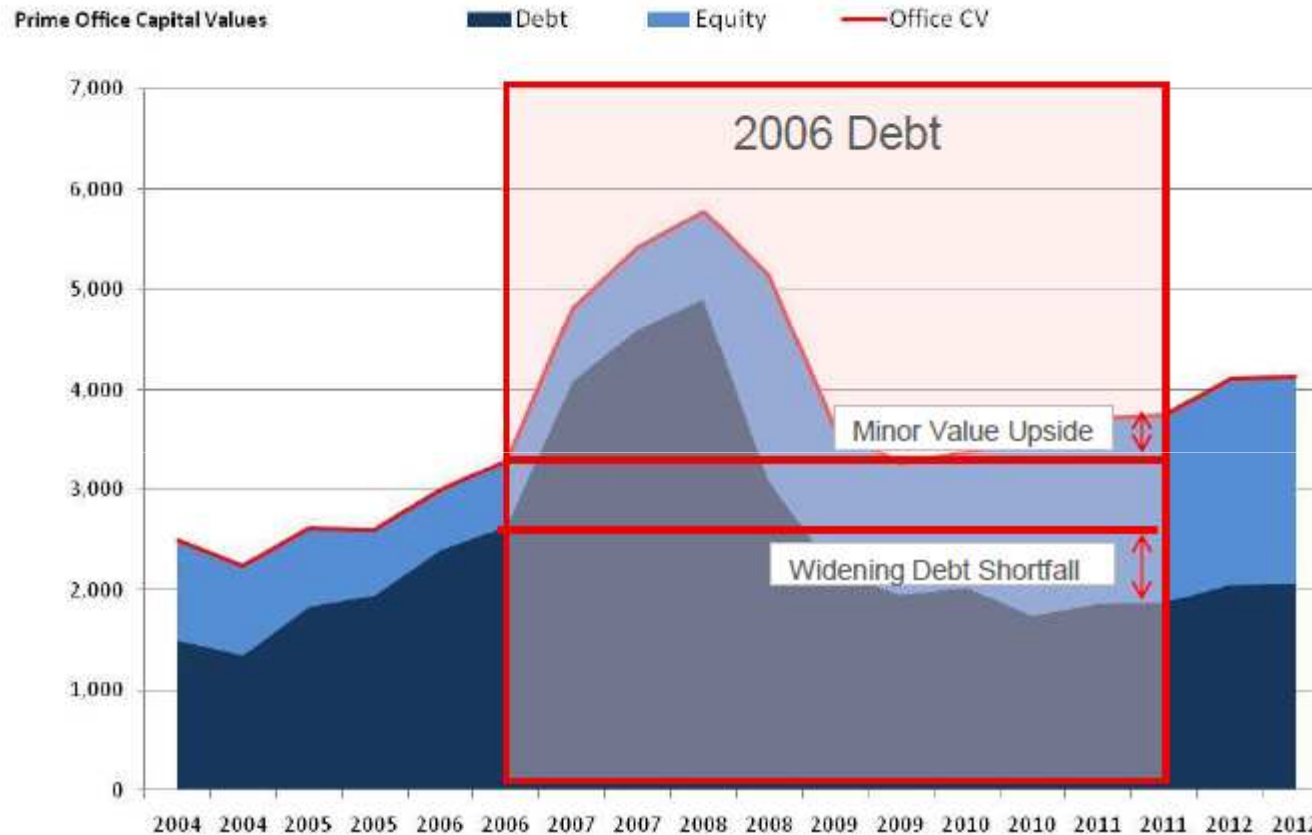
Source: Colliers International

Equity erosion & more equity required – an equity market + opens the door for mezzanine?



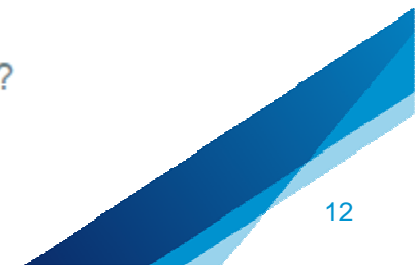
Property Finance

The LTV & “Revaluation” Outcome



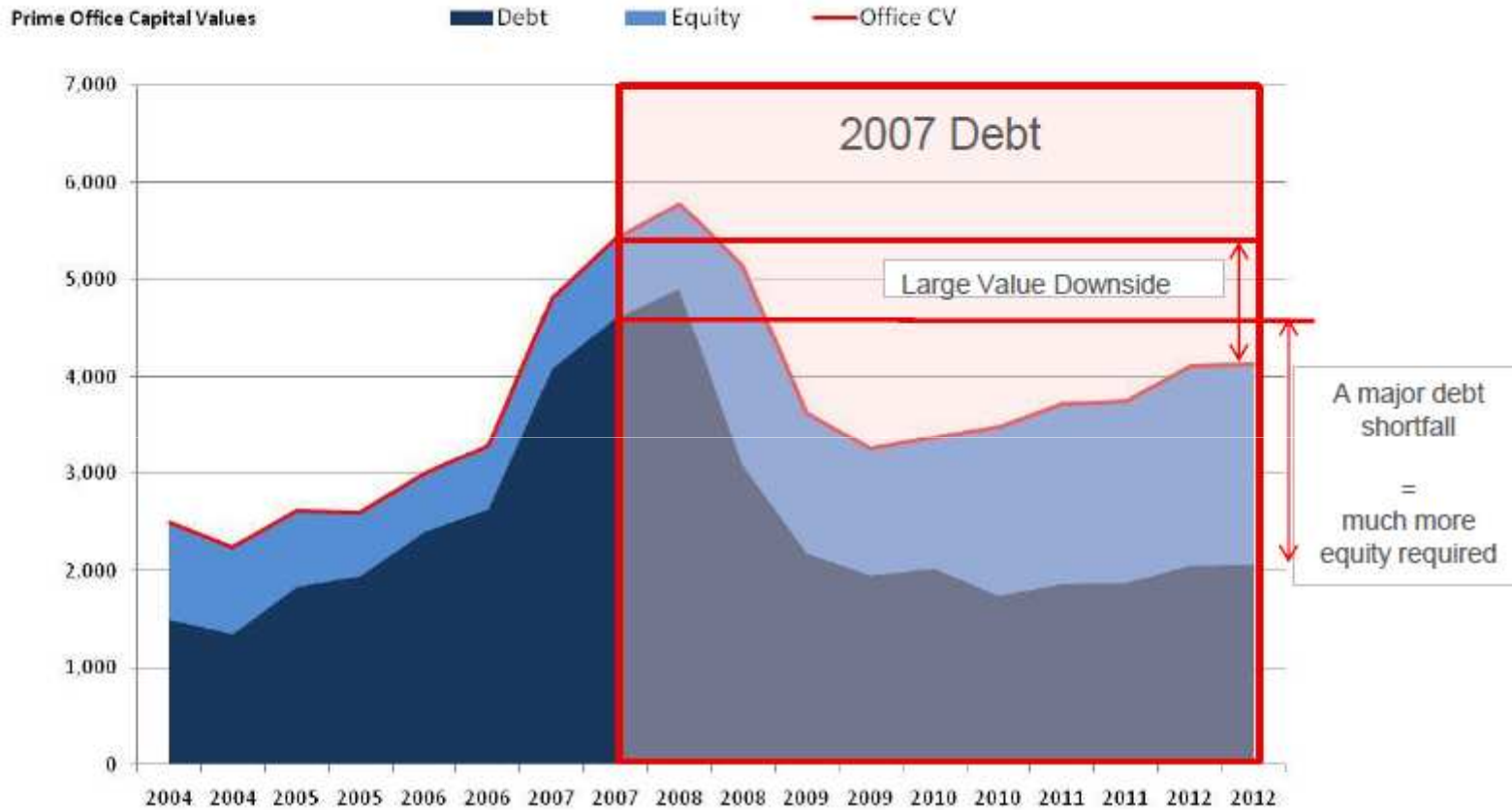
Source: Colliers International

Equity erosion & more equity required – an equity market + opens the door for mezzanine?



Property Finance

The LTV & “Revaluation” Outcome



Source: Colliers International

Negative equity & more equity required - opens the door for debt/mezzanine providers?



Conclusions

1. Quality projects will have an high probability of success (for any market segment).
2. Location makes difference.
3. Experienced developers Vs. “No-name” developers will be able to manage the turmoil that still affects the market
4. Even the best project requires adequate share of equity (30 to 50% of TIC)

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