

# Introduction

Brdo Congress Centre  
14th September 2010

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# Inspiration for the event...

- A conversation with a fund 3 years ago. They explained they had been trying to invest in Slovenia for over three years, but had been unable to find suitable assets...

# The event is thanks to...

- Zoran Stamatovski, Matej Skočir and Kaja Kastner from Japti who were enthusiastic, receptive and helpful from day one. They provided funding, organization skills and support and we are indebted to them...

## Also thanks to...

- Ana Filipov from Schoenherr, Clare Moger and Tom Dane from PricewaterhouseCoopers, for their enthusiasm and encouragement, to Mike Edwards and Luka Jevnikar from Cushman and Wakefield in Budapest for travelling so far, and to Philippe Bozier from PwC for agreeing to attend

# And further thanks...

- To the institutional investors who have come from Germany and Austria to share their experiences of investing in CEE real estate

# Frank Hildwein

- Senior Vice President at Heitman
- Has been personally involved in approximately €4.5 billion of transactions across Europe
- Responsible for sourcing and underwriting investments in CEE for Heitman, a multinational real estate firm with \$21.3 billion in assets under management

# Martin Hezoucky

- Investment Manager at Bank Austria Real Invest fund
- Fund has €1 billion under management
- Has worked in facilities management and investment for 18 years, in Austria, Slovenia, Czech Republic, Slovakia, Croatia, Hungary

# Heinz Kunesch

- Heads up group restructuring of real estate for Hypo Alpe Adria
- 30 years experience in real estate development, project finance (leasing specialist), and divestment
- Extensive experience in logistics and other asset classes



# Stefan Marker

- Head of investment CEE for CA Immo International
- Has been responsible for acquisitions in Russia, Poland and Serbia
- C A Immo recently acquired the Europolis fund
- Now has over €6 billion of assets

# And final thanks...

- To you, the developers, bankers, media, and other industry experts who have taken time out of your busy schedules to attend the event...

# Introductions

- Today we will be covering legal, tax, valuation, real estate agency and other issues. The panel before you includes some of the foremost experts in the CEE region.

# Ana Filipov

- Partner of Filipov, Petrovič in partnerji
- In cooperation with Schoenherr, regional law firm with offices and desks in 18 CEE countries
- Ana focuses on real estate and dispute resolution
- Graduated 1996, member of Slovene bar since 2001, and with Schoenherr since 2002

# Mike Edwards

- Head of valuation and advisory - Cushman and Wakefield Budapest
- Cushman and Wakefield is the largest privately owned real estate advisory in the world, with offices in more than 60 countries
- Member of the RICS, has valued most classes of property across the CEE
- Has lived and worked in the UK, Czech Republic and Hungary

# Philippe Bozier

- Leads the PricewaterhouseCoopers advisory in Slovenia, Croatia and Bosnia
- Has lived and worked in France, Germany, Romania, Ukraine, Netherlands and Macedonia
- Has advised on over 100 acquisition and/or financing projects in the region
- Provides corporate finance advice to a variety of Clients in ex-Yugoslavia

# Clare Moger

- Director of tax, PricewaterhouseCoopers Slovenia
- Joined PwC in London in 1995, moved to Bratislava in 2001 and to Ljubljana in 2010
- Has advised large multinational clients in a broad range of business sectors
- Set up the PwC real estate tax advisory service in Bratislava

# Jacqueline Stuart

- Director of Slovenia Invest
- Has lived and worked in the UK, Sweden, Spain and Slovenia
- Heads the only real estate company in Slovenia focused on commercial real estate
- Slovenia Invest is the local preferred partner of Cushman and Wakefield
- Wide range of services and asset classes including hospitality, office, retail, industrial and newbuild

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# What are institutional investors?

- Organizations that invest in various asset classes including specialist investment companies and funds that invest in property
- Can be banks, pension funds, sovereign wealth funds, property funds, insurance companies, hedge funds etc.
- Often hold a broad portfolio of assets in different locations including office, retail and logistics

# What do institutional investors invest in?

- Fully rented office buildings
- Rented retail assets (shopping malls)
- Rented logistics parks
- Business hotels (only some funds)
- There ARE exceptions...

# What do institutional investors NOT invest in

- Small deal sizes ( -5m€)
- Residential developments (some exceptions)
- Mixed use schemes with a residential element
- Leisure hotels (different in the US and again some exceptions)
- Buildings that are split horizontally (sometimes a vertical split is acceptable)
- Properties with small parts sold off

# What risk will institutional investors take?

- Institutional investors are risk averse
- Very few will take development risk, but some exceptions
- Most will demand pre-lets of 70 to 100% on new buildings

# What do institutional investors like?

- Large liquid markets. DTZ estimates that commercial real estate assets are held for an average of only 5 years
- A1 locations
- Class A buildings
- Quality tenants with a strong credit rating
- Long leases that are index linked to inflation

# Institutional investors in Slovenia

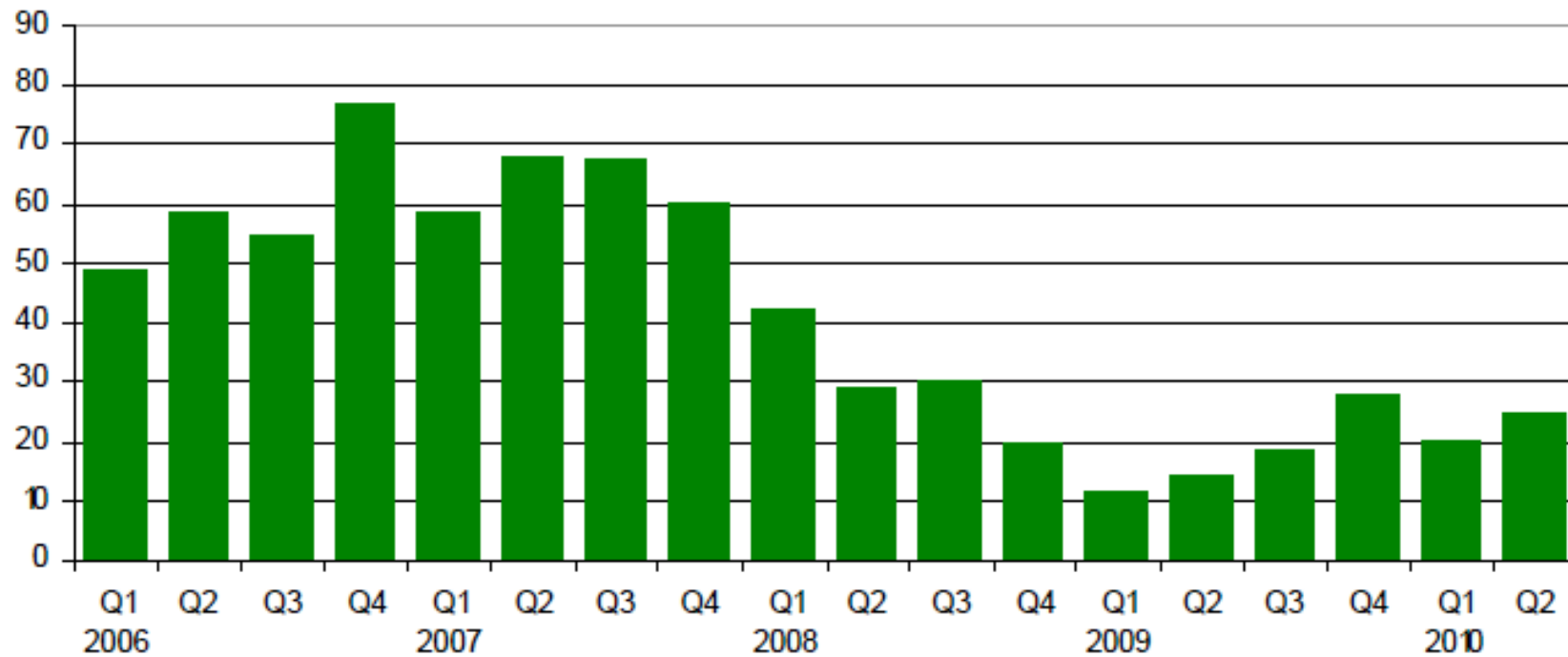
- Institutional investors ARE active in Slovenia. *In the past 5 years:*
- 3 different Austrian funds have acquired assets
- 2 different sovereign wealth funds from the middle east have acquired assets
- An Australian fund acquired an asset as part of a regional portfolio
- Presently only one domestic property fund active
- (Source: Slovenia Invest)

# The European market

- This covers investment properties, NOT development properties
- First half of 2010 saw nearly €46 billion transacted
- The market is recovering but has a way to go to reach the record of €77 billion transacted in the fourth quarter of 2006.
- (Source: CBRE)

# Turnover

Total Commercial Real Estate Investment Turnover in Europe (€ billion)



Source: CB Richard Ellis

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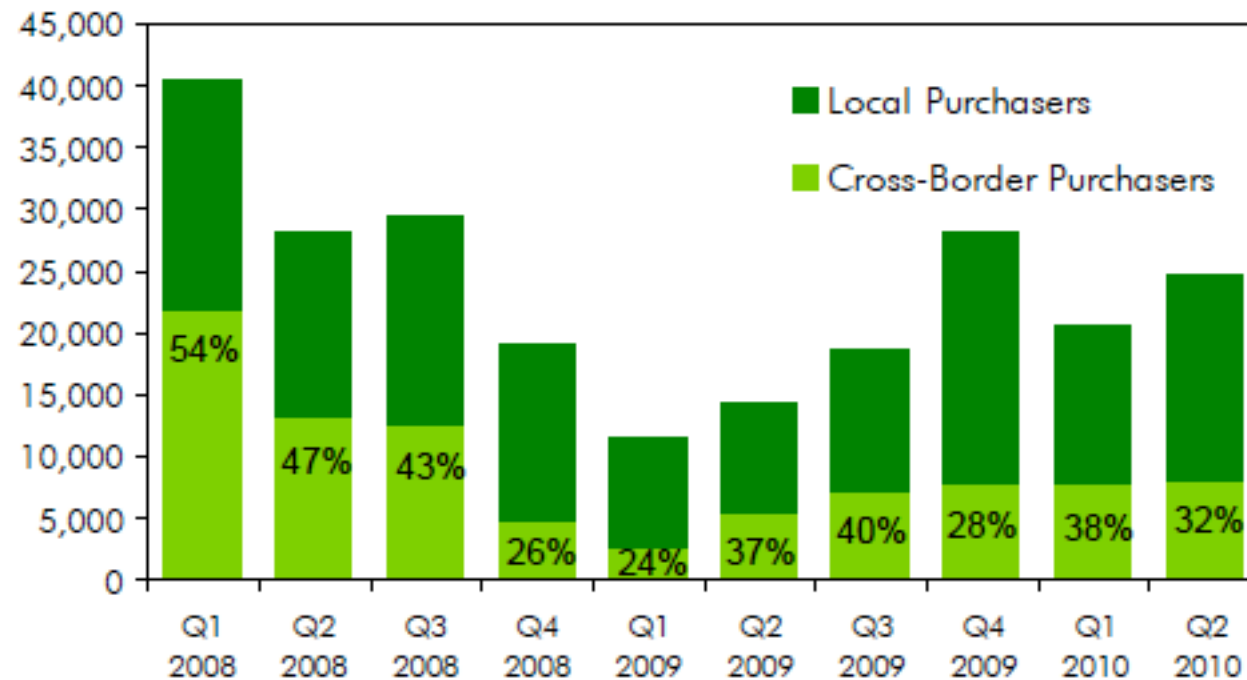


# Cross border activity

- Domestic buyers dominate the commercial property market across Europe, but less so in CEE
- Domestic buyers in Slovenia are responsible for only 17% of the transacted value in the investment market in the past 5 years
- (Source: Slovenia Invest)

# Cross border Vs domestic

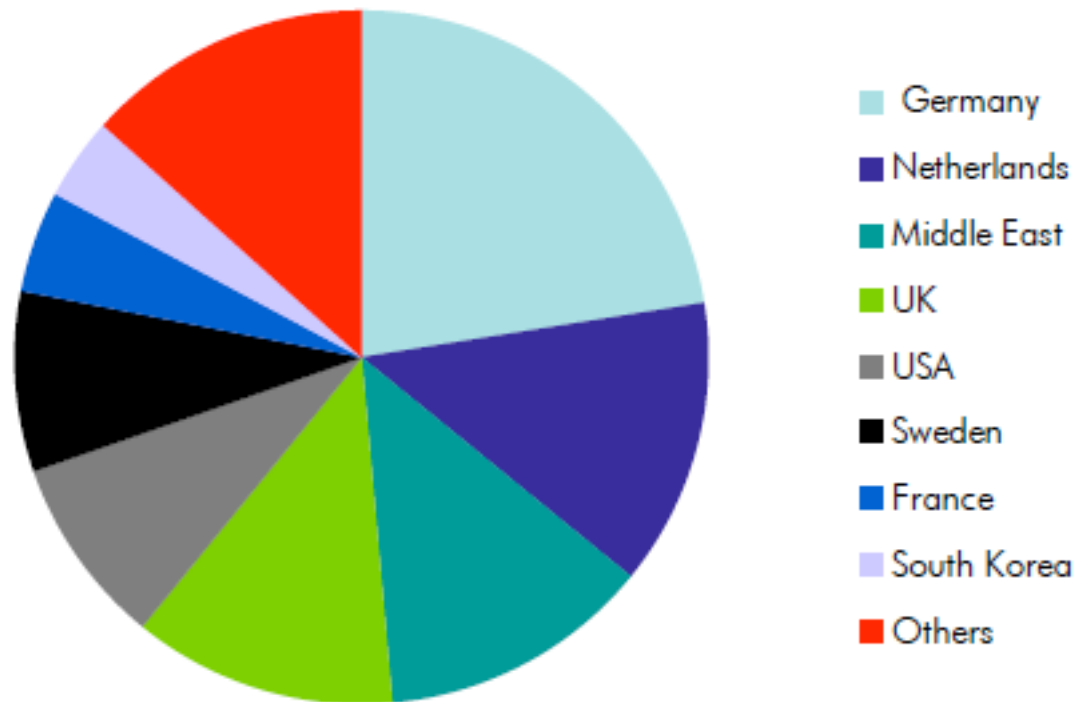
Cross-Border Investment Activity in Europe (€million)



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# Where do cross border buyers come from?

Cross-Border Investment by Buyer Nationality, H1 2010



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# Market is changing...

- Investors from Middle East and Far East increasing, now substantial net buyers
- Investors from USA now net sellers
- (Source: CBRE)

# Top ten investment markets

## Ten Largest Investment Markets, H1 2010

	Turnover (€ million)	Change on H2 2009	% of European Market*
Central London	6,506	-11%	17.9
Paris	2,270	-43%	6.2
Berlin	1,550	98%	4.3
Stockholm	1,246	94%	3.4
Vienna	825	163%	2.3
Munich	746	-13%	2.0
Madrid	738	353%	2.0
Milan	594	-42%	1.6
Rome	534	364%	1.5
Hamburg	505	-51%	1.4

\*Excluding indivisible multi-city portfolios

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# Investment in CEE

- In troubled times, investors retreat to core markets
- €1.7 billion transacted in the first half of 2010
- Dominated by foreign investors, particularly from Germany
- (Source: CBRE)

# Transactions in Slovenia and neighbouring countries

<b>Country</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Slovenia	3 deals 53.1m€	3 deals 56.3m€	1 deal 128m€	None	None
Austria	63 deals 2,400m€	67 deals 2,800m€	38 deals 2,100m€	36 deals 1,300m€	26 deals 1,020m€
Croatia	5 deals 214m€	3 deals 178m€	5 deals 252m€	2 deals 54m€	1 deal 77m€
Hungary	25 deals 759m€	38 deals 1,928m€	15 deals 434m€	6 deals 263m€	4 deals 118m€
Slovakia	6 deals 292m€	13 deals 444m€	15 deals 170m€	4 deals 42m€	1 deal 17m€
Czech Republic	42 deals 1,757m€	58 deals 2,655m€	27 deals 1,109m€	15 deals 496m€	11 deals 194m€
<b>Total</b>		<b>No. Of deals</b>		<b>Total volume</b>	
Slovenia		7		237.4m€	
Austria		230		9,620m€	
Croatia		16		775m€	
Hungary		88		3,501m€	
Slovakia		39		965m€	
Czech Republic		153		6,210m€	

(Source: CBRE and Slovenia Invest)

# Slovenia - pros

- Member of EU, Nato, Schengen zone, Eurozone, OECD
- Most prosperous of the accession countries
- Politically and economically stable
- Favourable ratings from Fitch, S&P and Moody's
- Advantageous geo-political location



# Slovenia - cons

- Small country - only 2m inhabitants
- Very immature investment property market
- Lack of suitable investment properties
- Little local investment in income generating property assets, so market has poor liquidity

# Outlook for the European market

- Investment transactions continuing to increase
- Bank finance availability still a problem
- Likely period of price stability
- (Source: CBRE)

# Outlook for the market in Slovenia

- Depends upon developers' desire to build, let and sell income generating assets
- Interest from institutional investors is evident, we have 5 here today
- Values for income generating assets in Slovenia unclear because of lack of transactions

# Now over to the institutional investors...

- For comments on their role in the real estate investment market
- The outlook for the commercial property market in Europe, CEE and Slovenia...