Regional Overview –

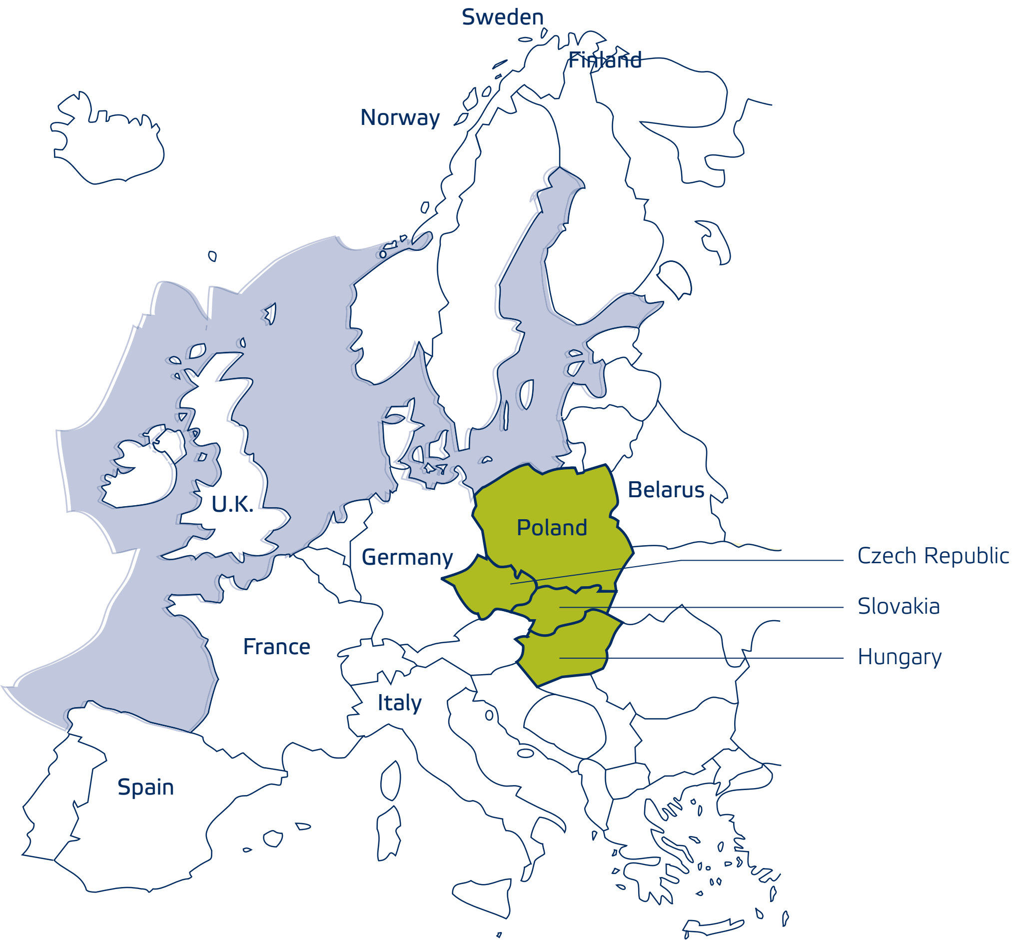
Slovakia, Czech Republic, Poland, Hungary

1 Q – 2 Q, 2009

verdispar

property
investment
management

Contents



Disclamer

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INTRODUCTION

The rebirth of opportunities – and the survival of the fittest

Driven by a growing world economy and fueled by falling interest rates and leveraged capital inflows, most mature real estate markets have delivered strong capital gains and value appreciation since the turn of the millennium. During the late stages of the recent real estate market boom, a number of investors turned eastward to take part in the rapidly growing markets of the maturing economies of Central and Eastern Europe.

Sadly, unsustainable and euphoric opportunism in the international real estate community rapidly infected CEE markets as well, leading to the same extremes of leveraging and driving markets to unrealistic levels. In a short period, this and the negative impact of the financial crisis have almost pushed the CEE markets back to where they were before the democratic changes of the early 90s. The positive side is that serious market players have more room than ever to take advantages of the strong fundamentals that characterize these markets.

The current market situation represents a rebirth of opportunities, capitalizing on the undersupply of high-quality property investments and the substantial future need for modern real estate infrastructure. This situation also provides unique opportunities to acquire distressed assets – abandoned after the previous euphoria. Experience makes it clear that an in-depth knowledge of local market conditions, public administration and business behavior is crucial for successful market entry. Such knowledge can be gained only by having a physical presence. Over the past few years, the countries where we operate have experienced solid economic growth, intensified trade flows, a high degree of trade liberalization and increased foreign direct investment. They have achieved greater efficiency in their business environment by adopting market mechanisms and modern regulatory frameworks. With our local knowledge, we appreciate all the benefits of new and modern yet familiar ways of doing business.

Having a local presence is a cornerstone of our business concept at Verdispar International and is the main reason we are one of the strong survivors – now expanding our market presence into Bosnia-Herzegovina and introducing new products through our Investment Consulting services.

With our project development manager's perspective, we have been down in the mud, facing all the country- and project-specific challenges of land acquisition, due diligence, indicative master plans, infrastructure connections and permitting, financing, marketing and sales.

We have close ties to financial institutions in our markets and work together with regional and local government officials, relevant institutions and prominent local service providers on a daily basis. You can be confident that your project will get the best possible attention within the mandate you have specified.

Verdispar International has a proven track record in managing large-scale, complex real estate assets. We are currently developing and managing a planned gross buildable area of more than two million square meters (21 million square feet) of commercial and residential properties on behalf of several independent real estate companies.

The aim of this first issue of our new market research publication is to share basic information on the constantly emerging opportunities and changing environment in our markets.

Please stay tuned!

Halvor Z. Olsen,

CEO, Verdispar International

SLOVAKIA, CZECH REPUBLIC, POLAND, HUNGARY (THE VISEGRAD FOUR OR V4)

In recent years the Visegrad Four (V4) countries have all made huge progress, dramatically changing their industrial sectors, banking systems and political climate and enacting various reforms enabling them to join the European Union, NATO and other international institutions representing the democratic world. The positive approach of these countries has led to greater political stability and attracted foreign investors, resulting in high economic growth compared to "old" EU members.

However, these countries show different economic levels and outlooks despite their similar history, political systems and past industrial structure. Some countries did not complete all the intended restructuring of their systems.

		Slovakia	Czech Republic	Poland	Hungary
President	Term	5	5	5	5
	Next Election	2009	2013	2010	2010
Parliament	Term	4	4	4	4
	Next Election	2010	2010	2010	2010
Member of EU		Yes	Yes	Yes	Yes
Member of NATO		Yes	Yes	Yes	Yes
Member of IMF		Yes	Yes	Yes	Yes
Member of EBRD		Yes	Yes	Yes	Yes

Note: The Czech Republic has a bicameral Parliament: the Senate (members serve six-year terms; one third are elected every two years) and the Chamber of Deputies (members are elected for 4-year terms)

Table 3

		2007	2008[1)]	2009[2)]	2010[3)]
GDP growth (%, year-on-year)	SVK	10.4	7.1	2.7	3.1
	CZ	6	4.2	1.7	2.3
	PL	6.6	5	2	2.4
	H	1.1	0.9	-1.6	1
Unemployment (%)	SVK	11.1	9.8	10.6	10.5
	CZ	5.3	5	5.7	6.6
	PL	9.6	7.4	8.4	9.6
	H	7.4	7.7	8.8	9.1
Inflation (%, year-on-year)	SVK	1.9	4	2.9	3.5
	CZ	3	6.3	2.6	2.3
	PL	2.6	4.2	2.9	2.5
	H	7.9	6.1	2.8	2.2
Fixed Investment, real, y-o-y (%)	**SVK**	**8.7**	**6.9**	**0.8**	**3.3**
	CZ	**6.7**	**4.4**	**-2.5**	**3**
	PL	**17.6**	**7.2**	**-4.1**	**-1**
	H	**1.5**	**-2.2**	**-1.2**	**4.1**
Public budget balance (% of GDP)	SVK	-1.9	-2.2	-2.8	-3.6
	CZ	-1	-1.2	-2.5	-2.3
	PL	-2	-2.5	-3.6	-3.5
	H	-5	-3.3	-2.8	-3
Current account balance (% of GDP)	SVK	-5.1	-6	-6.2	-6.3
	CZ	-1.5	-0.9	-2.1	-2.6
	PL	-4.7	-5.6	-5.6	-5
	H	-6.4	-7.2	-5.5	-5.2
GDP per capita (EUR)	**SVK**	**10,155**	**12,086**	**13,071**	**13,953**
	CZ	**12,322**	**14,230**	**13,074**	**14,618**
	PL	**8,154**	**9,491**	**7,910**	**9,420**
	H	**10,048**	**10,530**	**9,199**	**10,322**
General government debt (% of GDP)	SVK	29.4	28.6	30	31.9
	CZ	28.9	27.9	29.4	30.6
	PL	44.9	45.5	47.7	49.7
	H	65.8	71.9	73.8	74

1) Estimate. Source: European Commission, January 2009.
2) Forecast. **Source: Unicredit Group, January 2009.**

Because many countries have fallen into recession due to the worldwide credit crunch, we also expect the V4 economies to slow, as they are rather open and closely tied to Western European markets. Those countries which ignored necessity or did not find enough internal strength to carry out inevitable reforms are heading to recession. Hungary is receiving support from the International Monetary Fund (IMF) and the European Bank for Reconstruction and Development (EBRD), and Poland may also develop similar problems.

	Slovakia	Czech Republic	Poland	Hungary
Capital	Bratislava	Prague	Warsaw	Budapest
Population, million	5.5	10.2	38.5	9.9
Capital population, m	0.43	1.22	1.69	1.80
Country size, sq. km	65,303	78,866	312,685	93,030
Language	Slovak	Czech	Polish	Hungarian

Slovakia

As of today, it is evident that the Slovak Republic has made the most progress in enacting the necessary reforms, as reflected in high economic growth until recently. The fact that since January 1, 2009 the euro has been adopted as the national currency speaks for itself.

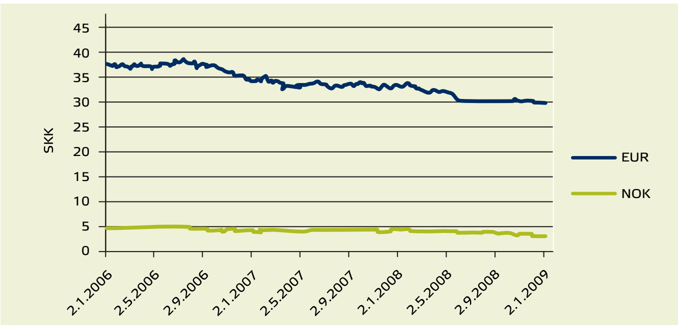
Because the conversion rate was officially announced at the beginning of the second half of 2008, the Slovakian crown (koruna) did not experience the same appreciation and later depreciation pressures as other currencies in the region. Banks active in the Slovak market "collected" impressive quantities of crowns in order to convert them into euros for ordinary people and thereby strengthen their liquidity. On the other hand, monetary policy is now solely in the hands of the European Central Bank (ECB).

It is also worth mentioning that Slovak banks are currently not burdened by bad loans, as these were absorbed by the government in 2001. The Slovak banking environment is thus stable. Another positive factor is relatively low public debt, which is below 30% of GDP.

Slovakia's good economic figures were mainly due to exports of automotive and electronics products to Western European countries which are now in recession. Because of the lower demand for these products, unemployment is expected to rise.

In 2008 foreign direct investment reached EUR 538 million, but FDI is expected to decrease in 2009. GDP growth will decline in 2009 but is forecasted to be among the highest in the EU.

Exchange rates



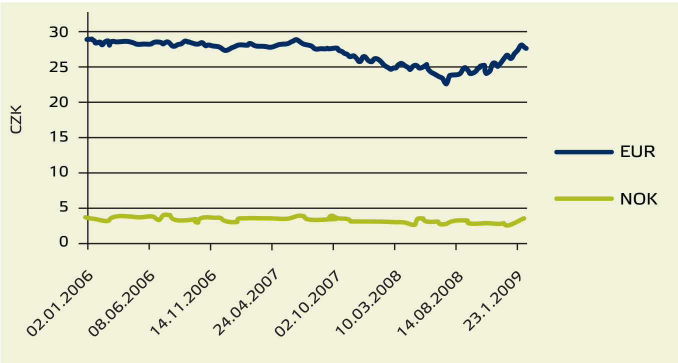
Source: Slovak national bank

Czech Republic

In spite of its widespread skepticism toward the EU, the Czech Republic has benefited from a high volume of foreign investment, which was the main driver of GDP growth. By means of low interest rates the Czech national bank supported this growth, which also speeded up economic activity. This positive trend was accompanied by a strengthening of the Czech crown (koruna), reflecting greater trust among foreign investors.

The credit crunch caused GDP growth to start slowing in 2008, and we expect this trend to continue in 2009. Positive GDP growth is expected in 2010. The slowdown is being driven mainly by lower exports and, to some extent, high inflation that has largely eliminated pay increases and adversely impacted private consumption. The negative mood in financial markets has also caused the Czech crown to weaken against the euro. Other impediments include the health care and pension systems, which need reform to ensure fiscal sustainability and more efficient public spending.

Exchange rates

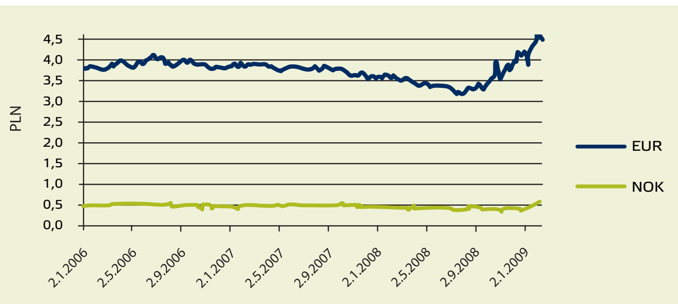


Source: Czech national bank

Poland

Poland is the largest V4 country and economy. Until mid-2008, GDP growth was driven by increasing exports and private consumption as well as foreign direct investment (FDI). Since then the economic slowdown has been accompanied by a decrease in real purchasing power. Poland's new government has confirmed its ambition to join the euro zone. However, first Poland has to meet the strict Maastricht criteria. The main challenges will be to reduce inflation and improve fiscal balance.

Exchange rates

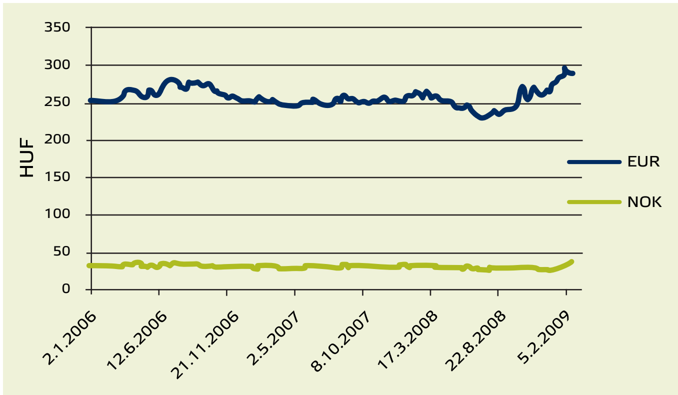


Source: The national bank of Poland

Hungary

After a fiscal austerity package was launched by the ruling Socialist Party late in 2006, this had an immediate negative impact on GDP growth and inflation the next year. For a short time it appeared that the economy was headed in the right direction. The main threats today continue to be unsustainable public finances, financial vulnerability and high household indebtedness denominated in foreign currencies, while the forint is weak.

Exchange rates



Source: Magyar nemzeti bank (National bank of Hungary)

V4 key indicators

	GDP per capita (USD)	GDP per capita % change	GDP (purchasing power parity, USD billion)	Long-term foreign currency rating: Moody's	Standard & Poor's	Fitch
	Dec 2007	Dec 2007	Dec 2008	Dec 2008		
Slovakia	19, 800	6.90%	107.6	A1	A	A+
Czech Republic	24,400	4.20%	249.1	A1	A	A+
Poland	16,200	5.40%	624.6	A2	A-	A-
Hungary	19,500	1.90%	194.2	A2	BBB+	BBB+

Source: www.indexmundi.com, CIA World Factbook

THE REAL ESTATE MARKET IN GENERAL

Office market

The office market is mainly concentrated in the capital cities. In recent years it has experienced enormous growth. As a result, during the current global economic slowdown there is a large supply of new, modern, Class A office space waiting for tenants. Vacancy rates and rents vary depending on such standard factors as location, size of units, building standard, local amenities, etc. Nonetheless prime yields in Q4 2008 oscillated around 6.5% in all four capitals.

Office projects scheduled to be built in these cities are being put on hold. Meanwhile Class A office space is spreading into secondary cities, though on a much smaller scale, one reason being the relocation of international company headquarters (or selected parts, such as back office functions) due to expected lower rents and operating costs as well as a cheaper work force of equal quality.

	Supply	Rent (1sqm/month)	Vacancy
Bratislava (Slovakia)	1.2 million sq. m	EUR 12.5 - 16	8% / outlook – 15%
Prague (Czech Republic)	2.41 million sq. m	EUR 20-23	8% / outlook – 15%
Warsaw (Poland)	2.96 million sq. m	EUR 30-35	6% / outlook – 12%
Budapest (Hungary)	2.06 million sq. m	EUR 11-16	17% / outlook – 19%

Source: Verdispar International

International developers with a presence in the V4 region (among others)	Parker Green International, Ballymore Properties, TriGranit Development Corp., Quinlan Private Golub
International institutional investors present in V4 region (among others)	Heitman, Rodamco Europe, Hannover Leasing, AXA group, ING Real Estate, Meinl Bank

Retail market

In the past few years, the retail segment has experienced huge growth as well. Retail premises are concentrated in the capital cities, which traditionally have the highest purchasing power, and in secondary cities representing regional economic centers. Recently the development of small shopping centers in the form of retail parks has spread from secondary cities to tertiary cities. Nonetheless the number of square meters of retail space per 1,000 people in the V4 region remains well behind the average in Western countries.

Shopping centres	Net leasable area	Rent (1sq.m/month)	Comments
Bratislava (Slovakia)	295,000	EUR 20 - 30	Space in modern shopping centers
Prague (Czech Republic)	1,005,000	EUR 20 – 200	Vacancies are expected in older, less well-situated centers
Warsaw (Poland)	1,330,000	EUR 10 - 120	
Budapest (Hungary)	1,500,000	EUR 100	Area in and around Budapest

Note: The lowest rent applies to retail parks in suburbs while the highest ones are for prime location shopping center or the most attractive streets – e.g. Vaclavske (Wenceslas) Square in Prague

International retailers present in the V4 region

Segment	Brand name
Hypermarket chains (groceries, mixed goods)	Tesco, Ahold, Rewe, Coop
Clothing	C&A, Peek & Cloppenburg, H&M, Marks & Spencer, Inditex Group, Baltica Group, Esprit, Takko fasion, Conbipel, Mango
Shoes	Bata, Humanic, Deichmann, Reno
Sporting goods	Sport 2000, Intersport, Hervis
Electronics	Electroworld, Euronics
Do-it-yourself	Baumax, Hornbach, OBI
Furniture	IKEA, Kika

Source: Verdispar International

	Average retail space per 1,000 people (in sq. m)
Slovakia	130
Czech Republic	164
Poland	146
Hungary	114

Industrial market

The overall vacancy rate for finished logistics space exceeds 15% of supply, due to the large number of new, speculatively built premises which remain unleased. Rents are under pressure and vary from EUR 4.0 (Bratislava and Prague) to 6.5 (Warsaw and Budapest) per sq. m/ month depending on location, accessibility etc.

Volume of real estate investments in the V4 during 2008 (EUR million)

Sector:	Slovakia	Czech Rep.	Poland	Hungary
Offices	85	481	1,074	349
Shopping centers	21	207	429	21
Industry & logistics	13	145	138	37
Other	-	-	106	-
TOTAL	119	833	1,747	407

Source: Cushman&Wakefield

Central European industrial real estate market, December 2008

	Newly built, sq. m	Year-on-year change	New leases, sq. m	Y /y change	Vacancy rate	2007
Slovakia	275,000	0.0%	297,603	56.0%	11.8%	8.0%
Czech rep.	646,211	-30.0%	581,501	-32.0%	13.7%	6.0%
Poland	1, 283,000	17.0%	1,589,400	13.0%	11.0%	10.0%
Hungary	253,981	6.0%	308,318	33.0%	17.3%	18.0%

Source: Cushman&Wakefield

Residential

After several years of vigorous residential development, there is a slowdown in this segment as well. Prices of apartments reached such high levels that individual buyers refused to pay luxury prices for average projects. In addition, banks tightened their conditions for lending to developers due to the credit crunch. The result is a shift from a seller's to a buyer's market, with potential buyers waiting for prices to drop and not rushing into purchases. We anticipate that the biggest demand will be for middle class apartments, since this segment was largely ignored in the past.

Central European real estate in a nutshell

The credit crunch has adversely affected all real estate markets and segments. We assume that it will take some time until the negative mood eases in this region. Countries with enough internal strength to carry out inevitable reforms will cope more easily and stay on a positive GDP growth track. In some cases further reforms must be initiated since past problems still persist (e.g. in Hungary).

Verdispar's Forecasts:

We at Verdispar are convinced that in the long term, this region still offers **attractive investment opportunities** in all segments. Our confidence is supported by Central Europe's **proximity to other EU markets (Austria and Germany alone have some 90 million people) and lower labor costs at a quality level comparable to Western countries.** The size of the V4 market, with approximately 64 million people, cannot be ignored either. Another factor is the introduction of various stimulus packages by individual governments – starting with measures to create a better entrepreneurial environment and ending with measures to support private consumption in general.

We also assume that the weakening of local currencies (CZK, PLN, HUF especially CZK) is of a medium-term nature and that they will later come under appreciation pressure again. It is also realistic to expect that national governments have learned their lesson and will complete all the reforms necessary before for adoption of the euro, which served as a defense shield in case of Slovakia, a country that still applies a policy of stimulating FDI.

VERDISPAR CENTRAL EUROPE (SLOVAKIA)

Generally speaking, many real estate developers who acquired sites for future investments have found themselves in a liquidity trap. In many cases, these investments are on hold now. Some developers are being forced to sell their properties, since they have a liquidity shortage and desperately need additional money to complete other ongoing projects. Banks are also unwilling to risk lending to projects where equity represents as little as 10-15% of total investment cost. In general, higher pre-sale ratios are being required for residential projects (30-40%) and higher pre-lease ratios for other types of real estate investments. The credit crunch will help thin out the market, and only the least leveraged developers will survive. **This is an ideal period for site acquisitions, since properties are available at attractive prices and buyers can use the time until the crisis passes to prepare high-quality projects** for the later periods.

Many developers acquired numerous construction sites, hoping that with limited equity and low pre-sales or pre-leasing they would get bank financing for their projects, as it was usual in the past. Banks often used to co-finance site acquisition. **Nowadays these developers are struggling to pay interest and are being forced to sell their projects – providing an excellent opportunity for site acquisitions.**

Bratislava, the capital, has witnessed huge changes and development activity. This led to a much-needed update in the city's land use plan. **According to the plan, it will now be possible to convert brown fields in favorable areas into attractive residential and/or commercial (retail) premises, with good yields if properly developed.**

Despite the adverse impact of the credit crunch in many countries, Bratislava's residential market is still performing well, at least when it comes to new projects. The pace of sales is slowing, however, as people pause to see what the future will bring. There has been a 20% decline in prices of old apartments, most of them built from prefabricated concrete panels approaching the end of their service life. This decline was expected well before the current economic crisis appeared, since operating and maintenance costs are much higher in these older buildings than in newly built apartment buildings.

Another positive factor in the Bratislava residential market is that 100,000-150,000 people are commuting to the city on a daily basis. In addition, the Slovak government has announced that carmaker Volkswagen plans to invest about EUR 300 million to expand its existing plant in a suburb northwest of Bratislava.

On January 1, 2009 Slovakia became the 16th member of the euro zone. This eliminates any foreign exchange rate risk if investments are euro-denominated. It is already evident that the Slovak economy is suffering less than other countries.

Verdispar's Forecasts:

The whole global economy is under enormous pressure, and the real estate market is no exception. There are tensions in all segments. Most projects that were scheduled to start have been postponed, and those under construction are experiencing difficulties that vary according to the phase in which they were hit by the crisis. Virtually all major sales transactions have halted, and everyone is waiting to see what will happen next. Some people compare this crisis to the downturns of the 1930s, 1970s or 1980s. Not until after the crisis is over can we can say how severe it was. But all past crises had in common that they ended, and life went on. We are absolutely sure that this crisis will not be an exception. The same is true of another statement – every crisis brings opportunity

Verdispar’s Forecasts:

The main opportunities are in site acquisitions. As mentioned, many developers once used leveraged financing to acquire sites for future projects. Banks were willing to co-finance them under favorable conditions, but only for a limited time – usually 2-3 years until construction and other permits were obtained. This grace period is slowly but surely ending. So far interest rates are falling, but soon they will rise and pressure will be even greater on developers that are using their reserves to sustain projects that are under construction. Not surprisingly, banks are trying to reduce exposures collateralized by non-cash-generating assets.

We estimate that the price correction may be as much as 40% of the original asking price. At these sites, value-added is generated mainly by planning and by obtaining permits. We thus believe that this year is the best time to acquire sites at genuinely distressed price. This is true of all types of sites for different uses – for example office, logistics or residential projects.

Prices in the residential sector will generally decline, since a majority of apartments for sale are old. Price corrections at newly built projects are not likely – if there should be any, then they will be offset by lower prices for building material and perhaps for labor. In recent years, skilled construction workers were better paid than university graduates.

Main feature of current situation (developer’s view)

- Higher equity required by banks
- Decrease of profit (calculated on IRR base)
- Higher pre-sale/pre-lease ratio required by banks
- Higher yields required by sellers
- Possible decreases on cost side
- Availability of distressed assets – sites, projects

We expect that within 2-3 years, there will be a resurgence of interest in new residential premises, mainly in middle class projects and preferably in good locations in relation to downtown or local amenities. We also strong advise investors to focus on projects using architectonical concepts that generate higher added value. Such projects are much easier to sell, even if the location is not as good or the asking price is higher. We do not expect any large-scale project to start during this period, even though site owners possess all the necessary permits and project are “shovel-ready” in technical terms. Instead, we expect many such projects will be offered for sale regardless of the stage they are in, but at attractive discounts.

Verdispar’s Recommendations:

look for

- distressed cash-flow-generating real estate
- distressed sites in in potentially good locations
- “made to measure” projects

As for office development, during this stage of the recession there is little or no chance that additional office projects will even start. This is because the companies that are the potential tenants are struggling to survive, and the expansion plans that were nicely outlined before crisis are probably buried deep in top managers’ desk drawers. Under current conditions, it is almost impossible to meet the equity criteria and pre-lease ratio required by banks.

On the other hand, we believe that construction of smaller projects made to measure for a single known tenant has greater potential. In such cases, a highly individual approach is required.

In industrial and logistics development, we predict a sharp decrease in construction of new premises. In the near future there will be none of the speculative development that existed in the past. Developers’ yields calculated on an internal rate of return (IRR) basis will also be lower, since the higher proportion of equity required by the banks will have a negative impact.

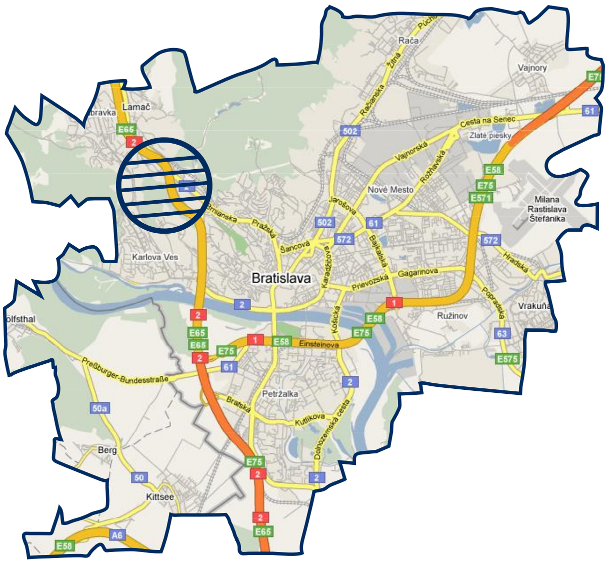
We expect a different situation in the retail segment, since consumption of basic convenience goods cannot be stopped and postponed for a year or two. The same is true of other consumer products (housewares, clothing, drugstore products, shoes etc.). We expect people to keep spending their money as long as they have jobs. Of course they will do so in a limited way at first, but once they get used to this new situation, spending will again rise. This means that shopping centers have a solid chance of success if they are built in good locations with adequate catchment areas. We predict an expansion of local shopping centers into secondary and even tertiary cities.

Cash-flow-generating real estate and distressed assets will definitely become attractive investment opportunities, since current owners may be forced to sell due to a shortage of liquidity. They will thus have to accept a lower sale price (higher yield requirement). Although Slovakia has joined the euro zone, it is still not considered a mature market. It is thus realistic to expect higher activity by those seeking opportunities than by risk-adverse investors who prefer greater security to higher potential return.

INVESTMENT OPPORTUNITIES

Opportunities in residential development

Verdispar with its experienced local team has already identified several possible locations and is well positioned to acquire large-scale sites for future developments for a very attractive cost. One such location is in the northwestern part of Bratislava and offers good local amenities, good transport connections to downtown, forests etc. These qualities make the location enormously attractive to the young middle class, a market segment that has almost been ignored so far. In addition, focusing on this segment will also enable us to benefit from economies of scale and thus generate attractive yields.

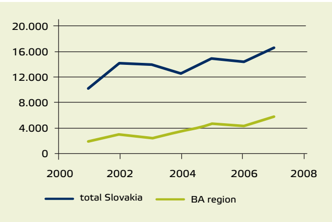


Benefits:

- a strong and so far "undiscovered" segment – the middle class
- economies of scale
- potential to create an attractive, pleasant, desirable residential concept
- larger area allows concentration of non-residential spaces (retail units) in one local shopping center (better utilization of gross building area, GBA)

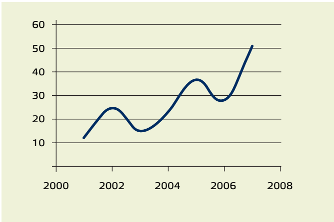
Targeted middle class buyer's profile
University degree
Young family, parents aged 25-35 years
No child or 1 – 2 children
Monthly family income of €1,600 – 2,200 net
Usual mortgage financing: up to 85% of price
Apartment size: 60-80 sq. m (645-860 sq. ft.)
Apartment price: app. €140,000 (€2,000/sq. m)

Number of finished dwelling units in Slovakia and Bratislava region



Source: ministry of construction and refional development

Total number of finished dwelling units in City of Bratislava per 1,000 people



Source: minsitry of constitution and regional development

Notes:

- The term "dwelling units" includes both apartments and single-family homes. The share of single-family homes in residential construction is about 55%.
- The population of the Bratislava region is about 611,000, of whom 82% live in cities and towns. The region includes several sub-regions formed around bigger towns. The City of Bratislava proper is home to about 427,000 people.

In addition, the Slovak government has introduced a state subsidy for young people and families in the form of lower interest rates on mortgage loans. The benefit represents a decrease in the final interest rate of 300 bp. Of course some conditions apply, but this subsidy makes apartments more affordable/marketable and represents an attractive opportunity to invest in this segment.

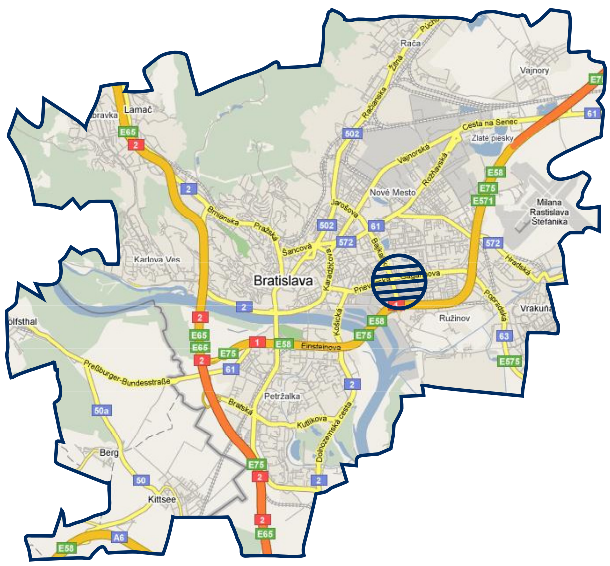
Opportunities in office development

Existing office space shows a vacancy rate of 5-8%, which is expected to reach 15% in the near future. In a medium-term perspective, given that all projects are currently on hold and no new projects are starting, there will be a shortage of office spaces which will result in higher rents.

Verdispar has identified an area that is currently a brown field as having good potential for further development. It is adjacent to the new Apollo Business Center II (with some 78,000 sq. m or 840,000 sq. ft. of Class A office space and 6,000 sq. m or 65,000 sq. ft. of retail units, developed by HB Reavis – the biggest local office developer). We believe that it will become a logical extension of the existing business zone. According to Verdispar's analysis this area possesses all the necessary attributes for a modern office district, among others proximity to a major highway, good city bus connections and nearby existing residential space providing all amenities, which is certain to be appreciated by employees of future tenants.

Forecast – office market

	Short term	Medium term	Long term
Rent	Down	Up	Stable
Supply	–	–	Up
Land Price	Down	Moderate growth	Up
Yield	8.0%	7.5%	7.0%

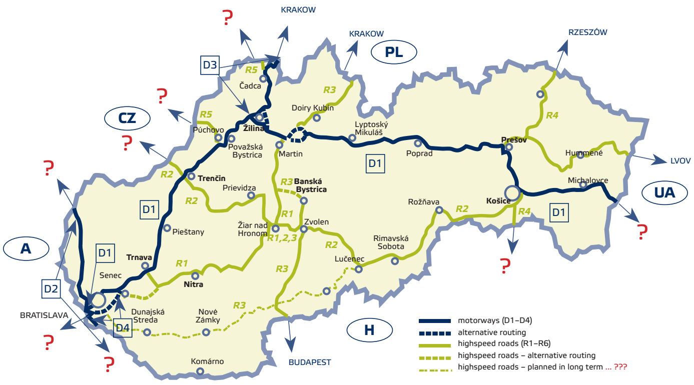


Apollo Business Center II

At the edge of this area are newly constructed office buildings (not part of the Apollo Business Center II) which house large-scale tenants such as PSS, a financial institution; the headquarters of Metrostav, a construction company; and the headquarters of the Slovak branch of Strabag, an Austrian construction company. This provides a unique opportunity to create an attractive office concept with synergistic effects.

Opportunities in industrial & logistics development

Verdispar is closely monitoring the potential for acquiring sites available for industrial and logistics space in Slovakia. It is realistic to expect the eastern part of Slovakia to offer good opportunities for construction of such premises in the future, since this region offers a relatively cheap and skilled work force. The Slovak government has repeatedly declared its intention to complete an east-west highway across the country, whose non-existence has been considering a major weakness. Now these plans are moving toward realization, and the new highway should stimulate other construction and help sustain employment in less developed regions.



SLOVAKIA LEGAL & TAX ISSUES

In recent years there have been many positive changes. Among the most valuable have been a continuation of Slovakia's investor-friendly economic policies following the 2006 election, which brought in a new government, more effective law enforcement and the introduction of a flat income tax rate.

In general, international law does not apply to real estate located in Slovakia, where real estate law (acquisition, ownership, use, property development and related issues) consists of several separate legal regulations, of which the most important are:

The Civil Code, which provides general regulation on legal issues including those connected to real estate. It defines real estate, regulates the acquisition of real estate, the leasing of land and premises, etc.

The Cadastre Act, which establishes a register of land and immovable property ("the Cadastre") and defines its purpose and procedures including registering all rights linked to immovable property. Cadastral records are deemed trustworthy and binding in character if not proven otherwise. General information in the Cadastre is public (ownership, encumbrances, mortgages, etc.) but some information is confidential (e.g. personal data, price of land, etc). The Cadastre is also accessible via the Internet, but the information there is not legally binding. According to this act, non-residents can also acquire real estate in Slovakia, except agricultural and forest land.

The Act on Ownership of Apartments and Non-residential Premises, which establishes the conditions and procedures in acquiring premises in residential properties and regulates the relations among co-owners in such buildings.

The Act on Lease and Sublease of Non-residential Areas, which regulates relations between landlord and tenants.

A new income tax act was introduced in 2003 and brought many positive changes. The most appreciated features, among others, are an income tax rate of 19%, tax deductions on major items, favorable depreciation rules and the possibility of carrying over losses from previous years.

On January 1, 2005 the **real estate transfer ta**x was abolished, but transfers of real estate may be subject to VAT and income tax.

Sources: The Slovak, Czech, Polish and Hungarian national banks and statistical offices, the European Commission and Eurostat.