



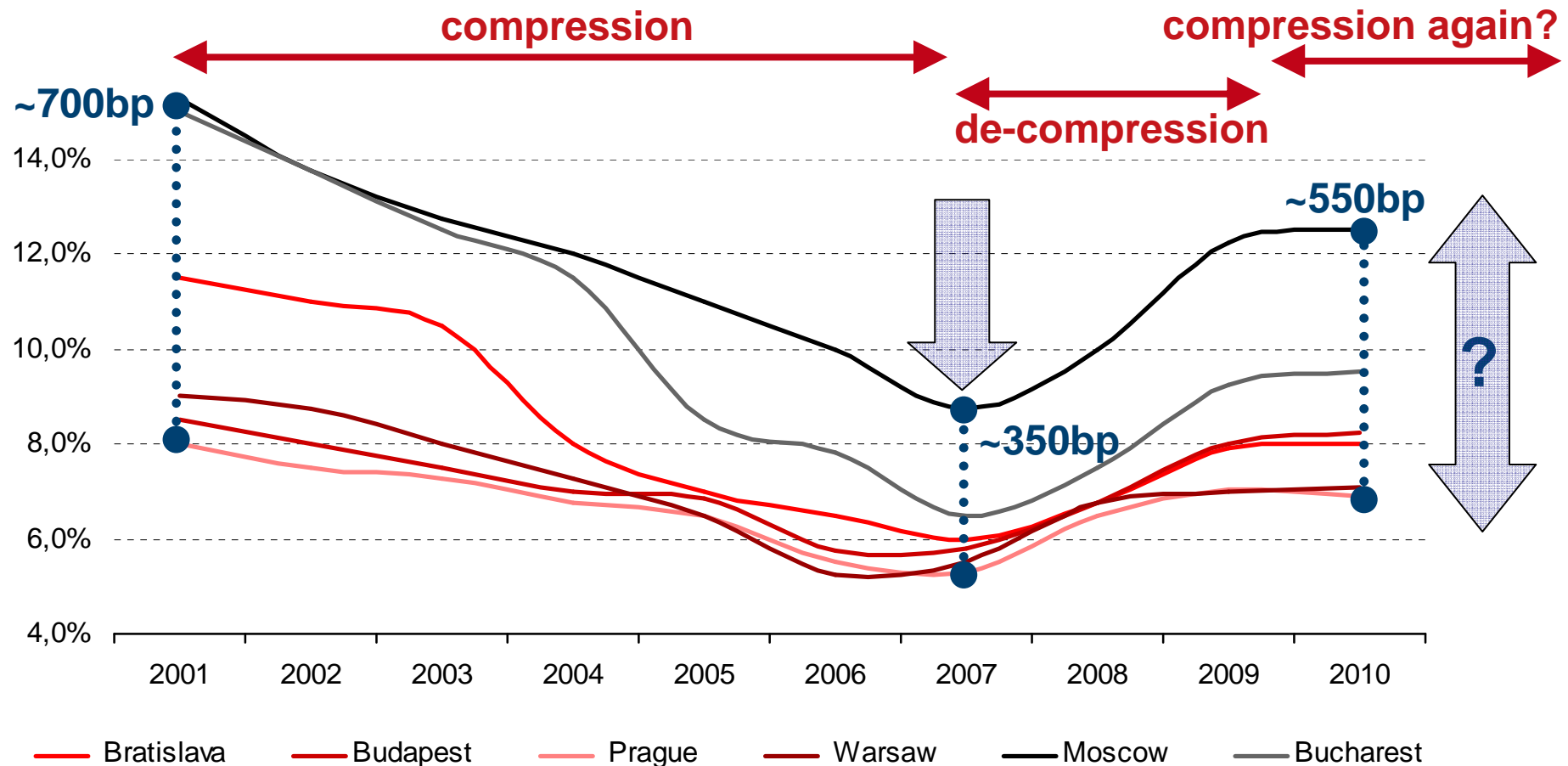
Comparison of the Slovakian Real Estate Market with other competing CEE markets

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10 YEARS OF YIELD IN EASTERN EUROPE (prime office market) “The story of compression” and “the comeback of the country risk”



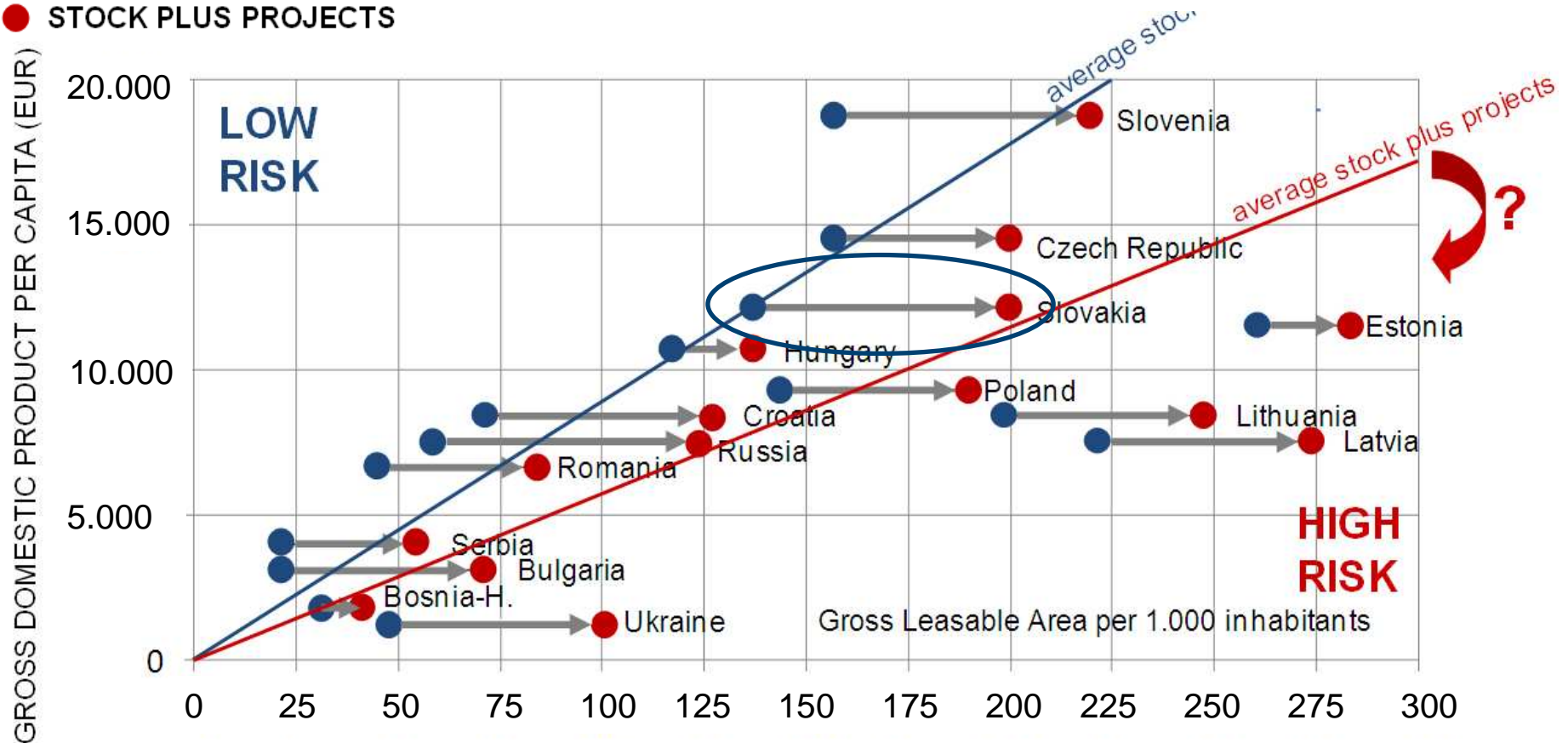
Source and illustration: IRG Market Research

STOCK IN COMPARISON (retail)

What does the impact of the crisis mean for the retail industry?

● STOCK

● STOCK PLUS PROJECTS

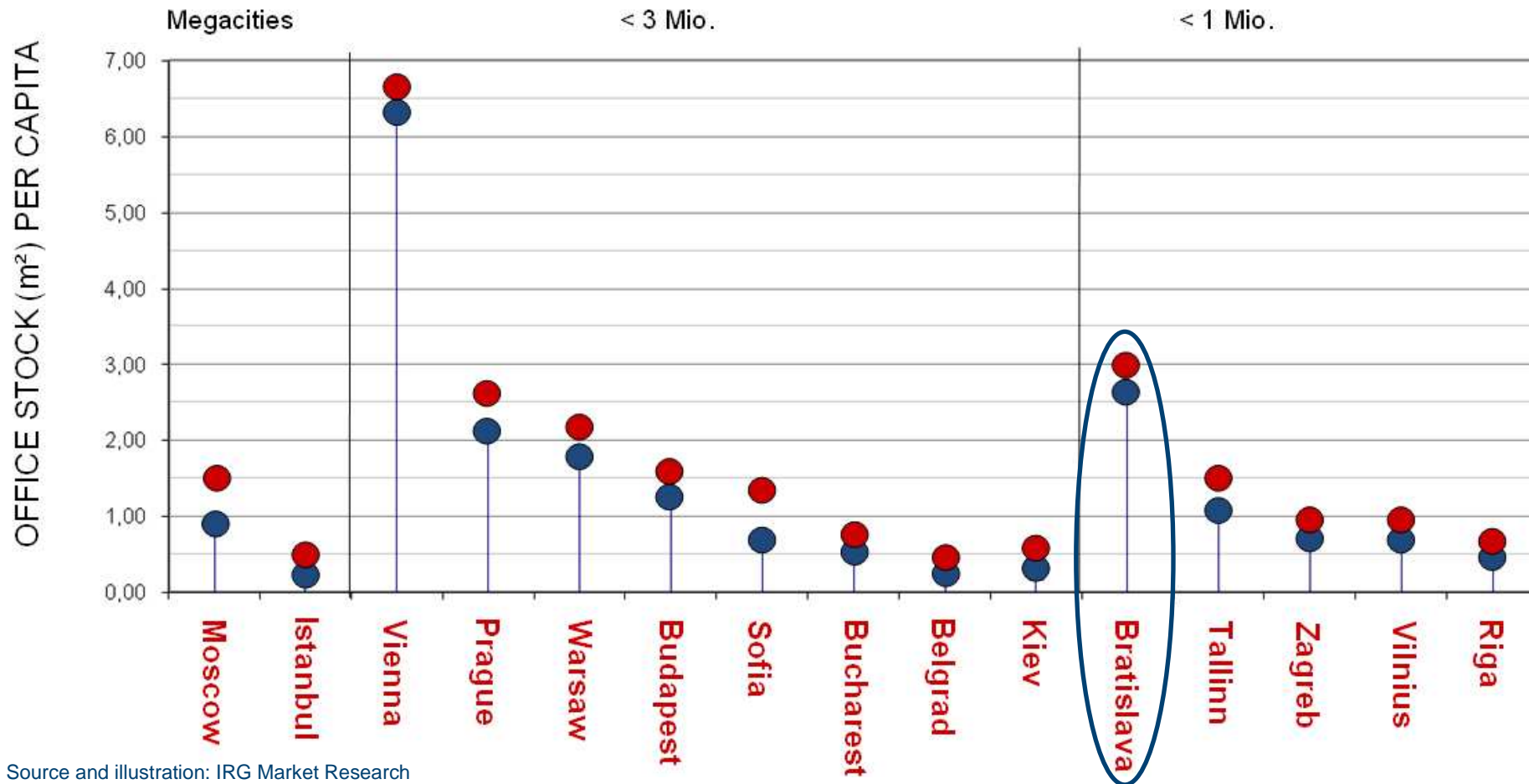


Source and illustration: IRG Market Research

STOCK IN COMPARISON (office)

Is the provision with office space sustainable?

- STOCK
- STOCK PLUS PROJECTS



Source and illustration: IRG Market Research

KEY MESSAGES

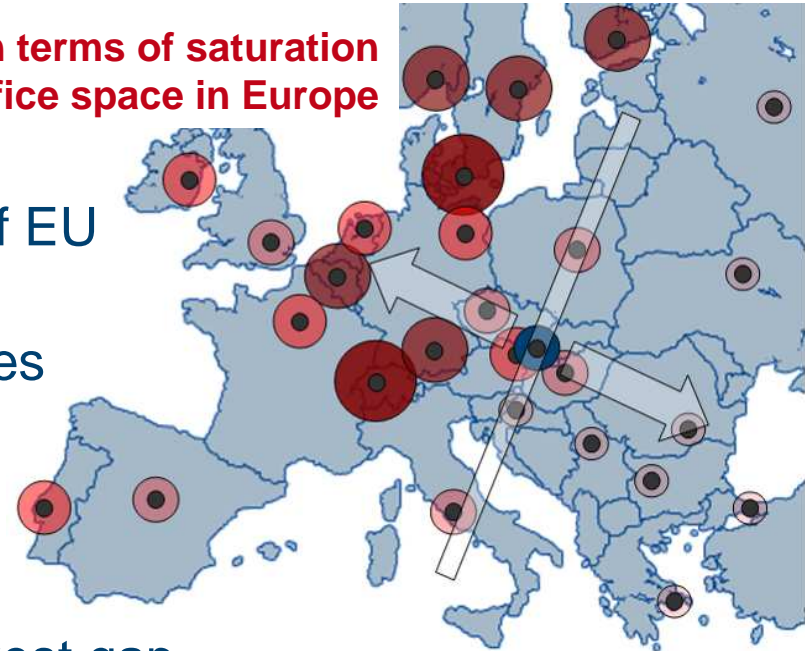
Strengths, Opportunities

- Central location and CENTROPE region
- Euro zone member and “industrial arm” of EU
- Bridge-head to the east
- Attractive fiscal environment for enterprises
- Potential for post-crisis retail schemes and logistics on a selective basis

Weaknesses, Threats

- Centralized market with significant east/west gap
- Mono-industrial risks (automotive sector)
- High provision with commercial RE space in Bratislava
- Assimilation of price and rental levels to be expected

Hot spots in terms of saturation
with office space in Europe



Source and illustrations: IRG Market Research

OUTLOOK 2010 (applicable to the overall CEE region)

- **CASH FLOW**

Majority of markets show corrected rental levels. Nevertheless clean up still ongoing

- **YIELDS**

Further stabilization of the Central European Markets, pressure on prime yields

- **INVESTMENTS**

Rare chances in the distressed segment, tightened grip on prime assets

- **TRANSACTIONS**

On international level more transaction volume for office, chances for retail and logistics seen > less market cycle constrained asset classes

- **DEVELOPMENTS**

Negative: Land and projects currently hardly marketable

Positive: correction in land price levels and construction costs

- **POLARIZATION**

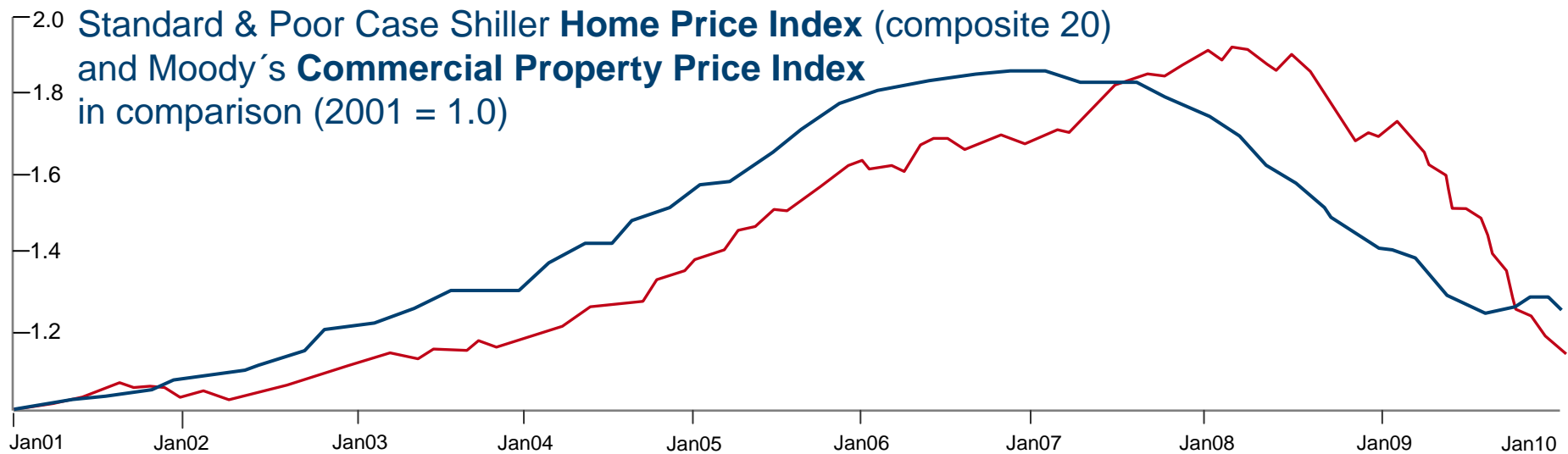
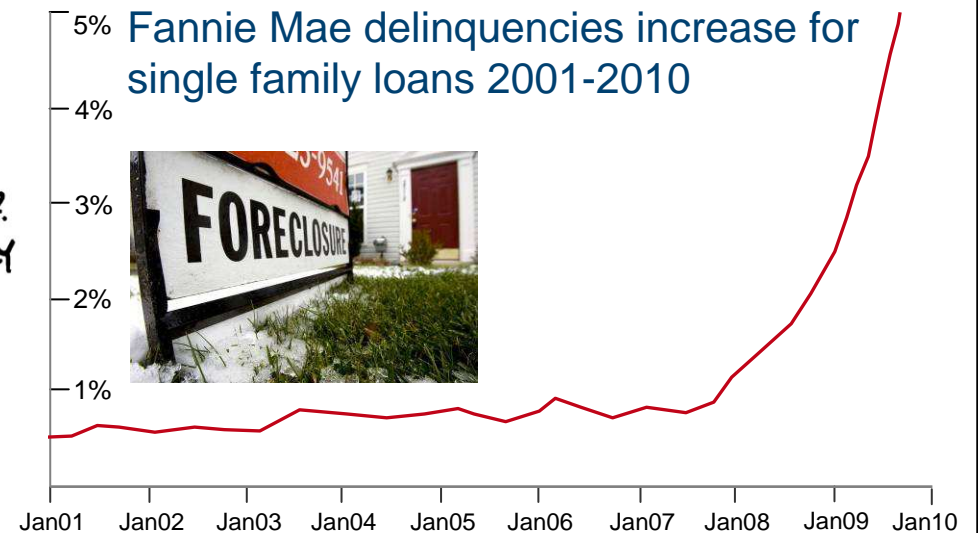
Quality and sustainability works out, but no market for *the average* and below.

- **ASSET MANAGEMENT**

Still potential for cost reductions in the operation of facilities



EPILOGUE – something different? Keep one eye on a far away market!



Sources: Standard & Poor's, Moody's Dow Jones Indexes, FannieMae | illustrations: IRG, Eric Glewis (cartoon)

EPILOGUE – something different? Why is there a commercial RE crisis in US?

Example 1
WorldWide Plaza
New York,
Midtown Manhattan

Construction: 1989
Price 2007:
1,7 bn USD*)

Price Mid 2009:
rd. 600 mn USD

***) Equity 2007:**
15 mn USD
(equals approx. 1% !!!)



EPILOGUE – something different? Why is there a commercial RE crisis in US?

Example 2:

„The Best Dead Mall in America 2009“

Dixie Square Mall in Harvey, Illinois, approx. 30km south Chicago

see: www.deadmalls.com



AND FINALLY ...

*There are no a priori “good or bad markets”,
just good/bad assets and right/wrong strategies*



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