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Executive Summary

RECENT TRENDS

• **Economy:** The government slowly turned away from its ‘unorthodox policy’ to a more conventional one, with plans to negotiate and sign a credit agreement with the IMF and EU.

• **Investment:** The real estate investment market in Hungary was more or less frozen in H1 2012, with very few deals transacted and limited activity. Total investment transaction volumes were estimated to be around €73 million.

• **Industrial:** Overall, the lease market showed strong levels of activity. Many firms are in the market looking for space and mapping out opportunities. However, they still remained cautious and thus the number of actual transactions completed remained low.

• **Offices:** The Hungarian office market was stable in H1 2012. Total office stock, take-up volumes and rents remained unchanged from 2011, while the vacancy rate showed a slight increase.

• **Retail:** Budapest's retail market remained strong in terms of retailer demand and turnover. Tenant activity was also vibrant in Budapest as well as in some key-submarkets. Activities in markets outside Budapest remain weak as retailers concentrate on the capital.

“Green real estate as an investment strategy has become a real consideration to investors.”
Investment Market

OVERVIEW

- The real estate investment market in Hungary was more or less frozen in H1 2012, with very few deals transacted and limited activity. Total investment transaction volumes were estimated to be around €73 million, a figure that only includes transparent investment transactions. The H1 2012 investment level is below the H1 2011 transaction level.

- There were two significant investment transactions completed in H1 2012. The first was the sale of the five-star Le Meridien hotel to Dubai’s Al Habtoor Group. The other transaction was the sale of a regional retail portfolio by Carpathian to Blue House Capital, which involved two centres in Hungary and the Czech Republic. There were also a few smaller non-investment office building transactions sold to end users.

- After a strong finish in Q4 2011, buyer activity visibly decreased in H1 2012 due to the lack of available financing and uncertain economic climate. Potential deals were difficult to structure as financing was the “Rosetta Stone” often responsible for lengthy deal delays.

- After the gap between buyer and seller expectations narrowed last year, the gap appeared to widen again in H1 2012, due to difficulties in securing the necessary level of financing in order for buyers to reach their return targets and close deals. This scenario has pushed out initial yields. On the other hand, owners of well performing assets were under relatively little pressure to sell thus creating a “wait and see” attitude in the market. Closed funds winding down in 2013 or 2014 will need to make important decisions as to the timing and pricing of their disposal process.

- There were a few potential buyers scouting the market, looking primarily for retail projects and Grade A office buildings. These were mostly private equity and opportunistic funds with high yield expectations. It remains to be seen whether this interest will materialize into any concrete transactions in H2 2012. Speculators were also in the market looking to take advantage of smaller lot size distressed assets while Hungarian funds were less active in H1 2012.

- Overall, yields for prime office and retail projects remained largely unchanged on the market, at around 7.5%.

OUTLOOK

- For H2 2012, if there is a good property and a financing story, Colliers does not rule out the possibility of some larger transactions taking place, as there are buyers who are interested in acquiring Hungarian assets.

- Investor interest will continue to focus on high-class trophy assets in strategic locations, such as Grade A modern office properties. Interest in prime retail centres will also continue, but there will be limited interest in prime industrial properties.

- Sustainability and green certifications will perpetually move higher on buyers’ lists of priorities. Green real estate as an investment strategy has become a real consideration to investors whereas one year ago, having green qualifications in a portfolio was not a cardinal factor.

- For sellers, it will be increasingly important to put their houses in order and make thorough preparations prior to embarking on a deal in order to prevent delays in due diligence. This level of organisation will increase the chances of successfully completing a transaction, including the settling of any open issues that may be related to the property’s letting or operations.

- Some banks have started to bring certain elements of their property portfolios to the market, although this has not reached significant proportions and no great wave of sell-off auctions is expected in H2 2012. Most banks will continue to work on managing their portfolios.

- A boost to overall market sentiment will ensue with news of positive developments regarding the economic situation in Europe, as well as the progression of talks between the Hungarian government and the EU/IMF on a loan package.
Industrial Market

OVERVIEW

- The Budapest industrial real estate market remained stable in H1 2012, showing balanced activity in terms of supply and demand. Rents also performed in line with our expectations.

- With no new added supply, vacancy, rents and net absorption remained largely unchanged. Despite the fact that the volume of completed transactions was lower than 2011’s totals, leasing activity in H1 2012 showed solid interest on the demand side.

SUPPLY & DEMAND

- Supply did not grow in H1 2012, as no new projects were delivered to market. Thus the overall stock of industrial space in Budapest remained unchanged at 1.8 million m². The stock consists of 90% "big box" buildings, and 10% logistics projects.

- Take-up in H1 2012, which included pre-leases, new contracts and expansions, showed activity in demand. New lease contracts were signed totaling 53,000 m², but this included an 11,000 m² replacement of a service provider. Therefore, the actual space for which new contracts were signed was 42,000 m². This is below demand recorded in H1 2011.

- Similar to previous years, renegotiations and extended leases doubled the total of new transactions in H1 2012 equaling 82,000 m².

- Large-scale transactions were still missing from the market, with only two new deals for space registering more than 5,000 m² (including replacements). This is in comparison to 18 transactions recorded in the peak year of 2008. Logistics firms, which earlier accounted for a significant portion of take-up, have still not returned to the market. FMCG and retail sectors are less active as well.

- Overall, the lease market showed strong levels of activity. Many firms are in the market looking for space and mapping out opportunities. However, they still remained cautious and thus the number of actual transactions completed remained low.

VACANCY

- In addition to new leases and tenant expansions, a certain percentage of industrial space became vacant in H1 2012. Net absorption was slightly negative (around 6,400 m²) and the vacancy rate rose moderately to stand at 21.4% at the end of June. In total, there was 387,000 m² of vacant space at the end of H1 2012.

- The amount of empty space available was still fragmented around Budapest and its vicinity. While it was relatively easy to find space between 1,000–4,000 m², there were only nine locations that had more than 10,000 m² of continuous space available; Three of which had space over 15,000 m² and only one that had space exceeding 20,000 m².

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*Colliers rejoined the organization last year, but the full harmonisation and updating of the data and the methodology of calculations (even within the BRF) has not been completed yet; this process is expected to be finalised in the near future. 
**The Colliers monitored stock has been modified based on the BRF. So the stock growth from H2 2010 to H1 2011 is due to the harmonisation.
Industrial Market

RENTS, TRANSACTIONS

• Rents did not show any discernible change in H1 2012 as headline rents for big box buildings ranged from €3.2–4/m²/month, while the rate for city logistics buildings was around €4.5/m²/month.

• Rental contract strategies varied among owners taking on new tenants. Some owners were very flexible and were willing to sign deals at lower rates in order to secure a stable cash flow, while others opted to leave space vacant, waiting for the right tenant that would pay a higher rent. The difference depended on the owner’s business philosophy, as well as his or her financing situation and banking relationships.

• The market for industrial and land transactions showed signs of increasing activity in H1 2012. There was interest for smaller plots, industrial buildings and warehouses (1,000–2,000 m²) by end-users, while land needs for longer-term projects were also starting to appear. The manufacturing sector has also become more active in the market.

• Overall, it can be noted as a positive development, clients in the industrial market increasingly turned to advisors such as Colliers to aid them in achieving their real estate goals. Working with a professional firm has resulted in increased transparency in industrial property transactions on both the supply and demand side.

OUTLOOK

• We expect the trends seen in H1 2012 to continue throughout the second half of the year. Any major changes would be attributed to the general improvement of the global economic environment or thanks to a country specific improvement.

• The development pipeline is limited. The only projects in the foreseeable future will likely be pre-lease developments, and no speculative developments.

• Demand will not increase significantly in the near future, but the market of renegotiations and renewals is likely to be very active. The same can be said for small or medium-sized industrial buildings, as well as industrial properties located in the countryside. However, despite a slight rise in demand, rents may still underperform in H2 2012.

• In Budapest, a upswing in household consumption would positively impact the vacancy and net absorption rates in the city thereby giving a boost to retail and FMCG companies, allowing them to expand in the industrial property market.

• We expect that take-up will not be significantly higher in H2 2012, thus taking the annual figure to somewhere around 100,000 m², or below 2011 levels.
Office Market

OVERVIEW

- The Hungarian office market was stable in H1 2012. Total office stock, take-up volumes and rents remained unchanged from 2011, while the vacancy rate showed a slight increase.

SUPPLY

- Total modern office stock marginally increased in H1 2012 by 2,353 m². The IQ Offices, a smaller 2,353 m² office building in Central Pest, was the only registered new completion during this time.

- There were no new starts in H1 2012, although there are a few projects in the pipeline that are expected to be completed near the end of 2012 or in early 2013, while others will come to market in 2014.

DEMAND

- Office take-up totaled 149,000 m² in H1 2012; a lower figure than take-up numbers for the same period in 2011. New take-up and renewals accounted for 85% of all activity, while expansions totaled almost 16,000 m², more than 10% of all office activity.

- Renegotiations remained the dominant take-up activity. Large tenants who leased more than 5,000 m² of space preferred to stay in the same location under more favourable conditions rather than moving offices. Significant renegotiation deals in H1 2012 included VOCH Vodafone Operations Centre (8,000 m²) and Citibank (10,000 m²).

- Colliers was involved in two of Hungary’s biggest transactions in 2012, representing IT Services in a 16,000 m² renewal and expansion deal in Infopark. Colliers was also involved in the biggest relocation transaction of the past two years, in which T-Systems leased 15,000 m² in the South Buda Business Park.

- Sustainability continued to be high on the priority list of tenants. LEED or BREEAM certified buildings are becoming a must for any new development, and tenants also achieved success in influencing owners to make sustainable upgrades and renovations to existing buildings. Colliers played a leading role in advising tenants like Citibank and recently assisted in making Vací33 a green building. Green considerations were also an important factor in Avis Budget Group Business Support Centre Kft. choosing Green House for its office location, a new development set to open in H2 2012.

VACANCY/AVAILABILITY

- Despite an active leasing market and unchanged supply, the office vacancy rate increased in H1 2012 to 21.3% (the figure for offices excluding owner occupied stock rose from 23.4% at the end of 2011 to 25.8% due to the net effect of new leases, relocations, expansions and market exits).

RENTS

- Owners continued to realise the importance of owner-tenant relations and its impact on operational cash-flows. They worked to ensure the needs of their existing tenants were being met and offered incentives to attract new clients to their buildings.

- Due to the incentives on offer, rents remained under pressure while effective rents stayed at 2011 levels.
Office Market

OUTLOOK

- We expect that take-up will remain strong in H2 2012 but the overall volume for 2012 will stay below 2011’s take-up level of 300,000 m².

- The only major completion expected this year is the 17,500 m² Green House, developed by Skanska. The 15,500 m² Váci Greens project, developed by Atenor Group, is scheduled to open in early 2013.

- Several developers are considering new office projects, but none are expected to break ground in H2 2012. Market conditions remain challenging, as banks demand high pre-lease and equity levels to grant financing. Given the unwaveringly low rental rates, developers would have a hard time covering the high cost of financing, thereby leaving developers with strong equity positions at an advantage.

- There are two office projects under construction that will come to market in 2014. Futureal is constructing a new office building in the Váci Corridor where KPMG will occupy approximately half of the building. Expected completion is Q2 2014. Horizon Development is developing a new headquarters for PwC in the Central Business District, which is also slated to open in 2014.

- There is however a business case to be made for new office space, as supply is limited for tenants looking to lease large spaces above 5,000 – 10,000 m².

- Budapest remains an attractive location for business process outsourcing providers (BPOs) and shared service centres (SSCs), due to its competitive reputation and highly-trained workforce with good language skills.

- We foresee no major changes in vacancy or rent levels in H2 2012. Stagnation is expected in every market segment and renegotiations are likely to remain the major driver of office market activities.

- A change in economic sentiment toward Hungary is needed to improve the office market. With talks currently underway, there is a good chance that the government will succeed in signing a loan deal with the EU/IMF in H2 2012 which could help stimulate demand.
Retail Market

OVERVIEW

• The retail market in Hungary was stagnant during H1 2012, and showed no signs of recovery in H2 2012.

• Budapest’s retail market remained strong in terms of retailer demand and turnover. Tenant activity was also vibrant in Budapest as well as in some key-submarkets. Activities in markets outside Budapest remain weak as retailers concentrate on the capital. Food Retail continued to expand, but concentrated on smaller downtown supermarkets and convenience stores and no longer on opening hypermarkets and larger format supermarkets. New Big Box development activity is at a standstill, but there has been activity to fill vacant space left by the demise of Electroworld and DigiDog with local home electronic, discount, drogerie, pet supply and second hand clothing retailers taking up the slack, but at reduced rents.

SUPPLY & DEMAND

• In H1 2012, market players remained cautious regarding new store openings. The prevailing sentiment has resulted in lengthier deal and development timelines than in pre-financial crisis years.

• Domestic spending showed no great change in H1 2012. Official statistics indicated turnover numbers between January and April 2012 stagnated in comparison to turnover numbers the previous year and fell by 2.7% in April (y-o-y). After incremental increases during the first three months of the year, turnover numbers dipped in April.

• According to the Central Statistical Office (KSH), retail sales were down by 0.7% between January and April compared to the same period in 2011. However, cosmetics (+10.8%) and clothing and footwear (+4.4%), relevant segments to the retail property market, showed solid growth in H1 2012.

• Sió Plaza in Siófok by the shore of Lake Balaton was the only retail centre to open in H1 2012. The 17,000 m² shopping centre, which was completed in June and developed by Erste Real Estate, opened with a 70% occupancy rate. Tenants included H&M, Deichmann, Sony, Alexandra, DM and Coop.

• There was limited new shopping centre supply in the development pipeline. WING’s Hegyvidék Centre, an 8,500 m² neighborhood centre in the 12th district is planned for completion in October 2012. In H1 2013, a 20,000 m² expansion of the Árkád in Budapest is underway. Also, Futureal’s planned city centre at Etele tér received its preliminary planning permit, but is not expected to open before 2015.

• The Hungarian retail market saw its share of store closures this past year. However, there were numerous examples of new brands who entered the market or existing companies who expanded their presence in preparation for a potential market turnaround. For example, new entrants included Moncler, Hublot, North Face, Breitling while brands who expanded their retail footprint included H&M, C&A and Deichmann.

• The houses such as MOM, WestEnd, Arena Plaza, Árkád, performed well in H1 2012 and continued to add new tenants to their roster. Mid-tier shopping centers achieved less growth and in some cases, were faced with a greater percentage of store closures than store openings.

• Food store chains such as Spar, Penny Market and Aldi, opened stores along Károly körút and Rákóczi út instead of focusing on outlying areas. The opening of food store chains in the city helped to improve the look of these often run-down locations. Drugstore chains DM and Rossman also expanded in city centers across the country.

• Banks scaled back their national retail presence closing approximately 100 units in H1 2012. This trend was particularly visible in countryside towns, where banks decided to close a branch regardless of having to pay rent based on the stipulations in their long-term contracts.
Retail Market

SUPPLY AND DEMAND (CONT.)

- Budapest’s dominant high streets, Váci utca and Andrásy út, remained a focus for retailer activity, with particular attention and interest from luxury brands. These streets continued to see higher activity and succeeded in attracting new tenants such as North Face, DM and Hublot. Moncler and Breitling also signed agreements to set up new shops. In Váci, Jackpot opened a store, and Reserved, Claire's, GEOX and KFC will open in the near future. Other new international brands were looking to enter Váci in H2 2012 or by early 2013.

- Andrásy’s through-traffic increased resulting in fewer available storefronts in H1 2012. Rents hit a low this year but are expected to rise next year. Another positive sign for Andrásy was that Il Bacio di Stile, a luxury multi-brand department store under development, purchased additional floor space in an adjacent building. The expansion increased Il Bacio di Stile’s floor area from 3,200 m² to 5,000 m².

- The preliminary results of the “Plaza Stop” act enacted by parliament last year was visible in H1 2012. The Plaza Stop act required the approval by a central planning committee for all new retail developments with areas exceeding 300 m². The committee granted exemptions to smaller developments that involved an overhaul of an existing building in a central location but failed to approve new stores by Penny Market and Metro. Out of 82 requests in H1 2012, 38 retail developments were granted an exemption from the building ban.

RENTS

- Keeping with the trend over the past few years, retail rents in Hungary remained at low, attractive levels. However, rents for the best retail sites stayed steady or even saw an increase in their rental rates.

- Rent timelines and priorities diverged between tenants, developers and owners. On the one hand, tenants were not keen to sign long-term contracts and preferred shorter terms as low as one year, or looked to include one or two year opt-out clauses. Conversely, retail developers seeking funding were required to show long-term contracts to financiers, and owners looked to sign three year contracts with vendors.

OUTLOOK

- In H2 2012, we expect several new store openings but the outlook for retail turnover is still not positive, as a market recovery is not expected in the short term. A notable pickup in activity will likely occur in H2 2013 or in 2014. If the general economic climate in Europe and Hungary improves, it will boost consumer confidence and the retail outlook could change.

- The Mundo city centre by Echo Investment at Bosnyák tér, was granted an exemption and approved for development by the national development committee. The developer is now working on signing the required pre-lease agreements to get financing for the 37,000 m² project, and has tentatively set a completion date for 2015.

- The redeveloped areas of Vörösmarty tér, Károly körút or Erzsébet tér in downtown Budapest have the greatest retail development potential, but may face challenges if the city does not improve the parking situation for shoppers.
Hotel Market

MARKET ENVIRONMENT

In H1 2012, hotels registered a 4% increase in the number of guests and a 6% increase in guest nights compared to H1 2011. Four-star hotels continued to perform exceedingly well (a 15% rise in guest numbers), while three and five-star units were mostly unchanged. The increase in guest numbers in the four-star category is due in part to the significant increase in supply.

Overall occupancy rates started to rise again from 2010 levels, but still remained below peak 2007 figures. Total gross revenues increased by 7% in comparison to 2011, thanks to a weaker EUR/HUF exchange rate.

Although hotel transactions were not frequent in Hungary even before the real estate crisis, three upper-category hotels were sold in Budapest recently. The buyers of the Intercontinental, Gresham and LeMeridien hotels all have Arab ownership backgrounds.

DEVELOPMENTS

Among the larger developments in the pipeline, the ETO Park Hotel has been opened recently, while the Sheraton in Kecskemét is scheduled for 2013. In the countryside, 3 hotels were refurbished or expanded thanks to EU funds.

In Budapest, Mellow Mood is opening three new hotels. The five-star Buddha Bár Klotild Palace and the four-star Estilo Fashion Hotel have already opened, while the Mirage Fashion Hotel on Hősök tere will be open soon. The four-star Zenit Hotel in central Budapest opened with 97 rooms, and the opening of the Váci út unit of Park Inn by Radisson is expected to open in autumn. The long-delayed opening of the Rácz Hotel remains uncertain, although the issue seems to have reached a settlement.

GUEST NIGHTS, OCCUPANCY

The number of foreign guest nights increased by 10%, while domestic guest nights only by one percent. Room occupancy registered 42.8%, up only 0.2 percentage points from the same period of 2011.

Overall, the number of guest nights in Budapest increased by 8%, while at Lake Balaton guest nights remained the same as last year.

ROOM RATES, REVENUES

The average daily rate from January–June 2012 was HUF 33,000, HUF 14,200 and HUF 9,400 at five-, four- and three-star hotels, respectively. This represents a rise in all three categories, with the most significant increase of 10%, in the five-star category.

Overall, the gross revenue of hotels from accommodation increased by more than 9%.

OUTLOOK

Signs from H1 2012 look promising for the hotel market, thanks to foreign guests. Domestic tourism usually picks up in the summer months which will be boosted in part by the use of the SZEP cards already issued.

The expansion of supply will slow down, opening the way for increased occupancy at the existing supply level. The hotel development pipeline will also see a slow down, due to the lack of financing available for new developments, even with the support of EU funds.

Key Hotel Figures*

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Hotels</th>
<th>Number of Hotel Rooms</th>
<th>Occupancy of Rooms</th>
<th>Average Room Rate</th>
<th>RevPAR</th>
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<tbody>
<tr>
<td>5-star</td>
<td>21</td>
<td>2,000</td>
<td>59.8%</td>
<td>€112</td>
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<tr>
<td>4-star</td>
<td>249</td>
<td>6,000</td>
<td>49.3%</td>
<td>€48</td>
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<tr>
<td>3-star</td>
<td>488</td>
<td>1,448</td>
<td>35.8%</td>
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</table>

* First half of 2012

Source: Hungarian Central Statistical Office

NUMBER OF HOTEL GUESTS (MILLION)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic guests</th>
<th>Foreign guests</th>
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<tr>
<td>2008</td>
<td></td>
<td></td>
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<tr>
<td>2009</td>
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<td></td>
</tr>
<tr>
<td>2012</td>
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* First half of year

Source: Hungarian Central Statistical Office

HOTEL OCCUPANCY AND ADR*

<table>
<thead>
<tr>
<th>Category</th>
<th>Units</th>
<th>Occ.</th>
<th>ADR</th>
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<tbody>
<tr>
<td>5-star</td>
<td>21</td>
<td>59.8%</td>
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<td>3-star</td>
<td>488</td>
<td>35.8%</td>
<td>€32</td>
</tr>
</tbody>
</table>

* First half of 2012

Source: Hungarian Central Statistical Office

NEW OPENINGS IN BUDAPEST

<table>
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<tr>
<th>Hotel name</th>
<th>Cat.</th>
<th>Rooms</th>
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<tr>
<td>Prater Residence</td>
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<td>24</td>
</tr>
<tr>
<td>Palazzo Klotild</td>
<td>5*</td>
<td>102</td>
</tr>
<tr>
<td>Estilo Fashion Hotel</td>
<td>4*</td>
<td>70</td>
</tr>
<tr>
<td>Zenit Hotel Budapest</td>
<td>4*</td>
<td>97</td>
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</table>

Source: Colliers Research
Sustainable buildings

Since 2009, the number of newly-built office buildings in Budapest has decreased significantly. However, a trend has emerged where new real estate projects are seeking green certifications and recognition for achieving high development standards by reducing a building's footprint and environmental impact.

Budapest has also increased its number of existing certified buildings and buildings currently under assessment for certification. It is estimated that there is 240,000 m² of environmentally friendly office space in Budapest. This represents 7.5% of total modern office stock. By 2014, this percentage is expected to rise to 10% with the completion of new supply.

There are two widely used certification systems in Hungary: the U.K.-based BREEAM and the U.S.-based LEED. If we look at developments currently under construction or those shortly set to launch, by the end of 2014, we expect the completion of four BREEAM certified buildings and two LEED-certified buildings, comprising a total 112,000 m² of new green office space in the city.

In addition to office buildings, green shopping centers have also started appearing around the country. The first green retail projects in Hungary were the Campona and Pólus Centre malls. Both secured the BREEAM In-Use “Good” certification, based on their environmentally friendly operations. The recently opened Szeged Árkád shopping centre achieved the gold certification of Germany’s DGNB, while the Hegyvidék Center, currently under construction in Budapest's 12th district, achieved a BREEAM “Very good” pre-certification.

Green certifications are also available for industrial properties and hotels, but office buildings and shopping centres are proving more popular. However, ProLogis Park Budapest-Sziget, an industrial property in the country, acquired a BREEAM In-Use certification.

CERTIFICATION TYPES, LOCAL EXAMPLES

Both the UK and US systems have several sub-categories of certification.

For new-builds, there is LEED New Construction, LEED Core & Shell and BREEAM Europe Commercial. In each of these categories of certification, project stakeholders are required to work together from the inception of the project’s planning phase to its completion to ensure the building will have a sustainable design and orientation. The Infopark “E” building obtained the first LEED certification and will soon be followed by the K&H Bank office building, Skanska’s Green House and Nordic Light developments. In the case of BREEAM buildings, the K3 office building and Officium can be mentioned among the most recent completions, which will be followed by Váci Greens, K4, Eiffel Palace and Váci Corner.

For existing buildings, LEED for Existing Buildings Operation and Maintenance and BREEAM In-Use can be used in a retrofit or for improving the operations of an existing facility. Buildings pursuing this category of certification places emphasis on waste reduction for water, energy and building and office materials, reducing the use of hazardous materials and chemicals in the indoor environment and improving natural light and air quality for building users. Corvin Offices and Gateway Office Park achieved BREEAM certification in this category while the Váci33 office building is expected to obtain a LEED certification by the end of 2012.

Sustainable real estate development also allows for the certification of tenant office or commercial space within a building under the LEED for Commercial Interiors category. LEED CI is generally applicable in the establishment of a new tenant space or significant refurbishment of an existing space. Property developer, Skanska and the management of Bank Centre, both received a gold certification for their respective offices. The first Platinum certification in Central and Eastern Europe was achieved by the global service center of Citibank, located in Arena Corner, with the participation of Colliers International.

Lastly, it is important to note the different point systems within the LEED and BREEAM certifications. In the case of the BREEAM “Pass” category, 30% of the 100-point scoring system has to be met, whereas to achieve the LEED “Platinum” or BREEAM “Outstanding” level 80 and 85 points are required respectively. The scoring system and the grades allow green buildings to be comparable to each other and demonstrate the extent of their environmental sustainability.
COLLIERS RESEARCH

Colliers Research Services Group is recognized as a knowledge leader in the commercial real estate industry, providing clients with valuable market intelligence to support business decisions. Colliers research analysts provide multi-level support across all property types, ranging from data collection to comprehensive market analysis.

Across the Eastern European region of EMEA, Colliers researchers regularly collect and update data on key real estate metrics, set to consistent definitions bringing greater transparency and reliability to our real estate market analysis in the region. In most Eastern European markets, the office definitions used are consistent with those set out by the CEE Research Forum – an umbrella group, of which Colliers is a founding member. Definitions of the key metrics used in our regular reports are highlighted below.

KEY METRIC DEFINITIONS

• **Prime Net Initial Yield**: The yield an investor is prepared to pay to buy a Grade A building, fully-let to high quality tenants at an open market rental value in a prime location. Lease terms should be commensurate with the market. As a calculation Net initial yield = First years’ net income/purchase price (prior to deducting fees and taxes).

• **Prime Headline Rent**: Represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand, of the highest quality and specification in the best location in the market at the survey date. This should reflect the level at which relevant transactions are being completed at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on expert opinion of market conditions. The figure excludes service charges, taxes, and tenant incentives.

• **Total Occupational Market Activity (Gross Take-up)**: Total Occupational Market Activity is the total floor space known to have been let or sold as one of the following activity types during the survey period: Pre-let, New Occupation / Lease, Renewal/Renegotiation, Expansion, Sub-lease and Sale & Leaseback.

• **Net Take-up - Offices**: Net Take-up represents the sum of all Total Occupational Market Activity categories which represent a net increase in demand for space, i.e. excluding renegotiations & renewals from existing stock.

• **Net Take-up - Industrial**: Net Take-up represents the sum of all Total Occupational Market Activity categories which represent a net increase in demand for space, i.e. excluding renegotiations & renewals.

• **Total Competitive Stock - Offices**: Includes the gross leasable floor space in all Grade A and Grade B buildings, including owner-occupied buildings and government owned properties. Ancillary office space is only included if it can be reasonably used independently of the primary use of the building in which it is located.

• **Total Competitive Stock - Industrial**: Includes the gross leasable floor space in all Grade A buildings, including speculative and Build to suit stock. Other reference points include that the building must be heated and have a clear usable height minimum of 6 metres.

• **Space Under Active Construction**: Represents the total amount of gross leasable floor space of properties where construction has commenced on a new development or where a major refurbishment/renovation is ongoing at the survey date.

• **Vacant Space - Offices**: The total gross leasable floor space in existing properties that meet the Competitive Stock definition, which is physically vacant and being actively marketed at the survey date. Space should be available for immediate occupation.

• **Vacant Space - Industrial**: The total net leasable floor space in existing properties that meet the Competitive Stock definition, which is physically vacant and being actively marketed at the survey date. Any office/mezzanine, sanitary and technical areas as well as custom-built corridors/tunnels and canopies are excluded from the final figures.