MARKET INDICATORS

Market Outlook
Prime Rents: Stable growth of prime rents will continue in the short term as headline rents in Bratislava grow.
Prime Yields: High investment appetite reflects in stable yields.
Supply: New development is planned outside of traditional locations as new players enter Slovak market.
Demand: New demand stems mainly from e-commerce sector and logistics providers, with automotive industry cooling its property demand amid production woes.

Prime Industrial Rents – September 2019
LOGISTICS LOCATIONS GROWTH %

<table>
<thead>
<tr>
<th>YR</th>
<th>1YR</th>
<th>5YR</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bratislava</td>
<td>4.00</td>
<td>4.80</td>
<td>5.03</td>
</tr>
</tbody>
</table>

Prime Industrial Yields – September 2019
LOGISTICS LOCATION (FIGURES ARE AVERAGE, %)

<table>
<thead>
<tr>
<th>CURRENT</th>
<th>LAST</th>
<th>LAST</th>
<th>10 YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q</td>
<td>Q</td>
<td>Y</td>
<td>HIGH</td>
</tr>
<tr>
<td>Bratislava</td>
<td>6.20</td>
<td>6.20</td>
<td>6.50</td>
</tr>
</tbody>
</table>

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance

Overview
Year-on-year GDP growth for Slovakia slowed considerably to 2.5% compared with 3.4% in the previous quarter. Economic sentiment was traditionally affected by the developments in Germany, whose quarterly GDP growth is showing signs of weakness. Slowdown in the automotive industry affected the declining export activity. However, this is largely offset by domestic demand which remains strong and supports stable inflation growth. Expected growth of real wages will indirectly support the logistics industry which should maintain a strong demand for new premises.

Occupear focus
Demand growth is still expected to be the highest in the sectors of e-commerce, logistics and automotive, although carmakers failed to maintain the exceptional growth dynamics from last year and will need to tackle the issue of demand shift in favour of electric vehicles. Rise of e-commerce spills over to city logistics property market. We expect speculative development to decrease in the near future as the new standard for the pre-leased area share of total GLA in case of new projects increased compared with the previous years. We believe this is one of the leading factors that will reduce vacancy rates, along with the substantial new demand.

Investment focus
Industrial prime yields stabilized after a robust long-term contraction that narrowed the spread against other asset classes. Office property investment outpaced the industrial sector in 2018, however, total investment reached € 746.5 million, up 62% from previous year. We expect this appetite to extend to 2019, driving purchase prices up. Yield premiums for light manufacturing properties in comparison with logistics have seen a long-term drop. Some major transactions are to be finalized towards the end of this year as the industrial market shows signs of strength.

Outlook
We believe that the odds of an increase in industrial yields in the short- to medium-term are slim. Rental levels have recorded a stable growth and the 4 EUR/sq m/month prime rent threshold has been reached. Further upward movement in rents is attainable. Slovak industrial centre of gravity should continue to slowly shift to the east as some key players seeking workforce plan entry.