



ERES Industry Seminar

A macroeconomic and real estate overview of the CEE region (incl. Slovakia)
Sustainable development factors and barriers in the property market

FRIDAY 23 OCTOBER 2020 | Session 1 - 09:30 AM / Session 2 - 11:30 AM (CEST)

ERES Industry Seminar | Morning Session

Topic: The outlook will present an overview of the global and local risks that are or might impact the real estate business in corona times. The session will focus on the Industrial & Logistics sector but will in part be applicable to other property sectors.

- Current real estate market trends and outlook
- CEE Investment market trends and outlook

Moderator: Kevin Turpin, Colliers International, Regional Director of Research | CEE

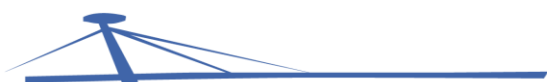
Panelists

- Martin Baláž, Prologis, Vice President, Country Manager, Czech Republic and Slovakia
- Paul Deverell, Future 2, Business Director
- Michal Bodocky, DSV Solutions Slovakia, s.r.o., Business Development Manager
- Richard Urvay, Colliers International, Managing Director, Slovakia

The ERES Morning Session has taken place online due COVID – 19 pandemic period and brought together real estate professionals from CEE region, given outstanding talks for the above – mentioned topics of current challenges and opportunities in these crucial times.

Various questions and subsidiary topics were also brought up to expand explicitly current trends, issues and outlooks in real estate and its sectors mainly focus on Industrial & Logistics sectors including rising E – commerce.

Martin Baláž from Prologis observed various challenges and opportunities during these crucial times of COVID – 19 in his field of operation from sustainability improvements of the buildings providing better performing buildings incl. their own from the Prologis portfolio developments provision. There are a lot of investments being considered for technologies to be implemented

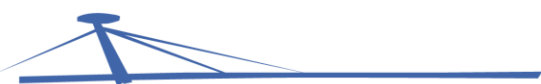


in the buildings for securing well – being of occupiers follow by certification growth to provide added value to a property, although certification is currently becoming a standard, measurement and a vital part of the building KPI for potential clients. Facilities and Facility Management sector itself has also shown significant improvement during day – to – day operations of the building and its facilities. Significant challenges for faster recovery and developments are affected not only by COVID – 19, but also by restrictive measures from authorities, legislation and master plan preventing developer build warehouses with clear heights above 15 meters which reducing efficiency of the building due lower operational areas compare to others or permitting periods follow by rents decrease and more demanding occupiers. In addition, e – commerce becoming a significantly large automotive competitor, we have determined strong demand for e – commerce space and their inventory space required significantly larger spaces than retail sector. In addition, market penetration by e – commerce sector will bring approx. 2 to 4 million sqm in Europe of warehouse space. Challenges also bringing opportunities as new sectors being created and marketable and sustainability consultants providing services for optimization of the building costs will be necessary during such crucial period of cost cutting. As a positive remark presented by Mr. Baláž is, that Slovakia has a big competitive advantage of land availability for big logistics and industrial parks developments and potential to attract strong covenant investors and companies as there is a space to develop more than existing and currently developing stock that is available on today real estate market.

Michal Bodocky from DSV Solutions Slovakia pointed out the rapid drop down in the automotive sector as the most significant impact was observed during this pandemic. The automotive sector is heavily relying on suppliers and there is a strong correlation in consistency for business and production operation procedures. Delivery of supplies for automotive production facilities and lines were impacted in national order starting in China, follow by Italy, Spain and finally to production lines in Slovakia and other countries with strong automotive export. As a strong impact on the automotive sector in a long term highlighting increase in automatization delivery for such production factory lines and its occupiers or employees follow by possible job redundancies creating unemployment. As a positive prediction can be stated, that for the year 2021 is to the best to provide better solutions to our clients and remain operational.

Richard Urvay from Colliers International said that best KPI's depicting what is happening in current market are transaction benchmarks where we can see some positive indication in Industrial and Logistics sector with some potential yields compressions. High saturated retail sector in Slovakia has been hit by the strongest altitude follow by office sector compare to others. It can be also predicted that the strong tenant's market will be pressuring on demand requirements such as flexibility of leasing contracts, more security, incentives, or flexible workplace solutions. It has been mentioned by Kevin Turpin, Regional Director of Research from Colliers International and moderator of this discussion that in this period, remote working become as one of the preferable options for preventing spread of COVID – 19. Mr. Urvay highlighted the most significant pros and cons of this approach. As he stated, this period is a new situation which needs a new strategy that will consider prevention of risks. It is important to control consistency of business income and compare the data to costs expenditure follow by some necessary costs cutting but properly communicated with employees and our clients. As a con of remote working is that new junior employees need their senior management being close to them and reasonably home office is not the best solution for their day – to – day tasks for a long period of the time. To conclude this year has been said that an actual impact of COVID – 19 we will see in 1st quarter of year 2021.

Paul Deverell from Future 2 has presented very significant points of technology implementation in buildings, sustainability matters and cost savings for landlords and occupiers. Tenants and



landlords being more interested in implementation of new technologies and improvements follows by increased communication flows about advanced technologies. Future 2, work on both sides and helping to satisfy both sides with smart approaches and platforms for their needs and they are also in between communication what should be paid by landlord and what are his obligation towards tenants and vice versa. In terms of sustainability goals, they must be provided through very strong and well-presented data provision and proper reporting consistency follow by building standards, certification, and accurate utilities invoices to shows the buildings operational efficiency and its best practice. As he said, they do not sell technologies, rather they consult the options, and this is a standard business delivery for owners of the buildings. In terms of costs savings, implementing and retrofitting building with new BMS can be expensive but can be replaced by simpler and cheaper BMS without some unnecessary deep software's follow by energy tariff reevaluation to save clients costs. To conclude, coordination of maintenance and proper monitoring of issues of the building and its equipment and utilities plays an important role how to optimize efficiency and reduce costs/expenses. Recording, monitoring, and comparing with historical data can helps to determine whether Landlord do their part in optimization of their own building properly for their own good and especially their tenants.

ERES Industry Seminar | Afternoon Session

Topic: Sustainable investment is about the responsibility and potential the real estate industry holds to reach climate and environmental sustainability targets. In a rapidly urbanizing world, the real estate industry lies at the centre of an unprecedented level of growth and activity. Sustainable property investments have developed from a niche concern to a mainstream product for new real estate developments and investment products over the past decade. Green buildings represent a significant share of Visegrad countries' development projects, which is expected to further grow. What are the challenges of investing in more sustainable buildings? Why we should consider sustainability when making investment decisions? Is it possible to quantify the effect of sustainable building practices? What are the consequences of the corona crisis?

Moderator: Hana Ovesna, Executive Director at Slovak Green Building Council (SKGBC)

Panelists

- Marek Kremeň, Exergy studio (Certification Building System), Partner
- Vladimír Orovnický, President at Slovak association for cooling, air-conditioning technology and heat pump, Managing Director at Daikin Slovakia
- Martin Stohl, Architect, Sustainability & Wellbeing Specialist at HB Reavis
- Peter Robl, Chairman of the board, Buildings for the Future

The ERES Afternoon Session targeted very important and current concern of climate changes, sustainability matters and sustainable building practices.

As well as in the morning session, various questions and subsidiary topics were also brought up to expand explicitly current trends, issues and outlooks in real estate and its sectors, mainly focus on certification, HVAC, compliance with standards and legislative compliance, building



energy performance or what are the biggest challenges in sustainable developments.

Globally and in Slovakia as well, the certification for buildings in the real estate market are preferable WELL, BREEAM and LEED certificates respectively, said Marek Kremeň from Exergy studio (Certification Building System) which has done a 1st certification in Slovakia in 2011. Certification is optional, but it's becoming standard on current market but unfortunately is not very marketable and deep in Slovakia although all involved parties are able see value in certification. Mr. Kremeň also said that landlord and tenants got required skills to determined whether building is fit for their business and wellbeing for their occupiers/tenants/employees.

Martin Stohl from HB REAVIS said in connection with the above – mentioned statements that certification comes with costs, it is not an objective of certification being certified, but rather it is to create a required value through considering sustainability, energy efficiency and building performance and lastly future generations. There is also a new certification called released and available free of charge called Health & Safety. As a key factor for serious consideration of sustainability is an actual motivation and attraction in sector for younger generations that are becoming progressively more aware and interested in climate change. As a positive remark Mr. Stohl said is that the new government and especially new municipality in Bratislava talks a lot about sustainability, uncountable positive impacts of application of green roofs in sustainable developments, but development progress is rather negative as architects must tackle current legislation and compliance standards rather applying improvements due still apparent restriction policies in our building legislation. What Mr. Stohl see as the biggest challenge in sustainable development in Slovakia and probably in global scale? Thriving city sustainable developments goes with costs and profit margin for developer.

Peter Robl, Chairman of the board, Buildings for the Future highlighted the most significant sustainability topics and concerns are energy protection and renewable sources must be improved and supply buildings with them accordingly to remain resilient and sustainable follows by circular economy, quality materials used, green public procurement, recycling and life cycle management as the market is ready and the market will have demand for such innovations and green deals if the policy will be approachable and wide open.

Vladimir Orovnický, President at Slovak association for cooling, air-conditioning technology and heat pump has presented their goal of indoor and outdoor air – connectivity as open windows are killers of building efficiency and its energy within. He also concluded the concern of adaptability this goal in the market as he said: “we know what to do, but we are hearing many times simple NO from various bodies not just from our local authorities but also from EU policy makers.

To conclude above – mentioned statements, the biggest challenge in sustainable development in Slovakia and probably in global scale are the thriving city sustainable developments goes with costs and profit margin for developer, certification marketability and apparent restriction policies in our building legislation.

ERES Industry Seminar Chair:

Andrej Adamuščin, Institute of Management of Slovak University of Technology in Bratislava, Slovakia

